



## ETI's expectations of members regarding the ETI Base Code clause on living wages

### **Introduction**

The past few years have seen a rise in global concern about wages, particularly since the 2008 recession has squeezed wages harder, increased the casualisation of labour and widened the gap between high and low paid workers. Women workers are particularly vulnerable and more likely to be in low paid jobs. We recognise that our company members and others have found it challenging to make progress on living wages, often seeing it as an “aspirational” standard that cannot realistically be achieved. In this climate, we felt it would be useful to clearly set out our expectations of our members in relation to the ETI Base Code clause stipulating that “Living wages are paid”, to which all companies sign up on becoming members.

The ETI Base Code describes living wages as “enough to meet basic needs and to provide some discretionary income.” By this we mean that women and men workers are able to earn - within a standard working week and without overtime - wages sufficient for them and their families to enjoy a decent

standard of living. These principles are also upheld in international standards and conventions such as the UN Declaration on Human Rights (Article 25), ILO conventions (Articles 3 and 7) and SA8000 (Standard 8).

- 1. Member companies have a responsibility to support enabling conditions for payment of a living wage in their supply chains.** Some members are also demonstrating good practice by becoming living wages employers in their own operations. This is in keeping with the ETI Base Code and the United Nations Guiding Principles on Business and Human Rights (Pillar 2). Direct responsibility for paying workers living wages lies with their immediate employers, and ideally this responsibility would be legally recognised and enforceable. But ETI members are also responsible for playing their part in ensuring that human rights, including the payment of living wages, are respected in the value chain.

ETI therefore expects its members to set themselves clear, time-bound targets for practical actions that will contribute to the achievement of living wages in their supply chains.

Examples include taking tangible steps towards becoming a living wage employer themselves, supporting free and fair collective bargaining and examining and adjusting their own sourcing strategies and purchasing practices (including the prices they pay to producers) to ensure they provide the commercial conditions that enable living wages to be paid. Payment of a minimum wage should already be one of the criteria for selection of suppliers; retailers can add the criteria that suppliers should be working towards a living wage. They may need to help suppliers to improve HR management, transparent payroll systems, production planning and efficiency, so that employers remain profitable and

### ETI BASE CODE

#### 5. Living wages are paid

5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.

5.2 All workers shall be provided with written and understandable Information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.

5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

sustainable. Companies could also engage in efforts to make changes at industry level that affect how wages are set and paid. *Further actions are suggested in ETI's Living Wage Guidance document.*

- 2. Free and fair collective bargaining should be the basis for establishing living wage levels.** While we know that in many places living wages are not well defined, that should not stop progress to improve wages, especially where evidence indicates that they are inadequate. There are a number of organisations promoting different approaches to calculating living wage levels, including the Living Wage Foundation (UK) and the Asia Floor Wage (Asia – garment sector). Such methodologies provide useful benchmarks, but, in keeping with the ETI Base Code clause on freedom of association, any methodology adopted should have as its basis free and fair collective bargaining enabling men and women workers themselves to voice their needs. ETI members and others following the ETI Base Code should therefore encourage their suppliers to respect freedom of association and enter into collective bargaining. They should strongly discourage their suppliers from any behaviour that would prevent workers from exercising their right to form or join trade unions or avoid any genuine opportunity to bargain collectively. They may also work together to promote sectoral collective bargaining.

Where local conditions – such as laws – prevent unionisation ETI members should help suppliers find ways of allowing workers to have a voice in wage negotiations.

- 3. Company members should seek to influence government policy that supports living wages.** Actions at national level may include supporting those lobbying governments to ensure effective, inclusive mechanisms to set and review statutory minimum wage levels so that they keep pace with living costs and calling for better implementation of such laws and policies. ETI will engage directly where we can play a role, for example in raising the issue to governments and with sectoral or industrial bodies. *Further actions are suggested in ETI's Living Wage Guidance document.*
- 4. Company members should be aware of other dynamics influencing wages.** There are many other economic, legislative, commercial and social dynamics that influence wage levels. These operate at global, national, regional and local level. They include issues such as the stability of the economy, prevailing poverty levels, the existence of inclusive minimum wage setting mechanisms and strong and enforced labour laws. Consumer attitudes and behaviour, company members' purchasing practices and employers' human resource management, wage setting and payment systems all play a part. It is important for all those committed to promoting living wages to be aware of these dynamics and how they apply to a particular context when planning their approach to improving wages. *Further guidance is available in ETI's Living Wage Guidance document.*
- 5. Company members are accountable for their actions to enable living wages and should be transparent about progress.** In the interests of transparency, as laid out in the Principles of Implementation that all ETI members sign up to, they are expected to make public their commitment to the standards set out in the ETI Base Code, including living wages. ETI therefore expects all members to report on the actions they have taken to support living wages, and provide verifiable evidence of these actions and their outcomes (eg improvements in wage levels), as part of the existing membership reporting requirements. ETI will seek to find evidence of improved practices and progressing wages in member reports and will follow up with members who consistently fail to show that they are making efforts at gaining results in this area.
- 6. Learning lessons and developing good practice.** Members are expected to share what they are learning from their experience of working to improve wages. ETI will draw from our members' work and that of others and share the emerging best practices, tools and guidance that can support progress.

*For more information on living wages please visit the living wage issues page on our website <http://www.ethicaltrade.org/in-action/issues/living%20wage> or contact the Secretariat for specific queries.*