
IN WORK BUT TRAPPED IN POVERTY

A summary of five studies conducted by Oxfam, with updates on progress along the road to a living wage



STRAWBERRY PICKING IN MOROCCO



TEA PLUCKING IN MALAWI



FLOWER PROCESSING IN KENYA



PRODUCT MANUFACTURING IN VIETNAM



GARMENT STITCHING IN MYANMAR

Rachel Wilshaw, Sloane Hamilton, Julie Thérout-Séguin and Daisy Gardener

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 growing inequality. This summary of recent Oxfam research paints a picture of workers, mostly women, who are working hard but trapped in poverty producing food and garments for consumers. Four of the five studies were conducted with companies who source or sell the products. The paper outlines the findings, gives a progress update and looks at what needs to change for workers like these to enjoy decent work on a living wage in the future.

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FOREWORD

Mark Goldring, Executive Director, Oxfam GB

In January 2014, Oxfam's 'Working for the Few' report¹ revealed the staggering statistic that 85 people now have the same wealth as half the world's population. That report received massive attention, reinforcing as it did the explosive findings in Thomas Piketty's book² – that extreme economic inequality is damaging the fabric of society and the health of the economy. Twelve months later Oxfam was back, highlighting that just 1 percent of the world's population owns 99 percent of its wealth. The issue of growing inequality is a major concern for policy makers, civil society and business leaders alike, as Oxfam's report *Even It Up: Time to end extreme inequality* demonstrates.³

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Yet since 1990, working people (in developed and developing countries alike) have received a smaller and smaller slice of the economic pie, while those who own capital have received a bigger and often unearned slice. The median income of a UK supermarket chief executive more than quadrupled (from £1m to £4.2m) between 1999 and 2010. Top executives in the FTSE 100 now take home 130 times as much as their average employee. Yet almost a century after the International Labour Organization (ILO) Constitution stated that 'Peace and harmony in the world requires an adequate living wage', only 24 of these companies have committed to pay their own employees a Living Wage⁴ and none has made a serious commitment to ensure a living wage is paid in their supply chain.

This summary of five recent Oxfam studies into employment conditions, four of which were conducted with multinational and local companies, shows the reality of in-work poverty in profitable supply chains. No matter how hard many people work, they cannot work their way to a better life and have little or no representation in the workplace. Women predominate in many of these 'low road' jobs. They also carry another burden, since rural women report that they typically do 5.9 hours of unpaid care work a day, compared with the 1.1 hours than men typically do.⁵ What they need from productive employment is a secure contract on a living wage, with predictable, manageable hours and good, affordable childcare. What they get, as Oxfam's studies show, is the opposite.

In Morocco, in 2009, Oxfam found⁶ that female strawberry pickers were facing numerous violations of their rights, including harassment by 'labour providers', dangerous transport and below-minimum wages. We joined up with UK supermarkets to do something about it.

An Oxfam **poverty footprint study with IPL in Kenya** in 2013⁷ found that low wages were the biggest issue facing workers in the cut flower and green beans sectors. Other findings included the insecure income for smallholder farmers, and poor childcare.

A **study with the Ethical Tea Partnership** in 2013⁸ concluded that in Assam, India, tea pluckers' wages left them below the World Bank poverty line of \$2 a day, while in Malawi, they were below the extreme poverty line of \$1.25 a day. This was despite wage levels meeting the legal minimum, and 'in-kind benefits' being provided.

A study of labour standards in Unilever's Vietnam supply chain⁹ found that wages in the company's own factory were well above the minimum wage but below a living wage

and grievance mechanisms were not trusted. In the supply chain, low wages and insecure work were found in two of three suppliers studied, with the third being an example of good practice.

In an **Oxfam survey of garment workers in Myanmar (Burma)**¹⁰ workers expressed concern about low wages, long hours and safety issues. Even with overtime, most said they cannot afford housing, food and medicine with the income they earn at the factories.

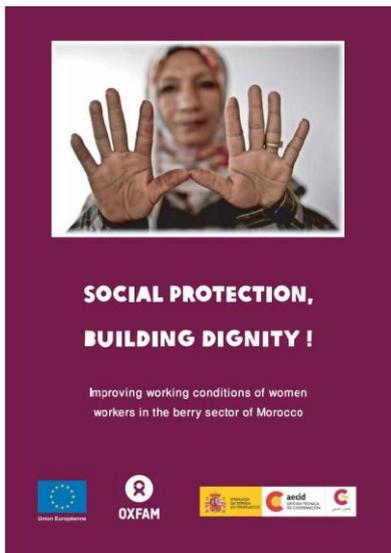
Fifteen years of corporate codes have only made a dent in these serious issues. Audit-based compliance has had its day. It's time for a new approach that recognizes the systemic nature of serious violations of people's rights at work. The **United Nations' Guiding Principles on Business and Human Rights**¹¹ set out companies' responsibility to respect human rights, including in their business relationships in the supply chain. Companies must identify the root causes of 'adverse impacts' on human rights and use their influence to address them. In-work poverty is a very tangible form of such adverse impact.

In its **Behind the Brands campaign**,¹² Oxfam has assessed the approach taken by the top 10 global food and beverage companies to the management of their supply chain. It rates and ranks on their policies for agricultural workers, smallholder farmers and women, how they manage global issues such as land rights, climate change and water and how transparent they are. In relation to workers, all the companies have much to do. For example, not even the highest-scoring companies on the scorecard have made a commitment to a living wage in their supply chains.

Some companies have taken steps to tackle low wages, as highlighted in this report and in Oxfam's briefing paper, **Steps Towards a Living Wage in Global Supply Chains**.¹³ But these efforts have had little impact on in-work poverty. More systemic change is needed, of the kind that is happening in Ecuador, where the minimum wage has been raised up to a living wage;¹⁴ in the garment sector, where a group of brands have opted to work with the global union IndustriALL;¹⁵ and in Malawi, where a coalition has committed to achieve a living wage for tea pluckers by 2020.¹⁶ These initiatives hold out hope of the deeper change Oxfam is looking for.

Decent work can be one of the principal solutions to growing inequality, if 'low road' jobs can be systematically raised up to a higher level. With active support from governments, companies and consumers, we need to create a world where working in a profitable value chain becomes a genuine route out of poverty, while enabling people to spend time with their families. Secure jobs on a living wage must become the norm, not the exception.

IMPROVING WORKING CONDITIONS FOR STRAWBERRY PICKERS IN MOROCCO



Top right: Women working in the strawberry fields. Photo; Julie Th  roux-S  guin/Oxfam

Overview

*Social Protection, Building Dignity! Improving working conditions of women workers in the berry sector of Morocco*¹⁷ was published by Oxfam in December 2014. It reviews progress in securing the rights of strawberry pickers following a collaboration between Oxfam, the Ethical Trading Initiative (ETI) and six supermarkets, together with their importers.

From 1995 to 2013, Morocco increased its strawberry production from 10,000 tons to 165,000 tons. The fruit's high added value has made it an important export product and the sector has an ambitious programme of growth. European countries are the main destination; the UK is the third largest importer.

The growth of the strawberry sector in the north of Morocco has brought an estimated 20,000 women into productive work for the first time. But in 2009, Oxfam and its non-government organization (NGO) partners conducted a survey that identified a range of concerns about the lack of respect for workers' rights in the berry sector – rights afforded under Moroccan labour law and supported by the country's ratification of ILO conventions.

Findings

Oxfam conducted research in 2009 to find out what conditions were like for workers, and again in 2014 to see what had changed. The 2009 research uncovered a range of serious problems facing workers, including non-compliance with minimum wage and working hours legislation, poor health and safety standards, degrading transport conditions, and harassment and verbal abuse. Women worked long hours, weekly rest was rarely respected, and overtime did not result in more pay.

When I started working in the strawberry sector four years ago, I accepted the money they gave me without questioning the supervisor and without counting the hours I worked. Sometimes we could work from very early in the morning until sunset.

Strawberry picker, 2014

Oxfam found a low level of awareness about labour rights among workers and those responsible for them (growers and labour providers). Workers lacked employment contracts and even identity documents, so their age could not be verified, and there were low rates of registration for social security, designed to protect workers when paid work is not available. Trade union membership in the north of Morocco was low.

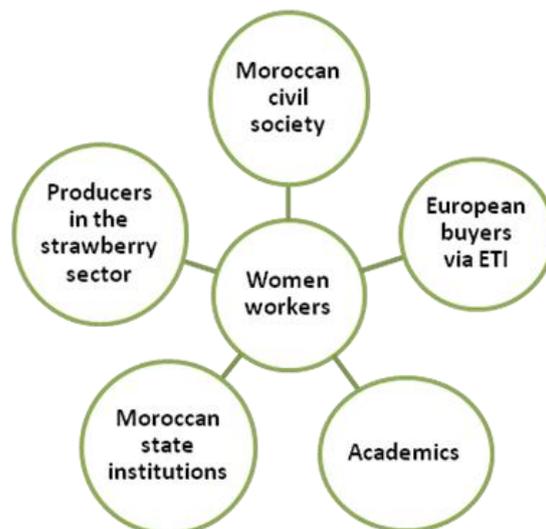
Audits commissioned by retailers did not accurately assess whether workers were paid the minimum wage, let alone uncover sensitive issues such as sexual harassment. The corrective actions recommended by auditors did not take into account the systemic nature of the issues; nor did they secure the buy-in of growers or labour providers to remedy any problems.

One of the main issues was the power of male labour providers over a largely female workforce, controlling access to employment, payment, transport and supervision. These untrained supervisors were often the 'de-facto employer', frequently subjecting women workers to harassment. One worker was told by her supervisor: *'Do not ruin the strawberries; they are worth more than you are.'*

Following the 2009 survey, Oxfam in Morocco supported several NGO partners to design and implement a workers' rights programme. Partners set up a mobile training unit, known as 'the caravan', and travelled around rural communities raising workers' awareness about their rights. More than 75 women strawberry pickers were trained to become leaders in their communities. They went on to set up the Al Karama Women's Association, supporting more women to claim their rights.

Project teams also supported workers to register for identity cards as well as social security, which was a high priority. The programme was supported by the Spanish Agency for International Development Cooperation (AECID) and the European Union (EU) as well as Oxfam's own funds.

A new initiative got under way in 2011. Realizing that many of the strawberries ended up on the shelves of UK supermarkets which were members of the Ethical Trading Initiative (ETI),¹⁸ Oxfam in Morocco joined forces with Oxfam in the UK to raise the issues with the supermarkets. This collaboration resulted in the Better Strawberries Group, whose membership comprises retailers including Tesco, Waitrose, Marks & Spencer, Sainsbury, Cooperative, Morrison's and Asda, together with their strawberry importers including Total Worldfresh Ltd, International Procurement & Logistics and Angus Soft Fruits, alongside Oxfam and ETI.



The Group identified around 20 strawberry farms from which its members sourced and where they therefore had collective influence. It developed a four-year action plan (2012–2015) to tackle six priorities: identity documents, social security registration, labour providers, transport, health and safety, and payment of the minimum wage. It also convened meetings in Morocco that brought together government agencies, Oxfam’s partners and international buyers, as well as representatives of Moroccan strawberry growers.

Progress update

A progress review in 2014 found that 65 percent of workers in the berry sector were now registered for social security, with one region seeing a 30 percent increase in numbers registered between 2011 and 2013 (see Table 1). Registration gives a woman worker with two children access to 40 percent more income due to employer social security contributions. The Moroccan government plays an important role with social security staff helping workers to register to claim their entitlement.

As a result of the Better Strawberries Group, growers in Morocco are more aware of the importance of constructive labour relations, and some report higher productivity and a more stable workforce. Seventy percent of the pack houses and processing centres pay at least the minimum wage, and women workers are increasingly refusing to take up jobs unless they are offered this. More workers reported being on contracts, giving them more predictable work patterns and incomes. And an association of transport providers has been formed.

At the beginning of the programme, we went to the villages with caravans and no one had heard of the CNSS (employer social security contribution). Now, when we go into the villages, women come to us to see if their employers have paid for the correct number of days. This is quite a change!

RADEV (local NGO partner)

With Oxfam’s support, training has equipped women workers to play an active role in taking concerns to local authorities and foreign companies. They have acquired a legitimacy that allows them to organize activities independently, strengthening the social capital in the sector.

Oxfam’s 2014 report on the situation of workers in Morocco’s berry sector welcomed the progress made to date. The Better Strawberries Group has demonstrated the value of different stakeholders collaborating to achieve a set of common objectives that reflect workers’ priorities. But the report also highlighted the urgent need to tackle the role of labour providers and move workers into direct employment relationships. Some growers’ unwillingness to stop bad practices is overshadowing the good practices implemented by others, and jeopardizing lasting change across the sector. Meanwhile some growers complain about their retail customers’ business practices, which make it hard for them to deliver the standards required.

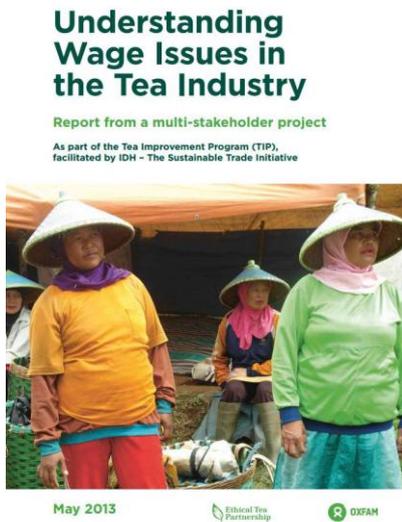
To sustain progress in the longer term, producers and the Moroccan government need to devote more resources to protecting the rights of workers in the agricultural sector. Buyers in other European countries need to act too, as do growers of strawberries for the frozen industry.

The initiative has taken the vital first steps in a long journey towards ethical trade in Moroccan berries. But for now, for most workers in that sector, a living wage in secure employment remains a distant dream.

Table 1: Summary of programme targets and progress

Issue	Target	Results
National Identity Cards	100% compliance of agro-industry units with local employment regulations	<ul style="list-style-type: none"> • More than 1,400 women received their National ID Card with the support of Oxfam's programme • Over 70% of pack houses and processing factories require ID Card for their workers
National Social Security Fund (CNSS)	Cross-stakeholder collaboration to reach 100% of workers being CNSS-registered, as well as a marked uplift in CNSS registration of workforce by growers	<ul style="list-style-type: none"> • All companies directly supplying the UK market have obtained their CNSS ID • Steady progress in farm affiliations, with a more marked increase in 2013. The number of people registered in the Gharb-Chrarda-Béni Hssen (GCBH) region increased by 40% in 2012 and 70% in 2013 • In 2014, registration of workers in the berry sector was around 65% for both Larache and GCBH regions • The programme has supported more than 3,025 people, including nearly 2,700 women, to get their CNSS card or check its functionality
Labour providers	Work towards creating a standard code of practice on the use of labour providers, to be implemented by all strawberry growers	<ul style="list-style-type: none"> • Creation of a transporters' association • Increased awareness among producers of the importance of good labour relations and non-violent communication in the workplace • Decreased tensions between supervisors (<i>waqqafs</i>) and employees in pack houses and processing factories, where labour relations are formalized by contracts
Transport	Greater focus on improving transport (conditions) to and from sites	<ul style="list-style-type: none"> • Talks have begun between all stakeholders, including government agencies, growers and local NGOs, to work on practical and realistic solutions to transport issues
Health and safety	Adherence to Global Good Agricultural Practice (G.A.P) health and safety standards as a minimum on all Moroccan strawberry farms. Within 3 years agro-industry units should improve working conditions and hygiene	<ul style="list-style-type: none"> • Moroccan farms exporting to the UK are Global G.A.P certified. Some producers are being audited to the ETI Base Code. • In some factories and pack houses, infrastructure and health and safety practices have improved.
Minimum wage	All workers on Moroccan strawberry farms are paid at least the national minimum wage. All deductions from workers' wages (including for transport) are legal and have been agreed with workers.	<ul style="list-style-type: none"> • 70% of the pack houses/processing units for which Oxfam has information are paying the minimum wage • Women know their rights and increasingly refuse to take up jobs that do not pay the minimum wage

UNDERSTANDING WAGE ISSUES IN THE TEA INDUSTRY



Above right: A tea plucker in Mulanje, southern Malawi. Photo: Abbie Trayler-Smith/Oxfam 2009.

Overview

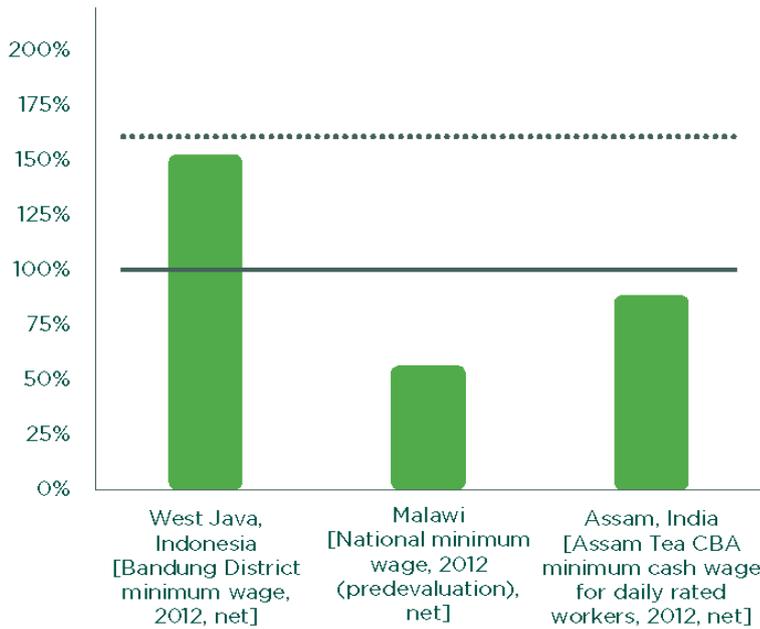
Understanding Wage Issues in the Tea Industry: Report from a multi-stakeholder project was published in May 2013 by Oxfam and the Ethical Tea Partnership (ETP), with IDH – The Sustainable Trade Initiative.¹⁹ It was based on research conducted in 2011 and 2012 in three areas: Malawi, West Java (Indonesia) and Assam (India), focusing on hired labour (especially tea pluckers) on plantations. The research team, led by Ergon Associates, studied a representative sample of producers serving the export market, and included a mix of certified (Fairtrade, Rainforest Alliance and UTZ Certified) and non-certified estates.

The multi-stakeholder project was initiated in 2010 by Oxfam, ETP, a not-for-profit member organization of tea companies committed to improving the lives of tea workers and their environment, and IDH. With numerous reports by civil society organizations highlighting low wages and excessive working hours in the tea industry,²⁰ the project set out to establish an evidence-based understanding of the wages that are paid, identify the barriers to raising them, and build a partnership of stakeholders committed to ensuring that wages of tea pluckers are adequate for sustainable livelihoods.

Findings

In the areas studied, tea pluckers (approximately 50 percent men and 50 percent women) were found to be paid the same rates across individual regions, regardless of the values or profitability of the estate they were working on. Compliance with minimum wage legislation was generally good, but rather than act as a 'wage floor', it was often the default wage paid. This was in spite of the fact that in Assam and Indonesia, collective bargaining between tea associations and trade unions was part of the wage setting process.

Figure 1: Minimum wages in tea growing areas compared with international poverty lines



Source: *Understanding Wage Issues in the Tea Industry*, p. 16. The graph compares minimum wages and international poverty lines taking into account that a wage needs to support dependents. The dotted line represents the \$2 per person per day World Bank international poverty line; the solid line represents the \$1.25 per person per day extreme poverty line.

In Malawi, pluckers’ wages were found to meet the legal minimum and were above the national poverty line. But they fell below the international extreme poverty line at household level, even taking into account in-kind benefits (see Figure 1). Pluckers’ wages were not considered low when compared with other waged work, though; this probably reflects the fact that Malawi is the eighth poorest country in the world according to gross domestic product (GDP) per capita.²¹

In Assam, wages were also found to be very low. Estimating in-kind benefits as having almost equal value to cash wages, total compensation fell just above the World Bank poverty line for an average household. Wages were found to be around 40 percent of the Indian average income level. In West Java (Indonesia), wages were found to be above international poverty benchmarks and close to a living wage, but only if in-kind benefits were included. However, Indonesia’s economy has been developing fast, and pluckers’ wages were low compared with wages in other sectors.

In all three regions, in-kind benefits and non-wage allowances – including food, fuel and accommodation – were found to make up a significant proportion of total benefits.

One significant finding was that in the three regions studied, wages were no higher on certified estates than on non-certified estates. This is because for the wages element of certification, standards only required that wages did not fall below the legal minimum.

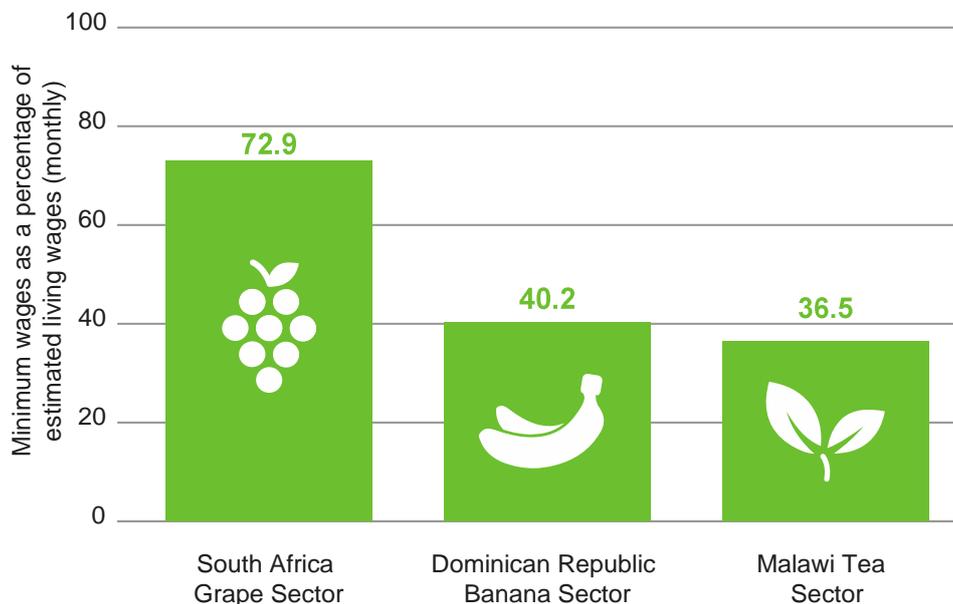
Although women comprise the majority of tea pluckers on many tea estates, they are under-represented in the workplace. There is a lack of information on the value that women workers put on in-kind benefits. Lack of childcare can also reduce girls’ access to education.

Progress update

The findings of the 2013 study caused great concern but were accepted by all those that took part, including tea companies, retailers and certifying organizations, and, in Malawi, the tea industry, government and civil society groups. This provided the platform for a collective commitment to tackle low wages, starting with Malawi, where UK and Dutch companies together account for just under 50 percent of purchases.

All three certification organizations involved in the study, Fairtrade International, Rainforest Alliance and UTZ Certified, made public commitments to address low wages.²² In January 2014, Fairtrade International published a revised certification standard covering waged workers: the **Hired Labour Standard**.²³ With other members of the ISEAL Alliance, which represents certifiers of consumer products, they commissioned a series of **living wage benchmarking studies**. Certified employers will be expected to raise wages ahead of inflation annually to move towards the living wage benchmarks identified.

Figure 2: Minimum wages and estimates of a living wage – the Anker methodology



Source: Figure reproduced from Oxfam (2014) *Even It Up: Time to End Extreme Inequality* which was based on living wage benchmarking studies by Richard Anker and Martha Anker (2014). The figure shows minimum wages as a percentage of estimated living wage benchmarks.

In the study, ***Living Wage for rural Malawi with Focus on Tea Growing area of Southern Malawi***, experts Richard and Martha Anker found encouraging evidence of progress since the wage report was published: *‘Although there is still far to go before workers on tea estates receive a living wage, tea estates have made significant progress in recent years to improve wages of workers.’*

They calculated that where workers receive in-kind benefits, a reasonable living wage benchmark would be Malawi Kwacha (MWK) 1,408 (\$3.30) per day. The benchmark is not a luxury: it would cover the cost of milk only for children up to the age of five and the cost of cheap fish and vegetables but no meat, poultry or eggs. In terms of living conditions, it is based on families living in a brick house with beds but no electricity, running water or toilet. Yet because poverty levels across Malawi are so high, the benchmark – if implemented – would represent a significant increase in tea workers’ incomes and wellbeing.

In June 2015, coalition members signed up to a Memorandum of Understanding committing signatories to achieve a living wage for tea pluckers in Malawi by 2020, based on the Anker benchmark. Progress will be validated by a credible third party. The initiative is expected to benefit approximately 50,000 workers.²⁴

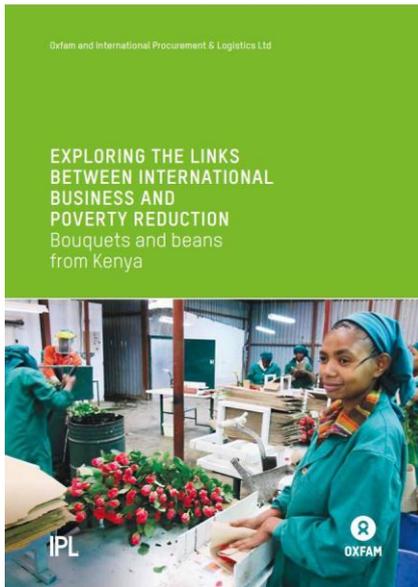
In September 2015, coalition members came together in Blantyre, Malawi to agree a roadmap²⁵ that the organizations will follow to achieve five objectives:

- A more competitive and profitable industry that is paying a living wage to workers;
- A healthier, motivated, and productive workforce, with greater opportunities for women;
- An improved smallholder sector where farmers earn a living income;
- An improved wage-setting process with greater worker representation;
- More sustainable energy use and an improved environment in tea-growing areas.

Participants at the meeting welcomed some important developments:

- A substantial rise in workers' wages from MK560 to MK850 on 1 September 2015;
- An increase in the price paid to smallholders for green leaf from the same date;
- A way forward to develop a collective bargaining agreement;
- The continued support of the Malawi government to the process.

CUT FLOWERS AND GREEN BEANS FROM KENYA: A POVERTY FOOTPRINT STUDY



Above right: Preparing flowers in a pack house. Photo: Gerry Boyle/Oxfam

Overview

Exploring the Links between International Business and Poverty Reduction: Bouquets and beans from Kenya was published in May 2013 by Oxfam and International Procurement & Logistics Ltd (IPL).²⁶ IPL is the biggest importer of fresh produce to the UK and is owned by ASDA, the UK's second largest supermarket. The research for the report was carried out with support from Accenture Development Partnerships.

The research in Kenya used a poverty footprint methodology. This was developed by Oxfam²⁷ to help companies shine a light on how their operations really affect workers, smallholders and communities in developing countries. The company works in partnership with a civil society organization to understand the impact of its business on five dimensions of poverty: livelihoods, diversity and gender equality, security and stability, health and wellbeing, and empowerment. Based on the findings, recommendations are developed on ways the company could enhance the positive impact of its business model while minimizing any negative impact.

Kenya has a well-developed horticultural sector that supplies most major UK supermarkets. *Exploring the Links* sought to gain an insight into poverty issues in the sector and to identify how IPL could integrate pro-poor strategies in its operations in Kenya.

Findings

The level of wages was the most frequently cited poverty issue. Of 176 workers interviewed, 35 percent mentioned low wages as the main problem, followed by heavy workload (8 percent).

Minimum wages in Kenya are set by the government and vary depending on a worker's age, location and qualifications. Workers also have legal rights to pay and compensation under Kenya's 2007 Employment Act. Employers must provide a minimum housing provision as part of a worker's package, included as part of the minimum wage.

The lowest legal wage for unskilled agricultural workers at the time of the study was Kenyan shillings (KES) 3,765 per month. The industry's collective bargaining agreement,

negotiated between employers and the trade union, specifies a minimum wage of KES4,800 per month. Average monthly incomes in flowers were found to be around KES6,480 a month; green beans workers earned less, around KES5,460 per month. The lowest wages of all were paid to casual labourers working on small-scale producers' farms.

The research found that wages often failed to keep pace with rises in the cost of living. On every farm, managers acknowledged continued pressure from workers to increase pay. Wages at flower farms where unions are active had risen by around 10 percent over the previous two years. One in four interviewees said they needed a second source of income to support themselves, such as small shops, bicycle taxis or informal money lending.

Farm labourers typically work nine hours a day, six days a week, with an hour's walk to work and back not uncommon. The study found no consistent approach to overtime compensation across the industry, despite there being a legal framework in place. In 11 of the 12 large production and packing sites visited, workers said that overtime was not flexible, negotiable or properly compensated. In a focus group discussion, workers said they did not want extra hours and would prefer to be paid a decent basic wage, saying that compulsory overtime and night shifts disrupted family life.

John, interviewed for Oxfam's study, is married with a three-year-old child. He works an eight-hour day as a flower worker and earns KES6,755 per month, including a housing allowance. At the end of the year, he sometimes earns a bonus. John spends KES5,000 a month on food alone. Despite the combined wages of John and his wife, who earns KES150 a day, their monthly expenses exceed their income and although they lease half an acre of land to grow maize, beans and potatoes for their own consumption, they restrict themselves to two meals a day to ensure their child is able to eat three times a day.

The research highlighted that the introduction of ETI standards by retailers as requirements for supply has had a major positive impact. It has increased awareness about labour rights and gender issues among local industry representatives, and helped to clarify expectations of international buyers. The most significant drivers of higher wage levels were working on a Fairtrade-certified farm and working in a pack house as opposed to in the fields.

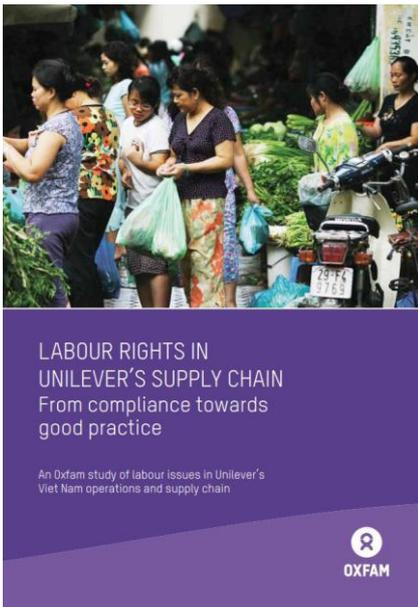
The research team calculated that the wage bill for farm and pack house workers accounts for just 5 percent of the retail price of flowers and 7 percent of the retail price of green beans in the UK. Based on a rough estimate, Oxfam calculated that wages could be doubled to KES12,000 if just 5p were added to the price of a £4 bunch of flowers, or 2p to a pack of green beans – earmarked for wages.

Progress update

IPL made a series of commitments to incorporate the recommendations from the study into its way of working and sustainability strategy. These commitments related to workers' wages and employment terms, small-scale producers and women. IPL and Oxfam agreed that progress would be independently reviewed after three years. ASDA committed to supporting IPL's obligations under the agreement and reviewing its own activities covered by the study.

In 2014, a **living wage benchmarking study for Kenya horticulture**²⁸ was commissioned by six members of the ISEAL Alliance: Fairtrade International, UTZ Certified, Sustainable Agriculture Network/Rainforest Alliance (SAN/RA), GoodWeave, Forest Stewardship Council and Social Accountability International. This study found that the gap between the minimum wage and a living wage was even larger than Oxfam had calculated, and that collective bargaining had so far only raised wages part of the way towards a benchmark of a living wage.

LABOUR RIGHTS IN UNILEVER'S SUPPLY CHAIN WITH A CASE STUDY IN VIETNAM



Above right: Monitoring the production line for dishwasher liquid bottles. Photo: Unilever Viet Nam 2012

Overview

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 was published by Oxfam in February 2013, based on a study with Unilever's active support.²⁹ Both parties engaged in dialogue and then agreed to conduct a country case study to compare Unilever's high-level policies with the reality on the ground for workers. Vietnam was chosen as Unilever had a factory and supply base and the Oxfam team had experience on labour rights.

Vietnam is one of the world's fastest-growing emerging economies, in transition from a planned economy to a free market model, though one where the government still plays a major role. Food prices had risen significantly at the time of the study, prompting a debate about the adequacy of the minimum wage and the treatment of workers in general.

The study used the **UN Guiding Principles on Business and Human Rights** as its framework, reviewing Unilever's approach in four key areas: (1) commitment; (2) integration into the business and implementation with suppliers; (3) tools and processes for due diligence; and (4) remediation by grievance mechanisms. It also focused on four issues that are very important to workers but hard for companies to measure and manage: (1) freedom of association and collective bargaining; (2) wages; (3) working hours; and (4) contract labour.

Findings

The researchers visited Unilever's operations at Cu Chi, near Ho Chi Minh City, where around 1,500 workers were employed processing food, personal care and home care products.

In relation to freedom of association, researchers found that the factory had a union but that employees felt they could not raise issues collectively with management:

We truly want the company to create a mechanism for us to report our concerns. The union cannot do this job because the union leaders are paid by the company. They only listen to us without reporting to the management. The other channels such as hotline and emails are too sensitive for us to use.

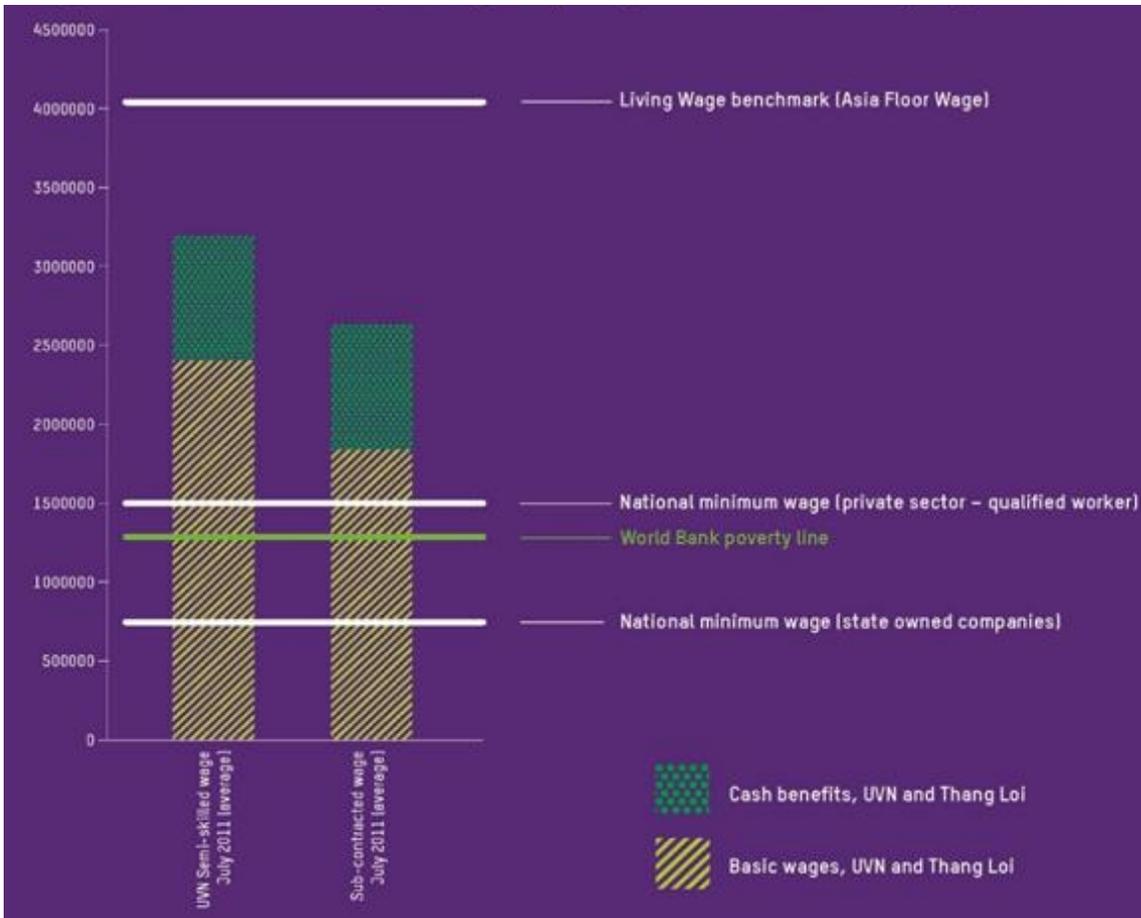
Employee, Unilever factory in Ho Chi Minh City

In relation to compensation for production workers, the assumption at Unilever’s headquarters was that they were paid well above a living wage but this was not borne out on the ground. Wages were found to exceed the minimum wage but to fall short of benchmarks of a living wage that would meet workers’ basic needs.

We cannot live on the current salary. Therefore, after working hours (usually my shift ends at 2pm) in the factory, I have to work as a waitress in a café from 3pm to 9 pm to have enough money to cover all family costs.

Employee, Unilever factory in Ho Chi Minh City

Figure 3: Wage ladder: wages and benefits in Unilever Vietnam’s factory in Ho Chi Minh City, with wage and poverty benchmarks (VND monthly, July 2011)



Source: Rachel Wilshaw, Liesbeth Unger, Do Quynh Chi and Pham Thu Thuy (2013) ‘Labour Rights in Unilever’s Supply Chain: From compliance towards good practice’ (p. 71), Oxford: Oxfam International.

Working hours in its factory were found to be within legal limits and overtime was paid as required. Just over half of the workers were employed by a labour provider rather than by Unilever. They had lower wages and benefits and some complained of unequal treatment.

Oxfam conducted telephone interviews with 48 suppliers. More than half (28) said they were asked to commit to Unilever’s Supplier Code, which covers labour rights but that the cost was not factored into price negotiations; the rest said labour standards were never mentioned.

The researchers did a 'deep-dive' study into three suppliers who supplied personal care products, plastic packaging and paper packaging. One was privately owned, one state-owned and one foreign-owned. Of these three suppliers, two were found to pay a legal but very low basic wage and offered overtime to retain workers. One supplier had a high ratio of temporary to permanent jobs and working hours well above legal limits.

At the third supplier, the research team found a range of good practices including higher wages (though not a living wage) and wage transparency. The low season was used to raise skills so that workers could switch between tasks during busy periods, which meant less reliance on temporary labour. Staff surveys and grievance mechanisms were trusted and used. Workers reported higher satisfaction than at the other suppliers or at Unilever's own factory. However, the fact that this supplier managed to provide jobs on a 'higher road' in the same competitive environment as others was not rewarded with better contract terms or more business.

Progress update

Unilever described the study as a 'wake-up call' and made a range of commitments to address the findings,³⁰ including to reduce contract labour, to conduct a 'sustainable living review' in all 180 countries where the company operates, and to strengthen grievance mechanisms.

Since the report was published, Unilever has created a new role of Global Vice-President for Social Impact. It has incorporated human and labour rights into its Sustainable Living Plan, replaced its compliance-based code with a continuous improvement-based Responsible Sourcing Policy, and provided training for procurement staff and key suppliers. In 2015 it published a human rights report, ***Enhancing Livelihoods, Advancing Human Rights***.³¹

As a follow-up to the 2013 labour rights study, it was agreed that Oxfam would review progress after two years. This review is under way and a report will be published by January 2016.

CONDITIONS FOR GARMENT WORKERS IN MYANMAR



Above left: Garment workers at a clothing factory in Patheingyi, Myanmar. Photo: Hong Sar/Mizzima <http://mizzima.com/business-domestic/myanmar-set-83-growth-spurt-adb#sthash.7W0MsQXZ.dpuf>

Above right: Global union IndustriALL supports negotiations for a \$150 monthly wage at a Korean-owned factory in Myanmar. Photo: FTUM <http://www.industriall-union.org/workers-win-wage-victory-in-myanmar>.

Overview

Oxfam has been working on labour rights issues in the garment and sportswear sector since 1995. In Myanmar, the garment industry is growing rapidly, providing jobs for around 300,000 workers. Many international companies are now starting to source from the country.

Oxfam has conducted very recent research to increase understanding of the realities and concerns for workers inside factories. Oxfam in Myanmar conducted interviews in June and July 2015 with 123 garment workers in 22 factories located in a range of industrial zones that supply international companies. The researchers were able to draw up a profile of the average worker, who is:

- 23 years old, female, and already in work for 12 months
- from Yangon (Rangoon), Ayeyarwaddy river delta, Bago or Rakhine
- engaged in sewing, ironing, cutting, quality control, or packing.

The research was conducted with support from labour rights groups in Myanmar, including Action Labor Rights, Labor Rights Defenders and Promoters, the 88 Generation Peace and Open Society, and Community Cooperative Trade Union (CCTU).

Oxfam does not identify which brands and factories were covered, in the interests of protecting respondents' identities, as they were often very nervous about being interviewed. The report is not intended to single out problems with specific buyers and factories; instead, it aims to foster better understanding of the issues involved, and to stimulate discussion about ways to improve the industry at a critical stage in its growth.³²

Findings

Workers who participated in the survey (90 percent of whom were women) expressed concern about low wages, long hours and safety issues. Even with overtime, most said they cannot afford housing, food and medicine with the income they earn at the factories.

Almost half of all respondents (43 percent) said they did not feel safe inside the factory. When asked why, they gave a range of reasons, with fire risk being the most prevalent.

Workers reported that exit doors are often blocked with boxes and most said they would not know what to do in the event of a fire; 80 percent had never had any fire safety training.

The average base salary was found to be \$1.50 a day, and \$40 a month (Myanmar kyat (MMK) 49,400).³³ An average worker spends 50 percent of their base wage on accommodation. Almost one-quarter of workers are the sole income earner in their family, with 95 percent reporting they support family members.

Workers reported doing between 3 and 20 hours of overtime each week (10.5 hours on average). With this, and a complex system of bonuses, workers were able to boost their income to an average of \$3.70 a day (\$98 per month/MMK122,000). Almost 40 percent said that overtime affected their health, with some commenting that they felt weak, tired and lightheaded; there were even reports of workers fainting. More than one in five (22 percent) reported forced overtime:

With regular hours of work, we should be finishing at 7:30 at night, but we had to work through the night until 6:00am next day, and then at 7:30am we had to start work again. It harms my health. I don't want to work all night until the next morning. We also regularly don't receive all of our overtime wages. We only receive overtime pay for two hours. I am afraid of raising these issues or problems. If someone raises problems or makes complaints, he or she is dismissed from work. Because of this threat, I haven't made any complaint.

Almost half of workers interviewed (43 percent) reported being in debt worth \$46 (MMK57,400) on average. Nearly 90 percent said they had been unable to save any of their income.

Ei Yin Mon's story, a worker interviewed for the Oxfam study³⁴

I arrived in Yangon after Cyclone Nargis in 2008 because there were no jobs after the cyclone. I wanted to be a school teacher, but failed year 10 and had to start working to support my family. My sister and I support our youngest sister who is still in high school and send money home to my mother who has diabetes and heart problems.

We once had an accident and there was a fire in the factory. At that time, people were shouting at us to turn off the main switch. But we didn't know how to turn it off. We hadn't received any training or information about safety.

I don't want to keep working at the factory because the base wage is so low and we are pressured to do long hours of overtime. If any of the workers say no to working Sunday overtime, then the next day they are called into the office and scolded.

We are always being told to work faster. They think that we are like animals. I know I have no rights to make a complaint, so I have to bear it. I have been working here so many years and we try our best to meet the production targets so that we won't be told off, but sometimes it (the yelling) is unbearable.

For the future, the single most important thing for me is that I can reduce my working hours without a reduction in my salary. There needs to be more negotiation between worker representatives and management to address the issue of overtime and provide fair wages.

For myself, I am thinking about taking a sewing class, which would take two months. After that I would like to work in the factory during the day and run my own business providing sewing classes on the weekends.

I am very happy that you have come and asked me questions to know about the worker's life and conditions. I feel good that I have got the chance to share my perspective and feelings with you. We all have been waiting for your support.

Encouragingly, most workers have access to transportation to and from work, and factories also provided immediate, basic assistance in the event of an injury or illness. Almost a quarter of workers interviewed (23 percent) received either lunch or extra money for lunch from the factory.

Two out of three workers did not know anything about their fundamental rights at work or about Myanmar labour law. More than one-third said they had not signed any contract with the factory, and 64 percent did not know the length of their employment contract. Many workers do not understand their own pay slips, which in one case were found to be in English only.

Almost half (48 percent) of workers knew which brand they were sewing for, but 98 percent knew nothing about the company placing orders into the factory. Only one worker had heard of a company code of conduct specifying hours of work, wages and other conditions to be upheld at the supplier

More than half (60 percent) said there is a complaints process at their factory, but only 13 percent had ever made a complaint. A similar percentage reported having a union at their factory and that this union helps the workers. One-third said they had participated in union activities, and one worker reported that in doing so, she had come to understand the 'worker's law' and is now brave enough to tell the truth. More than a third of workers interviewed (35 percent) feared they would lose their jobs at the factory if they complained and would not be able to find work again. Workers reported that some factories shared worker lists, so if you lost your job for an infringement in one factory, other factories might not hire you.

When asked what workers, employers and others need to do to improve conditions in the garment industry in Myanmar, many said they hoped the future would bring an environment of negotiation. They wanted to see workers' representatives and employers coming together to uphold workers' rights.

Progress update

While Oxfam was conducting the research, the Myanmar government announced its first national minimum wage at a level of MMK3,600 per day. However, a number of garment manufacturers called for an opt-out, saying it would make their businesses unsustainable.³⁵ Prompted by Oxfam, with leadership from the Ethical Trading Initiative and Fair Labor Association, 30 European and US brands (including Tesco, Marks & Spencer, Primark and Gap) wrote to the Myanmar government to counter this view, saying that 'a minimum wage that has been negotiated by all parties will attract rather than deter international companies from buying garments from Myanmar'.³⁶ This prompted a lively debate in the local media. The call for an opt-out was rejected and the new minimum wage was confirmed with effect from 1 September 2015.³⁷

Oxfam held a Garment Forum in Yangon in August 2015 to enable discussion about initiatives to improve working conditions in Asia.

Oxfam will publish a report in December 2015.

WHAT NEEDS TO CHANGE?

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

International Labour Organization Constitution (1919)

When a profitable company does not ensure a living wage is paid, it is pushing the negative impact of its business model onto the most vulnerable people in its supply chain. This is unfair and unsustainable. A living wage³⁸ does more than keep people out of poverty; it allows them to participate in social and cultural life and to afford a basic lifestyle considered acceptable by society at its current level of development.³⁹

Poverty wages are not just a problem in developing countries. Oxfam's 2014 report, *Working Poor in America*,⁴⁰ highlighted that the US federal minimum wage of \$7.25 an hour was well below the poverty line for a full-time worker and had not increased for seven years.

What drives low wages?

1. Unfair share of value in the chain:

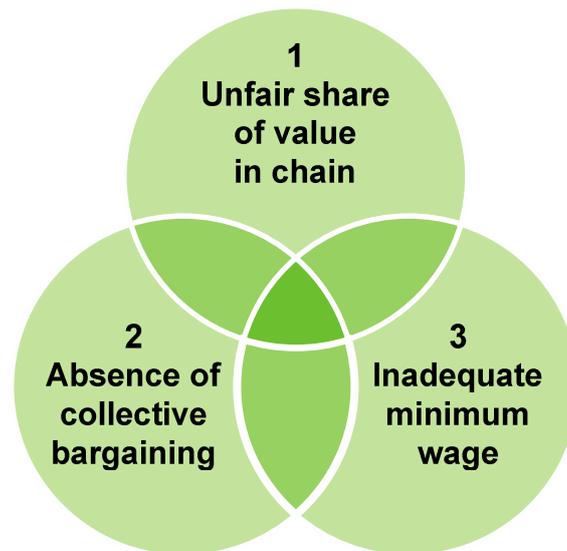
Wages in 15 garment-producing countries fell in real terms in the decade to 2010 while UK executive pay quadrupled from £1m to £4m.⁴¹ This is 131 times as much as their average employee⁴² and around 2,000 times as much as a typical garment worker in Bangladesh.⁴³

2. Absence of collective bargaining:

Trade unions are a vital countervailing force to capital that helps ensure prosperity is shared. Fast food workers get \$8.90 an hour in the US but \$20 in Denmark, due to a Collective Bargaining Agreement in the sector.⁴⁴

3. Inadequate minimum wage:

Minimum wages are often held down by governments who, like companies, need to compete in a global market. Corporate lobbying often reinforces the message that business wants light touch regulation.⁴⁵



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. A company must understand the root causes of 'adverse impacts' and identify how it can use its influence to reduce them. This includes tackling illegal jobs and forced labour found in cotton,⁴⁶ seafood⁴⁷ and palm oil.⁴⁸ It also means acknowledging in-work poverty in their supply chain, even where wage levels meet a legal minimum.

Table 3: The road to a living wage

THE ROAD TO A LIVING WAGE			
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 child workers their education.</p>  <p>E.g. Trafficked slave labour in the Thai seafood industry.</p> <p>Photo: Environmental Justice Foundation</p>	<p>Subsistence wages only. Work on legal but low wages, excessive hours, often insecure. No worker voice or representation.</p>  <p>E.g. Unrest and poor nutrition in the Cambodia garments sector.</p> <p>Photo: Heather Stilwell/ Clean Clothes Campaign</p>	<p>Wages above the legal minimum, with secure contracts. Workers have some representation</p>  <p>E.g. Slow improvements in Kenyan flower pack houses.</p> <p>Photo: Oxfam</p>	<p>Secure work on a living wage, based on a collective bargaining agreement.</p>  <p>E.g. Wellbeing at a living wage employer in the Dominican Republic.</p> <p>Photo: DailyBruin.com</p>

Key recommendations

Urgent action is needed to address Oxfam’s concerning findings that so many waged workers are working hard but trapped in poverty. For jobs to deliver greater shared prosperity:

1. **Governments** need to move minimum wages towards a living wage for all workers. They should tie aid and public procurement contracts to companies providing good-quality jobs, as well as tackling illegal forced labour in workplaces.
2. **Companies** should pay their employees a living wage and publish the pay ratio between them and top executives. They should do more to ensure that workers in their supply chain are paid a living wage, collaborate with others and publish their progress.
3. **Workers** should be trained on their rights and be placed at the centre of initiatives to improve the quality of their jobs.
4. **Consumers** should ask companies what they are doing to ensure secure employment is provided on a living wage and that women get equal pay and a chance to progress.

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In 2014, Oxfam launched its new campaign, Even It Up! with a new report, *Even it Up: Time to End Extreme Inequality*. Watch Oxfam's **Even It Up video** and take the **Inequality Quiz**.

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