

# STEPS TOWARDS A LIVING WAGE IN GLOBAL SUPPLY CHAINS



Cambodian garment workers travelling to work in Phnom Penh, 97 percent of whom are women. They earn between \$3 and \$5 a day and many suffer from malnutrition<sup>1</sup>. 2014 has been a year of unrest and violence, with demands for an increase in the minimum wage from \$100 to \$177 per month. Photo: Emma Hardy/Oxfam

*'Peace and harmony in the world requires an adequate living wage'*

International Labour Organization Constitution (1919)

Almost a century after the ILO Constitution recognized the need for workers to earn a living wage, the question of whether wages enable workers to meet their needs and those of their families has gained renewed momentum. Much has been written on the issue, but very little that assesses how companies are implementing it, and the outcomes.

In this paper, we outline the root causes of low wages, the barriers to ensuring a living wage is paid and the compelling reasons for responsible companies to act now. We give credit for steps taken in a range of sectors, provide a framework for deeper change and signpost initiatives that are aligned with this. The aim is to help companies who source from developing countries understand and tackle the issue and see what success looks like from an Oxfam perspective.

# THE ISSUE OF A LIVING WAGE

Over the last 25 years, income from labour has made up a declining share of GDP across low-, middle- and high-income countries alike.<sup>2</sup> As Oxfam highlighted in its 2014 report '*Even It Up: Time to End Extreme Inequality*', this is a key driver of growing inequality which is harmful both for society and the economy.<sup>3</sup>

A living wage<sup>4</sup> does more than keep people out of poverty. It allows them to participate in social and cultural life and afford a basic lifestyle considered acceptable by society at its current level of development.<sup>5</sup> It is a human right.<sup>6</sup> When a profitable company does not ensure a living wage is paid, it is pushing onto the most vulnerable people in its supply chain the negative impact of its business model. This is unfair and unsustainable.

## Oxfam research, campaigning and corporate engagement

### Research

Poverty wages were a key finding from recent Oxfam studies conducted with companies:<sup>7</sup>

- A **study of labour standards in Unilever's Vietnam supply chain** found wages in its own factory exceeded the legal minimum and poverty line but some fell well short of a living wage, and wages were just above the minimum in the suppliers studied.
- A **study with Ethical Tea Partnership** concluded that wages of tea pluckers were below the poverty line in India and below the extreme poverty line in Malawi, despite meeting the legal minimum and providing in-kind benefits.
- A **study with IPL in Kenya** found job security increasing for skilled workers in flower pack-houses, but low wages and poor childcare were common. Oxfam calculated that wages could be doubled if just 5p were added to the retail price of a £4 bunch of flowers and earmarked for wages, an increase of 1.25 percent.

This is not just a problem in developing countries. Oxfam's report **Working Poor in America** highlighted that the US federal minimum wage of \$7.25 an hour was well below the poverty line for a full-time worker and has not increased for more than 7 years. It argued for an increase to \$10.10 for five reasons: it is what the overwhelming majority of Americans want, it would benefit 25 million workers (and 15 million children in their families), it would fuel economic growth, it would save taxpayers' money spent on social-welfare programmes, and it is long overdue. In a poll, even a majority of small business owners were in favour.<sup>8</sup>

### Campaigning

Oxfam's **Behind the Brands** campaign has rated and ranked the top 10 global food and drink companies on their supply chain policies against a **transparent scorecard of indicators**<sup>9</sup> and used public mobilization involving 700,000 people to help drive a race to the top. The campaign has called out companies with poor scores, then given public credit to meaningful commitments, for instance by Mars, Mondelez and Nestlé to increase **women's empowerment** in the cocoa industry and Coca Cola's leadership on **land rights**. The indicators include whether the company has an explicit commitment to a living wage, whether it engages with the trade union IUF, and whether it advocates protection of human rights by governments.

### Corporate engagement

Oxfam also acts as a 'critical friend' to companies open to change. For instance, it has continued to engage with Unilever, Ethical Tea Partnership and IPL as they implement the commitments made to improve supply chain standards based on the studies with Oxfam.

# LIVING WAGE AND THE UN GUIDING PRINCIPLES

*‘Business needs to demonstrate it contributes to the common good. The living wage is one of the most powerful tools for business to contribute to their workers’ human rights.’*

Phil Bloomer, Executive Director, Business & Human Rights Resource Centre.<sup>10</sup>

The **UN Guiding Principles on Business and Human Rights** set out companies’ responsibility to respect human rights, including in their business relationships in the supply chain. They must identify adverse human rights impacts and address them, even if they have not contributed to those impacts. Adverse impacts clearly include forced and child labour, such as that found in **cotton, seafood and palm oil**.<sup>11</sup> But they also include the millions of ‘low road’ jobs – many of them legal – in which workers cannot work their way out of poverty, however hard they try.<sup>12</sup> Job insecurity is as much part of the problem as low wages<sup>13</sup> and women are on a ‘lower road’ than men.<sup>14</sup> It is part of due diligence that sourcing companies assess the number of workers on ‘low road’ jobs in their supply chain and set them on a rising path.

WORK SPECTRUM			
UNSUSTAINABLE		SUSTAINABLE	
ILLEGAL ROAD Does harm	LOW ROAD In-work poverty	MEDIUM ROAD Does some good	HIGH ROAD Does good
<p>Forced labour, denying workers their human rights and freedom and children their education.</p>  <p>E.g. Trafficked slave labour in the Thai seafood industry.</p> <p>Photo: Environmental Justice Foundation</p>	<p>Subsistence only. Work on legal-but-low wages, excessive hours, often insecure. No worker voice.</p>  <p>E.g. Unrest and poor nutrition in Cambodia garments.</p> <p>Photo: Heather Stilwell/ Clean Clothes Campaign</p>	<p>Wages above legal minima, secure contracts. Workers’ committee.</p>  <p>E.g. Slowly improving work in a Kenyan flower packhouse.</p> <p>Photo: Oxfam</p>	<p>Secure work on a living wage, based on a collective bargaining agreement.<sup>15</sup></p>  <p>E.g. Wellbeing at a living wage employer in the Dominican Republic.</p> <p>Photo: DailyBruin.com</p>
<p><b>The negative impact of a poverty wage:</b></p> <p>A third of garment workers in Cambodia are malnourished, based on a 2013 study,<sup>16</sup> and there were more than 2,000 cases of fainting in 2012.<sup>17</sup> The unrest in the industry in 2014 has brought supply chain disruption and reputational risk to the industry and international brands alike.</p>		<p><b>The positive impact of a living wage:</b></p> <p>‘I can now access nutritious food and I never have to worry that I can’t feed my family. I have been able to send my daughter to university and keep my son in high school – this was always my dream.’<sup>18</sup></p> <p><i>Maritza Vargas, president of the Alta Gracia Union, Dominican Republic</i></p>	

# WHAT IS DRIVING LOW WAGES?

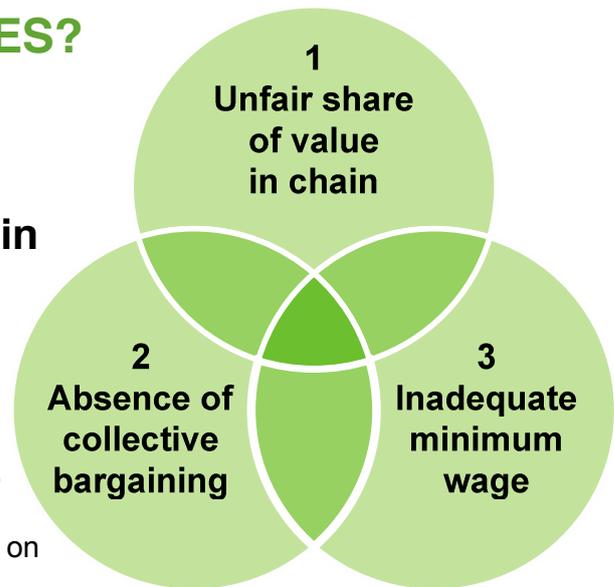
In Oxfam's analysis, there are three key drivers of low wages in global supply chains:

## 1. Unfair share of value in the chain

Business models push cost and risk down the supply chain to maximise profit for shareholders. There is a disconnect between corporate responsibility programmes and sourcing strategies.

Wages of garment workers have fallen in real terms, but prices paid have not increased. A survey by **Fair Wage Network**<sup>19</sup> found workers commonly rely on overtime, yet 68 percent of Asian garment suppliers reported difficulty paying overtime premiums.

Executive pay, though, continues to rise. Every CEO in the **UK's top companies** takes home £4.25 million a year on average, nearly double their income in 2002. This is 131 times as much as their average employee<sup>20</sup> and around 2,000 times as much as a typical garment worker in Bangladesh.<sup>21</sup>



## 2. Absence of collective bargaining

A major barrier to higher wages is the absence of collective bargaining. Trade unions are a vital countervailing force to capital that helps ensure prosperity is shared. Yet companies often treat trade unions as adversaries rather than as partners. Women make up a large part of the workforce in global supply chains, but most are unaware of their rights and have little or no voice in the workplace. They also carry a much greater **care burden** that restricts their ability to organise.



*'In the beginning, the employers did not understand the law on unionisation. They did not allow us to talk to workers. The struggle for workers' rights gave me the push to become a union leader.'*

Rebecca Adong, flower worker in Uganda and National Treasurer of UHISPAWU union.

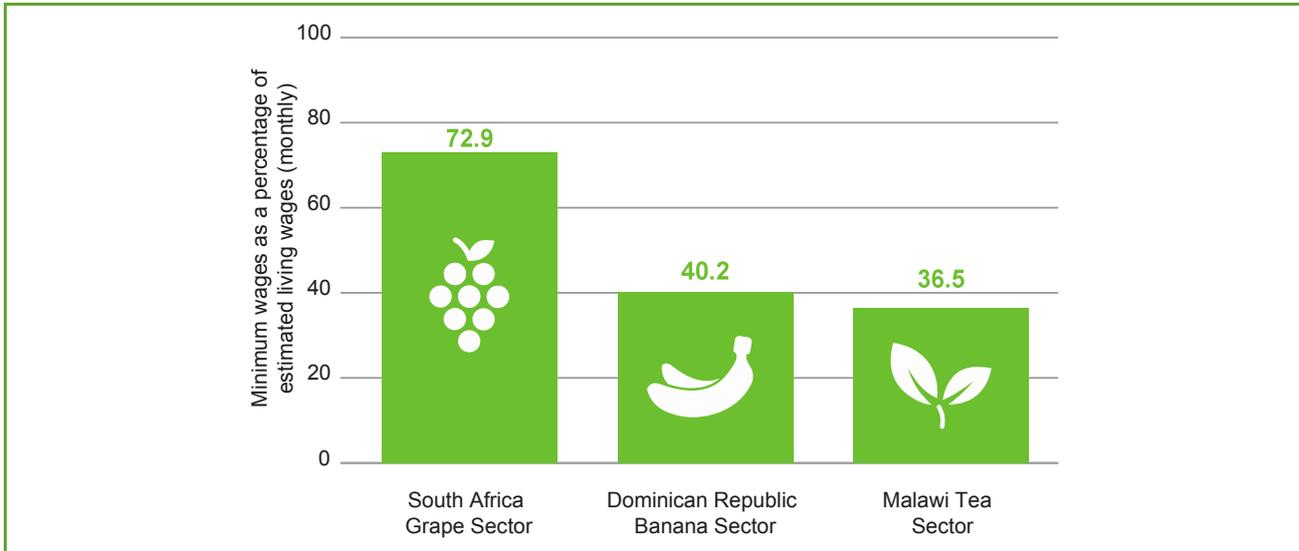
Source: **Women Working Worldwide**.

Denmark has no minimum-wage law, but \$20 an hour is the lowest the fast-food industry can pay under a collective bargaining agreement between 3F union and an employers' group which includes Burger King and McDonald's. In the United States fast-food workers, serving the same companies' products but unable to bargain collectively, earn an average of just \$8.90.<sup>22</sup>

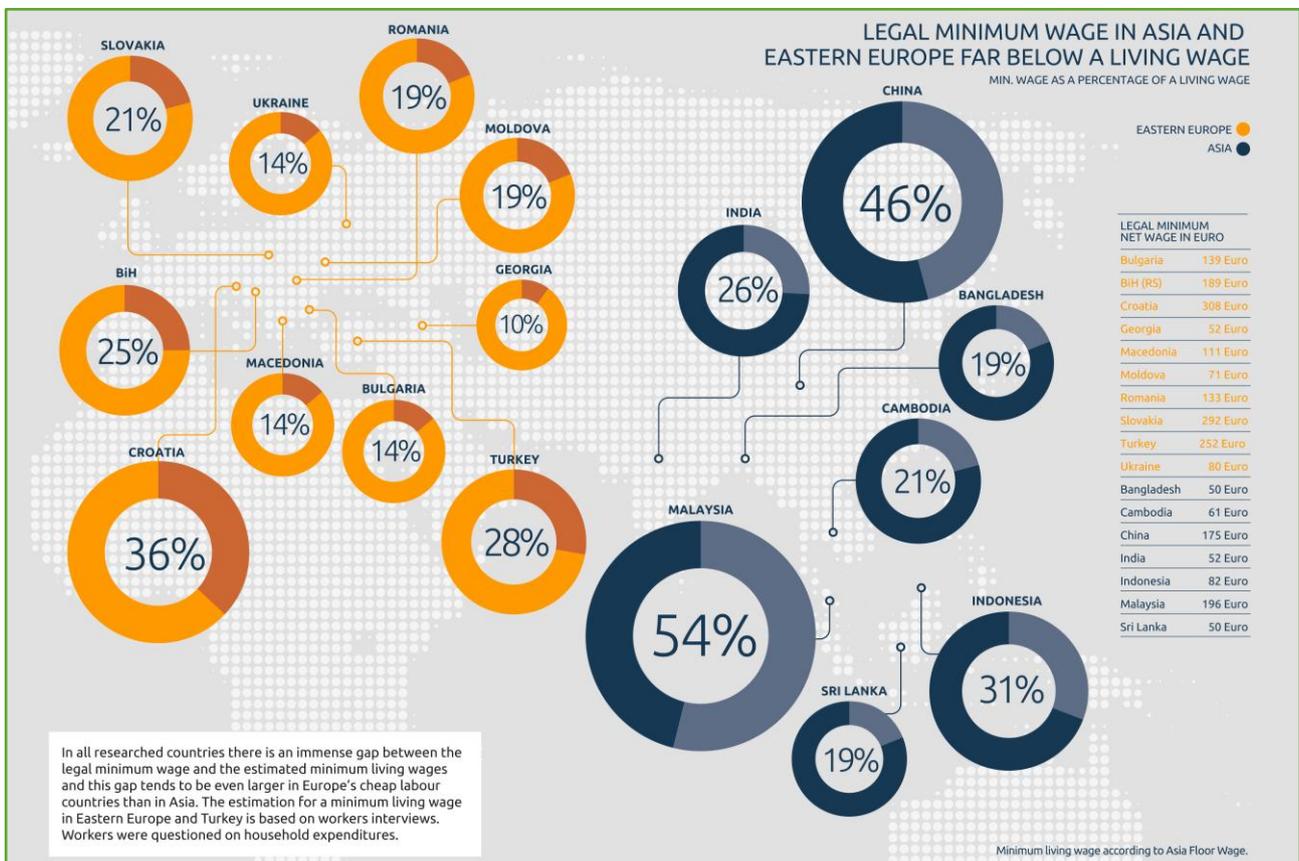
### 3. Inadequate minimum wage

Minimum wages fall short of the cost of living in many countries as governments compete for investment in a global market. The minimum wage is seen as the 'going rate' rather than a floor. Corporate lobbying often reinforces the message that business wants light touch regulation.<sup>23</sup> The charts show the gap between minimum and living wages using two different methodologies.

Some governments have bucked the trend. Brazil's minimum wage rose 50 percent in real terms from 1995 to 2011, and poverty and inequality declined in step. China has pursued a deliberate policy of raising wages since the 2008 economic downturn.<sup>24</sup>



Minimum wages as a percentage of estimated living wages: food. Source: Oxfam 'Even it Up: Time to End Extreme Inequality', based on research by Richard and Martha Anker for six ISEAL Alliance members.<sup>25</sup>



Minimum wages as a percentage of estimated living wages: garments. Source: Clean Clothes Campaign.

# FORCES FOR AND AGAINST TAKING ACTION

Oxfam recognizes that a company cannot 'just pay a living wage' along its supply chain. In many cases it is not the legal employer; the first or second tier supplier is. Wage levels and enforcement depend on the political, social and economic context. If a sourcing company pays more, there is no guarantee the extra money will reach the workers. Employers fear becoming less competitive, buyers fear falling foul of competition law. But there are also compelling reasons to take action.

**Resources on the business case:** The case for living wages; Why good jobs are good for retailers; Work that pays: the final report of the Living Wage Commission; The business case for raising the minimum wage; Government names employers who fail to pay minimum wage; I want to live not just exist: the business case for the living wage.



## STEPS IN THE RIGHT DIRECTION

Progressive corporate codes, such as the Ethical Trading Initiative (ETI) Base Code and SA8000, incorporated a living wage in the late 1990s. However, it has taken many years for companies to give serious consideration to payment of a living wage in their own operation and supply chains. While progress was made in health and safety<sup>26</sup> which is less challenging, and child labour, which carries reputational risks, it is only with the increasing momentum of living wage campaigns in recent years that practical steps are starting to be taken.

- In 2009 the grassroots-based **Asia Floor Wage** campaign took the debate up a level by setting out to dismantle companies' arguments for not implementing a living wage. A group of Asian unions and non-government organizations (NGOs) proposed a formula approach, based on a typical number of earners and dependents, and published benchmarks for Asian countries covering 80 percent of global garment production. **Clean Clothes Campaign** and **Label behind the Label** reinforced the case for action by publishing assessments of brands' performance, most recently **Tailored Wages** which covers 50 brands and coincided with the first anniversary of the collapse of Rana Plaza.<sup>27</sup>
- Early steps in the right direction were taken by **Inditex**, which signed an International Framework Agreement with the garment union in 2007 (re-affirmed in 2014) and **Marks & Spencer** which included in its **2010 corporate plan** a commitment to pay a price that enabled a 'fair living wage' to be paid in Bangladesh, India and Sri Lanka.
- Programmes were initiated to improve human resource management and increase productivity, enabling wages to be increased with minimal impact on the bottom line. **Impactt's Benefits for Business and Workers** programme, set out with eight brands and 73 factories supplying them, to develop a virtuous circle of improvements. It reports that worker turnover reduced by 50 percent in Bangladesh and 25 percent in India, an additional \$6.6m was added to workers' wages over a 12 months period<sup>28</sup> and in Bangladesh, 43 percent fewer workers worked more than 60 hours a week. Employers received a good return on their investment.

*'We have been able to increase our knitting workers' incomes by one third... Workers can go home on time and spend evenings and weekends with their families. Our workers stay with us for longer and have better skills.'*

Director of Operations, RMG factory, Bangladesh<sup>29</sup>

- **Switcher** worked with a factory in Bangladesh to establish a **wage fund** for workers; **Nudie Jeans** did something similar in India. **Tchibo** has sponsored training of worker representatives. **GAP** has committed to raise the wage floor of its employees in the USA to \$10 in 2015.
- Many of these brands are members of **ETI** which has reinforced its expectations of corporate members on implementing a living wage, provided **guidance and a seven step guide** to approaching the issue, and initiated workshops and tripartite communities of practice (companies, NGOs, trade unions) to enable sharing of practical experience.
- In the food sector, **Unilever** replaced its traditional supplier code with a **Responsible Sourcing Policy** based on a continuous improvement framework covering mandatory requirements, good practice and best practice standards. It has published targets for 200 'Partner to Win' suppliers and 1,000 strategic partners (11,200 sites in all) to achieve 'good practice' standards by 2017; these include a **'living wage approach to fair compensation'**. **Nestlé** became the first major food manufacturer in the UK to become an accredited **Living Wage employer** in 2014.

- **Certification:** In 2013 six members of **ISEAL Alliance** agreed jointly to commission **living wage benchmarking studies from experts Richard and Martha Anker.**<sup>30</sup> Utz Certified has incorporated a living wage into its code. Of the certification bodies, **Fairtrade** has done most to make its commitment to living wage explicit by strengthening its **Hired Labour Standard**, adopting a **Freedom of Association protocol** to remove barriers to worker organizing and requiring that wages be negotiated with workers and rise more than inflation.
- In the electronics industry, **Fairphone** has built better wages into its business model, with consumers and the manufacturer in China, Guohong, each contributing \$2.50 for each phone sold. Consulted on the first bonus, a workers' welfare committee chose a wage supplement and subsidized meals.
- In furniture, **IKEA** worked with **Fair Wage Network** on an assessment of its retail units in four countries against the '12 dimensions of a fair wage.'<sup>31</sup> It is now working to close the gaps identified. In Japan it has closed a significant wage and benefits gap between full-time retail workers and part-timers (mostly women). In China, where excessive working hours is the norm, it has worked with suppliers to reduce hours without a reduction in wages. In the USA it has raised its wage floor to \$10.76 an hour.

## INVESTING IN DEEPER CHANGE

These initiatives represent steps in the right direction, but in terms of results, very little has changed for very few workers. To achieve a tipping point, a more systemic approach is needed. This goes beyond increasing value for wages and leads towards **governments** having inclusive minimum wage-setting processes, **employers** who have bought into the agenda and have the capacity and flexibility to deliver it, and **workers** being able to negotiate terms.

*'If you carry on tweaking business as usual and finding nice examples to follow we'll still be here in 20 years holding the same conversation.'*  
Jenny Holdcroft,  
IndustriALL.



**+ Commitment, Transparency and Collaboration**

Oxfam's tests for deeper change are: will it deliver a fairer share of value in the chain? Will it help remove barriers to collective bargaining? And will it help to influence governments' minimum wage-setting?

Enabling factors include Commitment, Transparency and Collaboration.

## Stakeholder collaboration in the banana industry

Since 2010, the **World Banana Forum** has enabled multi-stakeholder dialogue on issues facing the industry, with support from the **FAO**. Unlike many cross-industry initiatives, it involves trade unions, small producer organizations and southern governments actively in the process. Severe supermarket competition in Europe has made the commercial context even more challenging.<sup>32</sup> Yet forum members continue to work on living wage and ‘cost of sustainable production’ issues.

A forum working group on distribution of value, which includes major supermarkets, is exploring ways to increase the price paid to producers to cover the ‘cost of sustainable production’ and ensure the additional value reaches workers. Following dialogue within the forum, the Ecuador government committed to raising the national minimum wage by more than inflation and eliminating labour sub-contracting so workers are covered by social security.’<sup>33</sup>

In Cameroon, a joint platform led by local trade unions and **IUF**, supported by **Fairtrade International** and **BananaLink** has negotiated wage increases and abolished the lowest wage grades. In 2014, the Government of Cameroon raised the national minimum wage in the agriculture sector for the first time in many years.<sup>34</sup>

In 2013 supermarket giant **Tesco**, as a result of the work of the World Banana Forum, committed to pay banana prices that at least covered the Fairtrade minimum price, and in November 2014 became the first retailer to announce that it would pay a living wage to banana workers in key sourcing sites by 2017.<sup>35</sup>

## Stakeholder collaboration in the tea industry

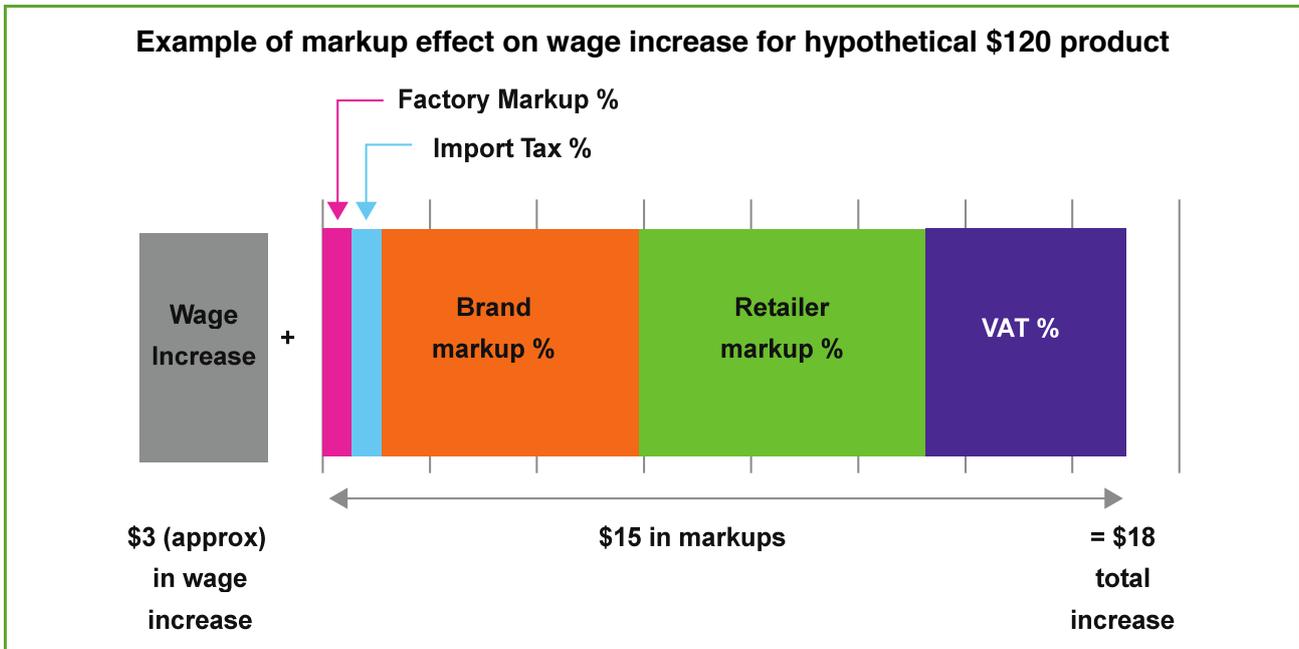
In the tea sector, Oxfam has continued to work alongside the **Ethical Tea Partnership**, since our **joint report**, to find sustainable ways to improve wages on Malawi’s tea estates. As wages are set at national and not at tea estate level, this has required development of a sector wide programme involving the supply chain from producers to retailers, including the **Tea Association of Malawi**, certification organisations **Fairtrade**, **Rainforest Alliance** and **UTZ Certified**, development partners **IDH** and **GIZ** with international wage expertise from **Richard and Martha Anker** and **Ergon Associates**. Fairtrade and the Tea Association of Malawi also commissioned a study by Imani Development estimating the price of tea needed to sustain a Living Wage.

The programme seeks to improve tea productivity and quality and strengthen human resource management, linked to a commitment to raise wages. It includes tackling barriers to worker representation and collective bargaining and looking into ways to improve nutrition and banking facilities for workers.<sup>36</sup>

## Moving ‘beyond audit’ in the garment industry

Multi-stakeholder initiative **Fairwear Foundation** (FWF) has taken a range of approaches to nudge corporate members ‘beyond audit’ and to remove barriers to a living wage. It has developed **Wage Ladders** (which include benchmarks from local trade unions) which help members set improvement targets, and instituted a **Performance Benchmarking System** which rewards action and penalizes inaction. The system looks at pricing, sourcing from locations where the company has leverage and long-term relationships and advocacy to governments.

FWF has taken a methodical approach to analysing obstacles. With **brands specializing in outdoor wear**, and using hypothetical products (to meet competition law), it found that because supply chain actors calculate their fees as a multiple of the ‘FOB’ price, a rise in wages which would add \$3 to the product cost would mean \$18 was added to the retail price.<sup>37</sup>



Addressing the obstacle of the ‘compound price escalator’ in branded garments could enable workers’ wages to be significantly increased for a small premium on the retail price.

Source: graphic based on data from *‘Living Wage Engineering’*, Fairwear Foundation, 2014.

FWF also uses complaints as catalysts for positive change, for instance in Turkey where 38 complained of being dismissed from a knitwear factory and were protesting outside the factory. Relationships between the owners and the union were strained but FWF and the brand sourcing there – **Mayerline** – encouraged dialogue and the dispute was resolved. The employer has since become the first knitwear factory in Turkey to negotiate a Collective Bargaining Agreement, which covers wages (now close to a living wage), social benefits and working hours.<sup>38</sup>

**Fair Wage Network** has conducted Fair Wage assessments, using management and worker surveys and surveys of workers’ expenditure, that highlight the value of working in partnership with companies. Assessments have been carried out for brands including **Puma** in Indonesia, **Adidas** in the Philippines and **H&M** in several countries. Discussion has moved on from changes needed at factory level (e.g. pay systems, overtime, wage levels) to ways of scaling up the improvements.

H&M showed it has grasped the need for a more holistic approach in its **Roadmap to a Living Wage**, which highlights the roles of governments, trade unions and employers as well as stating its willingness ‘to pay more so that our suppliers can pay higher wages’.

## Change catalysed by **Rana Plaza**

The **Accord on Fire and Building Safety in Bangladesh**, brokered by **UNI Global Union** and **IndustriALL**, has shown it is possible to change how brands operate. Its immediate focus is building safety following the collapse of **Rana Plaza**, but includes provision for fair prices as well as worker participation. **Five new collective bargaining agreements** have been finalized and the minimum wage has been increased, though its purchasing power is only a fifth of that in China.

14 corporate members of the Bangladesh Accord have signed up to four enabling principles for a living wage:

1. Enabling employees' freedom of association and collective bargaining;
2. Working on wage systems that reward skill and productivity;
3. Adjusting purchasing practices in line with wage policies;
4. Influencing governments.

*'We are moving into a new space now. We must use the energy [generated by Rana Plaza] to approach this issue in a different way from the past.'*

In September 2014 following **months of unrest** eight brands wrote an **open letter to the Cambodian government and industry association** stating their readiness to factor higher wages into their pricing.<sup>40</sup>

Philip Chamberlain, Head of External Stakeholder Engagement, C&A.<sup>39</sup>

In November the government **raised the minimum wage** by 28 percent.

## London Citizens and Living Wage Employers in the UK

The **Living Wage Campaign** was started in 2001 by parents in the East End of London, whose long working hours on the minimum wage meant they had little time to spend with their families. The national wage of £7.85 (21 percent above the national minimum wage of £6.50), is calculated and updated annually by the **Centre for Research in Social Policy at Loughborough University**. In order to lead promote this the Living Wage Foundation was set up in 2010 as a project of Citizens UK.

In 2011 only two of the top 100 UK companies were living wage employers; now there are 19, with 10 more in the pipeline and over **1000 accredited employers** in total, including Oxfam GB. The campaign's momentum has been helped by high profile champions, broad political support and an annual **Living Wage Week** which celebrates success and calls for more. Accredited employers report benefits in terms of productivity, staff turnover and motivation as well as reputation.<sup>41</sup> While the numbers benefitting are still relatively small – 60,000 against over five million paid below the living wage – the initiative has helped normalize discussions in the business community and provides a 'bridgehead of principle' to action in global supply chains.

## RECOMMENDATIONS FOR COMPANIES

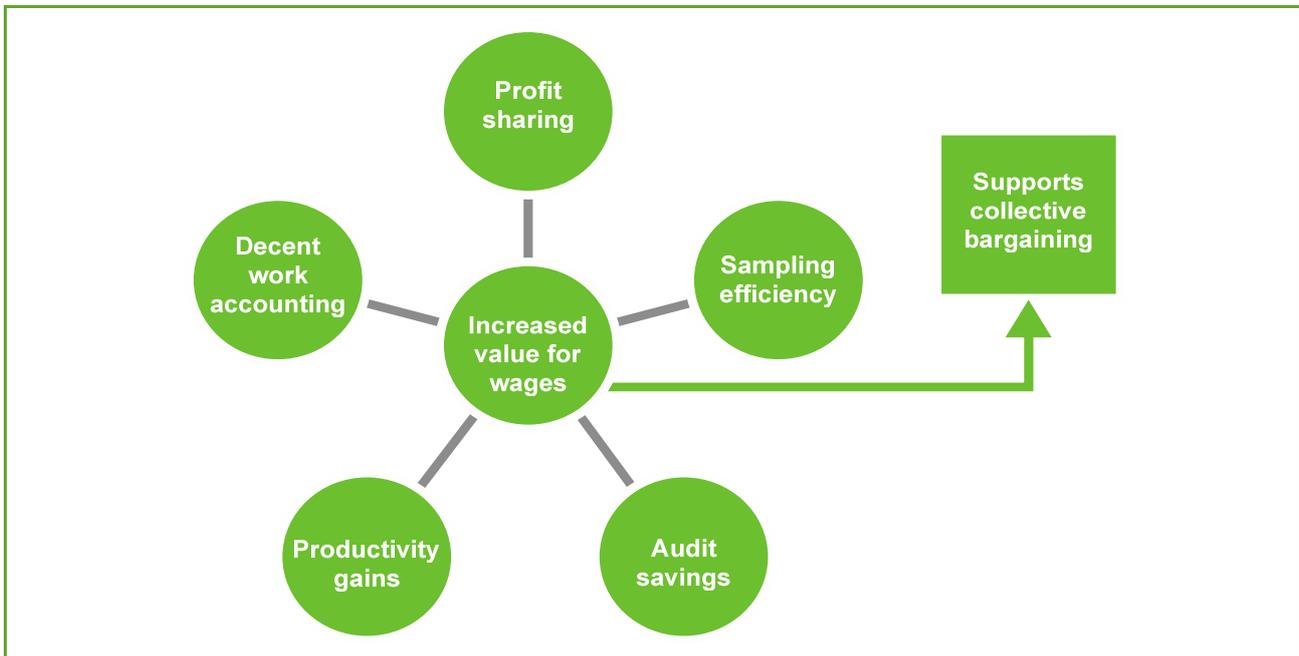
### Look inwards

1. Put your own house in order. Are you paying a living wage to your own employees and contracted workers? How many have secure contracts?
2. Table a discussion at a Board meeting. What is the case for action? What does human rights 'due diligence' look like for your company? Consult employees and the union. Calculate the gap between CEO and average pay of employees, and between CEO and the minimum wage of workers in your key supply chain, and compare with the company's values.
3. Review your policy. Even if it already includes a living wage, publish a statement acknowledging concerns about low wages and make a meaningful commitment.
4. Develop a plan with short- and longer-term elements that includes collaboration.
5. Be transparent: report the proportion of workers in your key supply chain who have secure contracts, earn a living wage, and have the opportunity to join an independent union.
6. Discuss the case for disclosing your supply chain, at least to first tier of manufacture.

### Look at sourcing strategy and supply chain management

1. Map the supply chain for the 20 percent of suppliers who supply 80 percent of your products and identify the suppliers which are 'high risk and high leverage' in relation to wages.

- Invest time with suppliers to understand the barriers and the business case for them to take action. Jointly estimate the proportion of workers in 'low road' jobs.
- Calculate hidden costs such as undisciplined sampling, recruitment and training, and managing audits. How could value be freed up to support collective bargaining?



Calculate hidden costs such as re-recruitment and training where labour turnover is high, and the cost of duplicate audits. How else could value be freed up for greater fairness and to support collective bargaining?

- Maintain wage data on workers (women and men) including social security, overtime premiums and paid leave and remove these from price negotiations.
- Encourage suppliers to develop good management systems and remove barriers to freedom of association and collective bargaining.
- Offer preferential treatment and incentives to suppliers with a credible improvement plan and provide some 'security of demand' through longer-term contracts.
- Where you cannot influence wage levels (and only there), work with suppliers to reduce workers' outgoings, after consulting workers e.g. free meals, wi-fi or child-care vouchers.

## Look outwards

- Work with others on a common understanding of wage gaps and their implications, using benchmarks and wage ladders. If benchmarks are not available, support their development using a recognized methodology.
- Go beyond a 'factory by factory' approach and look at clusters of employers or sectors.
- Develop a co-ordinated approach to influencing a public policy debate with governments, for instance as part of an industry association.

## Whatever your company does..

- Don't use lack of certainty about the level of a living wage as a reason for inaction.
- Don't do anything that gets in the way of workers being able to bargain.
- Don't lobby for lighter regulation of labour laws.

## SELF-ASSESSMENT INDICATORS

COMMITMENT & TRANSPARENCY	SOURCING & SUPPLY CHAIN	WORKER REPRESENTATION & BARGAINING	GOVERNMENT ADVOCACY & COLLABORATION
The Board has discussed the issue of a living wage and the drivers for action in the last year. The company has an explicit commitment to a Living Wage in its Sourcing Policy.	The company identifies sourcing areas which are 'high risk and high leverage' for low wages, based on credible benchmarks of a living wage.	The company shows understanding that Freedom of Association and Collective Bargaining underpin respect for all labour rights, and identifies high risk countries for denial of these rights.	The company works with others to understand wage gaps, their root causes and implications.
The company pays a Living Wage to its own employees and contracted workers.	In the company's supplier grading system, non-payment of a living wage is considered a non-compliance.	The company shows understanding that women face greater barriers than men to earning a living wage, and what these are.	The company is a member of a credible multi-stakeholder initiative with a focus on labour rights, where available.
The company has a plan to address low wages with short- and longer term objectives, and publishes this.	The company works with suppliers to maintain wage data on (female/male) workers, including social security, overtime premiums and annual leave.	The company engages in dialogue with trade unions and civil society organizations, including in key sourcing countries.	The company is aware which key sourcing countries lack an inclusive minimum-wage setting process and effective regulation.
The company assesses the proportion of 'low road' jobs in its supply chain and sets targets to increase the amount in 'medium' and 'high road' categories. <sup>42</sup>	The company requests a cost price breakdown with labour costs separated out and excludes these from price negotiation.	The company does not source from Export Processing Zones or similar where trade union activity is restricted in law.	The company commits not to move sourcing to countries with a lower minimum wage and/or weaker regulation.
Senior executives have relevant targets as part of their objectives. The company discloses the ratio between CEO and average pay.	The company includes purchasing practices in its supply chain and sustainability plans.	The company takes steps to ensure workers are aware of their rights. It ensures grievance mechanisms are trusted and used by workers.	The company advocates to governments the need for inclusive minimum wage setting processes and effective regulation.
The company publishes its supply chain. It reports the proportion of workers who a) have a written contract b) earn a living wage and b) have the opportunity to join an independent union.	The company rewards suppliers which have a credible plan to raise low wages, via commercial incentives and long-term contracts.	The company has a programme to improve worker/ management dialogue (on working conditions) and social dialogue (on employment conditions) and reports progress.	The company's efforts to address labour rights issues have received positive feedback from a trade union or NGO representative.

## FURTHER READING

### Oxfam publications relevant to the issue of a living wage

- Seery, E. and Ana Arendar (2014) 'Even It Up! Time to End Extreme Inequality' <http://policy-practice.oxfam.org.uk/publications/even-it-up-time-to-end-extreme-inequality-333012>
- Oxfam America (2014), 'Working Poor in America'. <http://www.oxfamamerica.org/explore/research-publications/working-poor-in-america/>
- Hoffman, B. (2013) 'Behind the Brands: Food justice and the 'Big 10' food and beverage companies'. <http://policy-practice.oxfam.org.uk/publications/behind-the-brands-food-justice-and-the-big-10-food-and-beverage-companies-270393>
- Oxfam and Ethical Tea Partnership (2013) 'Understanding Wage Issues in the Tea Industry: Report from a multi-stakeholder project' <http://policy-practice.oxfam.org.uk/publications/understanding-wage-issues-in-the-tea-industry-287930>
- Wilshaw, R. et al (2013) 'Labour Rights in Unilever's Supply Chain, from compliance towards good practice; an Oxfam study of labour issues in Unilever's Vietnam operations and supply chain'. <http://policy-practice.oxfam.org.uk/publications/labour-rights-in-unilevers-supply-chain-from-compliance-to-good-practice-an-oxf-267532>
- Wilshaw, R. (2013) 'Exploring the Links between International Business and Poverty Reduction: Bouquets and beans from Kenya' <http://www.oxfam.org/en/research/bouquets-and-beans-kenya>

Oxfam first highlighted the problem of companies' sourcing practices undermining their ethical trade policies in 2004 with a report for its Make Trade Fair campaign, *Trading Away our Rights: Women Working in Global Supply Chains*.<sup>43</sup> This was followed in 2006 by *Offside! Labour Rights and Sportswear Production in Asia*<sup>44</sup> which analyzed the barriers to freedom of association and collective bargaining in Indonesia, and a briefings for business series including *Better Jobs in Better Supply Chains* (2010),<sup>45</sup> *Gender Equality: It's Your Business* (2012)<sup>46</sup> and *Business and Human Rights: an Oxfam perspective on the UN Guiding Principles* (2013).<sup>47</sup>

### Other tools and resources

**WageIndicator** makes wage information and labour laws available on 80 countries in their own language. <http://www.wageindicator.org/main/Wageindicatorfoundation/wageindicatorcountries>

**Ethical Trading Initiative UK** publishes information and guidance for companies on a living wage. <http://www.ethicaltrade.org/in-action/issues/living-wage>

**Ethical Trading Initiative Norway** has published a guide for buyers based on feedback from suppliers during training courses, *Suppliers Speak Up* <http://etiskhandel.no/Artikler/11336.html>

**Fair Labor Association** provides training on fair wages <http://www.fairlabor.org/training/fair-wage>

**Maquila Solidarity Network** published a survey of living wage initiatives in 2014. <http://en.maquilasolidarity.org/node/1229>

**Sedex** has a workbook to help members, including suppliers, understand wage issues. <http://www.sedexglobal.com/resources/supplier-workbook/>

**SupplyLINK** provides an opportunity for manufacturers to share information. <http://www.supply-link.org/>

# NOTES

- 1 <http://www.labourbehindthelabel.org/staff/item/1179-new-research-shows-clothing-factory-workers-seriously-malnourished>
- 2 J.Ghosh (2013), 'A Brief Empirical Note of the Recent Behaviour of Factor Shares in National Income', *Global & Local Economic Review*, 17(1), p.146, [http://gler.it/archivio/ISSUE/gler\\_17\\_1.pdf](http://gler.it/archivio/ISSUE/gler_17_1.pdf).
- 3 <http://policy-practice.oxfam.org.uk/publications/even-it-up-time-to-end-extreme-inequality-333012>
- 4 Oxfam defines a living wage as 'one which for a full-time working week (without overtime) would be enough for a family to meet its basic needs and allow a small amount for discretionary spending'. *Offside! Labour Rights and Sportswear Production in Asia*, Oxfam.
- 5 [http://www.fairtrade.net/fileadmin/user\\_upload/content/2009/resources/LivingWageReport\\_ExecutiveSummary\\_Malawi.pdf](http://www.fairtrade.net/fileadmin/user_upload/content/2009/resources/LivingWageReport_ExecutiveSummary_Malawi.pdf)
- 6 United Nations Universal Declaration of Human Rights, Article 23 (3).
- 7 See Further Reading section on p.14
- 8 Working poor in America <http://www.oxfamamerica.org/explore/research-publications/working-poor-in-america/>
- 9 <http://www.behindthebrands.org/en/company-scorecard>. The campaign was voted runner-up in the UK Sustainability Leader Awards in November 2014 for its public engagement on sustainability issues.
- 10 Email exchange with the author, November 2014.
- 11 <http://www.theguardian.com/global-development/2014/jun/10/supermarket-prawns-thailand-produced-slave-labour>; [http://www.somo.nl/publications-en/Publication\\_4110](http://www.somo.nl/publications-en/Publication_4110); <http://www.businessweek.com/articles/2013-07-18/indonesias-palm-oil-industry-rife-with-human-rights-abuses>.
- 12 International Trade Union Congress (2014), 'Frontlines Report', ITUC, <http://www.ituc-csi.org/frontlines-report-february-2014-14549?lang=en>
- 13 <http://wiego.org/publications/contract-labour-global-garment-supply-chains>
- 14 [http://www.capturingthegains.org/pdf/GVC\\_Gender\\_Report\\_web.pdf](http://www.capturingthegains.org/pdf/GVC_Gender_Report_web.pdf)
- 15 Collective bargaining assumes freedom of association is in place where legally mandated. Freedom of association and the right to collective bargaining are fundamental rights underpinning all other labour rights. See <http://www.ethicaltrade.org/resources/key-eti-resources/freedom-of-association-in-company-supply-chains> for a guide for companies.
- 16 <http://www.labourbehindthelabel.org/news/item/1179-new-research-shows-clothing-factory-workers-seriously-malnourished>
- 17 Labour behind the Label, 'Shop till they drop', <http://www.labourbehindthelabel.org/news/item/1195-shoptildrop>
- 18 <http://www.waronwant.org/campaigns/living-wage/17978-report-the-living-wage>; 'Lessons for social change in the global economy'; *The right to organise, living wage and real change for garment workers* Sarah Adler-Milstein, Jessica Champagne and Theresa Haas (Garwood)
- 19 <https://www.northumbria.ac.uk/static/5007/despdf/designres/dougproject.pdf>
- 20 <http://highpaycentre.org/blog/ftse-100-bosses-now-paid-an-average-143-times-as-much-as-their-employees>
- 21 Calculation is based on a number of variables and assumes Bangladesh garment worker earns minimum wage 5300 Tk per month for 12 months plus average 22 per cent overtime (based on <http://capturingthegains.org> study), with both incomes adjusted for \$ Purchasing Power Parity (based on <http://worldbank.org/indicator>).
- 22 [http://www.nytimes.com/2014/10/28/business/international/living-wages-served-in-denmark-fast-food-restaurants.html?\\_r=0](http://www.nytimes.com/2014/10/28/business/international/living-wages-served-in-denmark-fast-food-restaurants.html?_r=0)
- 23 <http://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/centers-of-research/business-human-rights/activities/supply-chains-sourcing-after-rana-plaza>
- 24 Oxfam 'Even it Up!' report, op cit, page 78.
- 25 [http://www.fairtrade.net/single-view+M5fc5b408f70.html\\_-\\_ftn1](http://www.fairtrade.net/single-view+M5fc5b408f70.html_-_ftn1)
- 26 <http://www.ethicaltrade.org/resources/key-eti-resources/eti-impact-assessment-report-summary>
- 27 <http://www.labourbehindthelabel.org/campaigns/itemlist/category/295-tailored-wages>
- 28 <http://www.impacttlimited.com/wp-content/uploads/2013/10/BBW-Nicer-Work-Report.pdf>
- 29 [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/269679/RAGS-lessons-learned-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/269679/RAGS-lessons-learned-report.pdf)
- 30 [http://www.fairtrade.net/single-view+M5fc5b408f70.html\\_-\\_ftn1](http://www.fairtrade.net/single-view+M5fc5b408f70.html_-_ftn1)
- 31 Information provided by IKEA to the author, October 2014, publication forthcoming.
- 32 [http://lebasic.com/wp-content/uploads/2014/10/BASIC\\_German-Banana-Value-Chain-Study\\_Final.pdf](http://lebasic.com/wp-content/uploads/2014/10/BASIC_German-Banana-Value-Chain-Study_Final.pdf);  
<http://blogs.oxfam.org/en/blogs/14-09-29-aldi-price-it-s-time-peel-banana-scandal>
- 33 <http://www.relacioneslaborales.gob.ec/wp-content/uploads/2013/12/ACUERDO-MINISTERIAL-0027-SALARIO-DIGNO-PARA-EL-2014.pdf>;  
<http://www.lacamara.org/ccg/2013%20Feb%20BE%20CCG%20Salario%20Digno%20y%20las%20PYMES.pdf>
- 34 <http://www.camerpost.com/cameroun-le-salaire-minimum-en-hausse-de-pres-de-30-28072014/>
- 35 <https://www.tescopl.com/talkingshop/index.asp?blogid=236>.
- 36 <http://www.ethicalteapartnership.org/wp-content/uploads/Raising-Wages-case-study-09.06.14.pdf>
- 37 'Living Wage Engineering' Fairwear Foundation, [http://www.fairwear.org/ul/cms/fck-uploaded/documents/fwfpublishations\\_reports/LivingWageEngineering20141.pdf](http://www.fairwear.org/ul/cms/fck-uploaded/documents/fwfpublishations_reports/LivingWageEngineering20141.pdf)
- 38 [http://www.fairwear.org/534/news/news\\_item/blog-we-can-do-great-things-together--fwfs-ruth-vermeulen-in-turkey/?id=659](http://www.fairwear.org/534/news/news_item/blog-we-can-do-great-things-together--fwfs-ruth-vermeulen-in-turkey/?id=659)
- 39 Interview with the author, September 2014.
- 40 <http://www.theguardian.com/business/2014/sep/21/fashion-retailers-offer-raise-minimum-wage-cambodia>
- 41 [http://livingwagecommission.org.uk/wp-content/uploads/2014/06/Work-that-pays\\_The-Final-Report-of-The-Living-Wage-Commission\\_w-3.pdf](http://livingwagecommission.org.uk/wp-content/uploads/2014/06/Work-that-pays_The-Final-Report-of-The-Living-Wage-Commission_w-3.pdf)
- 42 Suggested measures include whether workers earn above the international poverty line at household level for a standard work week and whether workers confirm via anonymous surveys that employment conditions have improved in the previous year.
- 43 <http://www.oxfam.org/sites/www.oxfam.org/files/rights.pdf>
- 44 <http://policy-practice.oxfam.org.uk/publications/offside-labour-rights-and-sportswear-production-in-asia-112448>
- 45 <http://policy-practice.oxfam.org.uk/publications/better-jobs-in-better-supply-chains-114001>
- 46 <http://www.oxfam.org/en/research/gender-equality-its-your-business>
- 47 <http://policy-practice.oxfam.org.uk/publications/business-and-human-rights-an-oxfam-perspective-on-the-un-guiding-principles-293857>

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