

amfori's Living Wage Journey:

Taking Stock and Setting the Way Forward

amfori Living Wage Briefing

amfori's Living Wage Journey: Taking Stock and Setting the Way Forward

Introduction

Inequality within and among countries is a persistent cause for concern.¹ Despite a decline in global poverty levels since 2000, almost 10% of the world's workers and their families live below the internationally agreed poverty line of USD 1.90 per person per day. The rise of income inequality raises social, political and economic concerns. It diminishes the resilience of poorer communities and more vulnerable groups such as migrant workers and women and thus undermines their ability to deal with disasters and their effects.²

In many developing countries the minimum wages are often below the minimum threshold to live a decent life. Consequently, workers and their families cannot meet basic needs such as housing, nutritious food or education, and

Definition of Living Wage

For the purpose of amfori BSCI audits, amfori BSCI approved auditing companies, members and producers are recommended to follow the Anker Methodology, which defines a living wage as follows:

“Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events. (Global Living Wage Coalition, 2016)”

The living wage aims to address the gap between the prevailing wage and the wage level that could provide workers and their families with a decent standard of living. A living wage:

- is not defined by law
- has no binding nature
- applies to wage earners
- Does not apply to self-employed entrepreneurs and farmers – for farmers, the concept of living income has been introduced.

remain poor. In an attempt to fill this income gap, workers may work excessive overtime which can result in mental and physical wellbeing risks that put the whole family in a vulnerable position. It can also increase the likelihood of flagrant violations in the areas of child and forced labour.

Since its early stages, amfori has actively contributed to developing new approaches to advance the adoption of living wage standards in global supply chains and remains committed to doing so.

At amfori we firmly believe that every worker should earn a living wage. We must strive towards its implementation in our members' global supply chains to enable all workers and their families to break out of poverty and live a decent life.

This statement serves as a critical reflection on our journey on the topic to date: outlining the steps we have taken so far, the lessons we have learned, the challenges that remain and how we will pursue our aims going forward.

amfori's Living Wage Journey

Since its introduction in 2003, amfori BSCI has aligned its Code of Conduct and its tools with international standards³, including the ILO conventions related to wages. These conventions aim to support producers in global supply chains to comply with internationally agreed standards and respect either the government's minimum wage legislation or the industry standard, which has been approved through collective bargaining and is earned through regular working hours. The (voluntary) objective of paying living wages has been part of the BSCI system since its onset.

In 2013, amfori published its first position on a living wage, encouraging supplier companies to provide their employees with a living wage. To support this process, in 2014, we introduced the concept of fair remuneration to the [amfori BSCI Code of Conduct](#), which is defined as follows:

“Business partners observe the principle of ‘Fair Remuneration’ when they respect the right of the workers to

¹ [The UN Sustainable Development Goals Report 2019](#), p. 42

² OECD report ‘In it Together’, 2015:
<http://www.oecd.org/social/inequality.htm>

³ [amfori BSCI Reference](#)

receive fair remuneration that is sufficient to provide them with a decent living for themselves and their families, as well as the social benefits legally granted, without prejudice to the specific expectations set out hereunder.

“Business partners shall comply, as a minimum, with wages mandated by governments’ minimum wage legislation, or industry standards approved on the basis of collective bargaining, whichever is higher.

“Wages are to be paid in a timely manner, regularly, and fully in legal tender. Partial payment in the form of allowance “in kind” is accepted in line with ILO specifications. The level of wages is to reflect the skills and education of workers and shall refer to regular working hours.

“Deductions will be permitted only under the conditions and to the extent prescribed by law or fixed by collective agreement.”

In addition, workers should have a discretionary income of 10% at their disposal, which they can spend to increase their standard of living, invest or save.

The fair remuneration concept brought about a number of changes to the amfori BSCI System:

- An additional question was added to our audit protocol, aiming to assess whether producers pay a living wage. The goal was to identify the issues/gaps in global supply chains and to discuss them with the producers, review the living wage from an aspirational viewpoint and try to help the employer (the one who is responsible for paying wages) see the benefit to the organisation of improving wages.
- A [fair remuneration quick scan](#) tool was developed, which supports auditors and auditees to understand the living costs in its region and among the producers’ workforce. This creates an opportunity for constructive dialogue between management and the workers about fair remuneration.
- The [Anker methodology](#) became the recommended methodology for calculating the living wage as part of the amfori BSCI system.
- A dedicated guidance⁴ was introduced to support amfori members and their business partners to assess and promote fair remuneration in their supply chain. The document also provides guidelines to auditors, which complements the amfori BSCI System Manual.

The detection, monitoring and remediation of the amfori BSCI Principle ‘Fair Remuneration’ is conducted holistically. This

means that during amfori BSCI social audits, the remuneration practices, working hours, employment conditions as well as workers’ involvement and protection are checked.

To promote a living wage in global supply chains, amfori, in conjunction with various stakeholders:

- organises training for buyers and producers
- hosts and engages in local roundtables and
- advocates for ‘Freedom of Association and Collective Bargaining’

Setting wages through a negotiation process at industry level helps build the necessary trust between workers and employers and allows for a professional and structured wage setting process. In addition, it empowers and strengthens the rights of workers to bargain collectively for wage increases, social benefits, and working hours, instead of imposing requirements.

amfori members who participate in amfori BSCI commit to using reasonable endeavours to achieve the goals set out in the amfori BSCI Code of Conduct, including ‘The Rights of Freedom of Association and Collective Bargaining’ and ‘Fair Remuneration’. We consider ‘The Rights of Freedom of Association and Collective Bargaining’ to be key enabling factors for working towards living wages. While they cannot guarantee full observance of all their business partners at all times, amfori BSCI Participants commit to take reasonable measures to abide by the principles of the amfori BSCI Code of Conduct, particularly in those regions and or sectors where there are higher risks of non-observance of the amfori BSCI Code of Conduct. amfori members who participate in amfori BSCI commit strongly to the early detection, monitoring and remediation of any shortcomings and failures within their sphere of influence and to proactively engage stakeholders who share the goal to continuously improve wage levels and other social standards in global supply chains.

Where We Stand Today - Challenges

Over the past years, we have witnessed a variety of efforts from different stakeholders. However, successful measures and tangible improvements remain limited to small-scale pilots and implementing a living wage in global supply chains at scale remains a challenge.

amfori has observed a number of challenges that members face in their efforts to promote or operationalise a living wage in their global supply chains:

⁴ [Annex 9: How to Promote Fair Remuneration](#)

- lack of knowledge of how to calculate a living wage, inconsistency in existing approaches and consequently high divergence in living wage estimates
- difficulty accessing accurate and reliable living wage estimates in certain countries or regions within countries (e.g. urban/rural areas) and sectors
- resistance from producers on perceived inappropriate interference within their business sphere as they are complying with legal standards
- increasing the margins of producers (e.g. by increasing the per product price paid to factories) does not necessarily translate into increased wages for workers and ensuring that they do is complex and expensive. This makes it difficult to reach scale beyond pilots
- price pressures: contradiction between margin and social rights at retailer/brand level
- limited knowledge of human rights in buying and selling department and lack of corresponding KPIs, as purchasing and CSR departments are often not integrated. Consequently, price and quality are often the only or decisive criteria in tenders/negotiations with producers
- inflation or micro-inflation as a consequence of wage increases cancelling out the wage gains of the workers
- global competition: fear among governments and businesses of losing competitiveness

The Way Forward - Continuous Improvement and Collaboration

Based on the above challenges and together with our members, we seek to assess the effectiveness of our existing tools and identify potential areas of improvement. To this end, we have identified seven key areas where amfori aims to take action:

- 1) **Advocacy and social dialogue at sourcing country level:** amfori believes that a sustainable way to increase wages for workers is through local legislation and based on discussions among local social partners. To foster the importance of this concept, amfori will continue to monitor the developments in sourcing countries and actively engage in discussion with relevant stakeholders.
- 2) **Advocacy at European level:** The EU is the world's largest and most influential trading bloc that upholds high standards and therefore is an ideal partner for us. In 2019, amfori launched its [amfori EU Agenda 2024](#), which includes a series of recommendations showcasing the policies that amfori would like the new EU Commission to prioritise over its five-year term. **Workers' rights and a living wage are an integral part of our Agenda 2024.** We aim to influence the EU to use policy instruments and

to leverage its weight as a trading partner to support companies in achieving a living wage in their global supply chains. **Freedom of association and collective bargaining are two of the fundamental rights of all workers** that we advocate for at European and at national level. When these rights are respected, workers can ensure that other labour standards, including a living wage, are upheld. We thus support trade unions' and other civil society organisations' call for social dialogue between local stakeholders and seek to actively collaborate with them on this topic. We advocate for an international economic system and trade regime that is based on cooperation, that protects workers and ensures they are able to live with dignity.

- 3) **Developing New Tools:** Considering that there are a variety of approaches and methodologies to calculate a living wage, amfori seeks dialogue and collaboration with other initiatives and stakeholders to move towards a common understanding and approach on the calculation methodology and implementation strategies of living wages in global supply chains. That is why amfori recognises the Living Wage [Benchmarks of the Global Living Wage Coalition](#) and has joined the [Technical Advisory Group of the IDH Matrix](#). The matrix can be used by producers in different sectors to calculate the gaps between actual wages paid and living wages and allows producers to effectively assess workers' wages against the applicable living wage benchmark.
- 4) **Advancing Responsible Purchasing Practices (RPP):** amfori recognises that Responsible Purchasing Practices are an important factor contributing to living wages in global supply chains. That is why amfori BSCI provides [guidance](#) for its members on how to assess and promote fair remuneration in their supply chains. This includes recommendations on how to assess their purchasing practices, which help our members identify if they could be directly or indirectly contributing to the fair remuneration gap in some areas of their supply chain. To this end, members are encouraged to leverage their expertise to calculate the commercialisation costs and to have a good understanding on how their preferred buying prices impacts the wages in production facilities. Furthermore, amfori members should map out their purchasing practice against those business partners who do not meet the fair remuneration standard. This comparison may identify some purchasing practices that could help address the fair remuneration gap. In the meantime, amfori is exploring how its member companies can improve and how amfori can support them in adopting Responsible Purchasing Practices.

- 5) Raising awareness and building capacity among businesses:** The amfori Academy offers a range of trainings for amfori BSCI members and producers to help them understand why fair remuneration, freedom of association and collective bargaining are important, what the local and amfori BSCI requirements are and how to manage compliance with these performance areas in global supply chains and in their own operations. amfori will continue to promote this important topic among its members and producers and explore expanding its capacity building activities on the amfori Academy.
- 6) amfori BSCI Code of Conduct and System revision:** Finally, amfori will revise the amfori BSCI Code of

Conduct and System and implement changes as needed. The concept of fair remuneration is part of that revision process. This is to ensure that amfori BSCI is always up to date, future fit and in line with new developments in international standards and legislative changes.

- 7) Leveraging partnerships:** To achieve the above objectives, amfori seeks to engage with stakeholders to create impactful partnerships. We will work together towards our common goal of achieving a living wage throughout global supply chains. We will jointly raise awareness on successful economic and international trade models that are based on cooperation, protection of workers' rights and dignity.

amfori

Avenue de Cortenbergh 172

1000 Brussels – Belgium

Fax: +32 2 762 75 06

Phone: +32 2 762 05 51

Email: info@amfori.org

www.amfori.org

