## **Responsible Supply Chains: The Future of Trade: ‘Living Wage: Taking the Leap of Faith’**

#### 1st Nov 2018

# Briefing Notes

## What’s the aim of the living wage session?

The aim of this session is to explore what would persuade companies to take the ‘leap of faith’ and embark on a journey to ensure that workers in global supply chains earn enough to cover their basic costs for a decent standard of living. What will help companies to take leadership and make commitment to living wages, and how can key stakeholders - such as trade unions and NGOs - help them to take the leap of faith towards living wages that are effective and sustainable?

## Why are we still concerned about living wages?

The International Trade Union Confederation (ITUC)’s [research](https://www.ituc-csi.org/l20-argentina-2018-economic-and)[[1]](#endnote-1) shows a global trend towards wage stagnation, increasing inequality, and profits not being shared with workers through pay rises. Contributing factors include the weakening of social dialogue and collective bargaining, more low-paid, precarious work, ineffective labour market regulations, technological change, globalization and **increased power for firms to dictate wages**.

## Where were we in 2015?

At the 2015 ETI/KPMG/UNGC’s [Living Wage Conference](https://www.ethicaltrade.org/blog/its-not-fair)[[2]](#endnote-2) companies, trade unions and NGOs came together to explore the proposition that living wages were [“desirable, feasible, [and] inevitable.”](https://www.ethicaltrade.org/events/conference-living-wages-desirable-feasible-inevitable) Three years on, although some collaborations are making progress, we are still a long way from the tipping point of the majority of workers in global supply chains… or even in buying countries – earning enough in a standard working week to cover their basic needs with a bit left over for emergencies. It is still hard to find a success story to point to and say that is the definitive way to achieve living wages in a particular supply chain.

The key collaborative living wage initiatives in place in 2015 included [ACT](https://actonlivingwages.com/)[[3]](#endnote-3), [Malawi Tea 2020](https://shareaction.org/wp-content/uploads/2018/08/WDI-CaseStudy-Malawi.pdf)[[4]](#endnote-4), [World Banana Forum](http://www.fao.org/world-banana-forum/projects/living-wage-advocacy-initiative-liwin/en/)[[5]](#endnote-5) and [Fair Food Program](http://www.fairfoodprogram.org/)[[6]](#endnote-6). As far as we know, no major new ones have since emerged. These are mostly long-term projects with no clear evidence yet of widespread impact on wages. The exception is the worker-driven Fair Food Program of the Coalition of Immokalee Workers, which appears to have significantly [increased many US farm workers’ wages](https://www.nytimes.com/2011/01/19/us/19farm.html). A few individual companies were trialing unilateral approaches, [Patagonia’s Fair Trade premium](https://eu.patagonia.com/gb/en/living-wage-vs-minimum-wage.html)[[7]](#endnote-7), and [Nudie Jeans](https://cdn.nudiejeans.com/media/files/Sustainability-Report-2017-Nudie-Jeans.pdf)[[8]](#endnote-8)’ pay your share of the living wage approach, but the scalability and sustainability of these initiatives remain in question. [H&M’s Fair Living Wage Roadmap](https://about.hm.com/en/media/news/general-news-2018/fair-living-wages--what-did-we-promise-and-what-progress-have-we.html)[[9]](#endnote-9) falls somewhere between the two – it is a unilateral initiative, but its strategy incorporates ACT and seeks industry-wide change.

## What’s new since 2015?

In 2015, companies were reluctant to enter the living wage space because they didn’t know how to go about it and because there was no universally agreed benchmark or calculation method. Three years later, the methodologies of the initiatives above have matured and progressed, and there are widely accepted benchmarking processes – notably the Anker methodology used to calculate living wage levels several regions by the [Global Living Wage Coalition](https://www.globallivingwage.org/)[[10]](#endnote-10) and [WageIndicator Foundation](https://wageindicator.org/documents/publicationslist/publications-2016/van-klaveren-m-2016-wages-in-context-in-the-garment-industry-in-asia-amsterdam-wageindicator-foundation-april-28-2016)[[11]](#endnote-11).

Fair Wear Foundation has also been exploring various methods for ensuring higher wages for garment workers through its [‘living wage incubator’](https://www.fairwear.org/living-wage-portal-obstacles/living-wages-101/#!/content/https://www.fairwear.org/living-wage-portal/leading-fwf-brands-push-pay-higher-wages/)[[12]](#endnote-12). More than a dozen brands have joined since January 2017 to experiment with cutting-edge approaches to raising wages within their supply chains.

But the most notable new development since 2015 is the growing number of initiatives to drive greater transparency in how global supply chains impact on workers, including on their wages. New voices are joining those of well established trade unions and the [Clean Clothes Campaign](https://cleanclothes.org/)[[13]](#endnote-13) , including the alliance of Dutch financial institutions, [Platform Living Wage Financials](https://www.livingwage.nl/)[[14]](#endnote-14) , ShareAction’s [Workforce Disclosure Ini[[15]](#endnote-15)tiative](https://shareaction.org/wdi/) and [Better Buying](https://betterbuying.org/)’s[[16]](#endnote-16) on-line platform for garment suppliers to rate their buyers’ purchasing practices. Oxfam’s [Behind the Barcodes](https://www.oxfam.org/en/pressroom/pressreleases/2018-06-21/poverty-and-inequality-major-ingredients-supermarket-supply)[[17]](#endnote-17) campaign challenges supermarkets to improve policies towards their food suppliers.

The [Corporate Human Rights Benchmark](https://www.corporatebenchmark.org/)[[18]](#endnote-18), launched in 2016, ranks 98 of the world's largest publicly traded companies, from the agriculture, apparel and extractives industries, on human rights performance. Its [2018 progress report](https://www.corporatebenchmark.org/sites/default/files/CHRB%202018%20Progress%20Report%20Web%20Final.pdf) notes that “While some leaders within sectors were identified… large, listed companies are, in general, failing to demonstrate their respect for human rights in their operations.” Among the key takeaways from the report were lack of **leadership**, **commitment** and **stakeholder engagement**.

These are the issues we hope to address in this session.

## Living Wage perspectives of the panel

Our panelists represent some of the major current living wage initiatives, companies that *have* taken the leap of faith and stakeholders that are supporting them to put their initiatives into practice:

### THE CORPORATE PERSPECTIVE

One of the most notable developments in the living wage arena in recent years has been [ACT](https://actonlivingwages.com/) (Action, Collaboration, Transformation) – a collaboration of 20 global garment brands and retailers and the Global Union Federation, IndustriALL, to achieve living wages in the garment, textile and footwear industry through freedom of association and collective bargaining. A key member of ACT is H&M. Following the launch of its [‘Fair Living Wage Roadmap’](http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/fair-living-wage.html) in 2013, it has been leading ACT member, particularly in Cambodia where 50% of garment workers supply ACT members – the majority of them H&M

**Frank Hoffer**, ACT’s Executive Director, and **Linda Ingolfsdottir,** Strategy Lead-Fair Jobs at H&M will discuss what motivated ACT member companies to embark on this journey and how they overcome the challenges.

### THE TRADE UNION PERSPECTIVE

Trade unions are a crucial partner in any living wage initiative. Adequate minimum wages, together with **c**ollective bargaining, can ensure living wages in a fair and sustainable way. The [ITUC](https://www.ituc-csi.org/wagescampaign)[[19]](#endnote-19) and other unions are calling on governments to set minimum living wages based on a ‘*basic* goods basket’ applicable to all countries, and with full involvement of social partners. IndustriALL Bangladesh Council (IBC) is made up of IndustriALL Global Union affiliates in Bangladesh who play a crucial role in initiatives such as the Bangladesh Accord on Fire and Building Safety after the deadly collapse of the Rana Plaza factory. While building safety may be improving, wages continue to be a huge issue for Bangladeshi garment workers; when the minimum wage was recently increased by 51%, [IBC pointed out](http://www.industriall-union.org/bangladeshi-unions-call-for-new-minimum-wage-to-be-doubled) that the level was still “inadequate to meet the living costs of Bangladeshi garment workers” as rent and other living costs have also increased.

**Towhidur Rahman**,IBC Secretary General, and **Evelyn Astor**, Policy Officer at ITUC will stimulate discussion on how trade unions can work with companies and governments to get the right conditions in place to ensure workers have enough to live on.

### THE NGO PERSPECTIVE

Oxfam is a global organisation working to overcome poverty – including in-work poverty. Oxfam believes that access to decent work on a living wage is a fundamental pathway out of poverty, and one of the best ways to counter the growing inequality it has been reporting on annually. Oxfam is demonstrating this through campaigns such as Behind the Barcodes, and through its leading role in projects such as the [Malawi 2020 Tea initiative](https://shareaction.org/wp-content/uploads/2018/08/WDI-CaseStudy-Malawi.pdf)[[20]](#endnote-20), with the Ethical Tea Partnership, IDH and a range of partners along the value chain.

**Rachel Wilshaw**, Ethical Trade Manager at Oxfam GB will explain how NGOs have been able to help support companies on living wage and challenge participants to consider how *they* can ‘take the leap of faith’.

1. <https://www.ituc-csi.org/l20-argentina-2018-economic-and> [↑](#endnote-ref-1)
2. <https://www.ethicaltrade.org/blog/its-not-fair> [↑](#endnote-ref-2)
3. <https://actonlivingwages.com/> [↑](#endnote-ref-3)
4. <https://shareaction.org/wp-content/uploads/2018/08/WDI-CaseStudy-Malawi.pdf> [↑](#endnote-ref-4)
5. <http://www.fao.org/world-banana-forum/projects/living-wage-advocacy-initiative-liwin/en/> [↑](#endnote-ref-5)
6. <http://www.fairfoodprogram.org/> [↑](#endnote-ref-6)
7. <https://eu.patagonia.com/gb/en/living-wage-vs-minimum-wage.html> [↑](#endnote-ref-7)
8. <https://cdn.nudiejeans.com/media/files/Sustainability-Report-2017-Nudie-Jeans.pdf> [↑](#endnote-ref-8)
9. https://about.hm.com/en/media/news/general-news-2018/fair-living-wages--what-did-we-promise-and-what-progress-have-we.html [↑](#endnote-ref-9)
10. <https://www.globallivingwage.org/> [↑](#endnote-ref-10)
11. <https://wageindicator.org/documents/publicationslist/publications-2016/van-klaveren-m-2016-wages-in-context-in-the-garment-industry-in-asia-amsterdam-wageindicator-foundation-april-28-2016> [↑](#endnote-ref-11)
12. <https://www.fairwear.org/living-wage-portal/leading-fwf-brands-push-pay-higher-wages/> [↑](#endnote-ref-12)
13. <https://cleanclothes.org/> [↑](#endnote-ref-13)
14. <https://www.livingwage.nl/> [↑](#endnote-ref-14)
15. <https://shareaction.org/wdi/> [↑](#endnote-ref-15)
16. <https://betterbuying.org/> [↑](#endnote-ref-16)
17. <https://www.oxfam.org/en/pressroom/pressreleases/2018-06-21/poverty-and-inequality-major-ingredients-supermarket-supply> [↑](#endnote-ref-17)
18. <https://www.corporatebenchmark.org/> [↑](#endnote-ref-18)
19. <https://www.ituc-csi.org/wagescampaign> [↑](#endnote-ref-19)
20. <https://shareaction.org/wp-content/uploads/2018/08/WDI-CaseStudy-Malawi.pdf> [↑](#endnote-ref-20)