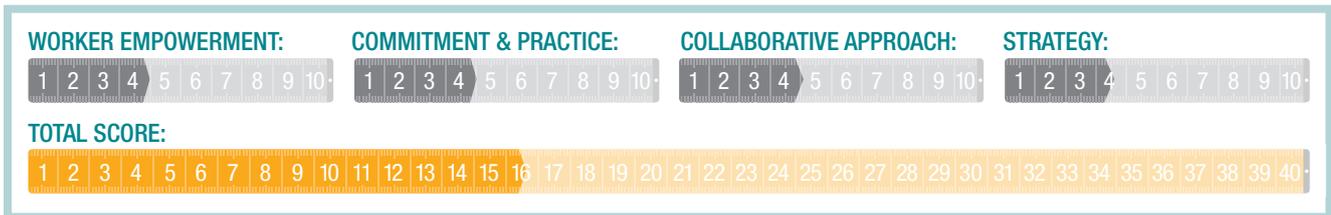


TCHIBO

Brands: TCM (Tchibo Certified Merchandise)



COMPANY POSITION ON THE LIVING WAGE:

“Tchibo is committed to Living Wages and recognizes this in the Tchibo Social and Environmental Code of Conduct (SCoC). As benchmark, we have defined the Asia Floor Wage (AFW) calculations. From our perspective, AFW has credibility, as it is an Asian grown initiative involving local unions and NGOs, though links still need to be made to the employers and governmental stakeholders.”

WHAT WE SAY:

Some promising work. Tchibo has adopted a credible living-wage benchmark and is working systematically with factories to improve relations between management and workers. Some work on calculating how to pay living wage in costings was also mentioned.

IN MORE DETAIL:

Has living-wage benchmarks?

Yes.

Worker empowerment:

Tchibo says: “From our perspective, the AFW should serve as a basis for collective bargaining between the legitimate bargaining partners. Collective bargaining is essential to ensure the growth of mature industrial relations which in turn is essential for the continuous implementation of workers’ rights including living wages, as home-grown initiative.”

Tchibo has been delivering a project called the WE (Worldwide Enhancement of Social Quality) Programme. In participating factories, workers and managers “are trained on how to engage in dialogue and build up participatory structures and practices ... [including] the right to Freedom of Association and Collective Bargaining.” Of its factories outside the EU and US, 23% had received this training by the end of 2012.

Commitment and practices:

Tchibo has adopted the Asia Floor Wage as its living-wage benchmark in China. In Bangladesh, it has adopted a wage ladder that includes AFW, local union demands and living-wage figures calculated by workers as part of training exercises.

On wages, Tchibo says: "In China, wages have significantly increased over the last years and the majority of our factories meet the 2012 AFW when referencing total wage (including overtime)."

Tchibo also says it has been "doing work on living wage costing and engineering. Together, with our suppliers and factories we identify gaps between current wage levels and a living wage and carry out internal simulations on buying and selling price implications with reference to promoting living wages. In 2011 we surveyed 70 sample factories on a potential wage increase with Asia Floor Wage payment and simulated price impacts. These learnings will inform our strategy moving forward."

Collaborative approach:

Tchibo is an Ethical Trading Initiative (ETI) member. The company collaborated with GIZ, the German development agency, on the WE programme, with local WE training carried out by local unions and workers-rights groups. A facilitation process between IndustriALL, BGMEA (the Bangladesh Garment Manufacturers and Exporters Association), BNC (the Bangladesh National Council) and Tchibo suppliers to discuss freedom of association was also mentioned. Tchibo has been involved in the GIZ living-wage process too.

Strategy:

The WE project aims at "establishing fairwage systems. These include dimensions such as actual wage levels, wage payment processes, transparency over wage grading and its relation to job expectations ... Workers' perception as to whether they feel they are receiving a fair wage is emphasized. In combination with quality and productivity gains which arise from the programme, wages are increased for the workforce."

Tchibo aims to receive 80% of buying volume from factories qualified through the WE programme by 2016.

Production overview:

Number of suppliers: 810 first-tier suppliers

Main production countries listed as: China (65%), Germany (7%), Turkey (5%), Bangladesh (4%), Vietnam (3%), Other (16%) (based on 2012 figures)

Tchibo does not publish a full public list of the names and addresses of its supplier factories.

COMMENTS:

Tchibo is working towards payment of a living wage in a committed way, but it has some way to go. The WE programme, which seems to focus on a broad range of worker-management dialogue processes and labour-rights training, is having some effect on wage improvements. Efficiency and quality gains have played a part in this. But no detailed data was available about the scale of these improvements or how much of the gap between a minimum and living wage has been breached. Tchibo says that the majority of factories involved in WE have increased payments to workers by between 10% and 40%, but as many of these factories are in China (where the sector-wide wage increase has been significant) it is not clear how much has been achieved solely by the programme. Also, without making reference to the gap between the minimum and living wages per country, it is not clear where progress is being made. In Bangladesh and Vietnam anyway, we suspect that there is still a way to go.

It is great that Tchibo has publicly supported the Asia Floor Wage as a benchmark. Disappointingly, no data was available about how many of its supplier factories are paying the current Asia Floor Wage, which must surely be important if this is a company-wide KPI. We hope that the AFW benchmark will soon become integrated into work across the company, particularly on pricing. The work Tchibo mentions around engineering living-wage costing seems to be a start. We await news of the next steps in this area. Without this vital piece of the puzzle – a commitment from buyers to increase prices – it isn't yet clear to us how the gap between minimum and living wages in places such as Bangladesh will be bridged by improved local industrial relations and collective bargaining, however committed the unions are.