


Supply Chain Living Wage: Challenges and Approaches

Dr Steve New (FNET Chair)





What are Supply Chains For?



To make money
for the
shareholders of
the companies
involved

Discussion draws on:
New, S.J. (2023)
“Wages, prices and
power: Can customer-
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solve supply chain
exploitation?”
Forthcoming in Gold, S.
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To get high-
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To distribute
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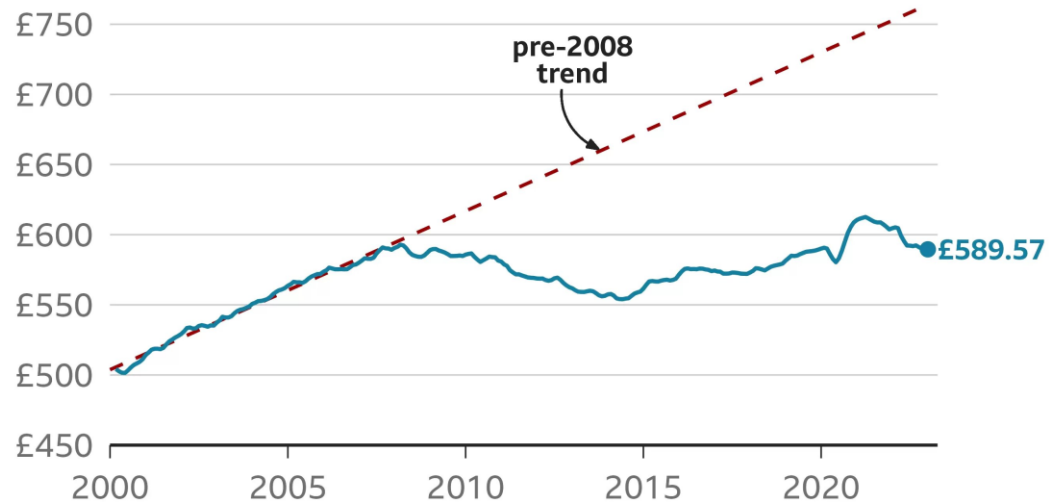
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Inflation and wages

Average weekly wages when adjusted for inflation*



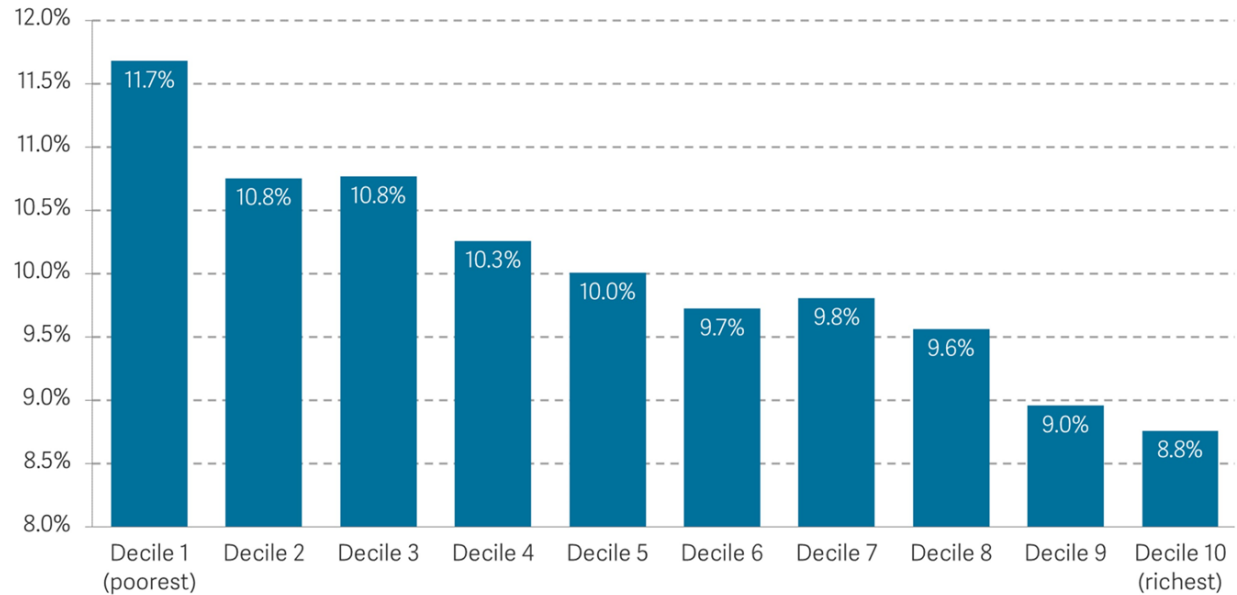
*Based on December 2022 prices

Source: Office for National Statistics

Inflation and wages

CPI-consistent estimates of annual inflation, by select equivalised disposable income deciles: UK, December 2022

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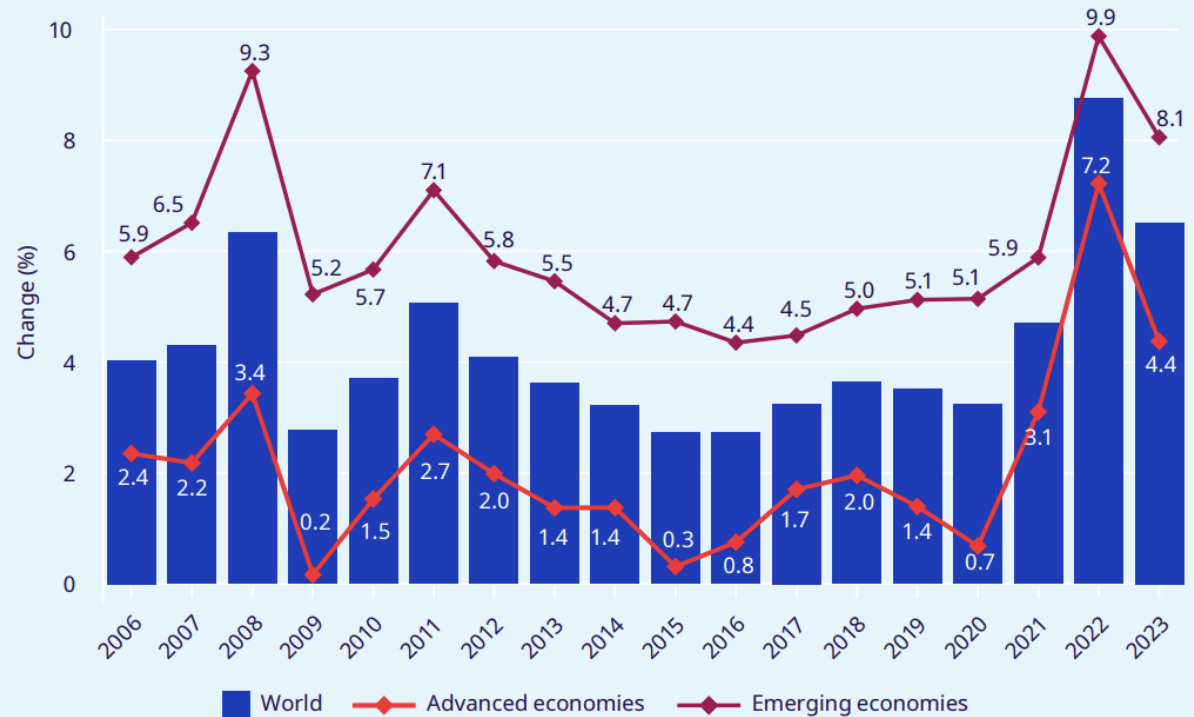


Source: RF analysis of ONS, Consumer Prices.

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Inflation and wages

► **Figure 2.3. Inflation, 2006–23** (average consumer price index, percentage)



Source: IMF (2022d).

Inflation and wages

► **Figure 3.1. Annual average global real monthly wage growth, 2006–22 (percentage)**



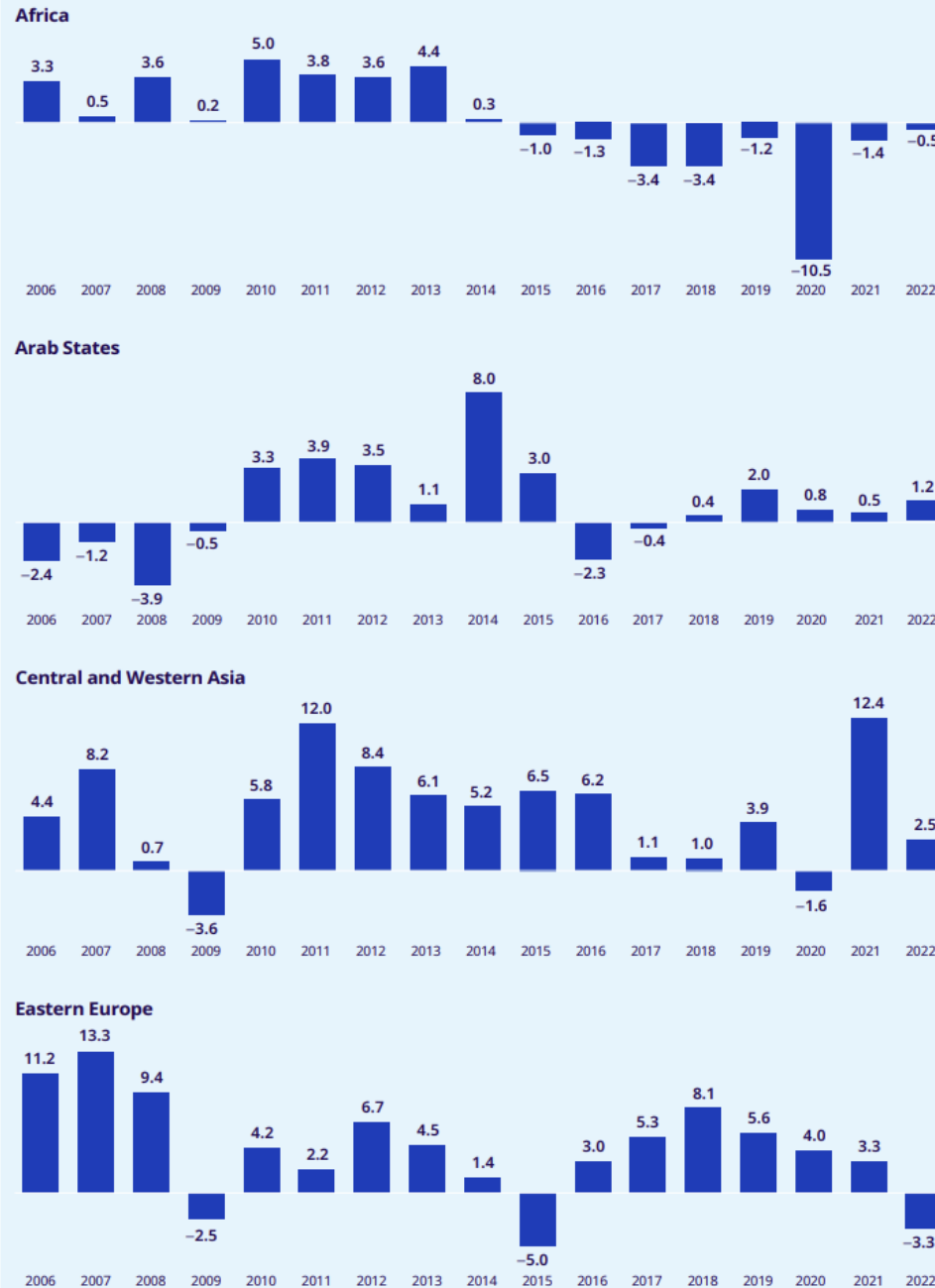
Note: Wage growth for 2022 was estimated by comparing the first two quarters of 2022 with the corresponding period in 2021.

Source: ILO estimates based on official national sources as recorded in ILOSTAT and the ILO Global Wage Database.

Inflation and wages

ILO(2023). *Global Wage Report 2022-23. The Impact of COVID-19 and Inflation on Wages and Purchasing Power*. Geneva: International Labour Organization.

► Figure 3.3, panel A. Annual average real wage growth, by region, 2006–22 (percentage)

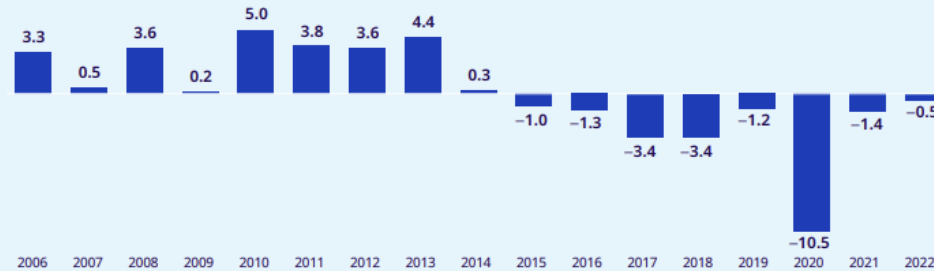


Inflation and wages

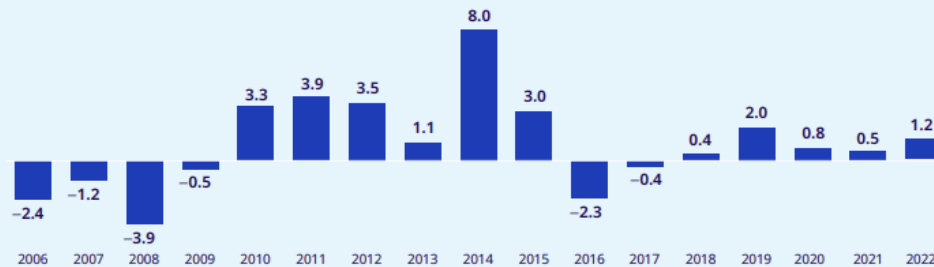
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► Figure 3.3, panel A. Annual average real wage growth, by region, 2006–22 (percentage)

Africa



Arab States



Central and Western Asia



Eastern Europe



= 113.9%
growth over
16 years

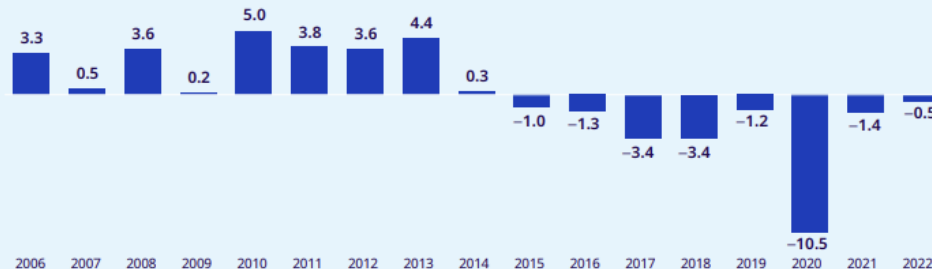
= 97.7%
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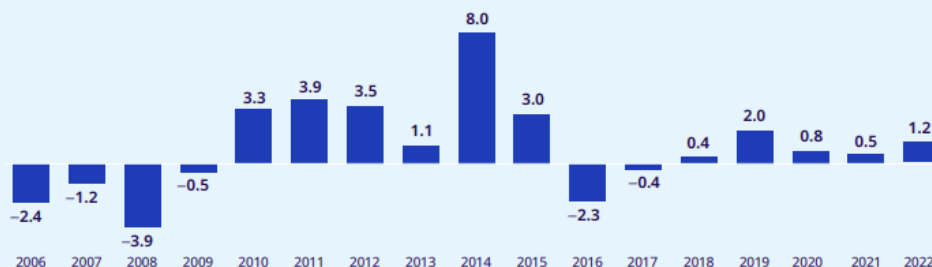
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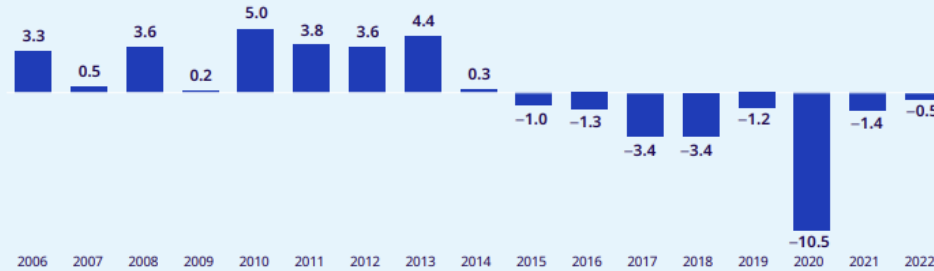
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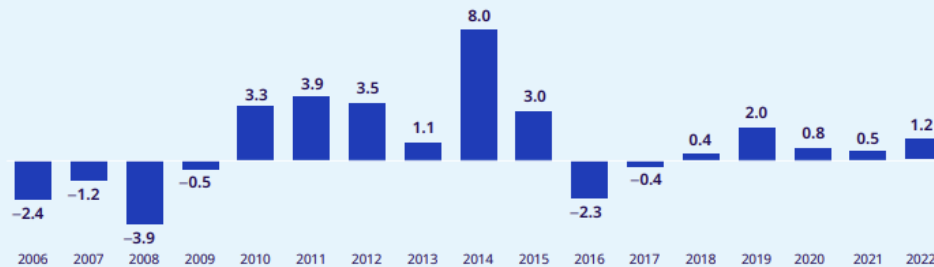
Africa



= 0.8%
growth over
16 years

= 0.05%
per year
(average)

Arab States



= 17.7%
growth over
16 years

= 1.0% per
year
(average)

Central and Western Asia



= 113.9%
growth over
16 years

= 4.9% per
year
(average)

Eastern Europe



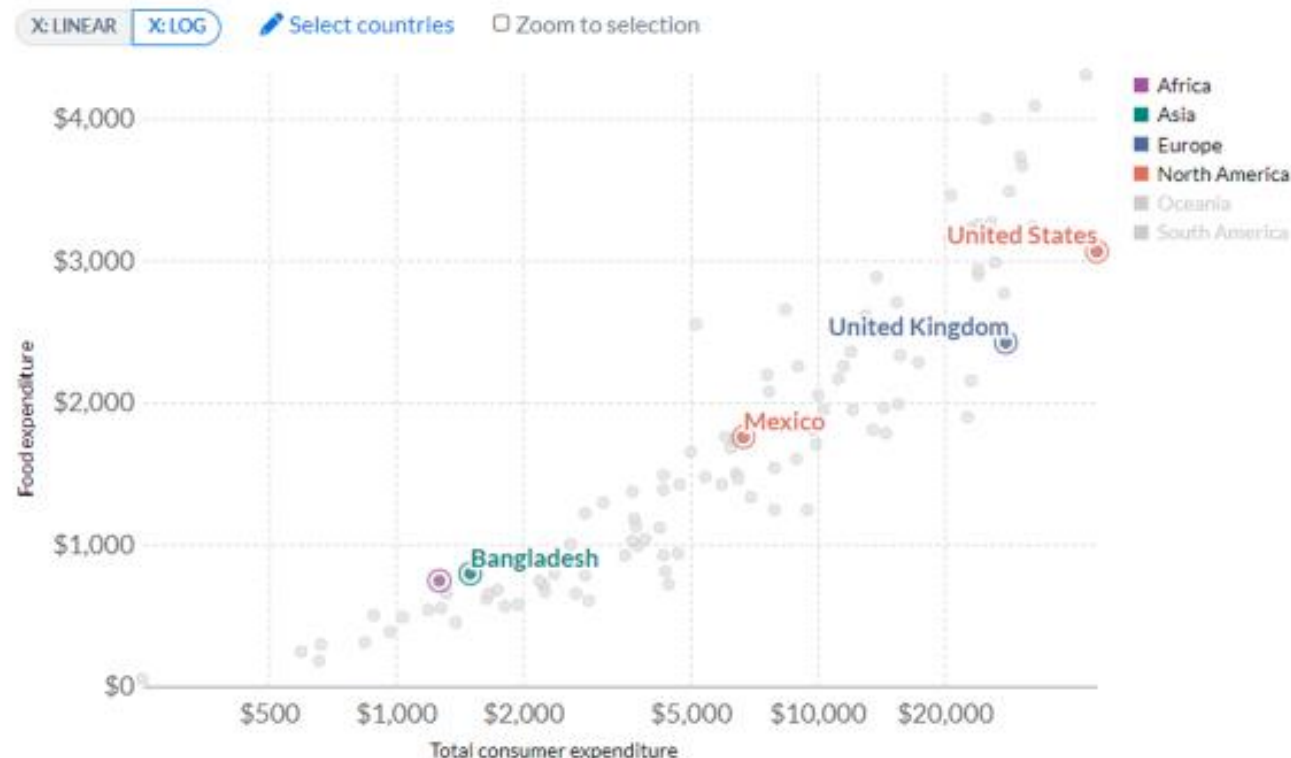
= 97.7%
growth over
16 years

= 4.4% per
year
(average)

Annual food expenditure vs. total consumer expenditure, 2021

Both metrics are measured in US dollars per person. Food expenditure only includes food bought for consumption at home. Out-of-home food purchases, alcohol, and tobacco are not included.

Our World
in Data



Source: United States Department of Agriculture (USDA) Economic Research Service

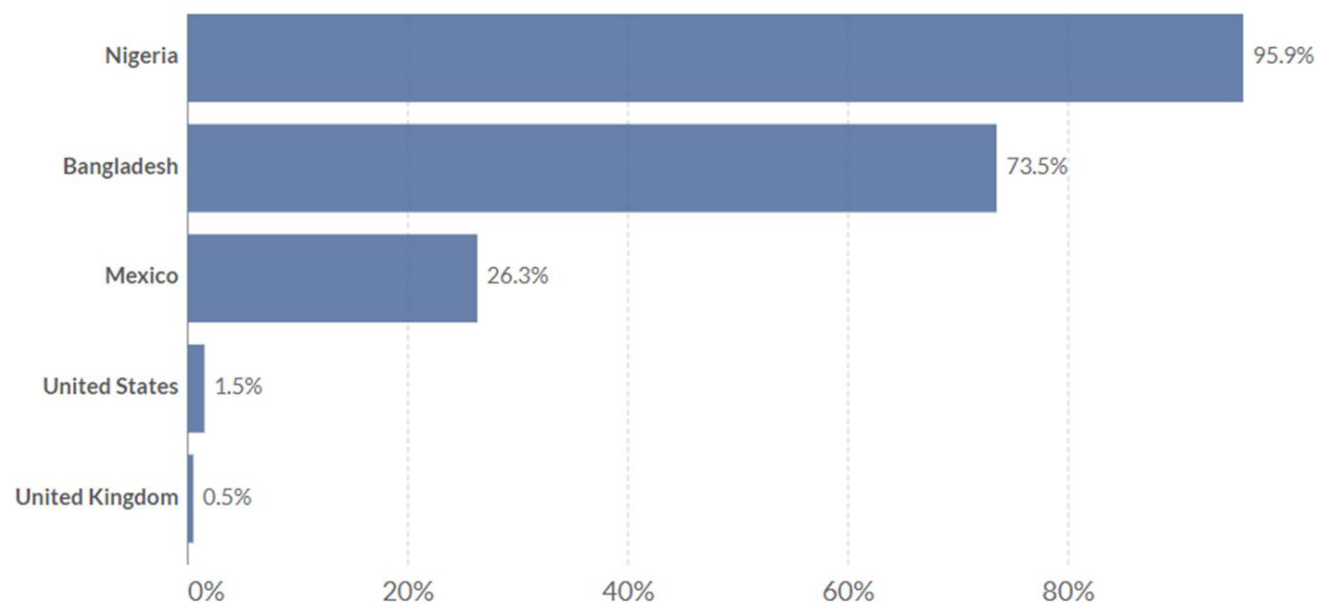
OurWorldInData.org/food-prices • CC BY

Share of population that cannot afford a healthy diet, 2020

A diet is deemed unaffordable if it costs more than 52% of a household's income. The cost of a healthy diet is the lowest-cost set of foods available that would meet requirements in dietary guidelines from governments and public health agencies.

Our World
in Data

+ Add country

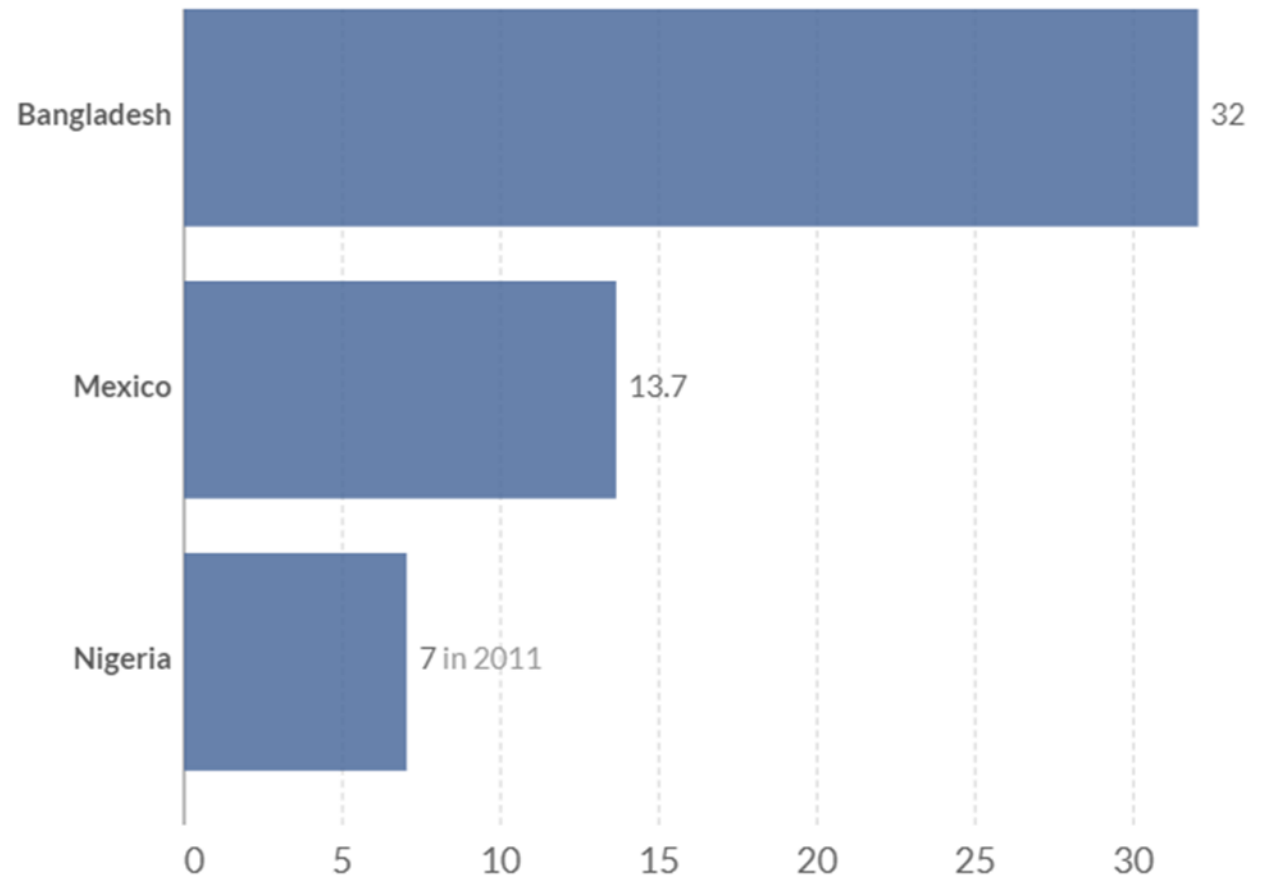


Source: Food Prices for Nutrition data at the World Bank, based on Herforth, Venkat, Bai, Costlow, Holleman & Masters (2022).
OurWorldInData.org/food-prices • CC BY

Average weekly working hours of children

Average weekly working hours for children ages 7-14 who are involved in an economic activity for at least one hour in the reference week of the corresponding survey (irrespective of school attendance).

[+ Add country](#)



Source: International Labour Organization, UNICEF and World Bank
OurWorldInData.org/child-labor/ • CC BY

Unilever's Supply Chain Living Wage Commitment

“Too many people are undervalued or excluded. Too many people don’t earn a living wage. Too many people are held back through lack of skills. We aspire for a more equitable and inclusive world. And we have a plan to help create one.”

Unilever tweet 21st January 2021.




Unilever's Supply Chain Living Wage Commitment

“We will therefore ensure that everyone who directly provides goods and services to Unilever earns at least a living wage or income, by 2030. We already pay our employees at least a living wage, and we want to secure the same for more people beyond our workforce, specifically focusing on the most vulnerable workers in manufacturing and agriculture. We will work with our suppliers, other businesses, governments and NGOs – through purchasing practices, collaboration and advocacy – to create systemic change and global adoption of living wage practices.”

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Clear, bold and
time-specific

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Ethical, progressive

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Collaborative

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Ambitious

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Tension?

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First tier only? (But low pay likely to be bigger problem further down the chain).

Unilever's Supply Chain Living Wage Commitment


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Existing leadership unlikely to be in place (average tenure of board member <5 years at time of announcement; CEO subsequently replaced; Nelson Peltz now on board)

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Means unclear – but **not** through financial transfer to suppliers (i.e. not through paying higher prices).
Source of money: *‘efficiencies’*

Unilever's Supply Chain Living Wage Commitment: other problems



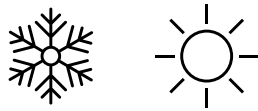
Multi-client facilities/firms



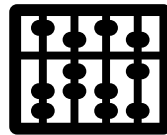
Living Wages versus Living Income



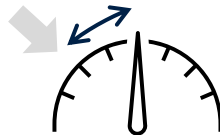
Non-monetary benefits



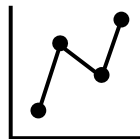
Seasonal and precarious work



Game-playing/ manipulation



Impact on minimum wage?
Difference from minimum wage?



Method of calculation; outcome
versus rhetoric

Bananas

UK retail coalition announces living wage pledge for bananas

By [Maura Maxwell](#) | 1 March 2023



Nine supermarkets commit to close living wage gaps in international banana supply chains

Nine major retailers in the UK have joined forces to commit to a living wage for banana workers in their international supply chains. The initiative complements similar agreements in Belgian, Dutch and German markets.

Bananas

https://www.idhsustainabletrade.com/uploaded/2023/02/UK-Retailer-Banana-Commitment-on-Living-Wages_Detailed.pdf?x39740

“Each retailer, individually, commits to:

1. Adopt responsible procurement practices and pay suppliers fairly (those payments to be determined independently by each retailer) in order to support the payment of living wages.
2. Avoid switching supply bases to countries with smaller gaps or lower living wage benchmarks purely to meet the goal of no living wage gaps in our banana supply chain.
3. Work in genuine partnership with the suppliers and producers growing the bananas we source, and with other stakeholders such as trade unions, NGOs, and certification bodies.
4. Collect living wage data in our banana supply chains.
5. Support and invest in capacity building across the value chain to enhance areas such as productivity, collective bargaining and gender equality.
6. Continue sourcing bananas from small scale farmers, where relevant.
7. Map our small scale farmer supply chain, use the IDH Roadmap on Living Income to develop an approach to working on living income for small scale banana farmers, and explore a retail commitment focused on living incomes.
8. Advocate with supply chain stakeholders on policies and regulations that promote and enable living wages.
9. Publicly report the impact of this commitment on banana workers.”

Comparison

Unilever approach	“Banana” approach
Single company	Multi-company (thus potentially raising competition policy issues)
Clear commitment	“We will strive...”
2030	2027
Opaque machinery	Specific toolkit (IDH Roadmap etc)
Universal	One, narrow (and relatively simple) product category

Questions to stimulate discussion

Note: All responses are anonymous, and the results are for today's discussion ONLY. They will not be used in any research report of any description.

Go to Menti.com and use the code: **56 08 24 1**

