



Global Position on

Living Wages in the Tea Industry



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Introduction

ETP's vision is for a thriving tea industry that is socially just and environmentally sustainable. 'Thriving' refers to the economics of tea and describes an economically sustainable industry where workers have decent livelihoods and earn a living wage.

Many workers throughout the tea supply chain experience extreme poverty and do not earn enough to meet their basic needs, or those of their families. There are many complex factors that contribute to this, including the low price of tea, rising production costs and business practices.

This paper outlines ETP's position on living wages in the tea industry. It describes some of the causes of low pay and ETP's approach to catalyse change.



Terms and Definitions



What is a living wage and how is it measured?

While there is no universally accepted definition of a living wage, we use the definition agreed by the [Global Living Wage Coalition](#).

A living wage is, “The remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events.”

In the context of tea, the concept of a living wage applies to hired workers (e.g., those working on estates or in factories). This is different from the concept of a living income, which applies to self-employed tea farmers.

The [Anker methodology](#) is the leading methodology used to measure a living wage; It estimates a living wage using local prices and determines whether workers are being paid enough. Food, housing, education, and other components of a decent standard of living are assessed and costed in accordance with international standards, such as those developed by the [World Health Organisation \(WHO\)](#), the [International Labour Organisation \(ILO\)](#) and the [United Nations \(UN\)](#).

The Anker Methodology also consults and validates findings with local stakeholders, including workers, employers, and trade unions.

Difference between a minimum wage and a living wage

The ILO defines minimum wages as the minimum remuneration employers are required to pay workers for work performed during a given period, which cannot be reduced by collective agreement or an individual contract.

The purpose of a minimum wage is to protect workers against excessively low pay. Minimum wages are usually a direct determinant of wages for tea workers. However, they are often extremely low, infrequently revised, and usually do not enable a decent standard of living.

Minimum wages are set by national and state-level governments, and can involve tripartite negotiations with industries and unions. Unlike living wages, minimum wages are legally binding – although they are not always enforced.

Living wage and human rights

ETP recognises that the payment of a living wage is a fundamental human right, as it is described under the constitution and [conventions of the ILO](#), and Articles 23 and 25 of the [UN's Universal Declaration on Human Rights](#). The Declaration states that “everyone who works has the right to just and favourable remuneration ensuring for [their] self and [their] family an existence worthy of human dignity”.

Receiving fair and just remuneration is not only a human right itself; it can also [determine whether other human rights are met](#). For example, low wages have been shown to increase the likelihood of child labour, vulnerability to climate change, and gender-based violence and discrimination.

Businesses have a responsibility to ensure living wages are paid within their own operations and promote the payment of a living wage throughout their supply chains. This is explained in the UN's Guiding Principles (UNGPs) and the [Organisation for Economic Co-operation and Development \(OECD\) Guidelines for Multinational Enterprises](#). It is further reflected in the international rollout of supply chain due diligence laws.

Achieving a living wage is also key to making progress towards [more than half of the UN's Sustainable Development Goals](#).

Beyond a living wage

ETP views living wages as just one component of decent work, and not an end goal. A productive and healthy workforce in the tea industry requires good quality jobs, which are safe, secure, have reasonable working hours, and provide sufficient rest time. It is also important that jobs provide adequate parental leave and acknowledge time needed for care duties.

A living wage will not always guarantee a decent standard of living in rural areas that lack good quality services such as education, healthcare, and housing. Improving the quality of services must happen alongside raising wages to ensure good living standards throughout the value chain. This requires government investment to ensure the needs of rural communities are properly met.



Challenges

Wage issues in supply chains are complex; they are caused by a multitude of factors and cannot be addressed by one stakeholder alone. There are many challenges standing in the way of living wages from being paid in tea. These include:

Prohibitive business models

Across the tea supply chain, low wages are built into business models and profit margins. Global power dynamics are partly to blame. Power imbalances often result in suppliers being dependent on buyers and retailers, which can lead to them selling tea at low prices to retain business. [Poor purchasing practices](#) exacerbate the problem and contribute further to downward competitive pressure on prices.

High production costs

Tea is a highly labour-intensive crop with high production costs, and many tea producers struggle to remain viable because of this. Costs are often increased further by legal obligations for producers to provide services to workers and their families, including housing, education, and healthcare. This means that employers are less able to pay higher cash wages, and that the services provided are often poor quality.

Low value and quality

Tea is a particularly inexpensive commodity – both at wholesale and retail price. This results in low profit margins that decrease the likelihood of decent wages being paid. The price of tea has steadily declined for centuries, and it is often viewed by consumers as a less premium product than coffee, despite the effort and costs that go into its production. In addition, low quality tea is commonly produced because of high production costs and to meet the demand for low prices. This further decreases value, and results in less profit and room for wage increases.

Low minimum wages

Rather than acting as a 'floor wage', national minimum wages are often the default wage paid to tea workers. Though most countries have a statutory minimum wage, they are usually set extremely low and are insufficient to support workers and their families. Minimum wages can also be wrongly understood as a reliable indicator of whether basic needs are being met.

Absence of effective collective bargaining

Collective bargaining is the process of negotiation between employers and workers' groups to agree on pay, working conditions, and other aspects of workers' rights and compensation. The absence or inefficacy of collective bargaining processes is another barrier to achieving better wages. While tea workers know best what their basic needs are, mechanisms that allow workers to be represented as an equal partner in wage negotiations are not always in place.

High prevalence of informal labour

Seasonal and informal employment in the tea industry is common. However, informal workers are not guaranteed wages or benefits decided through collective bargaining agreements. The increasing number of informal workers is also fuelling the demand for cheap labour and further exerting downward pressure on wages.

Lack of consensus on living wages

Despite being recognised by the ILO as a fundamental human right, there has been a lack of consensus on how living wages are defined and measured. Organisations such as the [Global Living Wage coalition \(GLWC\)](#) have been successful in mitigating this, but divergences still exist, particularly in contexts where remuneration is made up of cash and non-cash components. In addition, ever-changing geopolitical circumstances and rising global inflation mean that sustained research is required to produce accurate and reliable living wage data.

Our Approach

ETP uses a [systems-based approach](#) in all our work, including achieving living wages in tea. This is reflected in our [Strategy2030 and theory of change](#). As part of this, we are committed to the following actions:

Promoting greater transparency

Transparency is essential to improving wages across the tea supply chain; without it, it is extremely difficult to identify and respond to low wages and their related human rights impacts. We are working with our members to improve transparency in the tea industry and to better understand their supply chain risks. A greater commitment to due diligence and transparency will enable companies to understand how costs and prices affect tea workers' wages. Companies with more oversight over their supply chains can collaborate with suppliers and develop effective strategies – including responsible purchasing practices – to achieve living wages.

As an organisation with a membership comprised of tea companies and retailers, we believe companies should collaborate to address wage issues, working side-by-side in a pre-competitive way. This means embracing shared responsibility and being transparent with data, research, and learnings. Transparency also reduces the risk of working in silos and opens opportunities to improve wages – especially if several companies source from the same supplier.

ETP welcomes the development of human rights due diligence (HRDD) laws across the globe, which require companies to assess human rights risks in their supply chains. ETP believes that these mandatory measures will contribute to raising wages in the tea sector. Such laws will establish a level playing field for companies, encourage shared responsibility, and help identify poor wages and working conditions throughout the supply chain.

Encouraging responsible purchasing practices

Purchasing practices are the actions taken by companies when buying goods. They have a direct impact on a supplier's ability to pay workers a living wage. Poor practices can lead to low, delayed, or partial pay, while good practices can improve working conditions and pay. [Price negotiations, order placements, and labour costs](#) not being itemised in quotes are the leading purchasing practices that affect whether living wages can be paid.

[We urge our members to assess the impact of their purchasing practices](#) and encourage them to establish strong, long-term, and trust-based relationships with their suppliers. We support our members' buying teams to understand where they can implement more responsible purchasing practices to enable progress towards living wages.

Engaging in multistakeholder collaboration

Achieving a living wage also requires a multistakeholder approach; every stakeholder has different leverage, skills, and perspectives that are useful in making progress towards living wages. We see this diversity as a strength and continue to tackle low wages through a collaborative and holistic approach, working in partnership with tea companies, producers, trade unions, governments, and others.

We work closely in partnership with a number of international organisations who also want to achieve living wages. This includes the [German Society for International Cooperation \(Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ\)](#), the [Food and Agriculture Organisation of the UN \(FAO\)](#), and [IDH – The Sustainable Trade Initiative](#), who coordinate cross-sector dialogue and action to close the living wage gap.



Knowledge building and influencing

Achieving better wages for tea workers is a complex task requiring behaviour change from various individuals and groups, ranging from government ministers to sourcing managers. Change can only be achieved if there is a shared goal, collective understanding of what needs to be done and why.

We are committed to building knowledge of the benefits of living wages and highlighting practical steps stakeholders can take to catalyse change. For example, many companies may not realise that paying living wages can [improve producers' business performance](#) and profitability, resulting in many positive outcomes, including enhanced productivity and product quality. By developing informational resources and engaging in meaningful dialogue, we aim to build knowledge and contribute to policy changes at government level and across the sector.

Research and projects

Several of [our projects](#) are carefully designed to address low wages in the tea industry. Many of our initiatives aim to promote supply chain efficiency to create added value, putting producers in a stronger position to pay better wages. This includes activities such as investing in workers' wellbeing, piloting the transition from cash to digital wage payments, and reducing wastage and optimising energy efficiency in tea factories. Our projects also further the industry's understanding of living costs through data collection and research.

Promoting workers' rights

Historically, labour organisations and collective bargaining have been vital in improving wages across supply chains. However, the presence and effectiveness of collective bargaining depends on the realisation of workers' right to join and form organisations of their choice. ETP works with tea workers to realise and exercise their rights, so that they are empowered to advocate for a fair remuneration that suits their efforts and needs.

Conclusion

There are complex challenges to achieving living wages at every stage of the supply chain. However, we believe that by accepting a shared responsibility, being more transparent and working collaboratively, stakeholders in the tea industry can create the conditions for everyone in tea to lead dignified lives, both today and for future generations.

ETP is uniquely positioned to bring together diverse stakeholders, including influential tea companies, retailers, governments, and civil society organisations to improve wages in the tea sector. We will continue to promote industry-wide collaboration and the sharing of data and learnings on wages.



Resources

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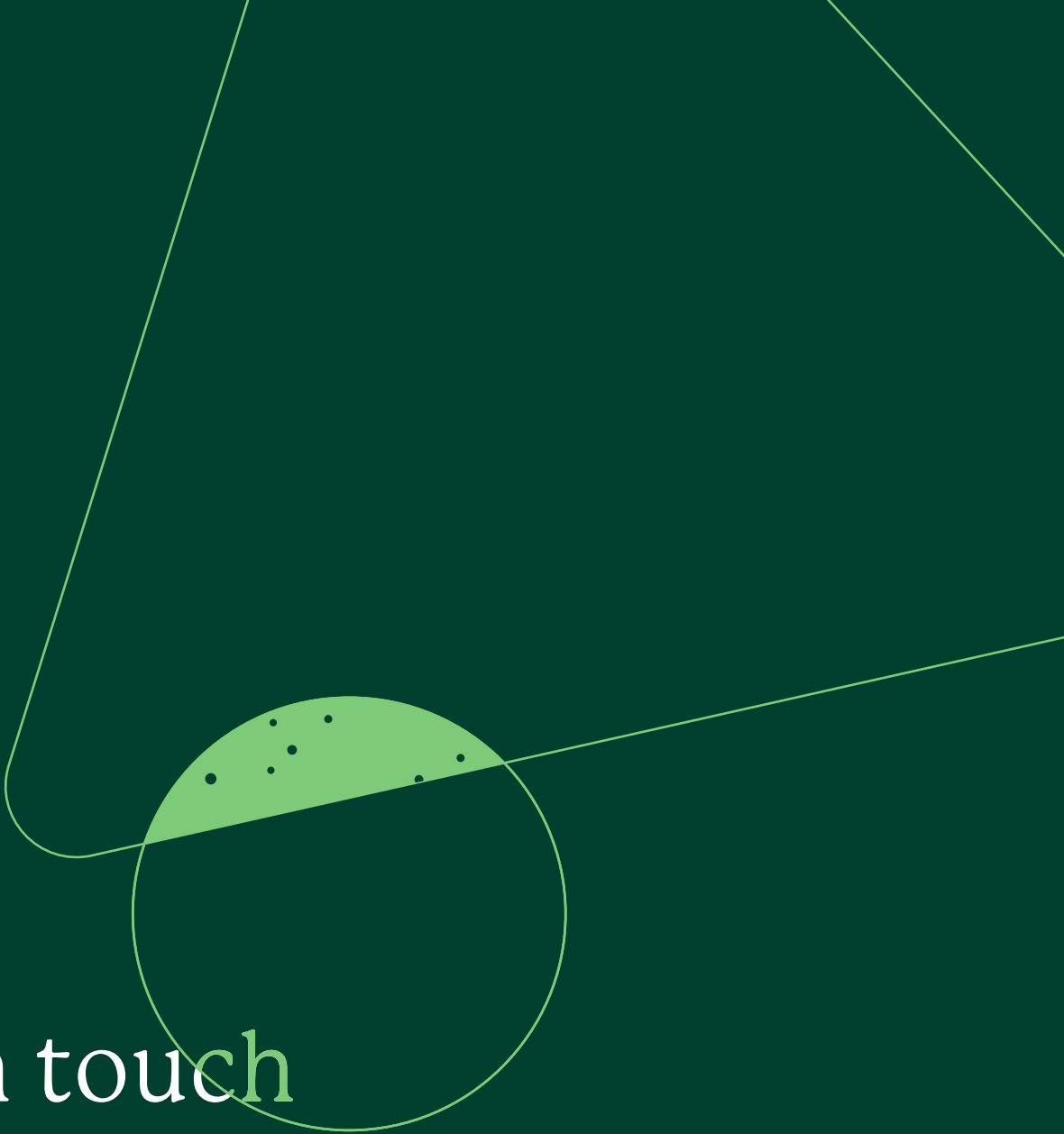
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