



UK SUPERMARKET SUPPLY CHAINS



ENDING THE
HUMAN SUFFERING
BEHIND OUR FOOD



OXFAM

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This paper was written by Rachel Wilshaw. Oxfam acknowledges the assistance of Sabita Banerji, Penny Fowler, Tim Gore, Sloane Hamilton, Alex Maitland, Laura Raven, Radhika Sarin, Emma Wadley, Beck Wallace and Robin Willoughby.

For further information on the issues raised in this paper please email policyandpractice@oxfam.org.uk

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Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

Cover photo: To get the minimum wage, Budi, a shrimp processing worker in Indonesia, had to peel up to 950 shrimps within one hour. In order to try and meet the targets, she had to cut her breaks down to just eating and avoid going to the toilet. She reported sometimes standing for nine hours during her shift. Photo: Adrian Mulya/Sustainable Seafood Alliance Indonesia

This paper puts the key findings of Oxfam's Behind the Barcodes campaign report in a UK context. R. Willoughby and T. Gore. (2018). *Ripe for Change: Ending human suffering in supermarket supply chains*.



OXFAM

Oxfam is an international confederation of 20 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit www.oxfam.org



SUMMARY

The private sector is the biggest provider of jobs globally.¹ However, it is one of the cruellest paradoxes of our time that the people producing our food and their families are often going without enough to eat themselves. Oxfam's Behind the Barcodes campaign highlights the systemic nature of labour rights issues in the food supply chain – and shows how action by supermarkets,² governments, citizens, small-scale farmers and workers could lead to a decent and dignified standard of living for millions of people.³

The UK supermarket sector is ripe for change.

Oxfam research in its report *Ripe for Change: Ending human suffering in supermarket supply chains* presents alarming new evidence of suffering faced by the women and men behind supermarket barcodes.⁴ From forced labour⁵ aboard fishing vessels in Southeast Asia, to poverty wages on Indian tea plantations and hunger⁶ faced by workers on South African grape farms, human and labour rights abuses are all too common in UK food supply chains. In an era of gross global inequality and escalating climate change, this is increasingly unsustainable.

In the UK, the grocery sector is one of the most diverse and sophisticated in the world, worth nearly £185bn per year.⁷ Supermarkets choose their products from all over the world, moving between countries and suppliers as the seasons change. Food and grocery spend accounts for over half of all UK retail spend.⁸

Above: Cho has been in Thailand for more than a decade and arrived from Myanmar as a 17-year-old boy. He has worked on ten boats in that time. Now, however, he is doing construction work because during his last stint onboard a rope caught the cover of an ice container, slamming it into him and breaking his leg below the knee. Photo: Suthep Kritsanavarin/Oxfam

The sector is also exceptionally concentrated. The 'Big Four' UK retailers – Tesco, Sainsbury's, Asda and Morrisons – together continue to control around 67% of the UK market, despite the entrance of powerful discount stores such as Aldi⁹ and Lidl¹⁰ in the UK.¹¹ The possible merger of Sainsbury's and Asda announced by the media would concentrate the market still further.¹²

Supermarkets have delivered low prices, unparalleled year-round choice and 'just in time' convenience to many consumers in the UK. But they have done so by using their huge buyer power to exert relentless pressure on their suppliers to cut costs while meeting exacting quality requirements, often using a range of unfair trading practices to do so. The depression of prices paid to suppliers, coupled with inadequate government support in producer countries for small-scale farmers and workers, has both increased the risk of human and labour rights violations, and, as Oxfam has found, driven greater global inequality.¹³

New research for Oxfam undertaken by the Bureau for the Appraisal of Social Impacts for Citizen Information (BASIC), analysed the value chains of 12 common products sourced by supermarkets around the world – from a range of representative producing countries spanning Asia, Africa and Latin America.¹⁴ It found that in none of these countries are farmers or workers earning enough, on average, for a decent standard of living, sufficient to realize their human rights.

For example, in the case of Indian tea and Kenyan green beans, the research found that workers and small-scale farmers earn less than 50% of what they need for a basic but decent standard of living in their societies. And the situation is much worse for women: the gap between the reality and a decent standard of living is greatest where women provide the majority of the labour.

* * *

WITH THE HIGH PRIORITY GIVEN BY CONSUMERS TO LOW PRICES, PRESSURE FROM SHAREHOLDERS FOR SHORT-TERM RETURNS, AND A RAFT OF UNCERTAINTIES POSED BY BREXIT, OXFAM RECOGNIZES THE CHALLENGING COMPETITIVE ENVIRONMENT IN WHICH UK SUPERMARKETS ARE OPERATING. BARELY A MONTH GOES BY WITHOUT NEWS OF CHALLENGING FINANCIAL RESULTS, JOB LOSSES OR STORE CLOSURES.¹⁵

* * *



Tea harvesting in Southeast Asia. Photo: Tineke D'haese/Oxfam



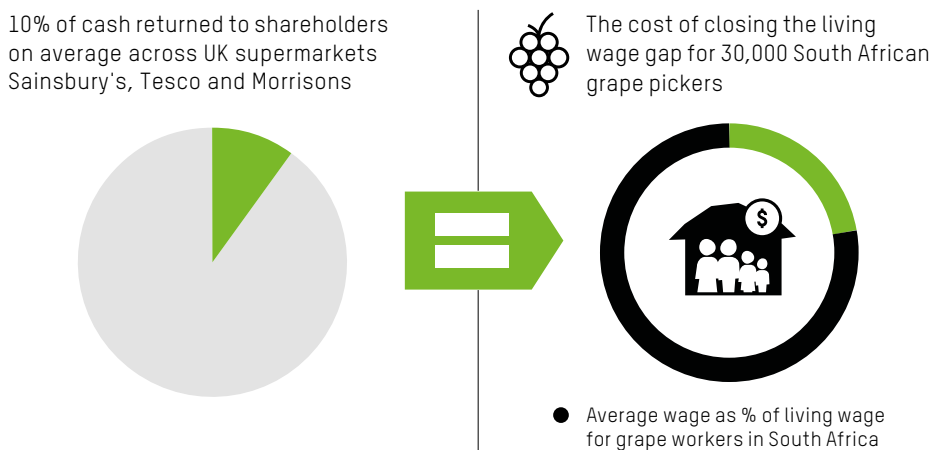
When earnings drop too low, farmers' and workers' access to food is put at risk. To provide a 'snapshot' of this problem, Oxfam conducted Household Food Insecurity Access Scale (HFIAS) surveys in 2017 among hundreds of small-scale farmers and workers in international food supply chains in five countries.¹⁶ A clear majority of respondents were categorized as either moderately or severely food insecure¹⁷ – meaning they or a family member had gone without enough food in the previous month.¹⁸ For example:

- In South Africa, over 90% of surveyed women workers on grape farms reported not having enough to eat in the previous month. Nearly a third said they or a family member had gone to bed hungry at least once in that time.
- In Thailand, over 90% of surveyed workers at seafood processing plants reported going without enough food in the previous month. Of those, 54% of the women workers said there had been no food to eat at home of any kind on several occasions in that time.
- In Italy, 75% of surveyed women workers on fruit and vegetable farms said they or a family member had cut back on the number of meals in the previous month because their household could not afford sufficient food.

Such income levels are especially hard to accept when compared with the returns at the other end of the supply chain. For example:

- In less than five days, the highest paid chief executive at a UK supermarket earns the same as a woman picking grapes on a typical farm in South Africa will earn in her entire lifetime.¹⁹
- Just 10% of the cash returned to shareholders on average across the three biggest UK supermarkets in 2016²⁰ would be enough to lift more than 30,000 workers on South African grape farms to a living wage.²¹

FIGURE 1: SUPERMARKET SHAREHOLDERS BENEFIT WHILE SUPPLY CHAIN WORKERS STRUGGLE TO MAKE ENDS MEET

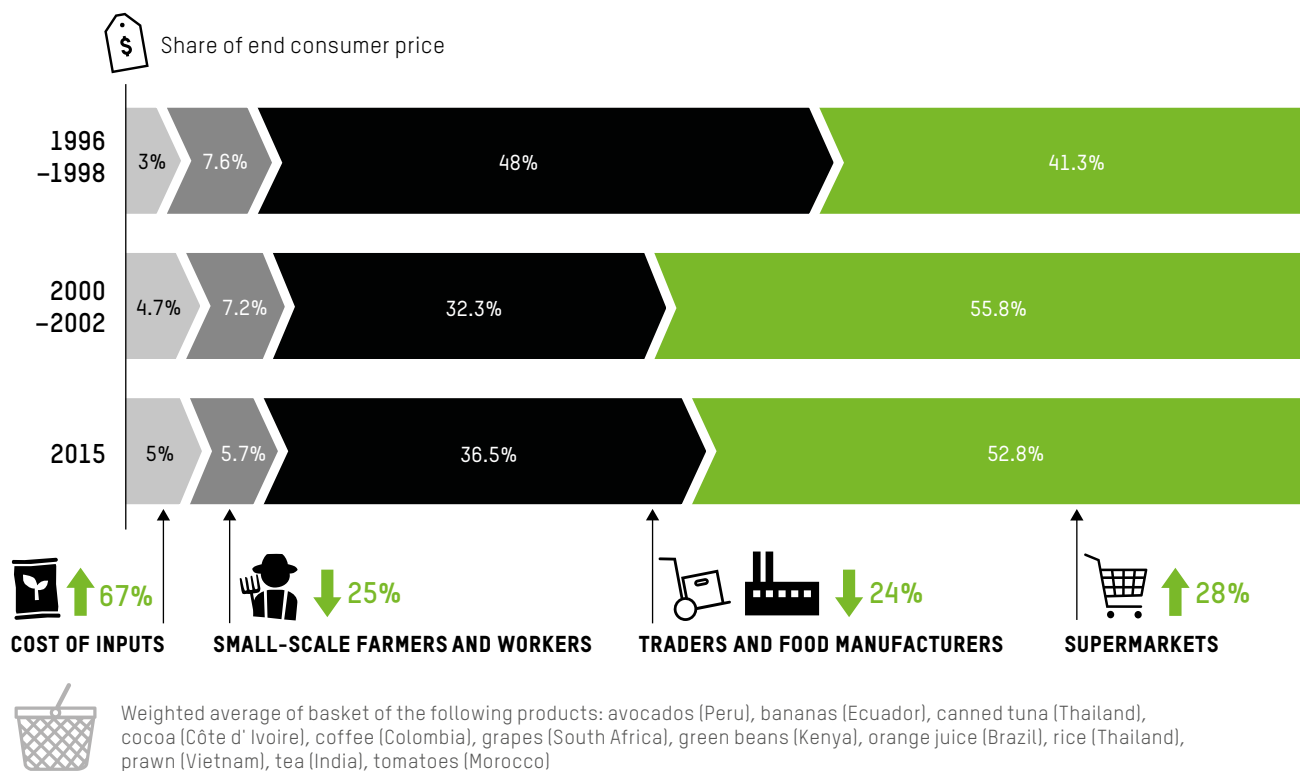


Source: Oxfam calculations; for details please see the methodology note in Annex 1. Note that shareholder dividends were zero at Tesco in 2016. R. Willoughby and T. Gore. (2018). Ripe for Change: Methodology note. Nairobi: Oxfam. Retrieved from: <http://policy-practice.oxfam.org.uk/publications/ripe-for-change-methodology-and-datasets-620478>

Indeed, BASIC's research for Oxfam shows that inequality in food supply chains is stark and growing. The analysis suggests that UK supermarkets capture more than half of the value created across a basket of 12 different food products (see Figure 2), a higher proportion than in Germany, the Netherlands or the US.²² At the other end of the chain, less than 6% of the consumer price, on average, appears to reach small-scale farmers and workers, a share which dropped significantly from 7.6% between 1996 and 2015.

Across a range of consumer markets, the average share reaching small-scale farmers and workers is less than 5% for several products, including Brazilian orange juice, Ecuadorian bananas, Kenyan green beans, Indian tea, Vietnamese prawn²³ and Thai canned tuna. Meanwhile, on average across the basket of goods, producers saw their input costs rise by 67% from 1996/8 to 2015 – squeezing profits and income even further.

FIGURE 2: INEQUALITY IN UK FOOD SUPPLY CHAINS IS STARK AND HAS INCREASED



Note: Cost of inputs refers to the price of things like fertilizers, pesticides and packaging materials.

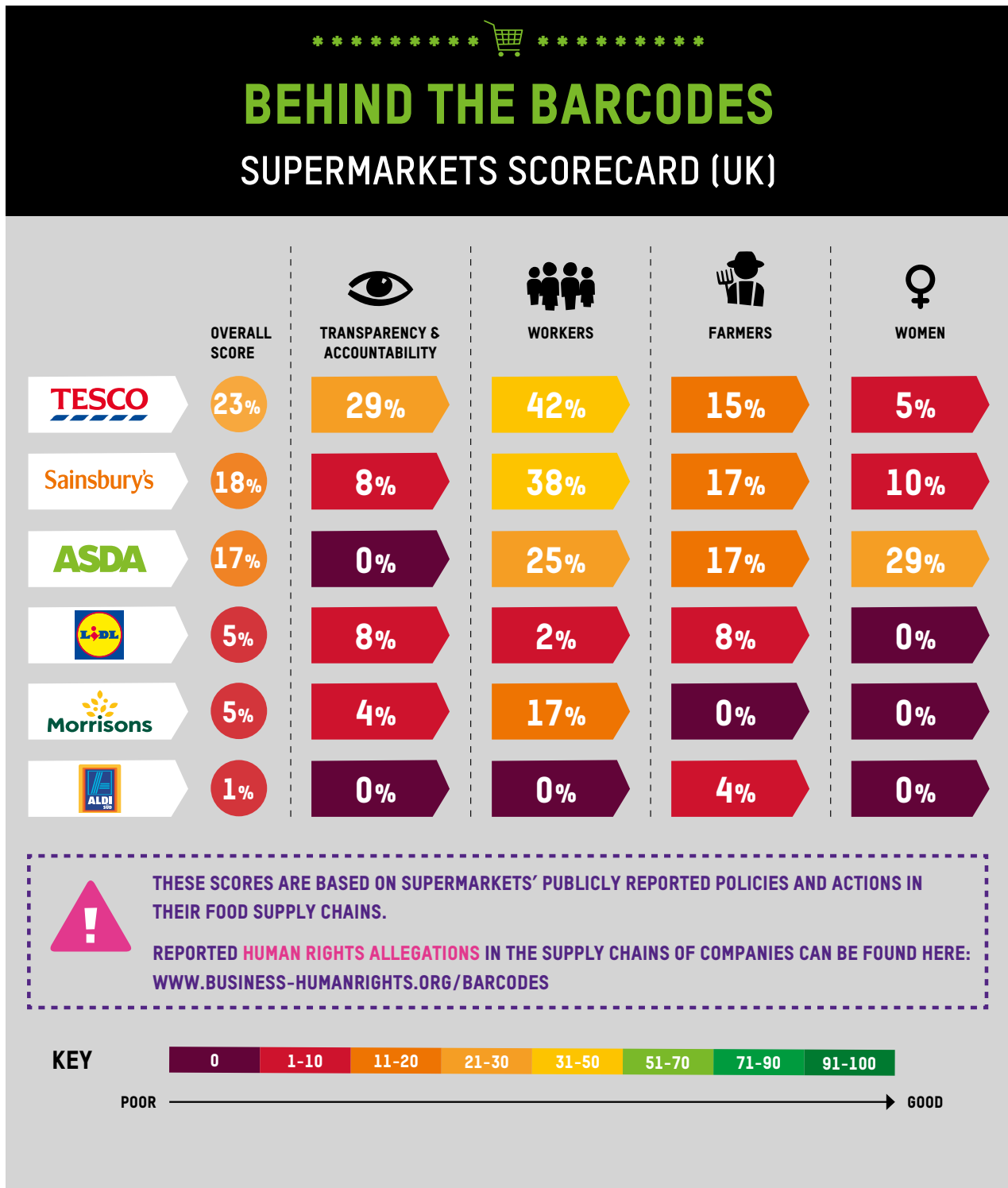
Source: C. Alliot et al. (Forthcoming). Distribution of Value and Power in Food Value Chains. Oxfam-commissioned research undertaken by BASIC.

But while there are powerful trends pointing towards greater consolidation of supermarket power in the UK, likely to mean inequality in supply chains continues to grow, there are also key opportunities for change that could set the sector on a different path. These include a reform of company law to tackle short-termism, a radical increase in supply chain transparency, transformative action on gender equality and sexual harassment, and using membership of the Ethical Trading Initiative to drive deeper change, including through advocacy, to raise minimum wages and price floors.



A new Supermarkets Scorecard developed by Oxfam rates and ranks the most powerful UK supermarkets (the four largest and two fastest-growing) on the strength of their policies and practices to address human rights and social sustainability. The Scorecard sets challenging benchmarks based on robust international standards and widely recognized best practice on transparency and accountability, and on the treatment of workers, small-scale farmers and women in supply chains. These are all areas in which we believe UK supermarkets are well placed to drive positive change and maintain consumers' trust.²⁴

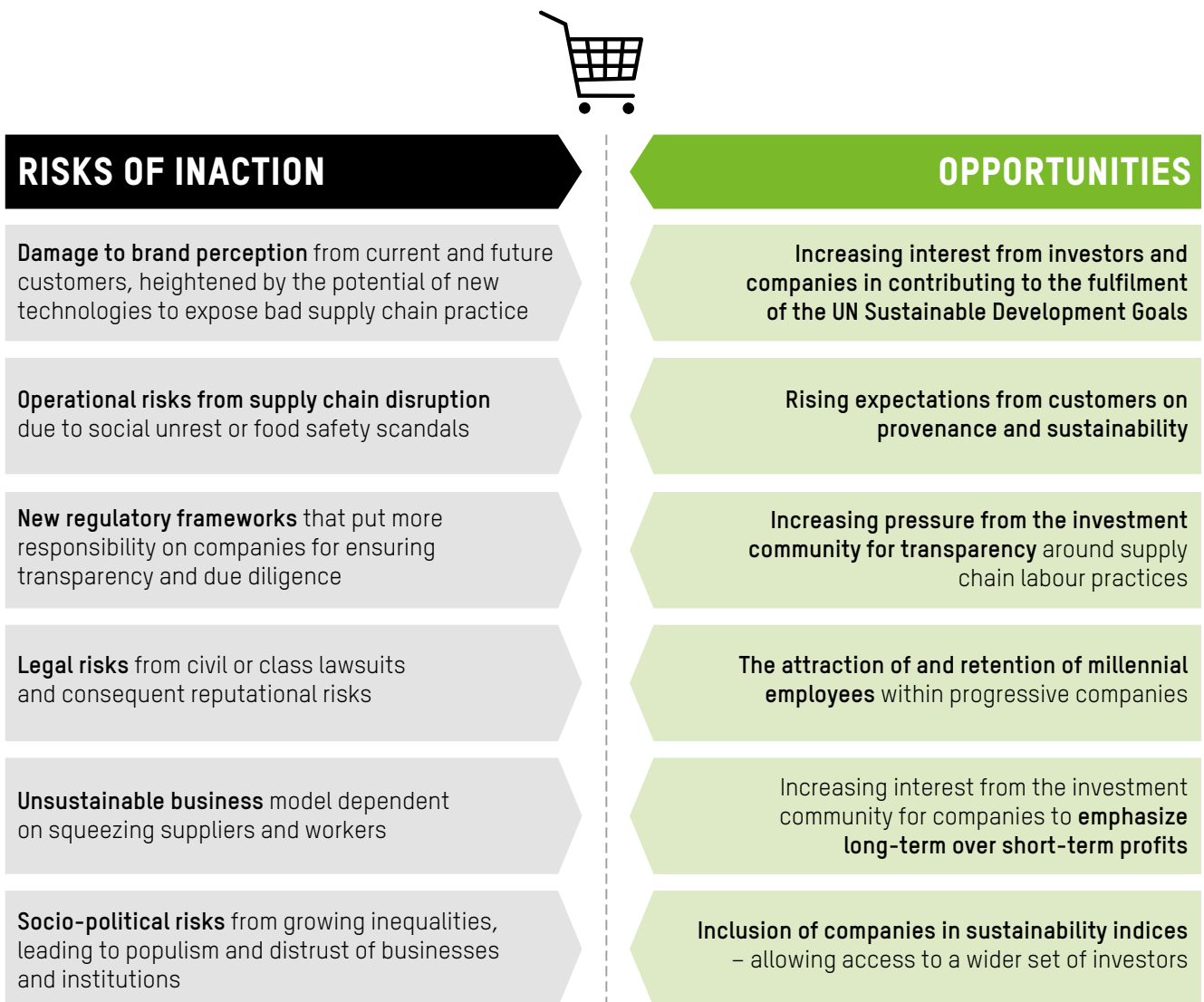
FIGURE 3: UK SUPERMARKETS SCORECARD



Note: Aldi in the UK is a subsidiary of the German retailer Aldi South; the assessment relates to the parent company. Asda is owned by the US giant Walmart; the assessment relates to the parent company.

Not only is there a strong moral imperative for companies to take action, there is also a clear business case.

FIGURE 4: THE BUSINESS CASE FOR MORE SUSTAINABLE FOOD SUPPLY CHAINS RESTS ON CAPTURING OPPORTUNITIES AND ADDRESSING THE RISKS OF INACTION



Source: Various sources including Ethical Trading Initiative and Holt International Business School (2016), Corporate Leadership on Modern Slavery, London: Ethical Trading Initiative; UN Principles on Responsible Investment (2016), From Poor Working Conditions to Forced Labour - What's Hidden in Your Portfolio? A Guide to Investor Engagement on Labour Practices in Agricultural Supply Chains, London: UNPRI; Deloitte (2016), The Ripple Effect: How Manufacturing and Retail Executives View the Growing Challenge of Supply Chain Risk, London: Deloitte; and Price Water House Cooper (2016), Workforce of the Future: the Competing Forces Shaping 2030, London: PWC.

The deep-rooted nature of the problems Oxfam has evidenced in its report *Ripe for Change* means a fundamental shift is required in the way that UK supermarkets do business, to one that is built on greater respect for human and labour rights. This means one that is less driven by the relentless maximization of shareholder value, and where governments intervene to protect small-scale farmers and workers.

Of course, supermarkets cannot solve the problems of the whole 'ecosystem' alone, but they can do a great deal more to be less a part of the problem and more a part of the solution. We firmly believe that within our lifetime, no one will have to live in extreme poverty. In support of Oxfam's global campaign, we call on UK supermarkets to acknowledge the reality faced by the women and men behind



their product barcodes, to know and show what they do to understand and respect human rights, and to play their part in ending suffering and economic exploitation in food supply chains.

Oxfam is asking UK supermarkets to:

- Understand and act on human and labour rights risks in the company’s supply chain and commit to the UN Guiding Principles on Business and Human Rights;
- Put women’s economic empowerment at the heart of business operations;
- Use commercial and trading practice that encourages a strong performance on human and labour rights and the sharing of value;
- Support a living wage and living income for women and men throughout the supply chain, while engaging with employees in collective bargaining and working towards being an accredited Living Wage employer;
- Level the playing field by proactively ensuring that human and labour rights are both strong and enforced in sourcing countries;
- Radically improve transparency on both their own human rights performance and in the sourcing of products.

Oxfam is asking UK investors to:

- Use Oxfam’s Supermarkets Scorecard to engage companies on supply chain transparency and human and labour rights issues;
- Assess the impact of companies on economic and gender inequality when making investment recommendations;
- Signal that human rights risk management and transparent sourcing policies are evidence of high performance corporations.

Oxfam is asking the UK government to:

- Enforce compliance with the Modern Slavery Act while providing more support for survivors of modern slavery;
- Set out how the government will measure decent work rather than employment levels alone, in accordance with the Industrial Strategy;²⁵
- Reform company law so that directors must act primarily in the interests of all stakeholders not just their shareholders;²⁶
- Support the adoption of a UN binding treaty on business and human rights that holds companies legally accountable for human rights violations along their supply chain.

A full set of recommendations is available in the main campaign report:
R. Willoughby and T. Gore. (2018). Ripe for Change: Ending human suffering in supermarket supply chains.



A small-scale farmer working her land in Central Africa. Photo: Ramon Sanchez Orense/Oxfam

1. INTRODUCTION

The private sector is the biggest provider of jobs globally,²⁷ which has enabled millions of people to work their way out of poverty. But over the last 30 years, a global inequality crisis has seen the power of big business – and the financial reward accrued by it – grow at the expense of ordinary people²⁸ – including those who produce and process our food.

Supermarkets have become gatekeepers of the global food trade – shaping producers and processors into dispersed, specialized, multi-tiered supply chains, while using their huge buyer power to pressure suppliers to cut costs. They have delivered low prices, choice and convenience to many consumers. But the vast global supply chains on which they are built often rely on the systemic economic exploitation of people and the planet.²⁹

The deep-rooted nature of the problems Oxfam has evidenced in its report *Ripe for Change* means a fundamental shift is required in the way that UK supermarkets do business, to one that is built on greater respect for human and labour rights. This means one that is less driven by the relentless maximization of shareholder value, and where governments intervene to protect small-scale farmers and workers.

There is no justifiable reason that the human and labour rights of women and men supplying supermarkets cannot be respected. There is no moral excuse for anyone producing our food to go hungry. This briefing paper puts into a UK context Oxfam's new campaign to expose the root causes behind economic exploitation in food supply chains and to mobilize the power of people around the world to help end it, starting with a focus on supermarkets.

* * *

NOT ONLY IS THIS A FLAWED BUSINESS MODEL IN TERMS OF SOCIAL IMPACT – IN AN ERA OF GROSS GLOBAL INEQUALITY AND ESCALATING CLIMATE CHANGE, IT IS ALSO INCREASINGLY UNSUSTAINABLE.

* * *



With the high priority given by consumers to low prices, pressure from shareholders for short-term returns, and a raft of uncertainties posed by Brexit, Oxfam recognizes the challenging competitive environment in which UK supermarkets are operating. Barely a month goes by without news of challenging financial results, job losses or store closures.³⁰

But we firmly believe that within our lifetime, no one will have to live in extreme poverty. Oxfam calls on UK supermarkets to acknowledge the reality faced by the women and men behind their product barcodes, to know and show how their business impacts them, and to play their part in ending suffering and economic exploitation in food supply chains.

Below: Supermarket trolley and shelves. Photo: Shutterstock



BOX 1: OXFAM GB'S 50 YEARS OF CORPORATE CAMPAIGNING AND BUSINESS INNOVATION

Oxfam GB, which marked its 75th anniversary in October 2017, has campaigned against corporate injustice for decades: from its Clothes Code Campaign on sweatshops in the 1990s and Make Trade Fair campaign in the 2000s³¹ to its campaign to halt corporate land grabs in 2011 and its Behind the Brands campaign.³² The following year, our Even It Up campaign highlighted the spiralling economic inequality that has allowed 42 people in 2018 to own the same wealth as half the world's population, hindering Oxfam's mission to overcome poverty.³³

We have not just stood on the sidelines and campaigned. Oxfam has been at the forefront of innovation for more equitable, pro-poor business models since it began its alternative trade programme in the 1960s, for instance co-founding the Cafédirect brand of coffee in 1991³⁴ and the Fairtrade Foundation the following year.³⁵ In 1998, Oxfam co-founded the Ethical Trading Initiative to tackle deficits in workers' rights, and it has worked with companies to understand and address serious supply chain issues: with IPL (Asda) in the cut flowers and green beans sectors in Kenya, with six supermarkets in the Moroccan strawberry sector, with Unilever in its Vietnam operations, and with brands committed to achieving a living wage for tea pickers in Malawi.³⁶ And we are at the forefront of debates about a more human economy³⁷ and about how business can share value more fairly.³⁸ We bring this experience to bear in our Behind the Barcodes campaign.

2. SUFFERING BEHIND SUPERMARKET BARCODES

FINDINGS ON THE THAI AND INDONESIAN SEAFOOD SECTORS

Four years after UK headlines carried stories of modern slavery on Thai fishing vessels,³⁹ new research by Oxfam and the Sustainable Seafood Alliance Indonesia highlights ongoing exploitation of Thai and Indonesian seafood workers.⁴⁰ While some things have improved, serious issues remain. Workers on vessels and in prawn processing plants pay a high cost to make seafood affordable in supermarkets. Processing workers, predominantly women, have been found to be subject to endemic low wages, excessive working hours, gender discrimination and harsh treatment in the supply chains of supermarkets in the UK, the US, the Netherlands and Germany.⁴¹



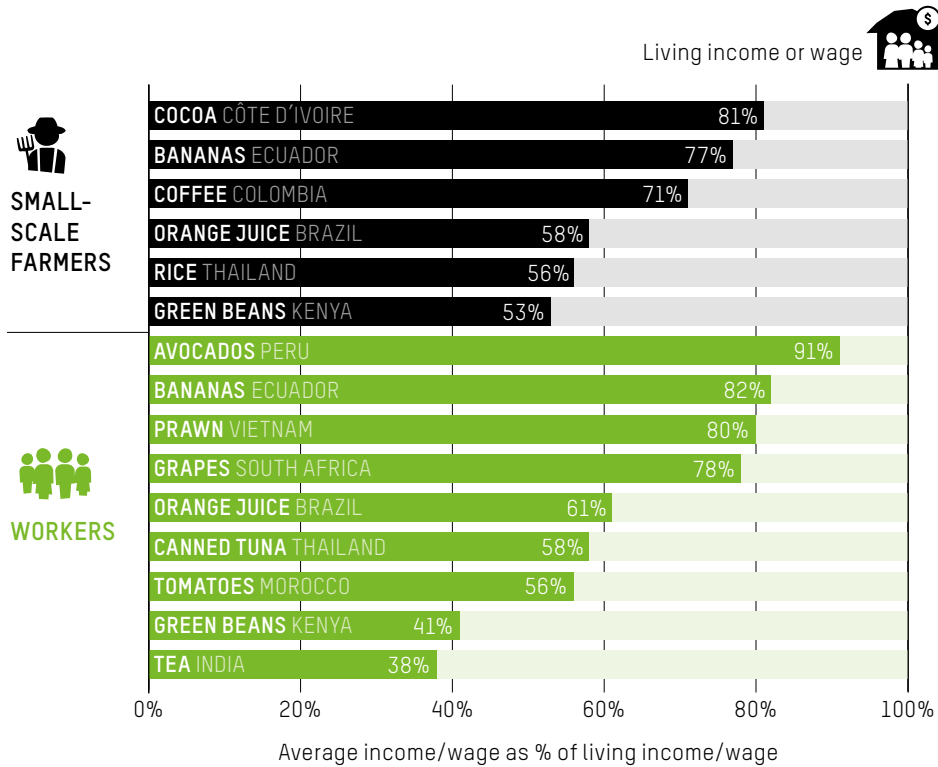
Boat workers unload fish from their boat at a jetty in Thailand. Photo: Suthep Kritsanavarin/Oxfam

FINDINGS ON SHARE OF VALUE AND INCOMES IN A BASKET OF 12 FOOD PRODUCTS

Analysis for Oxfam undertaken by the Bureau for the Appraisal of Social Impacts for Citizen Information (BASIC), analysed the value chains of 12 common products sourced by supermarkets around the world – from a range of representative producing countries spanning Asia, Africa and Latin America.⁴² It found that in none of these countries are small-scale farmers or workers (on average) earning enough for a decent standard of living, sufficient to realize their human rights. For example, in the case of Indian tea and Kenyan green beans, workers and small-scale farmers earn less than 50% of what they need for a basic but decent standard of living in their societies (see Figure 5).



FIGURE 5: AVERAGE EARNINGS OF SMALL-SCALE FARMERS AND WORKERS IN MANY FOOD SUPPLY CHAINS ARE INADEQUATE FOR A DECENT STANDARD OF LIVING



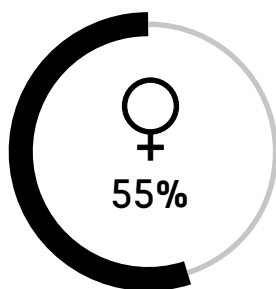
Note: Data from 2015. Workers refers to those with permanent contracts working on large-scale plantations, in processing facilities or on fishing vessels. Some commodities appear twice, as they are both produced by small-scale farmers and on plantations or in processing plants.

Source: C. Alliot et al. (Forthcoming). Distribution of Value and Power in Food Value Chains. Oxfam-commissioned research undertaken by BASIC.

And the situation is much worse for women: the gap between the reality and a decent standard of living is greatest where women provide the majority of the labour (see Figure 6).

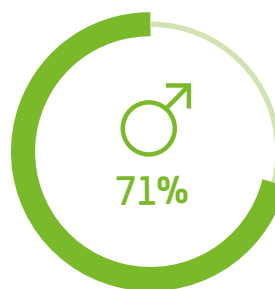
FIGURE 6: THE GAP TO A LIVING INCOME OR WAGE IS GREATEST WHERE WOMEN PREVAIL IN THE WORKFORCE

Average income/wage as % of living income/wage



WOMEN PREVAILING IN WORKFORCE

Tea (India), green beans (Kenya), tomatoes (Morocco), rice (Thailand), prawn (Vietnam), canned tuna (Thailand)



MEN PREVAILING IN WORKFORCE

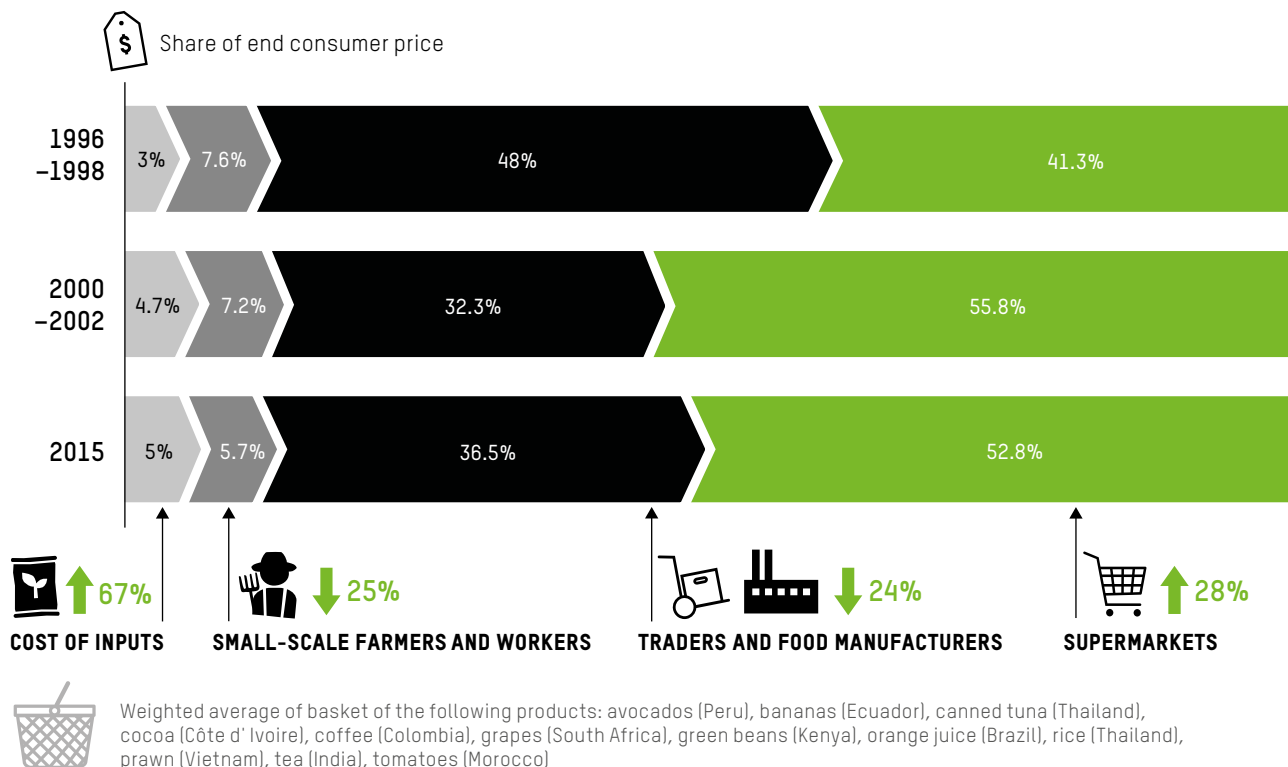
Bananas (Ecuador), cocoa (Côte d' Ivoire), coffee (Colombia), avocados (Peru), orange juice (Brazil), grapes (South Africa)

Note: Data from 2015.

Source: C. Alliot et al. (Forthcoming). Distribution of Value and Power in Food Value Chains. Oxfam-commissioned research undertaken by BASIC.

BASIC found that UK retailers capture more than half of the value created across a basket of 12 different food products (see Figure 7), a higher proportion than in Germany, the Netherlands or the US. Workers and farmers, by contrast, see only 5.7% of the value of these products, a share which dropped significantly from 7.6% from 1996 to 2015. For instance, the share of value for workers in Kenya’s green bean supply chain has declined sharply from 1.6% to 0.5% since 2000. The basket comprised Colombian coffee, Indian tea, cocoa from Côte d’Ivoire, Thai rice, Vietnamese prawns, Thai canned tuna, Brazilian orange juice, Ecuadorian bananas, South African grapes, Kenyan green beans, Peruvian avocados and Moroccan tomatoes.

FIGURE 7: INEQUALITY IN UK FOOD SUPPLY CHAINS IS STARK AND HAS INCREASED



Note: Cost of inputs refers to the price of things like fertilizers, pesticides and packaging materials.

Source: C. Alliot et al. (Forthcoming). Distribution of Value and Power in Food Value Chains. Oxfam-commissioned research undertaken by BASIC.

Across Oxfam’s sample of 12 product sectors, a picture emerges of farmers squeezed between downward pressure on costs from their buyers and dramatic increases in the costs of production. Average production costs faced by suppliers of these 12 products to the UK increased by 67% from 1996/8 to 2015.

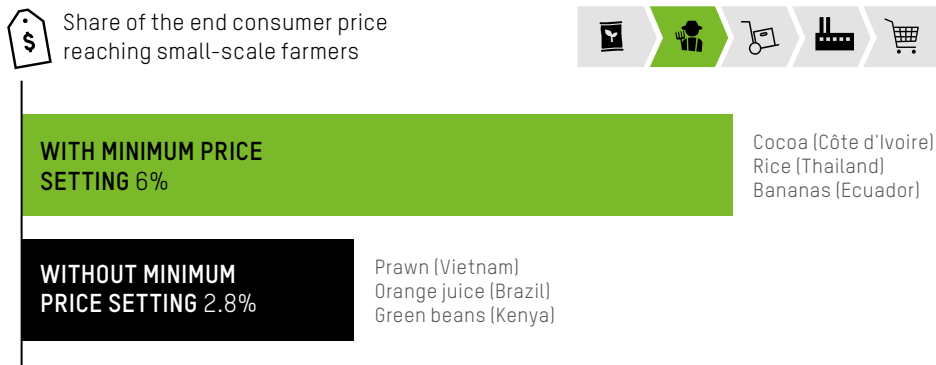
At best, the skewed distribution means that it will take much longer for small-scale farmers and workers to achieve a living income⁴³ or wage level. At worst, it traps the women and men in supermarket supply chains in poverty. Worldwide, 780 million people are working, but in poverty.⁴⁴ Progress in reducing working poverty rates is slowing globally and seems set to worsen in the poorest countries.⁴⁵ Until small-scale farmers and workers get a bigger share of the value of their produce, inequality will continue to grow.

However, these outcomes are not the inevitable consequence of immutable market forces – they can be changed with the right political choices. Oxfam’s analysis shows that where governments have introduced minimum producer



prices (Ecuadorian bananas,⁴⁶ Côte d'Ivoire cocoa, Thai rice), farmers received around twice the value share of those products than in countries where no such government support was provided (see Figure 8).⁴⁷

FIGURE 8: GOVERNMENT INTERVENTION TO SET MINIMUM PRICES FOR AGRICULTURAL COMMODITIES BENEFITS SMALL-SCALE FARMERS IN FOOD SUPPLY CHAINS



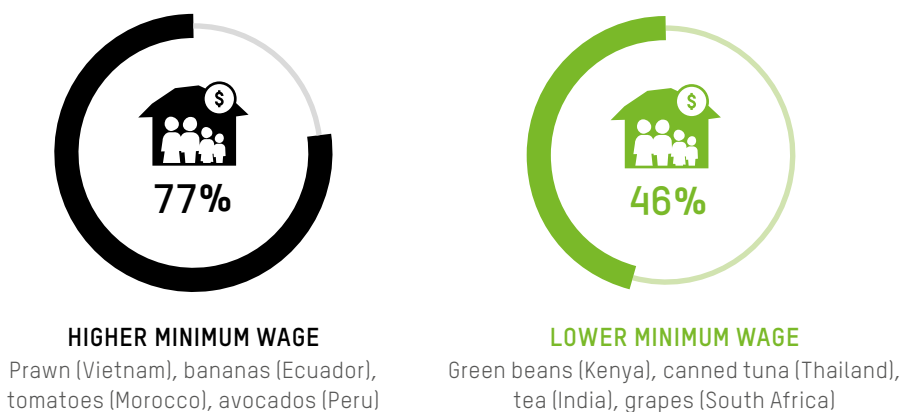
Note: Data from 2015. The commodities shown are those analysed that are produced by small-scale farmers, so where minimum price setting is relevant.

Source: C. Alliot et al. (Forthcoming). Distribution of Value and Power in Food Value Chains. Oxfam-commissioned research undertaken by BASIC.

Similarly, where governments – like those in Morocco, Peru and Vietnam – have set higher minimum wages, workers' earnings are much closer to benchmarks of a living wage (see Figure 9). Government interventions can therefore enhance livelihoods across whole sectors, which supermarkets could encourage.

FIGURE 9: HIGHER MINIMUM WAGES HELP NARROW THE LIVING WAGE GAP FOR WORKERS IN FOOD SUPPLY CHAINS

Average wage as % of living wage

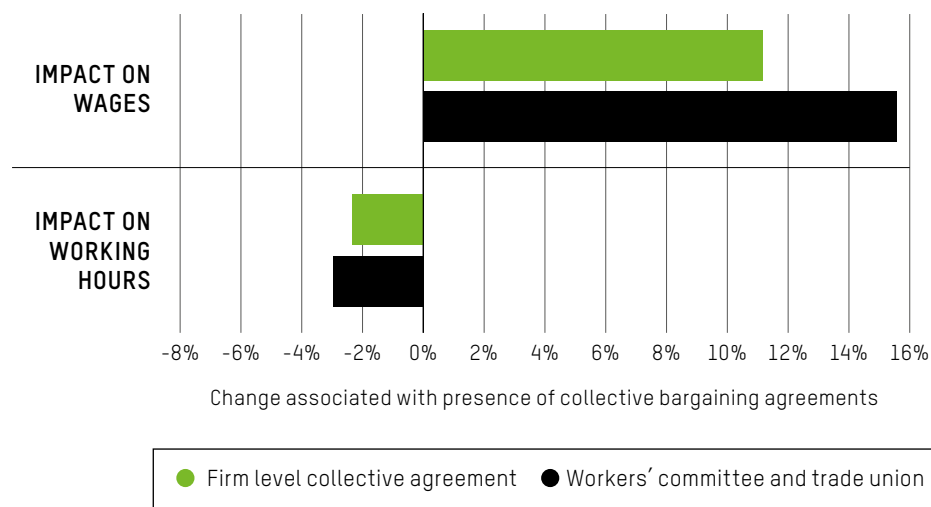


Note: Data from 2015. The commodities shown are those analysed that are produced on large-scale plantations, in processing facilities or on fishing vessels, so where waged work is relevant. Higher minimum wage is defined as exceeding 50% of monthly GDP/capita, and lower minimum wage as less than 50% of monthly GDP/capita.

Source: C. Alliot et al. (Forthcoming). Distribution of Value and Power in Food Value Chains. Oxfam-commissioned research undertaken by BASIC.

A recent International Labour Organization (ILO) survey confirms the positive impact of company-level collective agreements with trade unions or workers' committees – both proxies for strong institutions of collective bargaining in the workplace – on both wages and working hours (see Figure 10).⁴⁸

FIGURE 10: STRONG TRADE UNIONS AND COLLECTIVE BARGAINING AGREEMENTS BOOST WAGES AND REDUCE WORKING HOURS FOR WORKERS IN GLOBAL SUPPLY CHAINS



Source: Adapted from D. Vaughan-Whitehead and L.P. Caro. (2017). Purchasing Practices and Working Conditions in Global Supply Chains: Global Survey Results. Geneva: International Labour Organization.

FINDINGS ON PEOPLE STRUGGLING TO FEED THEIR FAMILIES

When incomes drop too low, people often struggle to access sufficient food. To give a 'snapshot' of this problem in food supply chains, Oxfam conducted additional research based on Household Food Insecurity Access Scale (HFIAS) surveys of hundreds of small-scale farmers and workers linked to supermarket supply chains in five countries. A clear majority of respondents were categorized as either moderately or severely food insecure – meaning they or a family member had gone without enough food in the previous month.⁴⁹ For example:

- In South Africa, over 90% of surveyed women workers on grape farms reported not having enough to eat in the previous month. Nearly a third said they or a family member had gone to bed hungry at least once in that time.
- In Thailand, over 90% of surveyed workers at seafood processing plants reported going without enough food in the previous month. Of those, 54% of the women workers said there had been no food to eat at home of any kind on several occasions in that time.
- In Italy, 75% of surveyed women workers on fruit and vegetable farms said they or a family member had cut back on the number of meals in the previous month because their household could not afford sufficient food.



Mu is 29 and the mother of three children, all of whom are back at home in Myanmar. She is a shrimp peeler in Thailand earning a daily rate of 310 THB, or about \$9.30, plus overtime. If there is no overtime for a few weeks, she is unable to send money to support her family. Photo: Suthep Kritsanavarin/Oxfam



FIGURE 11: ECONOMIC EXPLOITATION IS WIDESPREAD IN SUPERMARKET SUPPLY CHAINS

HONDURAS

Honduras is a key source of melons to UK supermarkets. The predominantly female workers are on short-term contracts, don't always get the minimum wage and may suffer retaliation for joining a union.⁵³

'THEY THREATEN NOT TO HIRE UNION WORKERS. IT'S VERY CRUEL AND OPPRESSIVE.'

Worker on a melon plantation, Honduras, 2016⁵⁴

COSTA RICA

Costa Rica is the primary source of pineapples to supermarkets globally. Workers work up to 12 hours to earn the minimum wage and report a range of medical issues from pesticide use.⁵⁵

'MONEY IS EXTREMELY TIGHT. WE MUST CUT DOWN ON FOOD TO BE ABLE TO PAY OUR CHILDREN'S SCHOOL FEES.'

Female plantation worker, northern Costa Rica⁵⁶

ECUADOR

Ecuador is the biggest supplier of bananas to the global market. The value received by banana producers was 30% lower in 2012–15 than it was in 1991–92.⁵⁷

'EVEN THE MINIMUM WAGE WOULD NOT BE ENOUGH [TO LIVE ON], LET ALONE THE WAGES OF MISERY THAT THEY PAY US.'

Worker at a packing station in El Naranjo, Ecuador⁵⁸

ITALY

60% of UK tinned tomatoes come from Italy. Illegal gangmasters control workers' recruitment and supervision.⁵⁰ Oxfam found 50% of a sample of workers were severely food insecure.⁵¹

'THEY TREAT US LIKE BEASTS. THEY CONTROL HOW MANY TIMES WE GO TO THE TOILET [...] IF YOU REFUSE TO WORK ON SUNDAY THEN THEY THREATEN TO FIRE YOU.'

Female tomato worker, Campania region of Italy⁵²

SPAIN

Spain is a key source of salad and vegetables for UK supermarkets. Some of the 120,000 workers live in wooden shacks and report respiratory conditions caused by pesticide use.⁵⁹

'FOR THESE COURGETTES TO REACH ENGLAND, THERE ARE PEOPLE WHO HAVE SUFFERED A LOT.'

Yousef, vegetable picker, El Ejido region of Spain⁶⁰





INDIA

India is the UK's second biggest source of tea after Kenya. Oxfam found wages to be below the poverty line,⁶¹ whilst a more recent study there found 40% of workers had unfair deductions made from their wages and 47% had no access to safe drinking water.⁶²

'I HAVE BEEN WORKING FOR 25 YEARS AS A PERMANENT WORKER, BUT I HAVE NO HOUSE AND NO FIREWOOD.'

Female tea plantation worker, Assam, India⁶³

THAILAND AND INDONESIA

Indonesia and Thailand are in the top five global exporters for prawns.⁶⁴ Among seafood processing workers in Thailand surveyed by Oxfam, 58% were classified as severely food insecure. In Indonesia, insecure contracts and excessive working hours are key concerns.⁶⁵

'I DIDN'T LIKE THE OVERTIME. IN ADDITION TO THE SUDDEN NOTICE, THE DURATION WAS NOT CLEAR. IT COULD BE ONE HOUR, IT COULD ALSO BE MORE. I COULD ONLY GO HOME IF THE SHRIMP WAS FINISHED.'

Susi,⁶⁶ processing worker, Surabaya, 2017⁶⁷

INDONESIA

UK consumers eat more canned tuna than any other country, and Indonesia is a major source. Insecure contracts and excessive working hours are key concerns.⁶⁸

'THE WORK LOAD IS VERY HARD, I CAN ONLY REST FOR 2 HOURS EVERY DAY. EVERY DAY NET SPREADING STARTS AT 1.30 IN THE AFTERNOON AND FINISHES AT 5:00 PM, THEN WE TAKE 2 HOURS BREAK, AFTER WHICH WE START THE NEXT NET-SPREADING SESSION AT 7:00 PM. WE WILL STAND ALL NIGHT, WAITING FOR NET LIFTING AND FINISH BY 7:00 IN THE MORNING. WE WILL CONTINUE WITH BREAKFAST, AND TAKE A REST FOR A WHILE, THEN START AGAIN AT 9:00 AM.'

Ruli, Indonesian fishing boat worker, Muara Baru, 2017⁶⁹

SOUTH AFRICA

The UK is a major buyer of South African grapes and wine. Oxfam found 40% of women interviewed having no written contract, poor access to drinking water and toilets, and feeling they were treated with a lack of respect.⁷⁰

'I'M NOT HAPPY. I DON'T HAVE A CONTRACT, I DON'T KNOW MY WAGE.'

Female farm worker, Western Cape, South Africa⁷¹

3. UK SUPERMARKET POWER AND THE DRIVE FOR CHEAP FOOD

The UK grocery sector is one of the most diverse and sophisticated in the world, worth nearly £185bn per year.⁷² Supermarkets can choose their products from all over the world, and often change country and suppliers on a seasonal basis. The sector is huge: food and grocery spend accounts for over half of all UK retail spend.⁷³ It is also exceptionally concentrated. Tesco and Sainsbury's hold 43% of the market, while the 'Big Four' together – Tesco, Sainsbury's, Asda and Morrisons – control around 67%.⁷⁴ If the merger plans of Sainsbury's and Asda announced by the media in May 2018 proceed, this would concentrate the market even further.⁷⁵

TABLE 1: MARKET SHARE OF UK SUPERMARKETS FOR THE 12 WEEKS TO DECEMBER 2017

Supermarket	Market share
Tesco	27.5%
Sainsbury's	15.5%
Asda	14.2%
Morrisons	10.2%
Aldi	7.5%
Lidl	4.9%
The Co-op	4.6%
Waitrose	4.4%
Marks & Spencer	3.6%
Iceland	2.3%

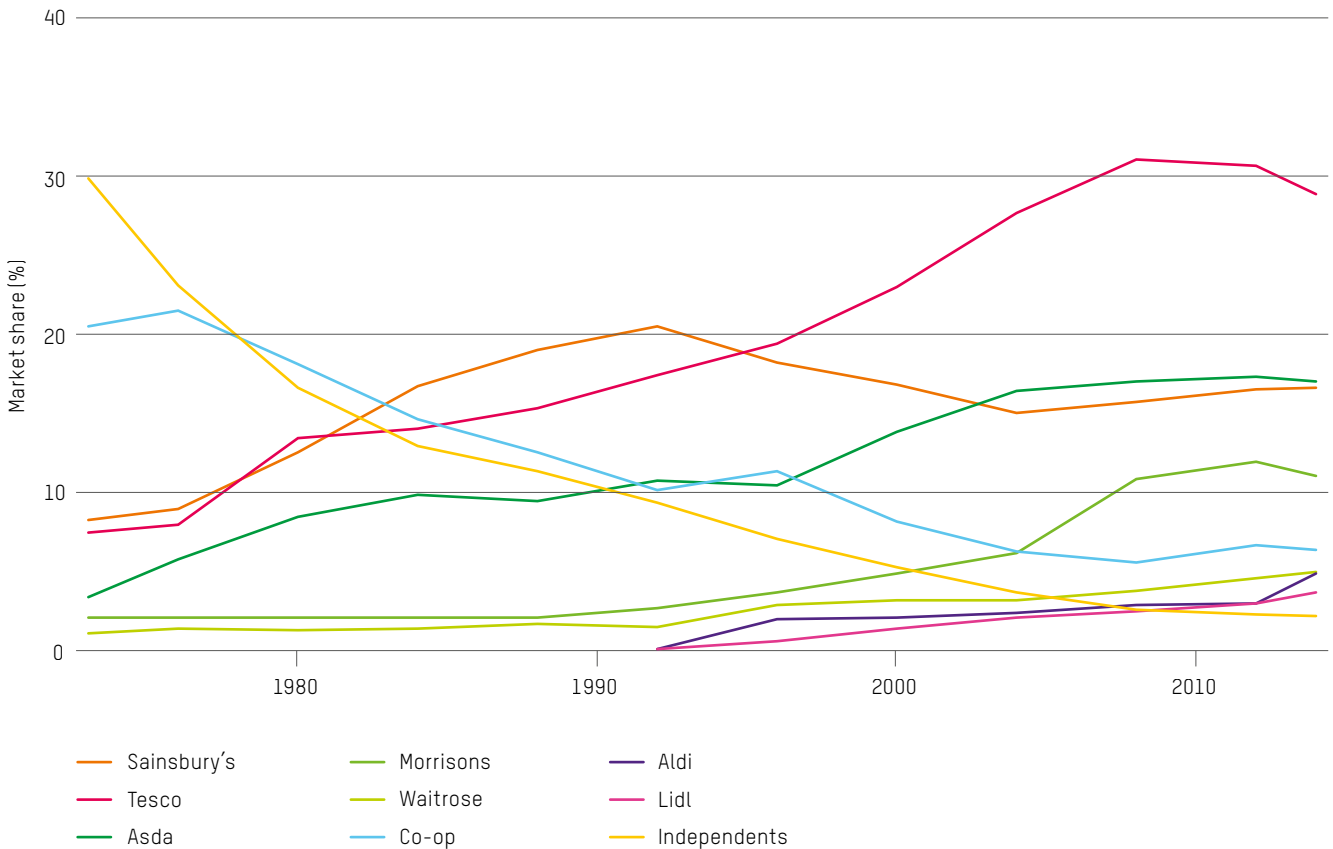
Note: Aldi in the UK is a subsidiary of German retailer Aldi South.

Source: Nielsen Total Till for 12 weeks to December 2017. Nielsen Homescan. <http://www.nielsen.com/ie/en/insights/news/2018/christmas-grocery-spend-up-euro-500m.print.html>

The sector has seen significant change over the last few decades. In 2012, Walmart's takeover of Asda initiated a price war in products such as bananas.⁷⁶ The decade since the 2008 financial crisis has seen many changes, with a trend in shopping patterns away from out-of-town hypermarkets towards local convenience stores and discount retailers.⁷⁷ Online shopping now accounts for nearly 8% of grocery sales and is growing at 10% per annum.⁷⁸



FIGURE 12: MARKET SHARE TREND IN UK GROCERY OVER FOUR DECADES



Source: Kantar Worldpanel, cited in The Daily Telegraph: G. Ruddik. (2014, 27 August). The rise and fall of British supermarkets. The Daily Telegraph. Retrieved from: <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11057120/The-rise-and-fall-of-British-supermarkets.html>

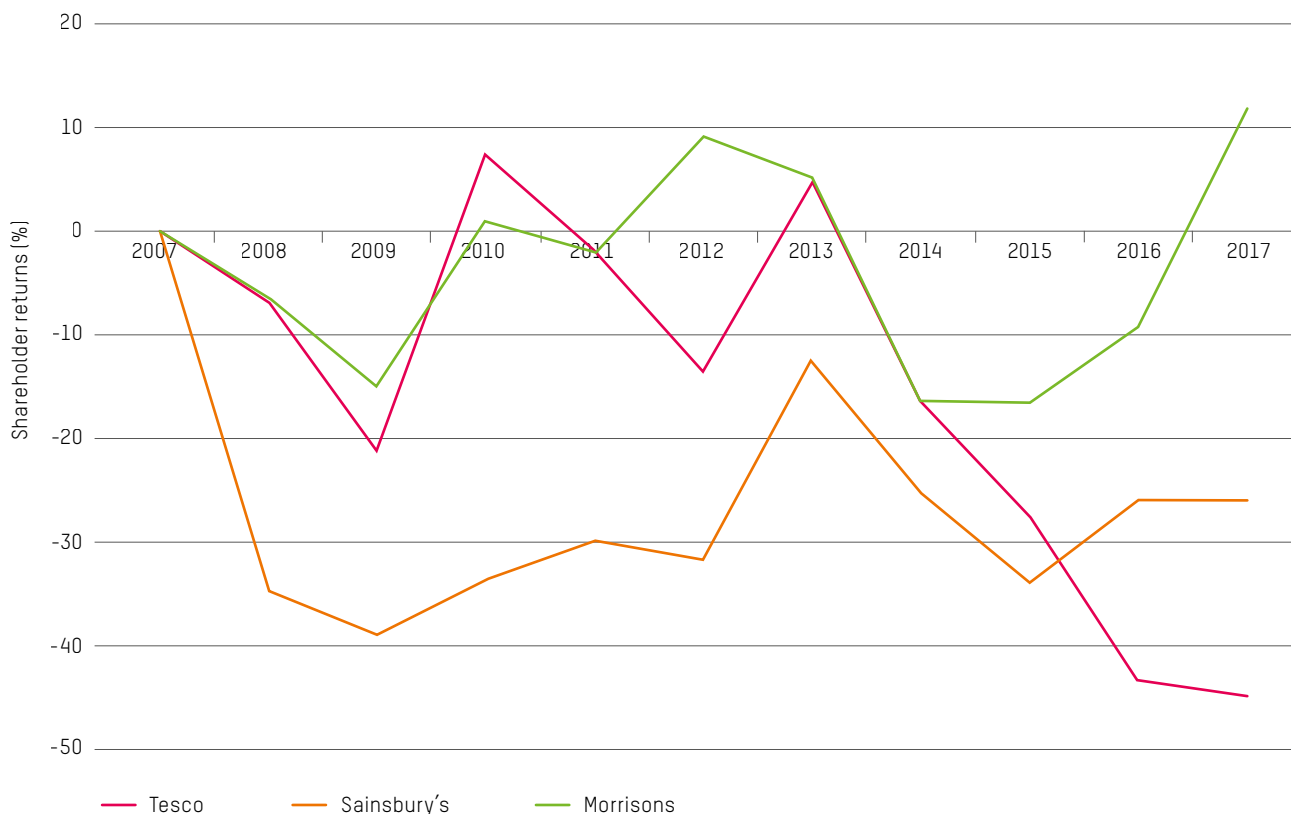
The most striking trend in the UK supermarket market is the growth of the German discount supermarkets Aldi and Lidl, which has put pressure on the players which have dominated the sector for 40 years.⁷⁹ Aldi and Lidl (privately owned and somewhat secretive) now account for £1 in every £8 spent in UK supermarkets, and two-thirds of British shoppers visited them in a three-month period in 2017.⁸⁰ The Schwarz Group, Lidl’s parent company, overtook Tesco as the largest European retailer in 2014, where it has a presence in 26 countries.⁸¹

In the UK market, Aldi and Lidl became the fifth and sixth largest supermarkets in December 2017.⁸² Independents have declined from 30% of the market in 1975 to around 3.5% today. Amazon took a firm step into the UK market with the launch of Amazon Fresh in London in 2016⁸³ then took over the upmarket brand Whole Foods in the US, news of which hit the share price of supermarkets in both the UK and the US.

Faced with competition from the discounters, the UK’s ‘Big Four’ supermarkets have responded on the discounters’ terms, cutting costs to compete on price as well as taking over independent brands⁸⁴ and selling more own-brand products, which now account for some 40% of products sold in the UK.⁸⁵

A combination of loss of market share and price wars have reduced the profitability of the largest three listed UK supermarkets, while Tesco experienced a heavy write-down in 2015 after it was found to have overstated its profits.

FIGURE 13: SHAREHOLDER RETURNS OF MAJOR UK FOOD RETAILERS 2007–2017 (%)



Note: Total shareholder returns showing the capital gains of an investment with dividends reinvested into the stock.
Source: S&P Capital IQ

The ambitions of the hugely powerful Amazon and the May 2018 media announcement of merger plans by Sainsbury's and Asda could not be worse news for suppliers struggling to make ends meet yet expected to deliver to high supply chain standards.⁸⁶

A major driver of the downward pressure on supermarket prices in the UK is the lack of income growth and the rise in precarious work and household debt,⁸⁷ which draw consumers to the discount stores. In May 2018, a report by the Trades Union Congress presented evidence that the UK is suffering the longest squeeze on wages in modern history.⁸⁸ Workers in supermarkets and distribution centres are no exception to this trend: according to a survey by the Union of Shop, Distributive and Allied Workers (USDAW) they are financially worse off than five years ago.⁸⁹

None of the supermarkets are among the 4,200 employers accredited by the Living Wage Foundation,⁹⁰ the only scheme whose pay is based on the real cost of living in the UK, unlike the so-called 'national living wage'⁹¹ which covers only 90% of the cost of living (77% in London) and applies only to those workers over 25.⁹² Aldi and Lidl in the UK report paying their direct employees the real Living Wage rate, whilst Tesco, Morrisons and Marks & Spencer report paying a rate just below this, but no food retailer has extended this commitment to contracted workers, which is necessary to become accredited as a Living Wage Employer.⁹³



Mawar lived in a dormitory near the shrimp factory where she worked in Indonesia. She was often shouted at to work faster, so avoided drinking water to make sure she didn't need to use the toilet. Photo: Adrian Mulya/Sustainable Seafood Alliance Indonesia

4. CURRENT INITIATIVES AND WHY THEY ARE INSUFFICIENT

In comparison with many other countries' grocery sectors, the UK is relatively progressive in certain areas. It has some of the best food production standards in the world for food quality and animal welfare.⁹⁴ Notwithstanding this, consumer confidence was shaken in 2013 when horsemeat was found in 'beef' burgers sold by supermarkets⁹⁵ and in 2017 poor practices caused a scandal at an English chicken factory.⁹⁶

WHAT THE UK DOES WELL

The Ethical Trading Initiative (ETI) is unique in bringing together companies, NGOs⁹⁷ and trade unions to tackle complex issues which cannot be addressed by companies alone.⁹⁸ Over the last 15 years, it has been at the forefront of initiatives to tackle systemic problems. These include the Gangmasters and Labour Abuse Authority,⁹⁹ after the death of migrant cockle-pickers at Morecambe Bay,¹⁰⁰ the Bangladesh Accord on Fire and Building Safety,¹⁰¹ after the death of more than 1,000 garment workers at Rana Plaza¹⁰² and the UK Modern Slavery Act,¹⁰³ after slavery was found at UK farms and factories.¹⁰⁴ All involved prior understanding by companies of the issues involved, a collective response to an event requiring urgent action, government backing and legally binding commitments.

The UK was one of the first countries to ratify the Protocol to the Forced Labour Convention in January 2016, and ranked 17th out of 152 countries on Oxfam's 2017 Commitment to Reducing Inequality index, scoring comparatively well against other countries on labour market policies and gender equality.¹⁰⁵

The UK has the biggest market globally for Fairtrade¹⁰⁶ products, and the Fairtrade mark is known and trusted by more than 80% of UK consumers.¹⁰⁷ While its principal competitor, Rainforest Alliance, has strengthened its standard relating to labour rights in recent years, Fairtrade's mission goes beyond other certification schemes in building greater fairness into its model, including a minimum price and a social premium. Independent evaluation has demonstrated higher incomes for Fairtrade coffee farmers in Tanzania and Peru, banana growers in Colombia and tea smallholders in Kenya.¹⁰⁸

WHY CURRENT INITIATIVES ARE INSUFFICIENT

To verify their sustainability claims, supermarkets often point to the certifications their products carry. However, the majority of certification schemes focus primarily on product quality (e.g. GLOBALG.A.P), protection of the environment (e.g. Soil Association) or animal welfare (e.g. RSPCA Assured).

Companies also point to the social audits they use to assess and rectify labour rights issues in their supply chains. However, whilst this system has undoubtedly introduced important new norms of acceptable behaviour into supermarket supply chains, there is much evidence – including through Oxfam's new research – of the limitations of audits to uncover critical issues such as discrimination, forced labour and harassment. The audit system is open to potential abuse by unscrupulous employers – for example, by coaching workers on what to say, keeping duplicate books showing wages and working hours, or issuing protective gear only when auditors visit. But even when employers are fully and openly complying with audits, workers will only speak freely outside the workplace and after building a high level of trust with an interviewer they see as independent from the employer, as we experienced first-hand in the gap analysis we undertook with Unilever in Vietnam.¹⁰⁹

Voluntary initiatives can only go so far in tackling economic exploitation, given current power dynamics in the global food system. They are insufficient to reach three key root causes: inadequate regulation, financial short-termism and barriers to gender equality.

Inadequate regulation

Governments in many countries have pursued a policy agenda based on trade liberalization, deregulation of agricultural and labour markets and a rolling back of state support measures that have radically weakened the bargaining power of small-scale farmers and workers in supermarket supply chains. Globally, less than 5% of agricultural workers are estimated to experience a labour inspection and a trade union is present in less than a quarter of food suppliers.¹¹¹ Even in the UK employers can expect their labour practices to be inspected only once every 500 years on average, according to a recent report.¹¹²

The combination of low regulation and low representation makes workers vulnerable to economic exploitation.

Slavery is a profitable global industry worth some \$150bn.¹¹³ A recent study showed that 71% of UK companies believe there is a likelihood of modern slavery occurring at some stage in their supply chains.¹¹⁴ In the UK, a gang made £10m over four years

* * *

**'IN OUR FACTORY,
MANY VISITORS CAME
TO OUR FACTORY
AND TOOK PICTURES
AND VIDEOS WITH
THEIR BIG CAMERAS.
THE [MANAGERS]
COMMAND US TO
SMILE, ACT HAPPY.'**

* * *

Zay, seafood processing worker, Thailand, discussing audit inspectors¹¹⁰



by recruiting migrant workers to pick leeks and treating them as slaves.¹¹⁵ Yet the nearly half of UK companies which have failed to report against the Modern Slavery Act have faced no penalties for non-compliance.¹¹⁶

In Europe and the US, the use of competition or anti-trust legislation has diminished over the past three decades,¹¹⁷ and application of competition law has largely focused on the protection of consumers rather than the abuse of power in other parts of the supply chain. For instance, when UK supermarkets increased the price of dairy products in response to the economic pressure on dairy farmers, they were fined £116m for steps taken that impacted consumer prices.¹¹⁸

Where irregular practices have come to light, it has not always been through action by regulators. In 2014, an internal review by Tesco uncovered irregular accounting practices, which the company reported to financial authorities. Tesco suffered a loss of trust, a drop in share price and a £129m fine.¹¹⁹ The internal review also identified problems with Tesco’s treatment of its suppliers, such as late payments; the company subsequently took strenuous efforts to improve its treatment of suppliers.¹²⁰

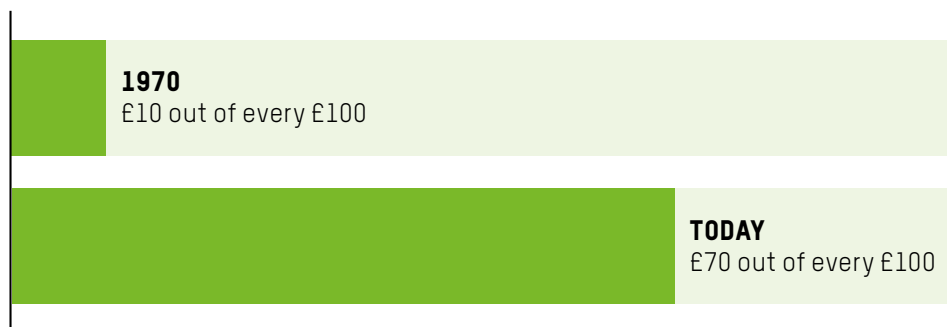
Across the UK, there have been just 13 prosecutions for violations of minimum wage legislation in the last decade in all sectors.¹²¹ If gaps in regulation occur here, how much more likely are they to occur in countries where regulation is even lighter?

Financial short-termism and growing pay gaps

The business models of publicly listed supermarkets are geared primarily at maximizing returns to shareholders. Shareholder primacy is an increasing cause for concern in relation to companies’ ability to invest,¹²² and fairness to other stakeholders.¹²³

FIGURE 14: PROFIT PAID IN DIVIDENDS TO SHAREHOLDERS BY UK COMPANIES HAS DRAMATICALLY INCREASED SINCE 1970

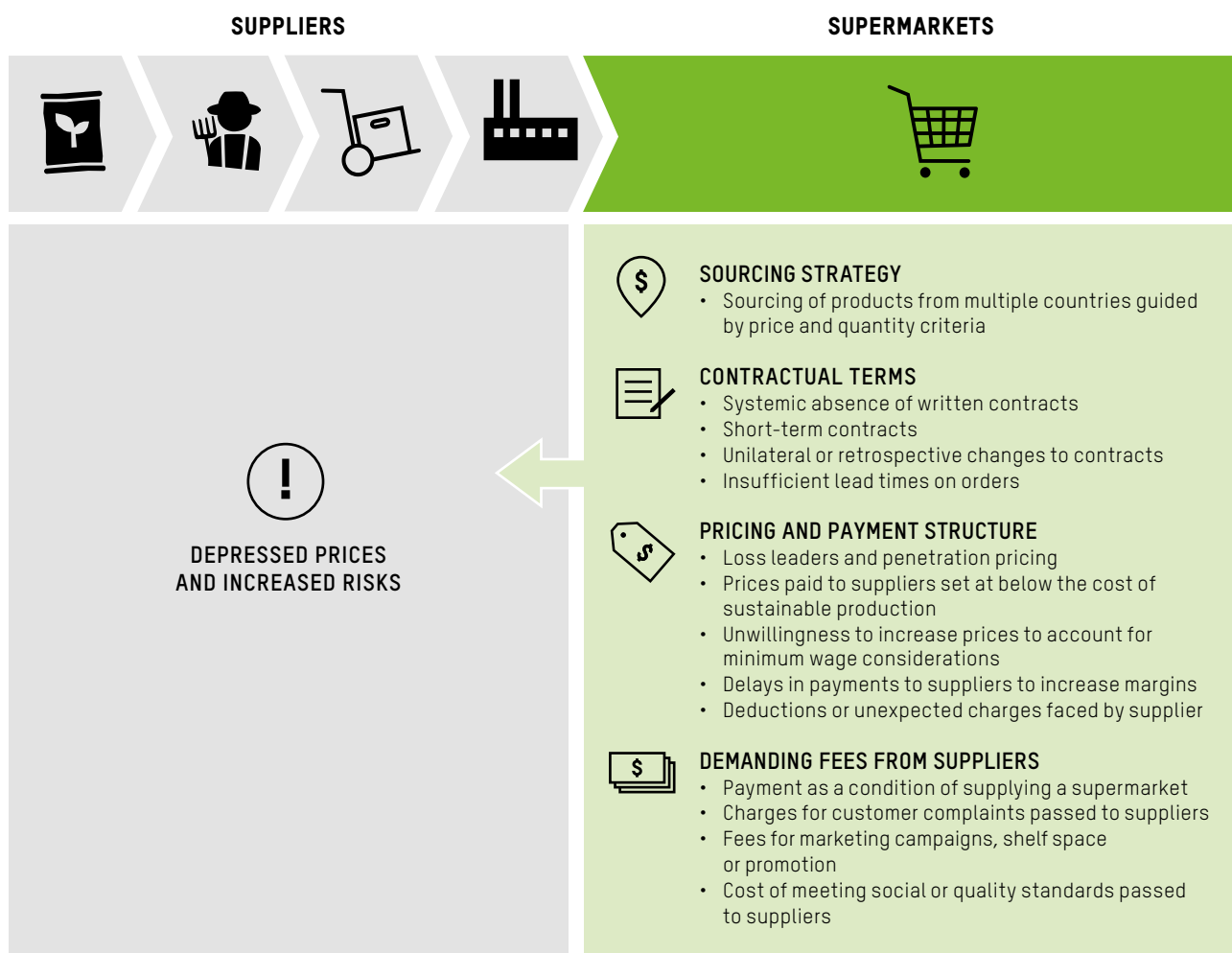
Profit paid in dividends to shareholders (UK)



Source: Speech by Andy Haldane, Deputy Governor of the Bank of England on shareholder primacy. A. Haldane. (2015). Shareholder primacy is bad for economic growth. Retrieved from: <http://www.bbc.co.uk/news/business-33660426>. Figure redrawn from: <http://www.purposeofcorporation.org/news/infographic.pdf>

The combination of financial short-termism and the ability to source from an unregulated global marketplace sets the culture for supermarkets’ sourcing practices, giving rise to a range of unfair trading practices experienced by suppliers.¹²⁴

FIGURE 15: UNFAIR TRADING PRACTICES DEPRESS PRICES PAID TO AND INCREASE RISKS INCURRED BY SUPERMARKET SUPPLIERS



Source: Figure created by Oxfam using information from D. Vaughan-Whitehead and L.P Caro (2017). Purchasing Practices and Working Conditions in Global Supply Chains: Global Survey Results; G. Ellison (2017). Grocery Code Adjudicator: Annual Survey Results; European Parliament (2016). Report on Unfair Trading Practices in the Food Supply Chain; and other reports.¹²⁵ See Appendix 1 in the main report *Ripe for Change* for a list of unfair trading practices and references.

Following years of NGO campaigning, the Groceries Supply Code of Practice (GSCOP, 2009) and associated role of an adjudicator (2013) were set up to oversee the relationship between major supermarkets and their direct suppliers.¹²⁶ The code covers 10 UK retailers selling over £1bn of groceries a year.¹²⁷ However, it does not cover whether prices are adequate and there is no feedback mechanism for indirect suppliers, leading to calls for its remit to be extended.¹²⁸

In a Westminster forum in 2017, the adjudicator highlighted ongoing reports of ‘shocking’ tactics to obtain money from suppliers including claiming delivered goods never arrived; asking suppliers to pay to keep goods on the shelves; and charging the supplier up to £55 if a customer complains about a product.¹²⁹ Overall, however, it is clear the work of the adjudicator is starting to make a difference: in the 2016/17 report, the adjudicator reported an improvement in compliance with the Code since 2013.¹³⁰

In a survey of suppliers to UK retailers, undertaken by the GCA in 2017, Asda overtook Morrisons as the worst large supermarket for treatment of suppliers, with more than one in ten suppliers of the Walmart-owned company saying that the chain rarely or never complied with the Groceries Code.¹³¹ Aldi was rated highest, with Sainsbury’s second and Tesco the most improved on the previous year.¹³² Where suppliers refrained from raising issues in the survey, the main reasons cited were fear of damaging the relationship with the retailer and fear of retribution (e.g. delisting).



The GCA report also flagged a concern about low awareness of the code by overseas suppliers (67% unaware compared to 12% of UK suppliers). This is reinforced by an international survey on purchasing practices.¹³³ Of those surveyed, 39% of suppliers reported having accepted orders where the price did not cover their production costs and 75% said buyers were not always willing to adjust prices to allow for increases in the minimum wage.

BOX 2: LABOUR RIGHTS IN UNILEVER’S SUPPLY CHAIN

In Oxfam’s 2016 report on labour rights in Unilever’s supply chain,¹³⁴ a key finding was the tension experienced by suppliers between commercial and ethical expectations, with only the commercial performance financially rewarded. Yet Unilever’s prioritization of shareholder returns is understandable, given that its relatively high ranking on human rights counted little in its battle against a subsequent takeover bid by Kraft, which ranked very low.¹³⁵

Financial short-termism also drives increases in executive pay, which has become a political issue in the UK, with the Prime Minister Theresa May describing it in August 2017 as ‘the unacceptable face of capitalism’ which ‘damages the fabric of society’.¹³⁶

FIGURE 16: THE DIFFERENCE BETWEEN HIGHEST PAID EXECUTIVE AND WORKER PAY IS CONSIDERABLE

Pay ratio between the highest paid executives and employees as of August 2017



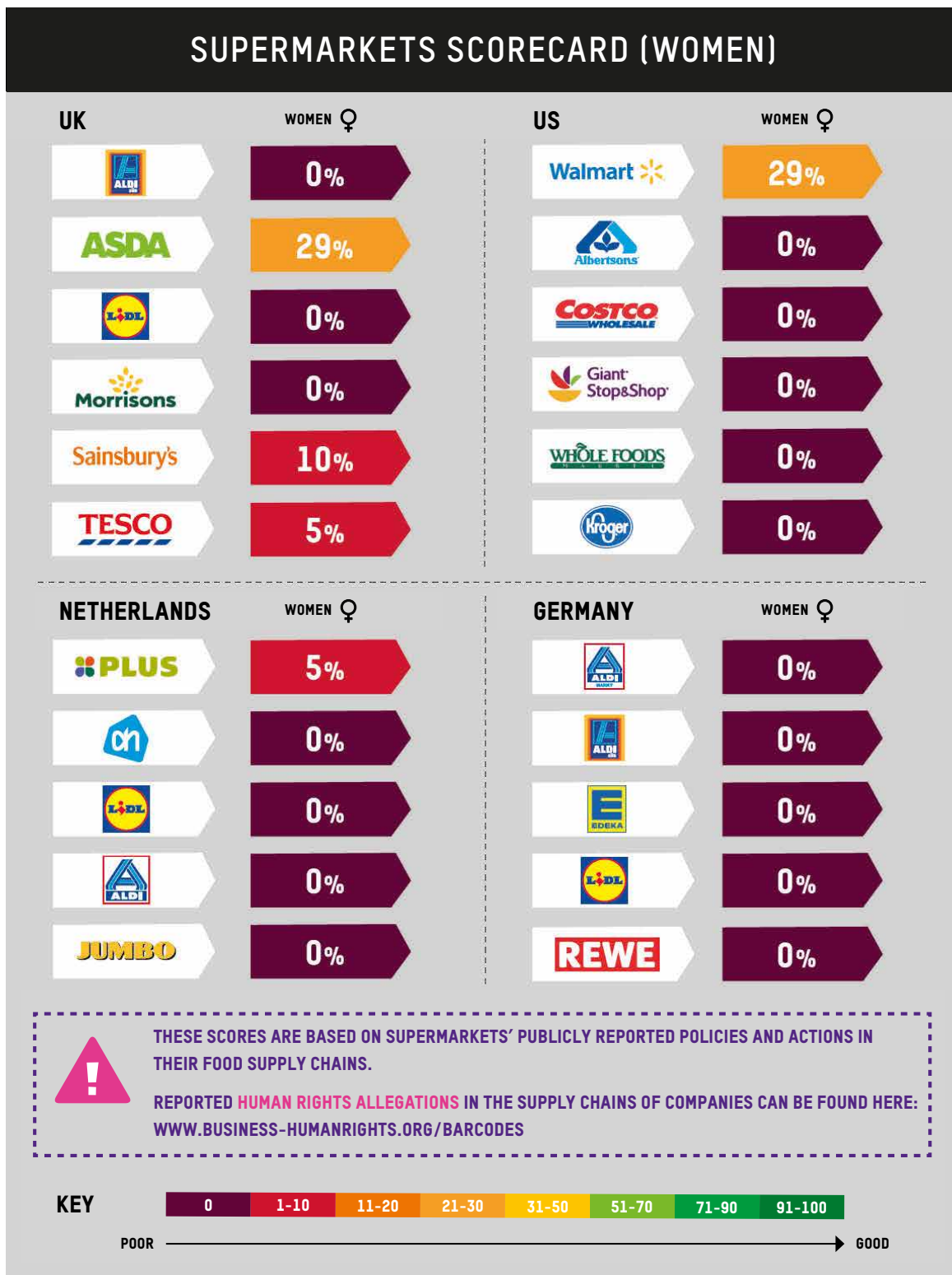
Source: BBC News. (2017, 3 August). Bosses’ fall in pay ‘limited and late’. Retrieved from: <http://www.bbc.co.uk/news/business-40806331>

The resulting inequality is hard to fathom. It would take over 2,000 years for a banana worker in Ghana or a grape farm worker in South Africa to earn what, on average, one of the CEOs of the UK’s three largest listed supermarkets earn in a year.¹³⁷

Barriers to gender equality

Women’s work in supermarket supply chains goes largely unseen, and often unpaid, and their voices are least heard at the negotiating table. As highlighted by their very low scores on the ‘Women’ section of the Supermarkets Scorecard, most supermarkets lack knowledge of where women are located in their supply chain, the way gender shapes the roles of women and men, and the additional barriers and risks that women generally face.

FIGURE 17: SUPERMARKETS IN THE UK AND OTHER COUNTRIES CAN SIGNIFICANTLY IMPROVE SCORES ON THE TREATMENT OF WOMEN IN THEIR SUPPLY CHAINS





Tea harvesting in Vietnam.
Photo: Oxfam Novib

'AUDITORS WOULD HAVE US BELIEVE THAT THERE ARE NO PROBLEMS WITH GENDER DISCRIMINATION IN AT LEAST 99% OF WORKPLACES, DESPITE THE FACT THAT WOMEN TEND TO BE CLUSTERED IN THE LOWEST PAID, LEAST SECURE JOBS.'

Professor Stephanie Barrientos, Manchester University

Only 1% of 'non-compliances' typically found in an audit relate to discrimination, based on a recent study.¹³⁸

Women spend two to ten times more time than men on unpaid care work, which has significant implications for their ability to participate in the labour market and for the type and quality of jobs available to them.¹³⁹ In the UK, too, the value of women's unpaid work is overlooked, despite having been recently estimated at £1 trillion.¹⁴⁰

Women often work in insecure roles under male supervisors, which makes them vulnerable to being treated with a lack of respect, and as with gender discrimination, this hidden issue is rarely picked up in retailers' audits.¹⁴¹

Why does this matter? In addition to enabling the largest share of the workforce to reach their full potential and preventing discrimination and harassment, having a handle on this is vital if modern slavery is to be addressed effectively by companies, since women account for an estimated 58% of victims.¹⁴²

EXAMPLES OF PROGRESSIVE PRACTICE IN A CHALLENGING CONTEXT

Two examples show companies working in collaboration with others to understand and tackle the systemic issues in high risk food sectors (see Boxes 3 and 4).

BOX 3: THE BETTER STRAWBERRIES GROUP – IMPROVING CONDITIONS FOR WOMEN WORKERS

The UK is the third-largest importer of fresh strawberries from Morocco. When Oxfam investigated standards for women workers (who make up 75–90% of the workforce) in 2009, it uncovered a range of serious problems, including precarious work with no social security, wages below the minimum, excessive hours, poor health and safety, and harassment and verbal abuse.¹⁴³ Male gangmasters control almost every aspect of the women's employment; one worker reported being told by her supervisor: 'Do not ruin the strawberries. They are worth more than you are.'¹⁴⁴

Consulted by Oxfam on their priorities, workers highlighted their main concerns as lack of access to social security and the appalling transport conditions they were subjected to (with trucks holding 35 or more women workers, often with no seating or windows). When presented by Oxfam with evidence of working conditions in 2011, six UK supermarkets: Tesco, Sainsbury's, Asda, Marks & Spencer, Waitrose and the Co-op, and their berry importers, agreed to form the Better Strawberries Group, which is coordinated by the ETI.¹⁴⁵

Since then, through better transparency about their value chain and dialogue between producers, suppliers and retailers, some progress has been made. In its 2014 publication 'Social Protection, Building Dignity' Oxfam reported that 1,400 workers had a national identity card and more than 3,025 (mostly women) were registered for social security. On farms supplying UK supermarkets, health and safety had improved, workers were more aware of their rights, and working hours were more predictable. Some growers reported higher productivity and a more stable workforce.¹⁴⁶

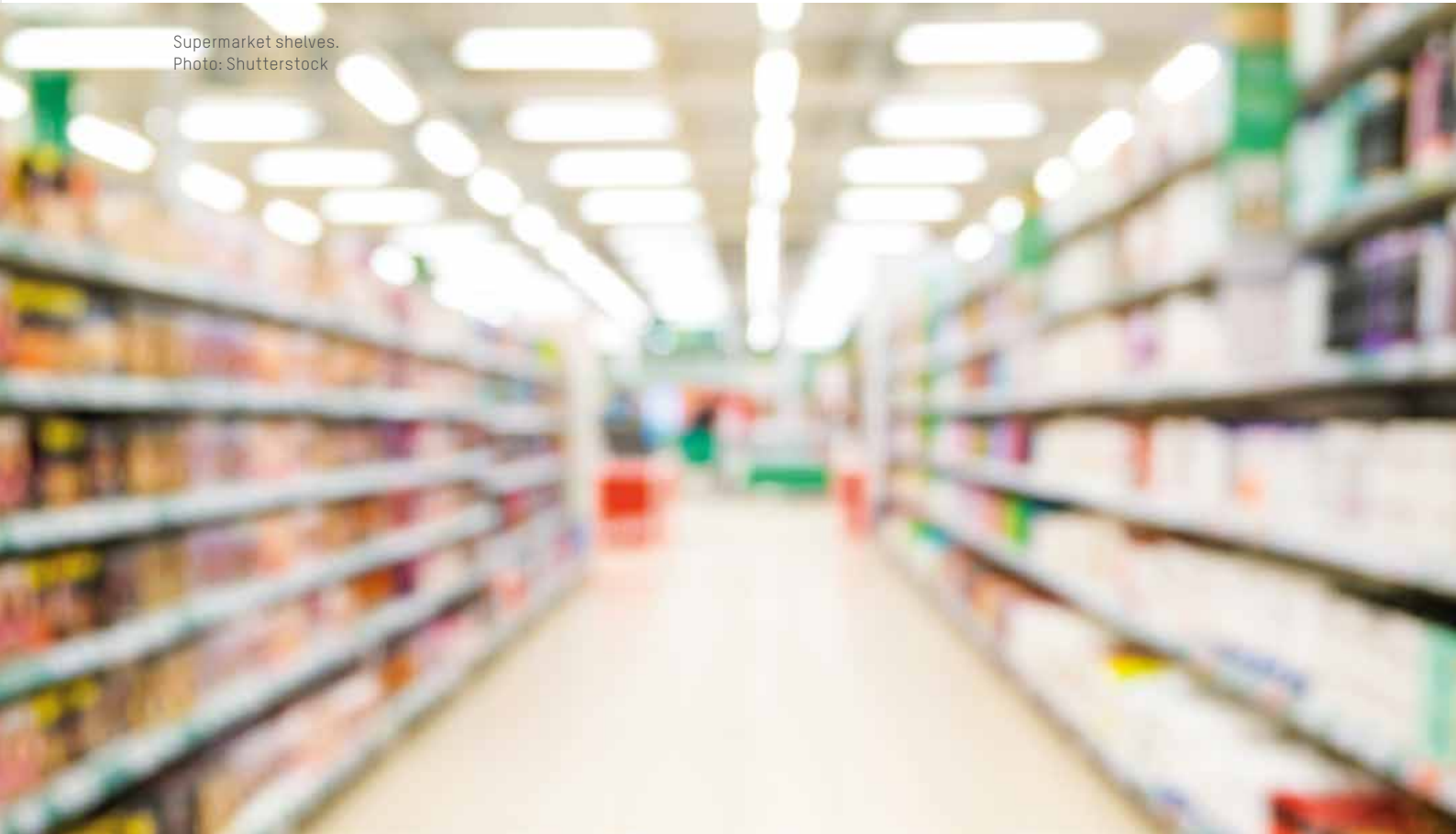
BOX 4: SUPPLY CHAIN COLLABORATION TO RAISE LOW WAGES IN MALAWI TEA

Oxfam has demonstrated in its work in countries including Morocco, Kenya and Vietnam, that legal minimum wages are often woefully inadequate to sustain a decent standard of living.¹⁴⁷ In 2013, Oxfam's research into low wages in the tea industry found that tea certified by Rainforest Alliance, Utz and even Fairtrade left workers below the extreme poverty line in Malawi, the third biggest source of UK tea, and India (Assam), the second biggest.¹⁴⁸ All three schemes strengthened their standards and processes, and collectively initiated the Global Living Wage Coalition. As a result, there are now living wage benchmarks available for a range of countries supplying food and garments to the UK including Dominican Republic, South Africa, Malawi, Ethiopia, Ghana, Vietnam, India, Bangladesh and Pakistan.¹⁴⁹

Working with Ethical Tea Partnership (ETP), the Dutch Sustainable Trade Initiative (IDH) and the Tea Association of Malawi (TAML), Oxfam in 2015 formed Malawi Tea 2020¹⁵⁰ to achieve a revitalized industry paying a living wage to workers and a living income for smallholders. The programme has over 20 signed members who are working on different areas. Skills training and savings schemes have increased the incomes and resilience of both women and men. For the over 40,000 workers on plantations, wages have been raised by 20% in real terms, the nutritional value of the midday meal has improved and a rise in the tax threshold means workers can keep more of their income. The first collective bargaining agreement in 80 years of Malawi tea was signed in 2016. In 2017, Oxfam and IDH developed an innovative 'price discovery' mechanism to calculate the contribution needed from brands and retailers to achieve the living wage target by 2020. The mechanism has been welcomed by all signatories and implementation is under active discussion.¹⁵¹



Supermarket shelves.
Photo: Shutterstock



5. HOW SIX POWERFUL UK SUPERMARKETS RANK

Oxfam's experience with its Behind the Brands campaign was that transparency about a company's policies, practices, plans and supply chain, give a meaningful indication of its direction of travel and make it more likely that it will follow through on commitments.

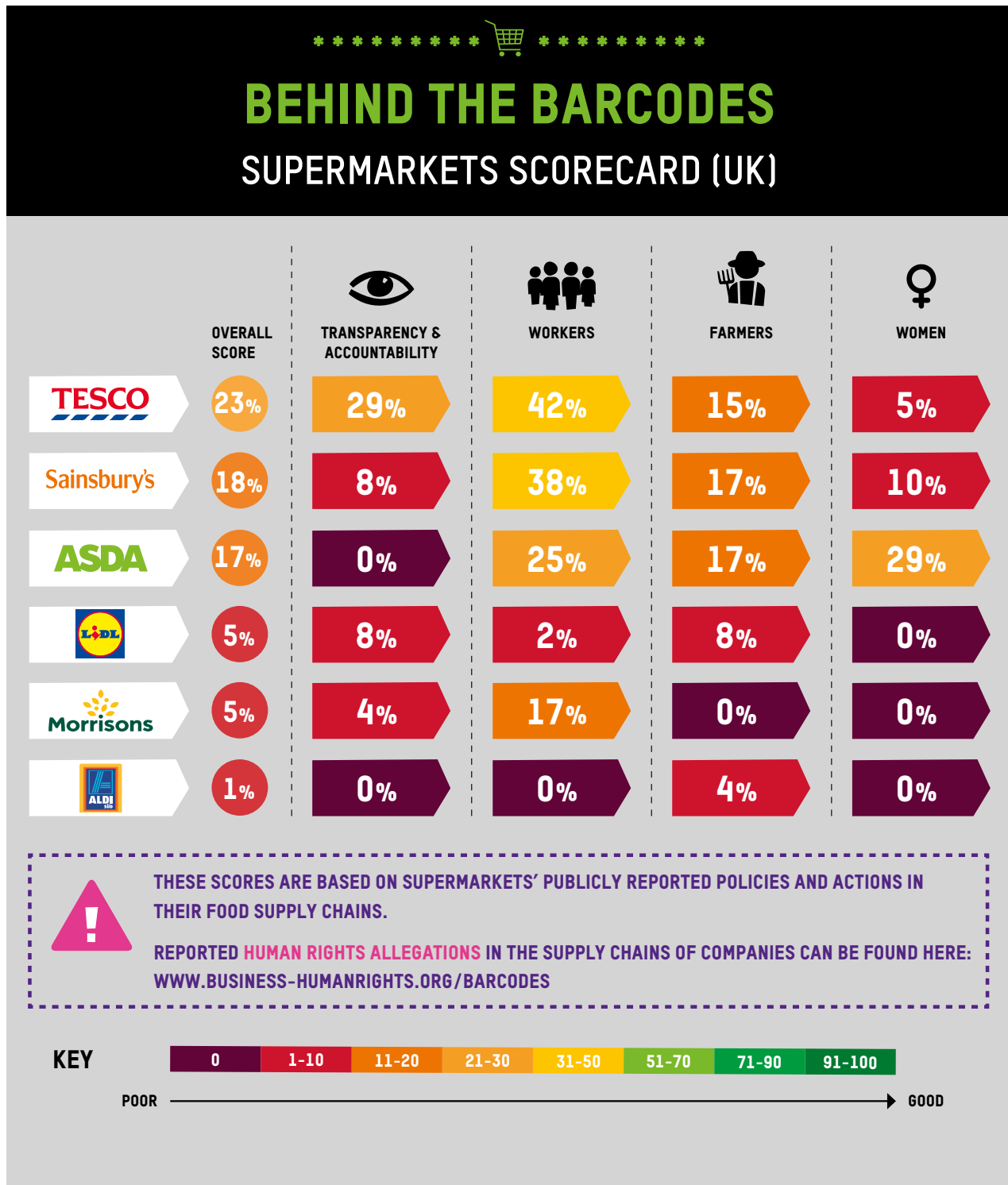
Oxfam's Supermarkets Scorecard shows where companies stand on four key aspects of supply chain management and analyses the steps they have taken to ensure that rights are respected and people treated fairly. It gives the general public, including shareholders, consumers and suppliers the information they need to hold supermarkets to account for how they source their products. It also gives workers, farmers and their representatives and advocates useful information about the commitments made by the companies they supply to.

We are not asking for any sensitive information which could put vulnerable people or commercial relationships at risk. But the public needs to know what efforts companies are making to ensure that rights are respected, including in highly challenging contexts, to maintain their trust in companies.

Oxfam's Supermarkets Scorecard rates and ranks six powerful UK supermarkets on their human rights and commercial policies at the start of Oxfam's Behind the Barcodes campaign: the four with the largest turnover – Tesco, Sainsbury's, Asda and Morrisons – and the two fastest growing, Aldi and Lidl in the UK.¹⁵²

Oxfam also assessed powerful supermarkets in Germany, the Netherlands and the US. Results are presented in the global Supermarkets Scorecard.¹⁵³ We will repeat the scoring on a yearly basis, while engaging with the supermarkets, which will provide all assessed companies with an opportunity to show the progress they are making.

FIGURE 18: UK SUPERMARKETS SCORECARD



Note: Aldi in the UK is a subsidiary of the German retailer Aldi South; the assessment relates to the parent company. Asda is owned by the US giant Walmart; the assessment relates to the parent company.



KEY FINDINGS OF THE UK SUPERMARKETS SCORECARD

Most UK retailers demonstrate awareness of international standards and pockets of good practice. However, no supermarket achieved more than 23% against Oxfam's indicators of good practice. Tesco scored the highest overall, followed by Sainsbury's and Asda¹⁵⁴ and their overall scores are better than those of any other supermarket assessed in Germany, the Netherlands or the US.¹⁵⁵ Aldi scored exceptionally low; Lidl and Morrisons only slightly better. No scores were earned by companies on grievance mechanisms for workers or farmers or support for living wages or income, and only one company.

Analysis by key themes

Transparency and accountability

Only Tesco has made an explicit commitment to the UN Guiding Principles on Business and Human Rights (UNGPs). Only three UK retailers name the senior executive responsible for ensuring that human rights are respected. None disclose the names and locations of suppliers of high-risk products or show that they give preference to suppliers which demonstrate a commitment to the wellbeing of workers, farmers and women.

Tesco scored the highest across this theme, because of its human rights due diligence framework, strategy for mitigating risks and disclosure of challenges and lessons learned. However, there is plenty of scope to improve on its score of 29% on this theme, for instance by disclosing the names and locations of food suppliers and ensuring that people affected by its supply chains have access to grievance mechanisms and remedy.

What more should companies do to be transparent and accountable?

- Adopt a robust due diligence framework which goes beyond an audit-based approach;
- Actively manage human rights risks and ensure effective grievance mechanisms and remedy for harm;
- Track and disclose information about product supply chains, pay ratios and gender wage gaps.

Workers

The highest score here (42%) was earned by Tesco, with Sainsbury's next at 38%. With Asda, they have made a welcome commitment to the proactive prevention of forced labour, linked to the UK Modern Slavery Act. At the time of Oxfam's assessment, neither Aldi nor Lidl¹⁵⁶ had published labour rights policies covering all of the critical issues in accordance with the standards of the ILO.

Four companies score on pre-competitive collaboration due to their active involvement in ETI programmes, but they fall short on a range of other measures necessary to ensure workers' rights are respected.

What more should companies do for workers?

- Assess the impacts of supply chain activities on workers;
- Proactively engage trade unions and ensure no intimidation of workers in supply chains for wanting to organize and bargain collectively;
- Take action to close gaps between current wages and a living wage.

Farmers

Apart from sourcing Fairtrade certified products, UK companies scored very poorly in this category. Sainsbury's, Asda and Tesco have made explicit commitments to support the resilience and organization of farmers but showed little evidence of tailoring these interventions to the needs of women, the most vulnerable people in their supply chain.

What more should companies do for farmers?

- Assess the impacts of supply chain activities on farmers, taking account of women's different needs
- Implement sourcing practices that mean they get a fair deal and can earn a living income
- Engage in pre-competitive collaboration including through advocacy with public authorities so they provide the support that farmers need.



Left: A pineapple farmer from Rwanda walks to her farm. Since joining the Tuzamurane Cooperative, she feels empowered and has saved enough money to buy a cow and support her family. Photo: Aurelie Marrier d'Unienville/Oxfam

Women

Companies across the board performed poorly on this theme. Only Asda (Walmart) and Sainsbury's scored more than one point. Companies may have a 'no-discrimination' clause in their policies and take action in their own operations, but they demonstrate a real blind spot about the unique obstacles women face in their supply chains based on their gender.

Asda's parent company Walmart stands out in this good practice desert for committing to increase the proportion of its sourcing from women agricultural producers and for publicly challenging unequal gender norms and women's unpaid care burden through its *Global Women's Economic Empowerment Initiative*.¹⁵⁷ However, there is plenty of scope for improvement even here.

What more should companies do for women?

- Implement the (business-friendly) UN Women's Empowerment Principles
- Track and disclose information on women's roles and remuneration
- Assess and improve the impact of supply chain activities on women, including through supply chain partnerships and advocacy to governments.



6. OPPORTUNITIES FOR CHANGE IN THE UK

The supermarket sector is at a crossroads. It can continue on the path of its existing model, with its high risks of economic exploitation, or pursue a different way of doing business, one which builds loyalty to their brand and makes their employees proud to work for them.

The days of companies keeping their supply chains hidden from view are coming to an end. The garment sector points the way: retailers sourcing from Bangladesh now have access to an online factory map,¹⁵⁸ retailers such as Marks & Spencer now publish their supplier list,¹⁵⁹ and a website enables garment manufacturers to give feedback on how they are treated by buyers.¹⁶⁰

UK supermarkets could become much more transparent if they chose to. A pilot of Blockchain – the technology behind Bitcoin – has tracked tuna ‘from ship to plate’ between Indonesia and the UK and is being piloted by the Co-op; fishers and other producers along the chain send SMS messages to register a transaction. This emerging technology has the potential to transform opaque sectors like seafood, if coupled with government enforcement and under protocols overseen civil society.

There are examples of progressive practice by UK supermarkets in their supply chains. Following protests by dairy farmers at the low price of milk,¹⁶¹ Sainsbury’s and Tesco initiated a different basis for doing business. Sainsbury’s Dairy Development Group guarantees dairy farmers a fair price for milk that covers the costs of production and allows for a profit,¹⁶² while Tesco’s Sustainable Dairy Group has paid its milk farmers £270m over market prices in the decade to 2017.¹⁶³

Supermarkets could extend such interventions to producers in their global supply chain. BASIC’s research for Oxfam suggests that it would be entirely possible for farmers and workers to earn a living income. The extra investment needed is marginal compared with the end consumer price – no more than 5% across our basket of 12 products.¹⁶⁴

Just 10% of the cash returns to shareholders at Sainsbury’s and Morrisons in 2016 represents the amount that would be needed to secure a living wage for more than 30,000 South African grape workers.¹⁶⁵

Companies can also give preference to business models that deliver better outcomes for producers and workers.

BOX 5: SHARING RISK, VALUE AND POWER: BUSINESS MODELS THAT HARDWIRE SHARED BENEFITS INTO THEIR STRUCTURE AND PURPOSE

More and more people in the UK are looking to business to deliver more benefits to society. Such models are emerging from cooperative, social enterprise and employee-ownership movements. They involve innovative mechanisms such as profit sharing, fair price setting and involvement of worker and farmer representatives on boards. For Oxfam, these are crucial elements of a more 'human economy' – a way of running our economy which benefits everyone, not just the privileged few.¹⁶⁶ A range of case studies are provided in Oxfam's 2018 publication *Fair Value: Case studies of business structures for a more equitable distribution of value in food supply chains*.¹⁶⁷

Models designed to deliver more equitable outcomes in food companies and value chains:

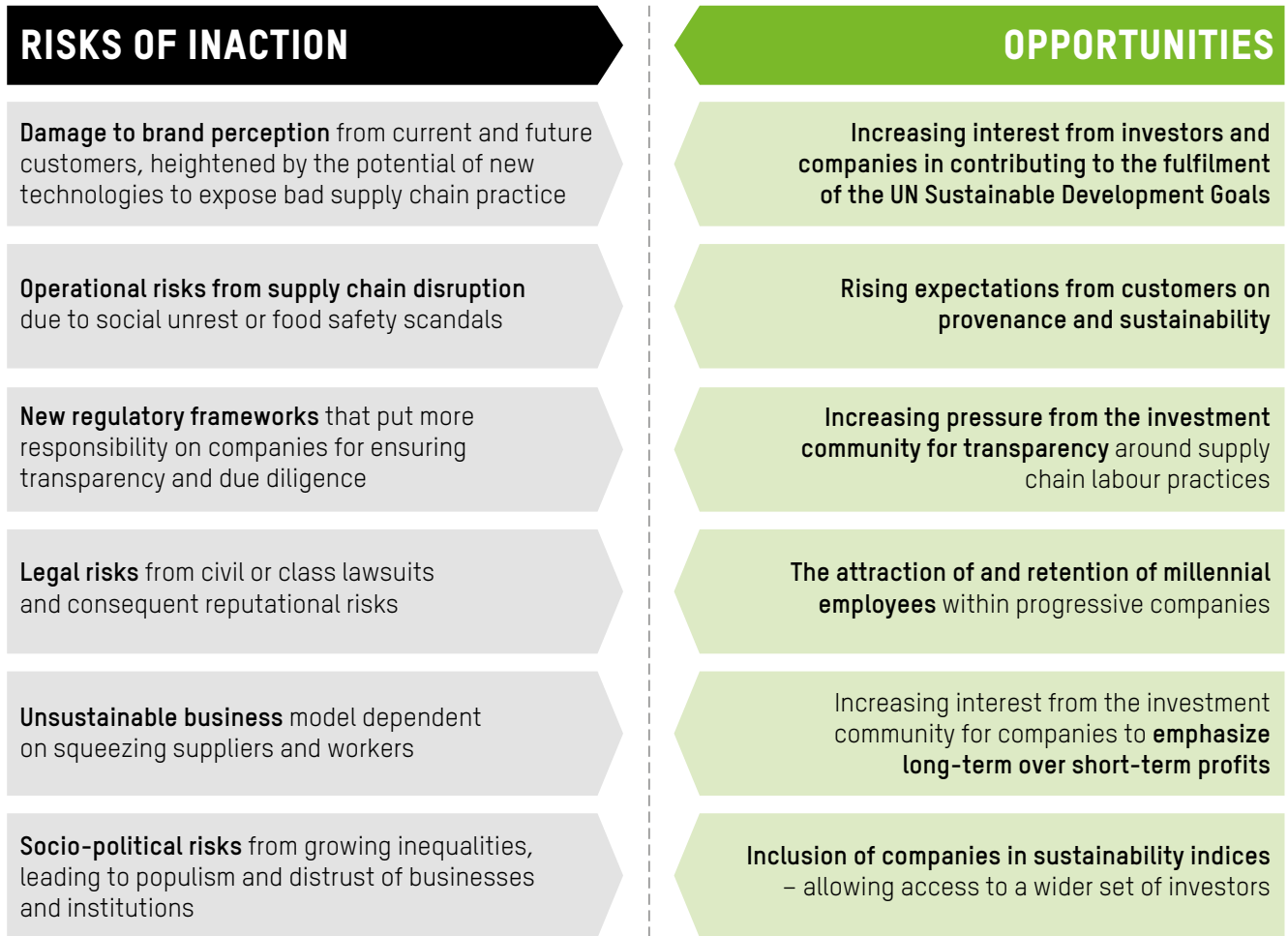
- Retailer level: John Lewis Partnership is employee-owned and shares profits with its employees, based on the company's founding constitution.¹⁶⁸ The Co-operative Group is one of the world's largest consumer cooperatives.
- Brand level: The Kaira District Cooperative Milk Producers Chain (popularly known as Amul, and the largest dairy company in India) is owned by 3.6 million small dairy farmers who receive 80% of the retail price and share the profits with farmers along the value chain.¹⁶⁹
- Trading level: Etico is an enterprise owned by the cooperatives which supply it and a charity; it creates a bridge between producers and markets in a way that works in the interests of everyone in the value chain.¹⁷⁰
- Processing level: Thousands of small-scale farmers share in the value generated by processing tea in Kenya and Rwanda due to the way the business is structured.¹⁷¹
- Farm level: Phata Sugarcane Outgrowers Cooperative in Malawi, where 436 smallholder farmers have come together to own the enterprise collectively; they used their Fairtrade premiums to develop a maize mill for community use.¹⁷²
- Hybrid models: Cafédirect and Divine Chocolate channel profits back to farmers, who are represented on their respective boards.¹⁷³

Models designed to work for women:

- Twin's product 'Women's Coffee', called Kopakama Ejo Heza, is solely grown by and traceable to women farmers in Peru and Africa; it has enhanced women's voice in decision making, improved gender justice in land ownership and increased members' income.¹⁷⁴
- SEWA is a trade union in India which represents over 1.9 million poor, self-employed women workers through a self-help organization that has become a movement.¹⁷⁵ Women can access credit, acquire education and skills and benefit from childcare.¹⁷⁶
- A Body Shop scheme in Nicaragua addresses women's unpaid labour, which accounts for 22% of the value of sesame, through a Fair Trade premium.¹⁷⁷



FIGURE 19: THE BUSINESS CASE FOR MORE SUSTAINABLE FOOD SUPPLY CHAINS RESTS ON CAPTURING OPPORTUNITIES AND ADDRESSING THE RISKS OF INACTION



Source: Various sources including Ethical Trading Initiative and Holt International Business School (2016), Corporate Leadership on Modern Slavery, London: Ethical Trading Initiative; UN Principles on Responsible Investment (2016), From Poor Working Conditions to Forced Labour - What's Hidden in Your Portfolio? A Guide to Investor Engagement on Labour Practices in Agricultural Supply Chains, London: UNPRI; Deloitte (2016), The Ripple Effect: How Manufacturing and Retail Executives View the Growing Challenge of Supply Chain Risk, London: Deloitte; and Price Water House Cooper (2016), Workforce of the Future: the Competing Forces Shaping 2030, London: PWC.

The requirement to publish a modern slavery statement has prompted debates about why economic exploitation is increasing and what constitutes meaningful action. A recent survey conducted with company CEOs found that only half of them believe their supply chain risk management is extremely or very effective.¹⁷⁸ Companies are starting to recognize that they cannot draw a line around their own supply chain, declare it to be clean and expect stakeholders to take this at face value.

Of the generation known as ‘millennials’,¹⁷⁹ 72% have indicated a willingness to pay more for products from companies committed to positive social and environmental impact.¹⁸⁰ Millennials will form half of the UK workforce by 2020; almost half said in a survey that they want to work for an organization that has a positive impact on the world.¹⁸¹

This generation is also accustomed to instant access to information.¹⁸² Companies will increasingly need to back up statements such as ‘sourced with integrity’ and ‘every little help makes a big difference’¹⁸³ to retain the trust and meet the

expectations of customers and stakeholders. Individual media exposés may not impact companies' revenue for long, but taken together they point to a failure of corporate governance and oversight.

The percentage of UK companies reporting the concerns of investors as a driver for action increased from 0% in 2015 to 25% in 2016.¹⁸⁴ Forced labour and extreme economic exploitation present reputational risks, operational risks (disruption of supplies) and legal risks (fines).¹⁸⁵ It is in companies' and investors' interests alike to minimize supply disruption due to the kind of labour unrest seen recently in South Africa¹⁸⁶ and China.¹⁸⁷

Nearly 100 investors with more than \$10 trillion in assets under management (AUM), nearly four times the GDP of the UK,¹⁸⁸ have backed a new Workforce Disclosure Initiative (WDI). Led by ShareAction and Oxfam, the WDI drives more disclosure on the quality of jobs companies provide in their operations and supply chain.¹⁸⁹ A report on its pilot year, which covered companies employing nearly 3.5 million people, was launched on 1 May 2018.¹⁹⁰

Emerging reasons to recognize supply chain risks as a strategic issue include regulatory frameworks such as the French Duty of Vigilance law¹⁹¹ and draft legislation in the Netherlands on child labour;¹⁹² and civil society indices such as Know the Chain and Corporate Human Rights Benchmark, in which food companies score poorly.¹⁹³

Unfair trading practices could be curtailed through legislative action – as has been proposed by the European Commission¹⁹⁴ – and competition law used to break up concentrated buyer power.

Tackling economic exploitation would contribute to achievement of the Sustainable Development Goals (SDGs), something which is now being assessed by a new global alliance¹⁹⁵ and may require a shift in current business models.¹⁹⁶



7. AN AGENDA FOR CHANGE

The deep-rooted nature of the problems Oxfam has evidenced in the report *Ripe for Change*¹⁹⁷ means that, if supermarkets are to make a meaningful contribution to the SDGs, a fundamental shift is required in the way they do business. Supermarkets cannot solve the problems of the whole 'ecosystem' alone, of course, but they can do a great deal more to be part of the solution.

UK supermarkets are well placed to apply what they do in the UK dairy sector to their global supply chains to deliver better outcomes for farmers and workers while securing future supply. There could be more collective action in the ETI by company personnel with decision making power.

Oxfam is asking UK supermarkets to:

- Understand and act on human and labour rights risks in the company's supply chain and commit to the UNGPs;
- Put women's economic empowerment at the heart of business operations;
- Utilize commercial and trading practice that encourages a strong performance on human and labour rights and the sharing of value;
- Support a living wage and living income for women and men throughout the supply chain, while engaging with employees in collective bargaining and working towards being an accredited Living Wage employer;

Above: Coffee beans.
Photo: Oxfam America

- Level the playing field by proactively ensuring that human and labour rights are both strong and enforced in sourcing countries;
- Radically improve transparency in the sourcing of food.

Oxfam is asking UK investors to:

- Use Oxfam's Supermarkets Scorecard to engage companies on supply chain transparency and human and labour rights issues;
- Assess the impact of companies on economic and gender inequality when making investment recommendations;
- Signal that human rights risk management and transparent sourcing policies are evidence of high performance corporations.

Oxfam is asking the UK government to:

- Enforce compliance with the Modern Slavery Act whilst providing more support for survivors of modern slavery; and set out how the government will measure decent work rather than employment levels alone, in accordance with the Industrial Strategy;¹⁹⁸
- Reform company law so that directors must act primarily in the interests of all stakeholders not just their shareholders;¹⁹⁹
- Support the adoption of a UN binding treaty on business and human rights that holds companies legally accountable for human rights violations along their supply chain.²⁰⁰

A full set of recommendations is available in the main campaign report:
R. Willoughby and T. Gore. (2018). *Ripe for Change: Ending human suffering in supermarket supply chains.*

NOTES

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