

## *Position Paper*

### **Attaining living wages in international supply chains**

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#### **Living wages in the cut-flower sector in East-Africa**



## Attaining living wages in international supply chains

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### INTRODUCTION

In the past few years, the need for workers to earn a living wage, a wage that enables workers to meet their basic needs such as food, shelter and clothing, has gained increased attention from a wide range of stakeholders. The workers' right to receive a living wage is embedded in various human rights conventions, including the United Nations Universal Declaration of Human Rights (1948) and several ILO Conventions. Although the right to a living wage is a universal human right, wages in many global supply chains have come under pressure, widening income inequalities worldwide, and many workers are paid wages that are too low to guarantee a decent standard of living. In this Position Paper, Hivos provides a brief overview of the importance of attaining decent wages and its approach towards achieving living wages in global supply chains.

#### UN Universal Declaration of Human Rights (1948) Article 23:

(3) Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

### 1. LIVING WAGE DEFINITION AND METHODOLOGY

#### Why a living wage?

Hivos advocates progress towards a living wage in international supply chains because a living wage is a universal human right. The workers' right to receive a living wage is recognised by the United Nations Universal Declaration of Human Rights (1948), the United Nations International Covenant on Economic and Social Cultural Rights (1966), the Council of Europe's European Social Charter (1961) several ILO Conventions (95 and 131) and ILO Recommendations (131 and 135). Paying a living wage to workers is also entrenched in the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Corporate Social Responsibility, which put the onus on businesses to ensure human rights are respected in the conduct not only of their own activities but also those of the business contacts in their supply chain.

Hivos endorses the United Nations [2030 Agenda for Sustainable Development](#), which includes a set of 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030. SDG 8 promotes inclusive and sustainable economic growth, employment and decent work for all. SDG 10 promotes reducing inequality within and among countries, and explicitly mentions the payment of living wages.

#### What is a living wage?

Hivos follows the ISEAL<sup>1</sup> definition of what constitutes a living wage: *'The remuneration received for a standard working week by a worker in a particular place sufficient to afford a decent standard of living for the worker and his or her family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events.'*<sup>2</sup>

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<sup>1</sup> The ISEAL Alliance is the global membership association for sustainability standards.

<sup>2</sup> ISEAL, A Shared Approach to a Living Wage (2013)

## Attaining living wages in international supply chains

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### How to calculate a living wage?

Hivos considers calculations of a living wage crucial in raising pay. A globally accepted methodology to estimate living wage levels is being developed and tested by six ISEAL sustainability standard systems in collaboration with Dr. Richard Anker, former ILO: Fairtrade International, Forest Stewardship Council (FSC), GoodWeave, Sustainable Agriculture Network/Rainforest Alliance (SAN/RA), Social Accountability International (SAI) and UTZ Certified, together called 'The Global Living Wage Coalition'. The Coalition is working on commissioning and completing studies across the globe to set living wage benchmarks for regions and sectors. To date, this methodology has been used to estimate living wages for the tea sector in Malawi, for bananas in the Dominican Republic, for grapes in South Africa and for the cut-flower sector in Kenya.

The living wage methodology consists of two main components<sup>1</sup>:

- 1) The first component estimates the costs of a basic but decent life style for a worker and his/her family in a particular place (costs for basic needs include food, housing, education, health care, transport and a small margin to provide for unexpected events and emergencies).
- 2) The second component determines if the estimated living wage is being paid to workers.

### The Global Living Wage Coalition Methodology

"The estimation of living wage is explicitly separated from determination of whether particular workers receive a living wage or particular employers pay a living wage. The evaluation of wage levels by certification bodies requires considering not only gross cash payment but also deductions from pay, overtime pay, bonuses and in-kind benefits."<sup>1</sup>

The Global Living Wage Coalition calculations for the tea sector in Malawi have led to multi-stakeholder discussions between producers in southern countries and traders and buyers in northern countries, civil society organizations, trade unions and certification standards bodies. In June 2015, following significant discussion and negotiation with all parties, 20 organisations signed a Memorandum of Understanding (MoU) outlining their commitment to "Living Wages on Tea Plantations."<sup>2</sup>

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<sup>1</sup> Ibid.

<sup>2</sup> MALAWI 2020 TEA REVITALISATION PROGRAMME. Working towards a competitive tea industry with living wages & living incomes (2015)

# Position Paper

## Attaining living wages in international supply chains

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### 2. HIVOS' LIVING WAGE ADVOCACY

Hivos is an international organization that seeks new solutions to persistent global issues. With smart projects in the right places, we oppose discrimination, inequality, abuse of power and the unsustainable use of our planet's resources. Counterbalance alone, however, is not enough. Our primary focus is achieving structural change. This is why we cooperate with innovative businesses, citizens and their organizations. We share a dream with them of sustainable economies and inclusive societies. Human dignity and self-determination are core values of Hivos. These values lead to two important advocacy objectives for a living wage:

1. Hivos advocates a living wage that is sufficient for workers and their families to decide for themselves how they choose to spend it on basic needs such as housing, transport, education and health care. As such the current system, in which companies pay a minimum wage plus a range of in-kind benefits to fulfil basic needs (food, housing, transport, education, childcare etc.) is unacceptable. People should be able to choose freely and not be forced to use company facilities.
2. Hivos advocates engaging workers and trade unions in the negotiation processes around a living wage. It believes that improving workers' collective bargaining power, ensuring their rights of freedom of association and organization, and the protection of workers' representatives are of utmost importance. Ideally, trade unions will be involved so that a living wage is incorporated into the collective bargaining agreement. To empower workers to negotiate a living wage, they can be trained in collective bargaining skills. Hivos works together with local partners to provide such training schemes.

### 3. HIVOS' FLOWER CAMPAIGN

#### Power of the Fair Trade Flower Campaign

In 2011, Hivos started the Women@Work programme to improve women's labour rights and working conditions in international export-oriented supply chains. Hivos decided to focus its first efforts on the international supply chain of cut flowers. There were two main reasons for this: the working conditions of female employees on flower farms in East Africa were seriously lagging behind in complying with international guidelines, while the Netherlands has a major role in the worldwide trade of cut flowers. This resulted in the 'Power of the Fair Trade Flower' Campaign, which started in 2012.

#### Impact of low wages on workers in the flower industry

With regard to labour rights, the most important issue in the cut-flower industry are the low wages paid to female workers. Women workers constitute a large part of the workforce on flower farms, carrying out low-skilled and low-paid work such as harvesting and bundling roses. The main export countries of cut flowers in East Africa are Kenya, Ethiopia, Tanzania and Uganda. Except Ethiopia, the other three countries have adopted a legal minimum wage. These are however too low to guarantee a basic standard of living. Even farms that implement better labour conditions and pay higher wages do not meet living wage levels.

Not paying a living wage can have a huge negative impact on workers. We have seen many examples in the flower sector of women with multiple jobs or working excessive hours of overtime in order to scrape a living. Not paying a minimum wage may result in women not being able to provide for their families' basic needs such as proper food and shelter, or to cope with unexpected stress, such as illness. It also makes women more vulnerable to being mistreated or sexually harassed and increases the likelihood of children being sent out to work instead of going to school. For more examples on Hivos' Living Wage work and information on the Power of the Fair Trade Flower Campaign see ANNEX 1.

## Attaining living wages in international supply chains

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### 4. HIVOS' ROLE AND ACTIVITIES

Hivos pushes for workers' human rights, including the promotion of a living wage, freedom of association and collective bargaining, and puts these on the agenda of governments and international organisations. In addition, Hivos engenders awareness among supply chain and non-supply chain stakeholders of their own and shared responsibilities in working towards a living wage. To this end, Hivos builds long-term relationships built on mutual trust with suppliers such as supermarkets and growers who embrace the principle of a living wage. In this process, Hivos takes on a role as intermediary by initiating and taking part in multi-stakeholder initiatives (at regional, national and international level as well as at home), sharing lessons learned, pushing for the inclusion of living wages in existing social standards and providing a neutral forum for collaborative work on wage issue. Furthermore, Hivos raises consumer awareness of social standards in international supply chains that take living wages into account.

#### Hivos' research activities:

- To undertake and support research relevant to wage setting and for determining living wages (wage structure analysis and living wage benchmarks) in relevant supply chains and production areas.
- To investigate into a business case for farmers in East-Africa and retailers in the Netherlands on a living wage rose.
- To look for best practices and develop business cases to showcase performance on strategies that promote living wages, freedom of association and collective bargaining for awareness raising and mobilisation purposes.

#### Hivos' sharing knowledge and raising awareness activities:

- To boost the expertise of trade unions, workers' representatives and labour NGOs in producing countries and to transfer knowledge to all relevant stakeholders in the supply chain as regards a living wage, collective bargaining and freedom of association.
- To aid worker organisations to utilize the appropriate grievance mechanisms in the event of employer non-compliance.
- To encourage employers/companies to pay a living wage by presenting relevant business cases based on real-time figures.
- To raise awareness among suppliers about their potential supply chain risks.
- To provide stakeholders a platform to frame, explore, and find solutions for the implementation of living wages via the Living Wage Lab.

#### Hivos' advocacy activities:

- To lobby at national/local government level for a raise in minimum wages where these fall short of a living wage.
- To lobby for a living wage commitment in the Dutch International CSR sector covenants.
- To lobby at international level for monitoring of companies to assess compliance with international rules and regulations on labour and working conditions.
- To lobby for improved labour inspections by national/local governments.
- To advocate transparent payment and taxation systems at national, sector and/or farm level.

## Attaining living wages in international supply chains

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### 5. HIVOS' MULTI-STAKEHOLDER APPROACH

Hivos believes that all different stakeholders, such as companies, governments, certification standards bodies, CSOs and workers, should be involved in the process of implementation.

#### Multi-stakeholder process

In Hivos' view the process of working towards a living wage should be one of negotiation between the different stakeholders in the supply chain. Such negotiations should take into account local realities as well as responding to externalities such as rising prices of basic needs over time. As such there is no one-size-fits-all approach to achieving a living wage in each country and in every supply chain. However we do believe that a living wage can be achieved in international supply chains as long as all stakeholders are involved in the process, are committed to attaining this goal and to keeping the issue on the table. Hivos recognises that a living wage cannot be achieved overnight. We estimate that the wages currently being paid on African flower farms must at least triple to attain the level of a living wage. This requires a 'Roadmap' approach, setting out clearly defined steps for each stakeholder to reach a living wage over time.

#### Living wage Lab

Following the Living wage conference organized by the National Contact Point (NCP) for the Oeso-guidelines where the Social-Economic Council (SER) presented its brochure "Living Wage" with five approaches towards achieving a living wage, Hivos set up a Living Wage Lab.

Hivos believes that the supply chain as a whole has a shared responsibility in ensuring workers are paid a living wage, while each separate stakeholder also has an individual responsibility to attain this goal. Therefore Hivos, in collaboration with Fairfood International, has launched a Living Wage Lab in November 2015. The Lab is a platform that seeks to catalyse emergent innovations in the domain of wages in the agro-food industry through a multi-stakeholder approach. The entire process of framing, exploring, and finding solutions for the implementation of a living wages is guided and co-created by the participating stakeholders, which are together forming the Living Wage Lab.

## LIVING WAGE LAB

The Living Wage Lab is not an actual 'laboratory' in the traditional sense of the word. The Living Wage Lab is a place where stakeholders come together to learn, experiment and find solutions for the implementation of living wages in global supply chains.

### 6. HIVOS' HOLISTIC RECOMMENDATIONS

#### Action Plan on Living Wages

Hivos endorses the Action Plan on Living Wages, the multi-stakeholder outcome of the European Conference on Living Wages organized by the Dutch and the German governments, held in Berlin in November 2013. The Action Plan lists recommendations for all stakeholder groups to address the challenge of achieving a living wage for workers in international supply chains. The Dutch ministry of Foreign Affairs is currently working on the organization of the Asian Living Wage Conference, specifically aimed at the textiles industry, to be held in Pakistan in 2016. Hivos will closely monitor the outcomes of this conference.

# Position Paper

## Attaining living wages in international supply chains

The table below provides a holistic overview of Hivos' key recommendations with regards to attaining living wages in international supply chains, divided per stakeholder level.

| Stakeholder Level                         | Recommendations  |
|---|--|
| <b>Business</b>                           | <ul style="list-style-type: none"> <li>• Companies to commit to paying a living wage</li> <li>• Companies to conduct due diligence to be informed and to address social issues in their global supply chains</li> <li>• Companies to be transparent about their supply chains</li> <li>• Companies to engage with stakeholders to determine the changes needed to implement living wages in their supply chains</li> </ul>   |
| <b>Producer</b>                           | <ul style="list-style-type: none"> <li>• Producers to commit to paying a living wage</li> <li>• Producers to be transparent about working conditions</li> <li>• Producers to allow and support unions and workers in their efforts to achieve a living wage</li> </ul>   |
| <b>Worker and Trade Union</b>             | <ul style="list-style-type: none"> <li>• Workers to be trained regarding their rights under ILO conventions</li> <li>• Workers to engage in collective bargaining actions to advocate for higher wages in their workplaces</li> <li>• Trade Unions to be trained and involved in collective bargaining</li> </ul>  |
| <b>EU and national governments</b>        | <ul style="list-style-type: none"> <li>• The EU/nat. government to create legislation to make supply chain responsibility, transparency and due diligence a legal obligation</li> <li>• The EU/nat. government to enforce legislation to ensure that companies respect workers' rights</li> </ul>  |
| <b>Local governments</b>                  | <ul style="list-style-type: none"> <li>• Local governments to ratify all ILO and UN conventions</li> <li>• Local government to raise minimum wages to a living wage or to introduce a minimum wage equal to a living wage</li> </ul>   |
| <b>Consumer</b>                           | <ul style="list-style-type: none"> <li>• Consumer to be informed regarding low wages in supply chains</li> <li>• Consumers to pressure companies and express their preference for ethically produced products</li> </ul>   |
| <b>Certification Label</b>                | <ul style="list-style-type: none"> <li>• Certification labels to include living wage and freedom of association in their standards</li> <li>• Certification labels to monitor performance of implementation of their standards</li> <li>• Certification labels to implement (independent and) participatory auditing with a grievance mechanism for workers</li> </ul>   |
| <b>Civil society organisations (CSOs)</b> | <ul style="list-style-type: none"> <li>• CSOs to pressure companies and producers to commit to living wages</li> <li>• CSOs to support unions and workers in their efforts to achieve a living wage</li> <li>• CSOs to advocate for EU legislation to make supply chain responsibility, transparency and due diligence a legal obligation</li> <li>• CSOs to pressure local governments to increase the national minimum wage</li> <li>• CSOs to raise consumer awareness of social standards in international supply chains</li> <li>• CSOs to work together with certification labels to stimulate inclusion of living wages in their standards</li> </ul> |

## Attaining living wages in international supply chains

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### ANNEX 1: EXAMPLES OF HIVOS' LIVING WAGE WORK IN THE CUT FLOWER INDUSTRY

#### Research into the true price of a rose

In 2013 Hivos commissioned True Price, a social enterprise specialised in quantifying and valuing economic, social and environmental impacts, to conduct a study into the true price of a rose. Calculating the true price of a product serves to make the social and environmental costs visible. Knowing what these costs are, can help to bring them down.

The research showed that the biggest cost to the environment lay in the energy consumption of air freighting the roses overseas, while underpayment of workers appeared to be the biggest social cost. Simultaneously, the study examined the measures that could be taken to reduce the environmental and social costs of producing a rose, examining in each case whether the investment required would generate a profit or loss for the producer. This resulted in a business case for sustainable rose farming. Results show that environmental measures related to using sustainable energy, saving water and integral pest management generate a return on investment. Similarly, raising wages would generate productivity gains while reducing absenteeism. However, the study also showed a tipping point at which raising wages further would result in a net loss for the farmer.

The research points to two avenues for resolving this problem: (i) farmers could finance raising wages beyond the tipping point by using the profit generated from environmental measures or (ii) the supply chain or consumer needs to be included in the equation. Hivos has commissioned True Price to conduct further research into the point at which wage hikes impact negatively on profits and how other stakeholders in the supply chain could be deployed in order to counteract this. Hivos will use these results to further determine its interaction with stakeholders in the supply chain.

#### Multi-stakeholder initiative: supply chain approach to a living wage

In 2014, as one of the impact projects of the Floriculture Sustainability Initiative (FSI), Hivos initiated a multi-stakeholder initiative to work towards a living wage in the cut-flower industry by taking a supply chain approach. For this project Hivos has teamed up with certification bodies Fairtrade International and Fair Flower Fair Plants, as certification standards play a key role in improving labour conditions at flower farms.

The overall goal of the project is to develop an agreed strategy across the entire supply chain for the implementation of a living wage in three East-African producer countries: Kenya, Ethiopia and Tanzania. Specific objectives of the project are to gain a common understanding of wage structures and wage setting in the sector and the gap with a living wage. In addition, the project aims to improve dialogue on wages in each country between producers, workers, trade unions, employers' associations, companies, government, certification bodies and civil society. Lastly, the projects aims to develop a commitment throughout the supply chain to work towards a living wage. By the end of 2016 the aim is to have built up country-wide multi-stakeholder consortia to implement living wage plans. At a later stage, probably from 2017 onwards, the project will seek to increase support for a living wage by showcasing best practices, broadening downstream industry involvement – particularly of retailers - and by raising consumer awareness.