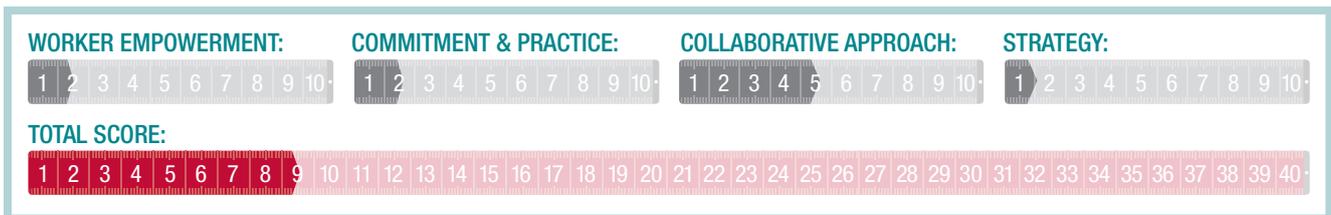


# TESCO

Brands: F&F



## COMPANY POSITION ON THE LIVING WAGE:

“We agree with the principle that wages should allow workers to meet their basic needs and those of their dependents, while also providing them with some discretionary income.

“We focus on practical steps that make a real difference. So in countries where wages are lowest, our first step

is to identify lower-paying suppliers and ensure they progressively raise wages to at least the average for our supply base ... As a safety net, we also strictly enforce compliance with the minimum wage, and exercise zero tolerance where suppliers underpay workers against the legal minimum – for all hours worked.”

## WHAT WE SAY:

Tesco’s approach of aiming to pay more than the minimum wage and above average for the industry is a far cry from a living-wage plan. Work on improving

factory efficiency will only improve wages so far. Bigger thinking is needed from a buyer with this sort of market power.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

was also stated. This offers training to lower and middle management on industrial relations. So far, 73 factories in India and Bangladesh have received this training.

### Worker empowerment:

Tesco says: “Under our commitment to the ETI [Ethical Trading Initiative] Base Code and mature industrial relations, we require our suppliers to meet the ETI clause on Freedom of Association ... As part of our commitment to the Bangladesh Accord, all suppliers are required to provide free access to Trade Unions.”

Tesco also mentioned the “Tesco Technical Library” and other ethical trading documents that it makes available to suppliers. Tesco’s engagement in a Department for International Development-sponsored project to set up a “not for profit training academy for the whole industry to improve productivity, raise wages and reduce hours”

### Commitment and practices:

Tesco says it has internal wage benchmarks for Bangladesh, which are “at least the average wage compared to ... main competitors in the country.” No other benchmarks were provided.

Tesco says about benchmarks: “Our collective view is that agreements on Living Wage should be reached through good faith negotiations between suppliers, employers, workers and their legitimate representatives, at both industry and national level, and that it is not brands’ role to decide the specific amount that should constitute a ‘Living wage’.”

## Collaborative approach:

Fourteen Tesco suppliers have been engaging in an initiative with eight other retailers called the Benefits for Business and Workers project, looking at improving factory efficiency in India and Bangladesh. In Bangladesh, monthly take-home pay increased by 7.6% and in India by 5%.

Collective work with international unions and NGOs to combat the Sumangali forced-labour scheme in India was cited. This is a three-year project to “eliminate low pay, long hours of work and improve living and working conditions”.

Tesco has engaged in a multi-stakeholder action plan on living wages, through the European Conference on Living Wages in Berlin in 2013.

## Strategy:

Tesco says its strategy for ensuring that workers in its factories are paid a living wage is three-fold:

“Ensuring compliance with local wage legislation as a foundation;

Improving supplier’s capability and capacity to improve wages for workers by improving efficiency and productivity;

Creating a supportive, enabling environment by lobbying Governments and working with other international stakeholders to deliver sustained improvements in wages through better jobs.”

## Production overview:

**Number of suppliers:** Tesco did not disclose this information.

**Main production countries listed as:** Tesco did not disclose this information.

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

## COMMENTS:

Tesco needs to aim higher. For a buyer with this amount of power, and a long-term member of the Ethical Trading Initiative, we would hope to see more engagement in real living-wage discussions.

Tesco’s progress in setting internal benchmarks is interesting, but pegging benchmarks to existing wage payments will not overcome the huge gap between minimum and living wages. Tesco says it is hoping to pay above-average for its supply base. The problem with this is that “industry standard” is, at best, just above the minimum wage, and downward global price pressure means that even the best factories are still paying not enough to live on. Tesco also says that it is not its role to specify the amount that should constitute a living wage. We agree that this is indeed the role of negotiations between supply-chain actors. However, a minimum

living wage is merely a floor on which negotiation must rest. Buyers, who have the freedom and power to do something about the downward global price pressure on wages, must collectively take action to raise the standard in order to underpin real living-wage negotiation. With a living wage being two to four times the minimum wage, the gap will not be closed by simply paying a little above the industry average.

The Benefits for Business and Workers (BBW) project in Bangladesh, which Tesco has taken part in alongside a number of other brands, aims to build factory capacity and improved communication and problem-solving in factories. One of the outputs of the BBW project is that wages have gone up through productivity improvements, which is good. But, as we have always held about productivity gains, the improvement to wages is minimal. The 7% wage increase achieved in Bangladesh by efficiency improvements is an increase, but given that the minimum wage was subsequently put up by 80% (after the project ended) and this still isn’t anywhere near a living-wage figure, we aren’t keen to call this a living-wage project. However, even if the project doesn’t achieve a living wage, Impactt (which implements the BBW programme) is keen to say that the ‘transformational change’ and ‘worker empowerment’ aspects are worthwhile...

Our second concern with the BBW project is that the entire worker-empowerment emphasis has failed to engage with the trade union movement, and there is no reference to freedom of association or trade unions in the training materials provided. The programme has focused on “building towards the idea of Freedom of Association” by trying to overcome obstructionist attitudes to collective worker representation among management. This has involved training programmes and getting management to engage with legally required worker-committee models. Although this may be helpful in the short term, worker committees are not the solution to the worker-empowerment issue in our opinion. Engaging in this runs the risk of promoting ‘parallel means’ to management as a way to avoid engagement with functioning trade union movements. Worker committees do not have the power to collectively bargain on anything aside from fringe benefits or minor wage increases, do not have the right to take industrial action to back up their position, often can’t hold independent elections and are usually restricted to individual workplaces – meaning members cannot take part in campaigning aimed at improving wages and conditions on a sectoral, national or regional level. All in all, not so great for workers or long-term change. A commitment or strategy to transition the work of BBW towards collaboration with trade unions would be a good step.

Tesco’s general approach of engaging in projects with a number of other brands is a good first step. Perhaps working together with these brands to achieve a defined living-wage figure or progress up a wage ladder towards real living-wage benchmarks could be its next step.