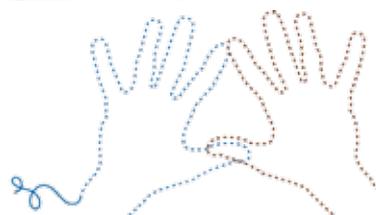




Let's Clean Up Fashion 2011

The state of pay behind the UK high street



Labour Behind the Label

Clean Clothes Campaign



Let's Clean Up Fashion 2011

The state of pay behind the UK high street.

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This is the fifth annual 'Let's Clean Up Fashion' report produced by Labour Behind the Label. For further information about this report, its background or any of the issues raised within it, please contact:

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For information relating to ethical fashion education for students and tutors please visit

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Introduction

In a global economy still reeling from the near-collapse of the banks, it is often those least able to who are asked to pay the cost. The fashion industry is a prime example of this trend.

As many UK high street retailers continue to post increased profits, the real value of wages being paid to the millions of women and men employed in the industry is falling. This means that many struggle to feed, clothe and shelter their families. This state of affairs is all the more sobering because the majority of these retailers have committed to a living wage for workers in their supply chain. In fact, many have been running projects to this end for several years but, as the real situation on the ground shows, these commitments are not delivering results fast enough.

Many brands and retailers argue that the only way to reverse this trend is for governments to make sure that minimum wages more accurately reflect the needs of their citizens. We agree. Yet the very way in which the garment industry works makes this difficult. As brands and retailers constantly move from supplier to supplier in their search for ever lower prices, governments and workers are told that raising wages (and therefore costs) would scare away export business and put paid to employment and revenues.

This is why it is vital that brands and retailers commit to pay a price to their suppliers that is enough to provide a living wage to all workers. By doing this, companies can give a clear message that human rights have an importance that goes beyond profit. This could put a brake on the race to the bottom that causes the poverty characterising this industry.

Some brands have told us that, in their opinion, a living wage must be defined by workers themselves. Again, we agree. So do many workers. In the two years since this report was last released mass demonstrations and strikes have taken place across the world, each calling on governments and employers to dramatically increase legal minimum wages. In the summer of 2010 thousands of garment workers in Bangladesh took to the streets demanding a minimum wage of 5000tk. In September 2010 workers across Cambodia took part in a national strike to demand that their wage was raised to \$93 per month. And in August this year four garment worker unions in Lesotho demonstrated to demand that the

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minimum wage for garment workers was increased to R2020 per month, claiming such an increase was necessary for garment workers to escape the the squalor and poverty in which most are forced to live.

What was the result of these actions? In Bangladesh and Cambodia the unions won small concessions, but failed to get the wages they were demanding; wages that even if they were paid would still fail to provide a living wage. In Lesotho negotiations were continuing at the time of writing. This came at a heavy cost. Hundreds of Bangladeshi workers and trade union leaders were arrested and a number of them are still on trial and face the prospect of years in prison. Hundreds of Cambodian workers were dismissed from their jobs - although many have since been reinstated, others face a future without work. In Lesotho, crowds gathering on the street during a three day action were fired at by police, with several injured. Six trade union leaders were arrested and beaten.

The fact is that workers *do* speak out to demand better wages. At best, they are often ignored; at worst they are persecuted, threatened, dismissed or harassed. Companies must do more to ensure respect for trade union rights in the quest to provide a living wage for garment workers. While these rights continue to be violated by governments, employers and brands, workers will be silenced and left open to ever worsening exploitation.

In 2011 a living wage for the garment industry is still a distant dream for the millions of workers producing our clothes. Its time for brands and retailers to stop talking and start acting on the issues that really matter.

The State of Pay

Over the last decade British consumers have become increasingly aware that their fashion comes at a price: low pay and poor conditions for millions of workers around the world. Campaigners and journalists have been tireless in revealing the shocking conditions in which these workers and their families are forced to exist, as prices decrease on the high street and profits for brands and retailers soar. In the light of such scandals brands and retailers have started to recognise the need to take action to address the poverty wages that characterise the industry. Many have made public commitments to ensure a living wage is paid to workers making their goods.

Since 2006 Labour Behind the Label has been producing an annual report, Let's Clean Up Fashion, taking a close look at exactly what these actions entail and the extent to which they address the real, underlying barriers to a living wage. This is the fifth such report and this year we have expanded our survey to include some increasingly popular brands such as Fat Face, White Stuff and Superdry.

In 2010 we decided not to publish our annual Let's Clean Up Fashion report. Why? Because the progress of company-led projects was so slow we wanted to give them a chance to develop to a point where brands and retailers could feed back more concrete achievements.

In 2011 we were looking forward to seeing what had been achieved in the two years since our last report. In a handful of cases we were pleased to see some interesting work starting to address some of the more thorny issues behind the payment of a living wage. Overall, we were disappointed at the slow progress being made. A number of projects, most notably those being carried out by Gap, had been scrapped entirely, others had totally stagnated. Although a few retailers could demonstrate wages increasing at a handful of their supplier factories, none were able to claim significant progress towards the payment of a living wage.

Nothing to Say: Companies declined to respond to our survey.

Debenhams
Hobbs

Jane Norman
La Senza
Paul Smith
Peacocks
Reiss
Republic
Superdry

No Work to Speak Of: Acknowledge the need for a living wage but doing little to make it a reality.

Fat Face
French Connection
Gap
River Island
White Stuff

One Cheer: Mention of work on living wages, but unconvincing so far.

Arcadia
Asda George
Aurora
Burberry
H&M
Levi's
Matalan
New Look
Primark
Sainsbury
Tesco

Two Cheers: Work started to increase wages, but not enough yet.

Inditex
Next
Marks and Spencer (M&S)
Monsoon Accessorize

Update on the Asia Floor Wage Campaign

The Asia Floor Wage campaign, a coalition of trade unions, NGOs and labour groups across Asia, was launched in October 2009, just before the publication of our last Clean Up Fashion report. Since then AFW members and their supporters in the anti-sweatshop movement around the world have been calling for brands and retailers to recognise the Asia Floor Wage benchmarks, which represent a minimum or 'floor' wage right across Asia.¹

In the 2011 report a number of brands gave support to the principle of the AFW and told us the AFW approach had been a useful addition to the living wage debate (Asda, Arcadia, Burberry, Monsoon, Next). To date none of the brands and retailers have officially adopted the Asia Floor Wage benchmarks within their living wage work, although some have adopted AFW benchmarks for specific countries (Aurora in China) or have used it as a benchmark within their own wage ladders (Primark, Burberry).

Meanwhile, the AFW coalition has been continuing to engage with worker movements across Asia, supporting demands for increased minimum wages in both Bangladesh and Cambodia. In Bangladesh the announcement of a 3000Tk minimum wage triggered mass demonstrations, which led to the closure of numerous factories and the arrest of hundreds of workers and trade union activists. In Cambodia thousands of workers participated in a national strike demanding that the minimum wage be increased to \$93 per month. Hundreds of workers remain locked out of their factories as a result.

If the Asia Floor Wage is to become a reality then there is an urgent need for brands and retailers to work with AFW members to develop pilot projects aiming to actually implement them. This is why the AFW campaign produced a 'route map' to an Asia Floor Wage, detailing steps that brands and retailers need to take.

In March 2011 the AFW campaign held a People's Tribunal on Minimum Wages and Decent Working Conditions in Sri Lanka, the first in a series of tribunals into garment workers' wages that will culminate in a session at the People's Permanent Tribunal. The judges were selected

| Country | Minimum Wage (most recent known average) | Asia Floor Wage 2011-2012 |
|------------|--|---------------------------|
| Bangladesh | 3000 ⁴ | 12,248 Taka |
| China | 843.91 ⁵ | 1842 RMB |
| Cambodia | 256200 ⁶ | 692903 Riel (\$170) |
| India | 5130 ⁷ | 7967 Rupees |
| Indonesia | 988829 ⁸ | 2132202 Rupiah |
| Sri Lanka | 8413 ⁹ | 19077 SLR |

⁴ Information from Bangladeshi trade unions and the press: 3000 Taka/month from 1st November 2010 onwards

⁵ Average of all provinces. Figure calculated by AFW in Jan 2011.

⁶ Figure provided by Cambodian unions.

⁷ SOMO, 2011. *Captured by Cotton*. May, p13.

⁸ average in 2011 of all indicated wages for all provinces: <http://www.wageindicator.org/main/minimum-wages/indonesia>

⁹ Average in 2010 of compilation by Leon Joseph, (April 2011)

based on their expertise in human, labour and women's rights and were presented with evidence in the form of testimony from six women garment workers. The evidence was analysed against international human rights standards and the judgement released following the tribunal included a series of recommendations for the Sri Lankan government, multi-national corporations, consumers, women's groups, trade unions and international bodies.² The next tribunal is due to be held in Cambodia, later in 2011.

In May 2011 the AFW released revised figures for the AFW benchmarks across the participating countries. These figures were based on the original 2009 calculations using figures adjusted for inflation based on the Consumer Price Index (CPI) for each country.³ This adjustment led to an increase in the Purchasing Power Parity figure from 475PPP\$ to 540PPP\$.

¹ For more detail on the AFW campaign see McMullen, A and Maher, S 2009 *Let's Clean Up Fashion* Bristol: Labour Behind the Label, pp.10-13

² For more information on the evidence and findings of the Tribunal see <http://www.asiafloorwage.org/documents/Events/Sri%20Lanka%20Tribunal%20Verdict.pdf>

³ For more information on how the AFW is calculated see the Asia Floor Wage Alliance 2009 *Stitching a Decent Wage Across Borders* available at <http://www.asiafloorwage.org/documents/Reports/Stitching%20a%20Decent%20Wage%20Across%20Borders.pdf>

Four Pillars of a Living Wage Initiative

In previous reports we laid out the four pillars that underpin any initiative which genuinely seeks to ensure a living wage for workers: using a collaborative approach by working with other companies, trade unions and labour rights groups; supporting worker organising and participation; examining commercial factors throughout the supply chain and creating a clear route map to implementing the living wage for all workers.¹⁰ This section gives a summary of the work being done by different brands and retailers on each of these four pillars in 2011.

1 Taking a collaborative approach

A large number of brands and retailers in the UK are members of the Ethical Trading Initiative (ETI), a collaborative body of companies, trade unions and civil society organisations (referred to here as NGOs). Membership of a multi-stakeholder initiative (MSI) such as the ETI, however, is not necessarily a clear indicator of good collaboration or effective projects. Burberry, Gap, Tesco, Sainsbury and Fat Face are all members of the ETI, but made disappointing submissions. Another ETI brand, Debenhams, refused to provide any information for this report. It is notable, though, that those brands with the most in-depth projects were all ETI members (Monsoon, Next, M&S).

It is clearly important for members to use the ETI to share learning. This alone, however, falls short of the requirement to genuinely work together to implement living wage projects. Many brands and retailers have argued that, because they are only one of several clients at a supplier factory, they lack the influence they need to achieve effective change; yet they are not addressing this by working more closely with each other. A number of brands (M&S, Tesco, Sainsbury's, New Look and Arcadia) outlined a new project funded by the UK government's Department for International Development (DFID), in which they will work together to improve productivity in shared suppliers in India and Bangladesh. This is to be welcomed and we look forward to hearing what impact such collaboration has on the ability of brands and retailers to ensure a living wage is paid by those suppliers.

¹⁰Hearson, M & Maher, S 2008 *Let's Clean Up Fashion* Bristol: Labour Behind the Label.

It is clearly important for members to use the ETI to share learning, however, this alone falls short of the requirement to genuinely work together to implement living wage projects.

Only a small number of brands cite institutional collaboration between themselves and trade unions or NGOs (as opposed to hiring NGOs to carry out projects). Monsoon and Next are both planning to engage in a DFID-funded project with the International Textile, Garment and Leather Workers Federation (ITGLWF). Levi Strauss, H&M and New Look mention work with the International Labour Organisation (ILO) – a United Nations body - in Cambodia. Only Inditex has developed a formal relationship with the ITGLWF through the signing of a framework agreement. We would like to see more brands and retailers taking such an approach. Primark, Asda and M&S mention close collaboration with international and local NGOs.

2 Worker organising and freedom of association

This year we asked brands to tell us what they are doing to support freedom of association - that is, ensuring workers are free to form and join trade unions or other representative bodies - in their supply chains. On page ten we take a deeper look at what freedom of association really means, why it is important in trying to achieve a living wage for workers, and what brands and retailers should be doing to ensure that all workers in their supply chain are able to exercise this fundamental human right.

Most did attempt to address this in their submissions, but only Next, Inditex and Monsoon could point to direct trade union involvement within their living wage projects. New Look, H&M and Levi Strauss all mentioned work done to resolve specific issues of trade union repression in their supply chain but have not, as yet, included trade unions

in their living wage programmes. Many of the other brands included work with homemaker groups, training programmes and workers' committees, but these do not go far enough to open space for workers to organise and demand their rights within their workplaces. This includes Primark, M&S, Asda and Arcadia.

3 Examining commercial factors: paying the cost

It is widely acknowledged that there is a huge gap between prevailing wages for garment workers and even the lowest estimates of a living wage. Therefore, any attempt to ensure all workers receive a living wage will impact on production costs and could mean suppliers have to charge more for their goods. Any serious living wage programme needs to identify how these cost increases will be covered and by whom.

On pages six and eight, we take a closer look at two approaches to covering the cost of a living wage: productivity and labour costing. The 'productivity' approach was reported on by a large number of brands and retailers responding to our survey, including: M&S, Asda George, New Look, Aurora, Burberry, Sainsbury, Arcadia and Tesco. Labour costing, which aims to calculate the real cost of a living wage and to ensure that this cost is built into the price paid to suppliers by brands and retailers is being piloted by Inditex and M&S. Asda, Arcadia and Monsoon claim they intend to introduce labour costing work into their programmes for the coming year. So far only M&S have made a public commitment to ensure that the price they pay to suppliers is sufficient to enable the payment of a living wage to workers, although this is limited to just three supplier countries. Unless more brands and retailers accept the link between the low prices they pay to suppliers and the poverty wages received by workers, their commitment to a living wage will remain little more than a paper promise.

4 Rolling it out: developing a route-map for sustaining a living wage.

Any route map for change must include benchmarks that identify what constitutes success. It is vital for brands and retailers to provide clear targets for what they believe a living wage level should be in each country they buy from. Such benchmarks are controversial and continue to be a source of debate. However, unless brands tell consumers

Any living wage programme must take into account the most marginalised members of the workforce, including migrant workers, contract workers and home workers.

and workers what wage levels they are aiming to implement, their work will not deliver a living wage for all workers. To date only M&S claims to have identified living wage benchmarks for its primary production countries: Sri Lanka, India and Bangladesh. Yet a year after making a commitment to pay a 'fair living wage' to workers in these countries by 2015, the company has not published these figures.

Many of the more complex programmes, (Next, New Look, Asda George) are focused on a relatively small number of suppliers and have taken a number of years and considerable investment to achieve limited results. This is why it is important for programmes to focus on developing systems that are easily transferable. These should include pricing mechanisms, development of mature industrial relations, training programmes for workers and managers and institutional collaboration with trade unions and NGOs. It will also be vital for brands and retailers to guarantee long term contracts with those suppliers engaging in their programmes.

Finally, any living wage programme must take into account the most marginalised members of the workforce, including migrant workers, contract workers and home workers. Monsoon, Arcadia and Primark appear to be progressing with programmes to address exploitation of homeworkers, particularly in India. These include training for homeworkers on record keeping, calculating piece rates and support for homemaker organisations. New Look has included work that seeks to address the use of contract labour in India and Arcadia and Next both reference work to improve employment contracts and conditions for contract workers and migrant workers. These programmes don't directly focus on wages, but ensuring stable and fair employment for the most vulnerable workers may contribute to enabling these workers to more easily demand a decent wage.

Paying the Cost

Undeniably, it is workers who are bearing the brunt of lower prices and increasing costs within the garment industry. This trend needs to be reversed if living wages are ever to become a reality, so any living wage project must look at how wages can be protected and improved in an ever more competitive environment. Below we highlight two approaches currently being proposed to address this issue. These approaches are not incompatible, but they work from different starting points: the first on cost savings the second on realistic cost calculations.

Productivity and a living wage

Most of the brands and retailers who are doing any work on a living wage are looking to cover the inevitable increase in cost through improving productivity in factories. The idea of this approach is that any cost savings made by making a workplace more productive or efficient could be passed on to workers in the form of higher wages. Brands and retailers need to take great care to ensure that productivity programmes do not mean workers are expected to work even harder and even longer for their increased wages. This means that

'We view improved productivity as vital in underpinning supplier's ability to improve wages for workers. Our approach is therefore focused on: ensuring we understand the nature and scale of the issue, setting clear expectations, supporting suppliers to improve productivity and conditions, building long-term relationships to enable investment in workers.'

- Tesco.

programmes need to focus not simply on reducing costs but explicitly aim to improve wages and working conditions.

Activities carried out under the name of 'productivity' vary greatly. Some activities focus on improving worker productivity, others aim to increase efficiency at the factory.¹¹ They can be focused on changing the way the factory is organised (Aurora, Matalan), improving communication or management systems within the workplace (Gap, Levi Strauss, M&S, New Look, Primark), better production planning (M&S, Asda), data collection (Burberry, Sainsbury, Monsoon) or changes to worker incentives and targets (Aurora, Matalan, Monsoon, New Look).¹²

LEAN

One system that has been used for some years by sportswear brands and which has been adopted whole heartedly by Asda George, is called 'Lean'.¹³ This focuses on eliminating waste and involving all employees in identifying problems and inefficiencies and developing solutions. The focus on employee involvement has led Asda to claim that *'improved dialogue between workers and management is essential and forms a major part of the Lean project.'* Under traditional 'Lean' philosophy this dialogue is normally focused on problem solving in regard to the production processes and, as such, may have no impact on working conditions and rights. In fact, if designed badly, workers may be put under even more pressure to find solutions for production problems and/or be forced into the role of 'supervising' their colleagues.¹⁴ This could mean workers are expected to take on even more responsibility, adding to already impossible workloads and increased stress levels which could lead to disharmony or even bullying in the workplace. It is vital that any productivity programme aimed at delivering improvements in working conditions, even within the Lean system, must include work towards improving freedom of association.

According to recent research carried out by Women Working Worldwide, there is no evidence to suggest that productivity programmes of any type are necessarily either good or bad for workers.¹⁵ This means that if productivity is to be used as a tool for improving wages and working conditions, its success must be measured by its effectiveness in delivering positive outcomes for workers.¹⁶ These indicators should include: payment of a living wage for a standard working week; provision of safe and hygienic working environments; stable formal employment relationships; respect for freedom of association and collective bargaining; gender equality and occupational health.

In fact, although productivity programmes have formed the heart of many living wage programmes in recent years, there has been no attempt to rigorously or systematically collect data so that the effectiveness of productivity programmes in improving wages or conditions can be assessed. For example, although some of the submissions to this report (New Look, M&S, Primark, Asda) did provide data that appeared to show wages had increased following productivity programmes, they did not show if wages improved only as a result of productivity changes or also because of other factors (for example: general wage increases in the sector or promotion of workers through pay scales). Few of the submissions provided information on how much of the savings brought about by productivity improvements were passed on to workers. Asda George cited productivity gains of between 40% and 160%, while wage increases were between 20% and 50% (including benefits). M&S reported average efficiency gains of 47% and basic wage increases between 12% and 54%.

None of the retailers gave any detail about negative impacts of their productivity programmes. These are pilot projects, based on new methodologies, and anecdotally we know that some forms of productivity improvements can present potential dangers for workers. Increased targets, for instance, can lead to higher stress; increased bullying by supervisors or colleagues; reduced health and safety; less rest time and increased work related injuries; as well as a reduction in staffing levels and the replacement of permanent employment with casual employment relationships.

One thing is clear: in no case have productivity programmes yet led to wages increasing to meet a living wage level for all workers.

Nor is information being gathered on how different kinds of productivity changes impact on women workers specifically, or on vulnerable groups of workers such as contract workers, migrant workers or homeworkers. If brands and retailers are to make such programmes work for even the most vulnerable workers, the potential impacts on these groups need to be much better understood.

One thing is clear: in no case have productivity programmes yet led to wages increasing to meet a living wage level for all workers. Even those projects that report very high wage increases have failed to provide all grades of workers with anything approaching a living wage level. This underlines a major weakness of the productivity approach: even the most convincing productivity based-programmes only aim to provide 'realistic' increases in wages, meaning increases that can feasibly be covered through productivity gains. Yet any definition of a living wage must be based on the needs of workers themselves, and any methodology that aims to deliver on this goal must work from that starting point.

Paying a genuine living wage is feasible: false limitations must not be imposed on it simply to suit the interests of suppliers, brands or retailers. Given the huge gap between prevailing wages and living wage levels, approaches that limit themselves to the small, incremental increases to wages that productivity programmes may deliver will struggle to really deliver a genuine living wage to all workers. Some brands and retailers are already recognising this limitation. Both Primark and Next stated that they had reservations about the ability of productivity alone to deliver adequate improvements to wages, and emphasised that productivity can only be effective as part of a wider programme of work that also addresses other barriers to a living wage.

¹¹ Parker, E., 2011. Win, Win, Win, Productivity, Garment Workers Wages' and Working Conditions. *Women Working Worldwide Newsletter*, June.

¹² See full company submissions to Let's Clean Up Fashion report 2011: go to www.labourbehindthelabel.org/letscleanupfashion

¹³ See Asda George submission to Let's Clean Up Fashion report 2011: go to www.labourbehindthelabel.org/letscleanupfashion

¹⁴ Parker, E., 2011. Win, Win, Win, Productivity, Garment Workers Wages' and Working Conditions. *Women Working Worldwide Newsletter*, June.

¹⁵ Parker, E., 2011. Win, Win, Win, Productivity, Garment Workers Wages' and Working Conditions. *Women Working Worldwide Newsletter*, June.

¹⁶ *Ibid.*

Labour costing for a living wage

If achieving a *living wage* is really the objective of all these programmes, a different approach is needed. All stakeholders need to commit to a living wage level that is decided, not on the basis of what is possible as determined by their existing projects, but on the basis of what workers actually need if they are to earn enough to cover their basic needs. Once this level is agreed, then brands and retailers need to establish how much it will cost to provide a living wage for all workers in their supply chain and make decisions on how this increase in cost will be covered, either through productivity gains, reduced profits for suppliers, increased costs for brands and retailers or higher prices for consumers or a combination of these.

Research into how the payment of a living wage can be properly costed into the prices retailers and brands pay to their suppliers is now being carried out by ActionAid UK, in collaboration with an academic from Northumbria University. The research found that *'whilst most retailers usually specify fabric [and other] costs in their supplier contracts ...most do not break down the labour cost component separately in the overall manufacturing cost.'*¹⁷

Failing to understand the labour cost of a garment means that brands and retailers are making pricing decisions without any knowledge of how their pricing policies impact on wages and working conditions. This in turn enables suppliers to squeeze labour costs in order to cover increasing costs in materials and transportation or to increase the profits they make. ActionAid is now calling for brands to specify labour costs and ring fence them within price negotiations. It is also calling on brands to make it a contractual obligation for their suppliers to notify workers of the additional living wage amount specified within prices, and to agree with workers a method of transferring this amount in the form of higher wages or bonuses.

There are a number of steps that need to be taken for such a model to be effective:

1 Make public commitments

Brands and retailers need to publicly commit to paying prices that allow for a living wage if suppliers are to be convinced that providing honest and open costings on labour is in their interest. It is also important for workers to know that their supplier has been given this commitment and for consumers to see which brands are prepared to put their money where their mouth is. M&S was the first retailer to make such a commitment when in 2010 it announced it would ensure that, *'the cost prices we pay to our suppliers are adequate to pay a fair living wage.'* A number of other brands made commitments in their 2011 Lets Clean Up Fashion submissions to look at costing

models that will enable them to factor the cost of a living wage into their pricing policies (Asda George, M&S, Inditex and Arcadia). Such commitments are to be welcomed and signal a move by brands and retailers towards accepting that they may need to address their own pricing if they are serious about meeting their living wage commitments.

2 Publish living wage benchmarks

The second step is for retailers to publish the living wage benchmarks they intend to use. These benchmarks should be based on living wage demands currently being made within each production country (for example, trade union demands or Asia Floor Wage figures) and should be made publicly available. So far no company has done this. Failing to set benchmarks will make it impossible to accurately cost for a living wage and not making them publicly available will deny the opportunity for these benchmarks to be challenged, discussed and understood by workers, campaigners and consumers. Without publicly declared and accepted benchmarks, any commitment to use pricing to cover a living wage will be rendered meaningless.

3 Develop a model for accurate labour costing

The costing model proposed by ActionAid UK is so far the most comprehensive model to be tendered. It requires suppliers to work out the amount of time it should take one worker to produce a garment, the level of efficiency the factory is, or can, run at and the wage level at which labour should be costed (see box). However, such a costing model is open to abuse if workers continue to be excluded from the process. Of particular concern is the potential for suppliers to underestimate the time it should take workers to complete a particular item of clothing (standard minute value, or SMV). An inaccurately set SMV could lead to unrealistic production targets and thereby an artificially low labour cost for the products being commissioned.

4 Ensure workers are involved in the distribution of extra income

Unanswered questions remain about how the extra money provided by retailers to cover a living wage will

'We will: implement a process to ensure our clothing suppliers are able to pay workers a fair living wage in the least developed countries ...by 2015'

-M&S.

be equitably allocated among the workforce, particularly where only one buyer is paying extra costs to cover a living wage. The only way to do this is to ensure workers are able to organise into independent trade unions which have the power to enter into wage negotiations, discuss efficiency changes and standard minute values and bargain with employers over the allocation of the labour cost element of garment prices.

The move towards open and transparent labour costing is an important and potentially ground-breaking step but it will not be a simple process to implement. Brands and retailers face a number of challenges: they must work out how to ensure labour costs are based on realistic estimates of production times, that any extra price paid is actually passed on to workers, and find ways to get other

buyers from the same factory to take similar steps without breaching competition laws. Until now these issues remain unresolved but stakeholders need to commit to a living wage level.

It is also clear that labour costing is not a one-stop solution. It must be carried out not as a stand aside project but as an integral part of a living wage programme that also addresses the other three pillars: collaborative working, support for freedom of association and a route map for change across entire supply chains.

Step-by-step summary of the ActionAid Costing Model

1 Identify the Standard Minute Value (SMV).

Example:

The SMV for a 5-pocket Western-style pair of jeans = 20.737 minutes

2 Determine factory efficiency to identify the Actual Minute Value (AMV).

Example:

If a factory in Bangladesh operates at 60% efficiency, divide the SMV by 0.6. So in this factory, the AMV for jeans = 34.561 minutes

3 Calculate the existing labour cost per garment.

Example:

If workers in the Bangladeshi factory are receiving the legal minimum rate of 3,000 taka for a standard 48-hour week (12,480 minutes), this works out at 0.240 taka per minute.

4 Identify the local living wage, in consultation with unions.

Example:

The Asia Floor Wage for Bangladesh is currently 12,204 taka. This works out at 0.978 taka per minute.

5 Calculate the living wage rate per garment.

Example:

The AMV for a pair of jeans is 34.561 minutes. Multiply this by the living wage rate per minute of 0.978 = 33.801 taka.

6 Include the labour cost as a separate element of the charge sheet.

Example: For an order of 50,000 jeans, multiply 50,000 by 33.801 = 1,690,000 taka (US\$22,800). Include this sum as a separate, non-negotiable element of the charge sheet.

7 Stipulate in the commercial contract that this amount will be notified and transferred to workers.

8 Invite and support workers to organise themselves to decide how the living wage amount should be distributed, and promote mature industrial relations within factories.

Examples:

- issue right to organise guarantees within factories.
- run worker rights trainings in collaboration with local and or national unions.
- ensure workers are free to affiliate with trade union organisations outside factories.
- make the unit labour cost available to workers' representatives that are engaged in collective bargaining with suppliers.

¹⁷ Action Aid 2011 *Eight Steps towards a living wage: a costing model for clothing brands and retailers*, (unpublished).

Organising for a living wage

'Independent and effective organisation in the workplace, in trade unions that link workers throughout companies or sectors, is the most effective mechanism for identifying violations and achieving practical, sustainable solutions.'

– ETI Guidance Document: Freedom of Association and Collective Bargaining.

Any good living wage project must include work to promote **freedom of association and collective bargaining** and ensure space is open for workers to **organise**. Freedom of association is the right of all individuals to establish and join organisations of their own choosing, without any prior authorisation or interference, in order to further common interests.¹⁸ In the context of labour rights this means that individual workers (or employers) can join together to collectively raise demands over workplace issues. The right to collective bargaining means that trade union representatives have the right to negotiate with factory management on issues that affect their members.

Why is this so important? A worker in a factory acting alone is unlikely to have the courage to ask management for decent wages, or even know that she is entitled to them. Even if she did, she would most likely be ignored, or worse, punished as a result. Freedom of association allows workers to address this huge power imbalance by acting together. For this reason the rights to freedom of association and collective bargaining are known as 'enabling rights' as they allow workers themselves to demand decent wages and conditions.

If all workers in the garment industry were able to take such collective action, they themselves would be able to challenge workplace issues such as poverty wages, long hours and poor health and safety and would be

able to negotiate their own solutions to these problems. This could ultimately eliminate the need for extensive external auditing and monitoring and would mean that workers' rights abuses were continuously addressed on the ground.

In practice, most garment workers around the world are prevented from joining a trade union. The denial of freedom of association to the vast majority of workers prevents them from raising a collective voice and leaves them open to exploitation. As such, actions to address violations of freedom of association are fundamental to any serious attempt by brands and retailers to address the issue of poverty wages in their supply chain.

What do trade unions do?

Trade unions operate at a number of different levels and their structures vary significantly from country to country. In all cases trade unions provide a collective voice for workers both in the workplace and in wider political debates and are a vital part of any civil society. They play an important role in improving wages for all workers in their industry.

Factory or enterprise level unions are the root of the trade union movement. They are responsible for recruiting members and dealing with specific issues of concern to workers employed in a particular factory or unit. Local trade union representatives, typically elected from the workforce, will often be responsible for consulting with and representing workplace union members and negotiating factory-level collective bargaining agreements (CBAs). CBAs will include negotiations and agreements on wages, overtime pay, contracts and other workplace issues. Factory unions will often be affiliated to **regional or sectoral unions**. These unions will often be involved in campaigning on and negotiating regional or national minimum wages, advising or lobbying on labour legislation and engaging in political activism around issues that affect their members.

Sectoral unions may also federate to a **Global Union Federation (GUF)**. In the garment industry this is the International Textile, Garment and Leather Workers Federation (ITGLWF). The global union will deal with labour rights issues on an international level, for example:

working through the International Labour Organisation; conducting international campaigns on wages, health and safety and other issues; negotiating agreements with multinational companies; providing training, resources and support to their national affiliates.

Why are so few garment workers unionised?

The ability of workers to form or join trade unions is undermined in a variety of ways. For workers in some countries, including China and Vietnam, the right to freedom of association is denied by law and workers are only allowed to be members of government-controlled unions. For others the right to freedom of association is restricted because they are employed in Export Processing Zones, which have specific laws prohibiting trade union activity. The vast majority of workers are legally entitled to join trade unions but the laws are either badly enforced or impose restrictions that make organising more difficult.

Workers interviewed for recent reports into the garment industry¹⁹ often state that joining a union would lead to harassment, discrimination or even dismissal from employment. This belief is pervasive throughout the industry, even in workplaces where there is no direct evidence of trade union repression. It is not an irrational fear: over the last year Labour Behind the Label has worked to support hundreds of workers facing threats, dismissals, harassment and even violence from factory managers, contractors, the police and the government as a result of their efforts to demand their rights through trade union organising.²⁰

Many garment workers are particularly vulnerable as a result of low skill levels, gender discrimination, insecure employment contracts, migrant status and high local unemployment levels. All of these operate as barriers to organising as these workers are easily disposed of if their employer considers them to be 'troublemakers'. This vulnerability makes the workforce cheap and expendable, allowing suppliers to promote themselves as cheap sources of production. Common sourcing practices used by brands and retailers involving regular relocation in search of ever cheaper prices, therefore act as another barrier to organising – workers are often told that the

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presence of a trade union in the workplace would lead to orders ending and jobs being lost.

As such, it can be assumed that repression of the right to freedom of association, either through direct discrimination against trade union members or through the psychological fear experienced by most workers in the industry, is not the exception but the rule. This means it is not sufficient for brands and retailers simply to wait for violations to be reported, they need to be taking concrete steps to enable workers to freely join a trade union of their own choosing.

'Parallel means' and workers' committees

For this year's report we asked brands and retailers to provide information on what steps they are taking to ensure freedom of association is upheld in their supply chains. Many of the company responses detailed work they are doing to support the setting up of workers' committees within supplier factories. These kinds of committees are sometimes known as 'parallel means', and are intended to provide alternative ways of independent and free association where trade union rights are prohibited. Under this definition these forms of organising should only be promoted where trade union organising is illegal. It is clear from this year's submission that most brands and retailers are misinterpreting this loophole and are promoting the setting up of workers' committees even where trade unions are allowed. Why? Most employers are instinctively hostile to trade union organising and to push for trade unions to be not

¹⁸ Action Aid 2011 *Eight Steps towards a living wage: a costing model for clothing brands and retailers*, (unpublished).

¹⁹ See for example: Alam, K., 2011 *Stitched Up UK: War on Want*; ActionAid UK, 2011 *The Real Asda Price*; ITGLWF 2011 *Working Conditions in the Sportswear Industry*; Maher, S., 2010 *Taking Liberties UK: Labour Behind the Label*.

²⁰ See <http://www.labourbehindthelabel.org/urgent-actions> for more information.

just allowed but encouraged is a difficult task. Brands and retailers therefore view workers' committees as an easier way of getting worker representation into their projects. The trouble is workers' committees not only fall short of genuine attempts to organise, they carry the risk of actually undermining the setting up of independent and effective trade unions. By taking on some of the roles normally carried out by an independent, free trade union they give the impression of providing worker representation and may even result in small workplace improvements, but in reality they have very little power.

Factory managers who fear that their workers may be attempting to organise, or who are being asked by auditors to prove that they respect workers' rights to organise, may choose to promote a workers' committee to its employees. For workers who fear reprisals for joining a trade union, or for those who don't know what a trade union really does, accepting a workers' committee may seem a safer bet, especially if the committee appears to be making some progress on issues such as quality of food, transport or other fringe benefits.

Workers' Committees are preferred by managers as they can be more easily manipulated than an independent union. They are often dominated by supervisors or employees selected by management; they may have no independent election process for representatives. They have no right to collective bargaining and are not entitled to take industrial action to back up their position. Workers' committees do not provide education or training on labour rights and legislation, nor do they give legal advice to workers who feel their rights are being violated. This means that workers' committees rarely play more than an advisory role and can be listened to or ignored at the whim of management. This means that workers' committees will rarely have the ability to address really fundamental issues such as wages, employment contracts, working hours or workplace bullying.

Workers' committees are usually restricted to representing workers at an individual workplace, meaning their members are not included in campaigning or negotiations aimed at improving wages and conditions at the sectoral, regional or national level. This means that they cannot be involved, for example, in negotiations over setting minimum wages or working hours legislation, and they have no role to play in raising collective demands in the political sphere.

The promotion of workers' committees as a replacement for trade union organising therefore deprives workers of their right to participate more widely in regional and national political life and prevents them from collectively demanding higher minimum wages, better social security and more robust labour law in negotiations with the government or employers' associations.

The promotion of workers' committees as a replacement for trade union organising deprives workers of their right to participate more widely in regional and national political life and prevents them from collectively demanding higher minimum wages... in negotiations with the government.

Any good living wage project needs to show evidence of work being done to actively support genuine freedom of association, with the aim of allowing workers to form and join trade union organisations of their own choosing. Work to promote workers' councils or committees in countries where trade union organising is not prevented by law cannot be accepted as an alternative to this.

How can brands and retailers support freedom of association?

It is clear that brands and retailers cannot and should not impose a trade union on to supplier factories: it has to be up to the workers themselves to decide if they wish to form or join a trade union and which union they wish to join. However there are a number of concrete actions that brands and retailers can take to help facilitate freedom of association in their supply chains. These actions need to be included in any project or programme that genuinely seeks to improve wages through supporting trade union rights. These could include:

1 Education and training

Many of the submissions from brands and retailers mention training and education work, but to be effective this work needs to be delivered by local trade unions or by NGOs with close ties to the trade union movement. The training itself needs to be focused specifically on labour rights and on representation, organising and negotiation, along with other trade union rights. Two of the submissions included such work and acknowledge a positive impact: Next has been working with a local trade union to deliver training on labour rights through the use of study circles, an approach promoted by trade unions which encourages workers to understand their rights, discuss workplace problems and which supports workplace organising. Primark mentioned training, delivered by a local NGO, which covered trade union history, labour law and trade union rights. Primark notes that following the training, workers expressed a high level of interest in trade union membership, although this was

not translated into increased trade union membership.

2 Developing relationships with trade unions

Brands and retailers need to demonstrate their commitment to trade union rights by making links with trade union organisations at local, national and international level. On the local level this could mean using trade union representatives to deliver training, including trade unions in audit processes and meeting with local trade unions to help resolve workplace issues. New Look and H&M both cited examples where such collaboration had been effective in getting the reinstatement of trade union leaders at supplier factories. Brands can also collaborate and offer support to national trade unions during minimum wage negotiations or meet with them to discuss sectoral changes, health and safety legislation and other labour issues. On the international level they could work with the ITGLWF to deliver workplace programmes or sign a global framework agreement to cover all workplaces within their supply chain. Inditex is the only company so far to take this important step, which has led to improvements in freedom of association at a number of workplaces in Bangladesh and Cambodia.

Freedom of Association Protocol in Indonesia

In June 2011 an historic agreement was signed between major sportswear brands, their suppliers and Indonesian trade unions which laid out commitments to implement freedom of association in Indonesian sportswear factories. The agreement was signed following two years of negotiation and contains a number of practical steps that suppliers and trade unions agreed to take to support and uphold trade union rights in the workplace. This agreement can provide some pointers to other brands and retailers looking to support freedom of association in their own supply chains.

The protocol includes: a duty for suppliers to inform workers of the right to associate; use of meeting and office space within factories; agreement to release union leaders from duties to fulfil union work and facilitate meetings within working hours; use of company vehicles; union flags to be displayed at the factory; suppliers to assist in deducting union fees from the payroll; provision of notice boards for union announcements in prominent factory spaces, and more.

This agreement has been signed by major sportswear brands including Nike, Adidas and Puma among others.

3 'Right to unionise' guarantees and access agreements

The biggest barriers to workplace organising are the fear of reprisals and discrimination against trade union members and the prevention of trade union activists from accessing and speaking to workers. Brands and retailers need to encourage their suppliers to provide 'Right to Unionise' (RTU) guarantees to their workers. So far, Arcadia is the only company to call for such guarantees to be given to workers, asking for factory owners to do so through a document provided alongside pay slips and posted on notice boards. This is a good first step, but is not sufficient to overcome all the obstacles faced by workers. Arcadia has yet to show evidence that the RTU guarantees are being adequately implemented along their supply chain, or that they are having an effect. If brands and retailers do not develop ways to properly implement RTU guarantees, they will remain little more than a paper exercise.

Allowing trade union representatives into workplaces is by far the most important step managers and brands and retailers can take to facilitate genuine freedom of association. Therefore RTU guarantees must be combined with information and training on trade union rights and with the signing of access agreements with local trade unions. These agreements allow trade union representatives to enter the workplace and speak to employees. This could include addressing induction sessions for new staff, or being able to distribute and pin up information about the union in the workplace.

4 Provision of trade union facilities

For trade unions to be able to organise effectively and to represent workers properly in the workplace they must be provided with sufficient time and facilities to carry out their work. Suppliers must be asked to provide elected representatives with time off to carry out their duties and allow trade union members time to attend meetings and trainings provided by their union. They should also provide space, such as a noticeboard, for the trade union to post information for its members and ideally an office for it to carry out its work. Any employer open to trade union organising should also be willing to deduct union membership dues from the payroll and pass this directly to the union, should the member and the trade union request it to do so.

Given the importance of freedom of association to any strategy aimed at sustainably and irreversibly improving wages and other working conditions, Labour Behind the Label considers that any programme to address wages must show evidence of taking some or all of these actions. To date, far too few programmes are doing so. We hope to see brands and retailers doing more to address these issues over the coming year.

Profile Key:

Understanding What Companies Say

The profiles in this report are based upon information that brands and retailers have themselves submitted, partially supplemented by publicly available information. Drafts of the profiles were sent to the companies for comment prior to publication and they were invited to send any corrections or comments. Where appropriate, changes were made to reflect this; although not always. Copies of full company submissions and, where relevant, their responses are made available on our website at www.labourbehindthelabel.org/letscleanupfashion

As in previous years we have given companies a grade to help you see how far along the route they are to implementing a living wage. Although these grades do not indicate the actual wage levels earned by workers in company supply chains it is possible from this ranking system to see which companies are beginning to do more.

For this year's report we asked brands and retailers to specifically detail work they are doing to address pricing and trade union rights: convincing work in these areas was given extra weight. We also asked a number of companies who have not previously been included. One or two were able to provide information but most are, unsurprisingly, at the very beginning of the journey.

The grades this year reflect that, once again, those brands and retailers that are working to address the living wage are still very much at the pilot project stage. This means that none have progressed beyond grade 3. We have continued to give half grades to attempt to distinguish between those projects that have something really interesting to offer and those that still have some way to go.

The first three grades show the extent to which brands and retailers accept that a living wage should be paid to workers in their supply chain:



Grade 0: Does not accept the principle of a living wage.

Companies whose codes of conduct and/or submissions do not refer to living wages at all, or companies which explicitly do not accept that they are responsible for ensuring that living wages are paid.



Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Companies that refer to the living wage, but use this interchangeably with legal minimum/industry benchmark wages, or argue that minimum and/or prevailing wages constitute a living wage.



Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.

Companies that accept that progress is needed on wages, but are unable to offer any concrete examples of steps they have taken on this matter.

Grades 2.5 – 3.5 are given to companies that are implementing some work aimed at improving wages. The different grades distinguish the extent to which these projects attempt to address our four pillars:



Grade 2.5: Can offer concrete examples of steps to increase wages in the supplier base, but pilot projects are limited in scope and have significant omissions.



Grade 3.0: Can offer concrete examples of steps to increase wages in the supplier base, but there are either significant omissions or there is no clear plan to move beyond pilot projects.



Grade 3.5: Can offer concrete examples of steps to develop and implement a living wage methodology in the supplier base, with clear plans to move beyond pilot projects.



Grade 4: Sophisticated and serious engagement with a living wage, beginning to move beyond pilot programmes, but still not systematic across supplier base.

Companies that have made efforts to implement living wages beyond pilot projects, with a clear plan for how this will be accomplished for all workers and demonstrable progress towards that end. This should include projects which explicitly support workers' rights to freedom of association and are systematically addressing other barriers to a living wage, in particular pricing policies.



Grade 5: Sustained implementation of an effective living wage policy across entire supply base.

Companies that have a clear rationale, have evidence for all workers in their supply chain earning a living wage, and can show that all workers have the opportunity to engage in what a living wage means for them.

Health Warning!

We believe that how a company performs on living wages is a good indicator of its current commitment to workers' rights more generally. That's one reason we focus on this one issue. But it does mean you should bear in mind several things when reading the profiles.

✂ Firstly this information is based on a survey carried out in summer 2011. So these profiles are accurate as of September 2011, but things can and do change over time.

✂ Secondly, we believe that any programme addressing living wages must contain work on freedom of association and purchasing practices and have included these in our criteria. This means that we are measuring work carried out in this area as part of our grading process. This was not the case in previous reports which means comparison with earlier grades is not always helpful in judging progress, although it can indicate a direction in travel.

✂ Finally, other things are also important in judging the ethical practice of companies. This includes environmental concerns, cotton and textiles and animal rights. These factors are not included in this survey.

Our methodology is not perfect

Our profiles can be as much a measure of the effort individuals within companies put into their responses as the effort being put into actual work. This is not a bad thing: transparency and accountability to stakeholders are an important part of ethical practice. Still, it is important to look at other sources of information where possible, when making final judgements.

That said, we have attempted to check all the information included in the profiles with those who have a more detailed knowledge of individual company approaches and believe the profiles are based on a limited (but sufficient) amount of opportunities for dialogue.

Arcadia Group

(Burton, Dorothy Perkins, Evans, Miss Selfridge, Topman, Topshop, Wallis and, operationally, BHS)



Responded to survey: Yes

MSI involvement: No

Grade: 2.5 Can offer concrete examples of steps to increase wages in the supplier base, but pilot projects are limited in scope and have significant omissions.

Summary: Arcadia appears to have done little to build on the work outlined in its previous submissions, although the mapping of homeworkers is now under way. Its work is still largely focused on fact-finding and assessment of supply chains.

Position on living wages: *'Arcadia supports the principle of a living wage... This remains one of our four interlinked strategic labour priorities (along with FOA, purchasing practices and vulnerable workers).'*

On AFW Arcadia told us, *'We note the progress that they [the Asia Floor Wage Alliance] ... have made with the question of how to calculate a living wage... We are however concerned about aspects of the methodology. For example we would like to understand the reason for selecting a food basket of 3000 calories, which exceeds other benchmarks, and why the methodology excludes employee and state benefits...'*

'In our view the most effective change would be for governments to review minimum wages, adjust them to a living wage where appropriate and enforce these.'

Living wage benchmark: Based on research from War on Want carried out in 2009, Arcadia is benchmarking a living wage at 5333 taka in Bangladesh. This is roughly half the figure calculated by the Asia Floor Wage. War on Want's most recent report 'Stitched up' estimates that the average monthly household expenditure in 2011 has increased to 8896 taka.

Position on freedom of association: *'We are aware that issues... take place partly due to the absence of worker representation in factories. This leaves workers with either a lack of awareness of what they are entitled to or the inability to claim it.'*

Work so far on living wages: Arcadia has continued work on a wage survey in Bangladesh outlined in our 2009 report, although this is still not completed. Results so far suggest that 4996 taka is a typical salary and is sufficient for workers to save. Arcadia has also been monitoring the implementation of the new minimum wage in Bangladesh, including use of downgrading to avoid new minimum wage rates.

As part of a DFID sponsored programme (see below), Arcadia has been carrying out factory needs assessments in India and Bangladesh.

Work on freedom of association included the issuing of right to organise guarantees with help from the ITGLWF. This was included in payslips, and posted on notice boards and monitored in audits.

Work on homeworkers' wages was mentioned, including a mapping exercise on the use of home working in supply chains, measuring of wage levels, and support for workers in accessing artisan cards to allow the claim of state benefits.

Some work on purchasing practices was detailed, including a training programme for buying, design and merchandising teams, and supplier reviews.

Plans on living wages: Arcadia will be working with a number of other retailers on a DFID sponsored programme to develop management skills in supplier factories, allow workers to communicate their views, enable managers to understand needs and aspirations of workers, and support negotiation of improved wage packages.

Some starting details of a separate project, incorporating purchasing practices, open costings, freedom of association, and the living wage were also provided.

Other significant information: Arcadia is working to support vulnerable workers through a project with suppliers in Mauritius and UAE to improve recruitment and employment practices with migrant workers.

Arcadia is also looking to develop best practice guidelines on the use of contract labour in India. Their work in Mauritius, India and Bangladesh on the recruitment of migrant and contract labour included work with government stakeholders.

Our comments: Arcadia deserve credit as one of the few companies to have taken a concrete step to support freedom of association through the issuing of Right to Organise guarantees. However, this needs to be supported by more proactive work with local trade unions if it is to move beyond a paper exercise.

Aside from this, the work being done on living wages is somewhat underwhelming, and seems largely limited to surveys and assessments. For example, given that Arcadia has a very small sourcing base in Bangladesh, it is telling that it has yet to complete a simple survey begun almost two years ago.

Arcadia continue to question the Asia Floor Wage methodology, claiming the calorie measurement for food needs is too high and that state and employee benefits should be included in the calculation. The fact is that few workers are entitled to such benefits and those working at least 45 hours a week should not be dependant on state support to meet their basic needs. The calorie calculation takes into account the fact that the 'average' person doesn't work such long hours and is able to consume a more varied diet. Workers will require a slightly higher intake, particularly as their diet is usually very limited in protein.

We agree with Arcadia that government have a role to play in setting minimum wages at a livable level. For this to happen, though, the buying decisions of big brands would have to change to support a race to the top rather than a race to the bottom. Arcadia cite their attendance at stakeholder meetings with government officials in Bangladesh, Mauritius and India. The extent to which these platforms were used to push for government-led increases in local minimum wages is however unclear. Arcadia gave little evidence of addressing its own buying practices to support such a change.

Given that none of its projects have gone past the research stage, or beyond one or two suppliers, it is difficult to judge Arcadia's commitment to intensifying the company's focus on living wages. The two projects Arcadia outline for next year, however, do look interesting. We hope this is a sign that Arcadia is planning to move from good rhetoric to concrete action.

Asda/George



Responded to survey: Yes

MSI involvement: Yes; Ethical Trading Initiative (ETI).

Grade: 3 Can offer concrete examples of steps to increase wages in the supplier base, but there are either significant omissions or there is no clear plan to move beyond pilot projects.

Summary: Asda's 'Lean' manufacturing programme in Bangladesh is expanding, and can demonstrate some wage improvements. Asda has also made a public commitment to address the price it pays for goods and include a calculated labour cost in this amount. But more work needs to be done to involve unions in the process and empower workers beyond consulting on their opinions..

Position on living wages: *'We recognise that the industry face a big gap on pay benchmarks between a minimum and living wage. We have started a journey to close that gap that takes into consideration the needs of the workers.'*

Living wage benchmarks: None given. Asda said the following in regard to the AFW: *'[Asda] support the principle of what the Asia Floor Wage has set out to achieve. A mechanism and methodology for assessing wages and how this translates to achieve a standard of living across multiple sourcing locations. We do believe however that there should be more dialogue between the AFW and retailers as to how we move forward together.'*

Position on freedom of association: *'Improved dialogue between workers and management is essential and forms a major part of the Lean project [this is the name of Asda's factory programme – see below] ensuring workers are at the forefront in the decision making process and driving these changes within the factory.'*

Work so far on living wages: Learning from Asda's 'Lean manufacturing' pilot projects in 4 factories is now being replicated in 17 factories in Bangladesh. These factories produce collectively \$150m of export product.

The programme aims to '...empower the local workforce through improved skill levels; Improve and re-engineer production flow; Increase earning potential for workers, enabling them to enter skilled pay-band levels; Reduce working hours to ensure a better work/life balance'

The results: *'Our pilot scheme in Bangladesh has been so successful we're going to roll it out in factories in India and China. It has achieved:*

- 1 A 14 per cent increase in wages
- 2 A 10 per cent drop in absenteeism
- 3 A 5 per cent drop in labour turnover
- 4 A 17 per cent increase in efficiency.'

Average current wages in the 4 original 'Lean' factories are TK 6300, TK 3500, TK 3900 and TK 3,900. The Asia Floor Wage for Bangladesh is over TK 10000.

The Ethical Trading Initiative rated Asda as a 'leader' in terms of its alignment of ethical and commercial practices in 2010 and praised its work on purchasing practices.

Plans on living wages:

'Over the next 2 years:

- *George plan to build SMV's [Standard Minute Values] into open costings based on the report issued by Prof Doug Miller.*
- *Conduct independent research into monetary value for a SMV that applies to each country we source from and link what we pay for a garment to a wage ladder*
- *George wants to build up Industrial Engineering capacity within our supply chain to meet these challenges*
- *George stable supply base will help support the project. Top 15 suppliers = 42% of total turn over*
- *Engage with a leading NGO and Trade Unions to gain worker feedback on the impact of Lean.'*

Furthermore:

'We have set ourselves the target of including Sustainable labour costing for all our core volume lines by 2013. This type of product accounts around 30% of our volume.'

Our comments:

Asda's work on its 'Lean' factory programme has progressed since 2009 and wages have gone up. But not by much. 'Lean' is achieving a 14% average increase in wages. For workers who started out on the minimum wage (which is a third of the living wage in Bangladesh) this boost isn't enough.

This is why Asda's commitment to assess the price it pays is so important. We're glad that it is addressing this issue in collaboration with a top academic on the subject, and is now planning work to address the obstacles they face in this assessment. This is a vital step in working towards closing the wage gap.

Asda has yet to decide what its wage benchmarks are going to be. Without this information we are unsure that its price commitments will work towards what workers would class as a living wage. Asda has chosen not to back the Asia Floor Wage – a wage calculated by workers and their representatives – but rather to calculate its own. These benchmarks need to be made public if they are to be credible.

We also have some concerns about Asda's approach to freedom of association. Worker involvement in the 'Lean' project seems to focus on consultation and workers' committees – an approach which in our eyes often strips workers of the real power to call for change with the solidarity provided by the worldwide union movement. Asda is keen to emphasise that the philosophy of 'Lean' is based on worker involvement but asking workers to input into production changes is not the same as giving them space to raise concerns about working conditions.

Some plans have been made to provide training on rights with some local unions, but this doesn't go far enough. Asking suppliers involved in their productivity programmes to sign access agreements with local unions would be a good start.

It is worth noting, too, that an ActionAid report from May 2011, 'The Real Asda Price', found that workers at Asda's 4 original 'Lean' factories in Bangladesh reported harassment (slapping and having their hair pulled) and regularly working 60 hour weeks. This brings some of Asda's comments about the success of their pilot scheme into question and, for us, highlights the need for more work on real mechanisms allowing workers to stand together and organise to raise their concerns. It would seem that the current workers' committee mechanism is failing.

Aurora Fashions

(Coast, Oasis, Warehouse)



Responded to survey: Yes.

MSI involvement: No.

Grade: 2.5 Can offer concrete examples of steps to increase wages in the supplier base, but pilot projects are limited in scope and have significant omissions.

Summary: Aurora is one of the few companies to have set out clear benchmarks to work towards, but its work is largely limited to wage surveys and productivity programmes. There is little evidence of collaborative working, which could assist a smaller brand such as Aurora to punch above its weight.

Position on living wages: *'Wages should always be enough to meet basic needs and to provide some discretionary income.'*

'We have not formally endorsed the Asia Floor wage figure for China.... we consider it is down to workers themselves to decide what constitutes a living wage. However.. we recognise this figure provides a useful benchmark'

Living wage benchmarks: Asia Floor Wage, China, figure: 1842 RMB

Position on freedom of association: *'Where there are no workers committees we require factories in China to operate health and safety committees with worker representatives. The primary purpose..is to allow workers to raise concerns with management and encourage a positive dialogue between both parties.'*

Work so far on living wages: Aurora has focused most of its living wage strategy on China, which produces a significant amount of product for their brands. Most of this work has involved a productivity programme in its largest supplier factory. This involves a focus on increasing the number of pieces made per worker by reducing 'non-productive time.' As piece-rate workers this should enable workers to earn more within normal working hours. According to Aurora *'wage data shows that 90% workers take home wages that are equal to or higher than the AFW figure. Therefore the aim of the project is to reduce working hours whilst maintaining/improving wage levels through productivity improvements.'* The project also involves collection of baseline data to help ensure productivity gains are passed on.

Aurora is also conducting a wage survey amongst its suppliers and has done surveys amongst workers themselves to establish what they would consider to be a living wage. As part of this project it is also *'providing guidelines to factories on setting up {of workers} committees...Within our supply chain these committees are at different stages of development.'*

Plans on living wages: Aurora plans to deliver a training programme to buyers, designers and merchandisers to raise awareness of the impact of buying practices, including long hours and overtime.

Other significant information: Karen Millen, previously part of the Aurora Group, has now become an independent company. Karen Millen continues to share the same owner as Aurora and its trading strategy, policies, auditing and monitoring programmes are identical to the other brands. With the exception of the pilot project, all parts of the living wage strategy apply to Karen Millen too.

Our comments: The fact that Aurora has set benchmarks for living wages is a positive element to its programme, one missing from many brands' work, and its decision to consult workers on living wage figures at least gives space for workers to discuss this issue.

It is positive in its assessment of the wages earned by workers in its Chinese supply chain, but these wages do include overtime pay. Aurora states that the level of overtime carried out by workers varied by month and worker and that often there is little or none. Whether levels of overtime are constantly high, or just occasional it is important that living wage assessments exclude overtime pay if workers are to be guaranteed a decent wage each month.

Aurora's decision to focus on China makes any work on genuine freedom of association difficult and we hope that the model it is using here isn't translated to countries where freedom of association is not limited by law. The provision of guidelines may not be sufficient to avoid management-controlled committees that do little to provide a voice to those they aim to represent. It is also unclear how or if these workers' committees are brought into the design and implementation of productivity programmes: an essential first step to ensure that workers simply aren't asked to work harder for their money.

Aurora insists that its productivity programmes are not based on working harder and longer, yet their main focus is to reduce 'non-productive time' and wage gains are based on more pieces made in a shorter period. Aurora tells us this is about working smarter not harder, and that they will continue to speak to workers to ensure workplace pressure isn't excessive. It would be easy, however, for such efforts to translate into greater pressure on workers, particularly if they themselves are unaware of why these changes are being made. Aurora needs to ensure that worker involvement is embedded in the project and that any concerns raised by workers are taken seriously and acted on.

Aurora has yet to make a commitment to increasing price made per piece, although the company did tell us that costs have increased over the last year as a result of wage inflation and rising input costs. Aurora needs to establish the extent to which these price increases have led to higher wages and commit to paying prices that allow for a living wage.

Burberry



Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 2 Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.

Summary: Burberry has now taken the step of joining the Ethical Trading Initiative, and it is good to see at least one luxury brand engaging with the issues covered by this report. Burberry's engagement with the living wage is, however, superficial and there appears to be little progress or development in their plans since its last submission in 2009.

Position on living wages: *'Burberry includes, as part of its ethical trading policy, a requirement to ensure that a living wage is paid to all workers involved in the making of Burberry products' and 'All vendors and suppliers contractually agree to pay a living wage to workers.'*

Burberry also told us that it *'actively monitors vendors and subcontractors...to ensure wages are paid in accordance with local law'*

Living wage benchmarks: *'Burberry recognises the Asia Floor Wage or other NGO directed advice as appropriate... We discuss with local NGOs and brand partners what truly represents a living wage in local conditions (e.g. some local services can be more expensive for migrant workers).'*

Position on freedom of association: Burberry includes, as part of its ethical trading policy, a requirement to ensure that freedom of association and the right to collective bargaining are respected. Burberry was keen to state that this was checked as part of the audit process. As part of this process Burberry also *'engages with union representatives when relevant. We support worker negotiated wages and benefits... Where association is sensitive, Burberry promotes worker committees.'*

Work so far on living wages: Burberry is rolling out training for workers on using a Burberry hotline, which workers can call, SMS, email or instant message to report on any issues of concern in Italy, Japan and China. Workers can use hotlines to get information on wage rates and calculations and gain legal advice on rights.

Data collection is being carried out among lowest paid workers and Burberry is engaging suppliers to improve these wages.

Burberry is piloting efforts to support the establishment of worker committees in some suppliers, and includes freedom of association in its auditing to ensure these rights are not hindered. As part of the audit process Burberry *'engages with union representatives when relevant.'*

It is promoting awareness of rights through training events, hotline handbooks and interview dialogues.

Work on purchasing practices was mentioned, including a training event for sourcing and product development directors, and a review of Burberry's critical path.

Burberry has been an active participant in an ETI living wage survey workgroup project that aims to gain a true insight into workers' living conditions. This is at pilot stage and the full survey will be undertaken in factories during summer 2011.

Plans on living wages: Burberry is planning work in the following areas:

- Learning from pilot wage studies will be used to work with more suppliers
- Purchasing practices training will be rolled out to the rest of Burberry's sourcing teams.
- Vendor training events will be used more to increase ethical trading awareness
- An increased frequency and depth of wage related conversations will be encouraged in sourcing relationships.
- Efforts will be targeted on realising improved management-worker dialogue through worker committees.

Other significant information: Burberry is carrying out work to introduce and monitor capacity building training programmes and to understand the root causes of excessive overtime and wage concerns.

Burberry mentioned that employees regularly attend CSR forums on the subject of living wage among other issues and works with a network of small quasi-NGO or labour rights focused social audit firms.

Burberry is also a member of Business for Social Responsibility and "fully participates in various BSR work groups including Beyond Monitoring (to improve factory labour conditions) Mills and Sundries (to roll out labour assessments and continuous improvements in raw materials production sites) and the Sustainable Luxury Brands Working Group.

Our comments: Burberry deserves some credit for being the only luxury brand that actually acknowledges the need for workers to receive a living wage. However, the work being done is quite limited and does little to address the four pillars required to develop a sustainable and effective living wage programme. Currently, it is unclear what benchmarks Burberry uses to assess a living wage, as it states that it recognises the Asia Floor Wage, but also moderates this with advice from other brands and organisations.

The worker hotline appears to be drawing attention to some problems faced by individual workers, but is limited in addressing more systematic problems and carries the risk that collective worker action is replaced and undermined by the focus on individual complaints.

Burberry has stated a preference for trade union representation and mention its insistence that suppliers join ILO programmes where appropriate. Its decision to involve trade union representatives in audit processes is also to be commended, though Burberry needs to be more active in this area. Where trade unions are legally able to operate Burberry should be working with them to train and organise workers on and around their rights to organise. It should not be promoting workers committees where freedom of association is permitted by law.

Burberry mention consultation and research with a wide variety of NGOs, but dialogue is not a substitute for genuine collaborative working and action. Of course, as a luxury brand, Burberry may have different supply chains to the high street brands, but we would like to see them use their membership of the ETI to start implementing practical programmes alongside other retailers that have payment of a living wage as a focus.

Debenhams



Responded to survey: No

MSI involvement: Yes; ETI.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Summary: No work to speak of. This company did not respond to our request for information, and has limited information on its website. Debenhams is a member of the ETI and therefore has publicly accepted the need to pay a living wage. There is, however, no evidence of any work towards this goal so it remains a paper commitment.

Fat Face



Responded to survey: No

MSI involvement: Yes; ETI.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Summary: Fat Face is a relative newcomer to ethical trade, and states this clearly in its submission. As an ETI member it does now have an opportunity to learn from others who have been working on this issue for a while

Position on living wages: Fat Face told us '*We know we have a lot of work to do...however you can be assured that we are taking the issue of a living wage very seriously and would like to work with you where we can to make a difference.*'

Living wage benchmarks: None given.

Position on freedom of association: As an ETI member Fat Face is signed up to the Base Code committing the company to uphold freedom of association, but this was not mentioned in its submission.

Work so far on living wages: None mentioned.

Plans on living wages: Fat face told us: '*We have recently decided to invest significant resources towards building a sourcing team that will allow us to become more effective*' and that '*Our objectives have always been honourable; now we are about to build much more detailed and specific plans towards improving our performance and impact in the areas you detail in your paper.*'

Our comments: This is the first time we have invited Fat Face to submit to the Clean Up fashion report and we welcome its apparent openness to developing work in this area. However, for workers on the ground good intentions mean little and Fat Face needs to start taking practical steps as soon as possible. We look forward to seeing how its work may have progressed in the next report.

French Connection



Gap



Responded to survey: Yes.

MSI involvement: No.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Summary: French Connection has more or less given the same submission as 2009. It shows no inclination or understanding of the need to work towards living wages in its supply chain.

Position on living wages: *'We recognise that local statutory minimum wages do not necessarily represent a living wage. Where we have looked into wage levels in facilities we use we have found that the rates paid compare well with legal minimums and living wage benchmark comparisons.'*

Living wage benchmarks: None given.

Position on freedom of association: French Connection's code of conduct states that *'employees should be given the right to free association.'*

Work so far on living wages: None.

Plans on living wages: None.

Other significant information: French Connection says it specifically *'avoid(s) suppliers or regions where the employment or environmental practices are believed to be below acceptable standards... This means that typically we use facilities in China, India and Turkey and not other lower-priced sources of supply in Asia.'*

It has been Labour Behind the Label's experience that there are no regions that are beyond reproach in the way that French Connection suggests.

Our comments: French Connection continues to believe that simply issuing a supplier guide is enough to discharge its responsibility for ensuring conditions are upheld for workers in its supply chain. This simply isn't the case and falls far short of due diligence in tackling the very real and complex issues involved in improving wages and conditions.

French Connection's naivety is clearly shown by its belief that sourcing from China, India and Turkey somehow makes its production beyond reproach. Joining a multi stakeholder initiative such as the ETI, or the Fair Wear Foundation would be a good step and would go some way toward helping it become aware of the living wage debate, among other issues.

Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Summary: Very disappointing. Gap received one of the highest grades in 2009 for its extensive plans to integrate worker and trade union representatives into the process of building a living wage, but this plan has now been discarded and little evidence given of any concrete plans to improve wages in the future.

Position on living wages: *'We remain deeply committed to workers being paid a legal wage that is aligned both with national laws and with the Ethical Trading Initiative Base Code. We are aware that a minimum wage does not necessarily translate into a basic needs wage, but as you are aware, there remain instances in the apparel sector where certain factories find ways to deviate from abiding national labor laws around the minimum wage. As such, we have chosen to focus our efforts on identifying and subsequently addressing instances where factories are not in full accordance with our own COVC [code of vendor compliance] and with national labour laws.'*

Living wage benchmarks: None given.

Position on freedom of association: *'Respect for workers' right to organise so they are able to negotiate better wages, should they choose to do so is, in many parts of the world, a crucial antecedent to delivering basic needs wages.'*

Work so far on living wages: Gap decided to abandon its previous work on living wages: *'Following in-depth analysis... we concluded that our plan was not the most effective one available to us. There remained fundamental building blocks that needed to be put in place in some of our factories that we felt required attention before pursuing a pilot project, and the global economic crisis created conditions in which rolling out a new, long-term research project with suppliers was not feasible.'* Doubts as to the sustainability of the project *'without broader industry support'* were also raised.

Gap has carried out a review of its purchasing practices, in collaboration with Women Working Worldwide. This has included changes to how suppliers are rated using a traffic light system, training for in-house design and planning teams on social responsibility, and a study into short lead times. Buyer training on the impact of buying decisions is also ongoing.

Gap cited some trainings for suppliers on key issues around freedom of association delivered in partnership with the international garment workers union (ITGLWF) in India, Indonesia and Sri Lanka. A partnership with SEWA, a home workers union in Northern India, was also mentioned.

Some engagement with ETI working groups was also mentioned.

Gap
Continued

H&M



Plans on living wages: None.

Responded to survey: Yes.

Other significant information: Gap plans to refocus work on 'vendor development' to 'lay the foundation for a more sustainable approach towards long-term improved wages.' 'By helping our suppliers develop key management systems and human resource systems, which we have found to be precursors to sustained compliance with our COVC, we are confident we will see a continuous minimization of social compliance violations, and a continuous rise in workers' ability to confidently dialogue with management about their needs, including wages.' The vendor development programme will involve HR training, management systems to allow better self regulation, and collaboration with other brands to avoid audit fatigue.

MSI involvement: Yes; Fair Labour Association (FLA).

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Our comments: The submission from GAP is highly disappointing and it feels like Gap has gone back to square one in its steps towards a living wage. For several years GAP was one of the companies leading the way in innovative, thoughtful programmes to address serious workers' rights issues, including wages. It has now decided to revert to getting suppliers to 'self regulate' and 'avoid audit fatigue.' Its move away from active engagement with ethical issues back towards compliance is bad news for workers, who are unlikely to see any kind of gains from such an approach.

Summary: H&M has a clear approach to addressing wages - that sustainable wage improvements should come from an increase in national or industry standards, or should be negotiated between workers and management. We agree in principle, but this will take some time, and H&M's projects, which measure success based on achievement of minimum wages, do not show evidence of delivering a living wage for workers any time soon.

The reasons given for abandoning its promising project plan seem to be the lack of broader industry support for the involvement of trade unions in wage improvement. As a member of the ETI, Gap could have taken this forward in collaboration with a number of other retailers keen to work in this area, but has shied away from the problems it would inevitably encounter. This is disappointing.

Position on living wages: 'Our minimum requirement is that employers shall pay at least the statutory minimum wage, the prevailing industry wage or the wage negotiated in a collective agreement, whichever is higher... However we think that wages for standard working hours should meet the basic needs of workers. Therefore we see it as part of our responsibility to contribute to ensuring that above standards define wages that are enough to live from.'

Gap plans to work on developing good management and human resource systems with suppliers, which are needed. However, Gap supplied no evidence of plans to translate this work into real wage gains for workers. More worryingly, it states its intention to focus mainly on the achievement of compliance with minimum wages. This shift seems to suggest Gap has given up any plans to work towards providing living wages to workers in its supply chain altogether. We hope this isn't the case.

Position on freedom of association: 'We agree with your statement that sustainable wages are best delivered through good industrial relations. We consider efforts to strengthen social dialogue that go beyond auditing as essential to promote freedom of association and collective bargaining... We believe and support that sustainable wage development is achieved by negotiations in good faith between employer and employees' organisations.'

Work so far on living wages: China

'In China our main focus has been on ensuring that workers receive correct wages and that wage systems become more transparent.' Work in this area included labour rights seminars with 40 suppliers on legal duties; HR support for 46 factories; work on contracts and payslips; monthly factory reporting requirements; and target setting for factories working towards 'sufficient wage systems.'

The results: 'Our data shows that workers are now essentially getting the correct minimum wage per hour worked.'

H&M

Continued

Bangladesh

On Bangladesh, H&M said: *'We see that statutory minimum wages, sector standards, and preferably collective agreements, are the only realistic systems to achieve sustainable development of wages across an industrial sector. We also believe that these systems must define wage levels that are enough to live on.'*

Some evidence of lobbying of the Bangladeshi government to improve minimum wages was given.

Plans on living wages: H&M prepared the ground for an industrial relations pilot in Bangladesh this year. The project's objective will be to *'contribute to the development of industrial relations in the ready made garment sector in Bangladesh [and] ... to inspire other brands to work in the same direction.'* A wide variety of stakeholders were consulted including international and local union groups and NGOs. The pilot project is due to be launched in autumn, reaching 10–12,000 workers.

'The project is aiming for elected workers to perform a dialogue with the employers. In the long run the aim is that they will perform more advanced negotiations through workers' committees or if they choose so join a trade union.'

'If the pilot, which will run for approx. 12-18 months is successful we will roll it out in a larger scale in our supply chain in Bangladesh.'

H&M also plans to carry out some research into the *'fair wage concept'* approaches together with the Fair Labor Association and Daniel Vaughan-Whitehead of the ILO. The research will cover a high number of units covering several large production countries, and aims to consult on 12 wage proposals.

'Our aim and ambition is to create a sustainable solution where factories support a regular wage negotiation with full transparency to their workers on how wages are calculated and what the wages are based on. We believe this will lead to a sustainable solution for all involved, creating better wages for workers and better stability for factories.'

A preliminary pilot in 6 units has already been carried out.

Other significant information: Engagement with an FLA project to improve worker-management communication systems in China was mentioned.

Training videos on rights for workers in India and Bangladesh were produced and viewed by 115,000 workers and management. Training for workers' committees in India to encourage more effective function were also delivered.

H&M have carried out some work on purchasing practices: commitment to long term relationships with suppliers; price transparency initiatives; training for suppliers; and

training for buying and merchandising teams were all mentioned.

H&M participates in the ILO's 'Better Factories Cambodia' scheme, and ILO 'Better Work' schemes in Indonesia and Vietnam.

Our comments: In many ways we support H&M's approach towards wage improvement. We agree fully that the most sustainable of wage improvement projects are delivered through government regulation and good industrial relations but, although there are some examples provided of work with trade unions both internationally and nationally, there is little systematic work being done to support freedom of association within H&M's supply chain. There is some evidence that H&M has engaged with governments on the wages issue, but again this seems limited.

While good industrial relations and strong legislation remain far from the norm in the garment industry, brands and retailers must be more proactive in their work to improve wages. On this, H&M has set its goal posts too low. The majority of its work focuses on achieving legal compliance with minimum wages, and its code only requires compliance with these minimum standards – no aspiration to improve on this is given.

H&M provided some detail of a new project to research wage levels within factories, assess factories on different factors that contribute to wage levels currently paid, and provide data that can be used in wage bargaining. It is clear that this programme is at the very early stages and we wait to see how this 'fair wage' initiative will deliver increased wages. To this end we would urge H&M to complete the 'research and assessment' phase quickly in order to move on to actual improvements in wages.

Important to the credibility and success of such a programme will be the publishing of the different benchmarks being used to define a 'living wage' for each country. This must be based on a calculation of basic needs of workers in each region and not factory by factory. We are also keen to see how H&M plans to address the problems faced by workers when attempting to negotiate a fair wage with their employers.

A living wage will only really be achieved via a combination of retailer initiatives to work on price, buying practices and freedom of association, alongside efforts to lobby in-country governments and support mature industrial relations. The 'retailer will' side of this equation is missing from H&M's submission.

A first step would be for H&M to settle on a definition of a 'fair wage' and enshrine this within its code, after which it needs to work towards plans to deliver this to workers.

Hobbs



Responded to survey: No.

MSI involvement: No.

Grade: 0 Does not accept the principle of a living wage.

Summary: This company did not respond to our request for information, and makes no information available on its website. It is therefore safe to assume the worst – that it has no engagement with ethical trading at all.

Inditex

(Zara, Massimo Dutti, Pull & Bear, Bershka)



Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 3.5 Can offer concrete examples of steps to develop and implement a living wage methodology in the supplier base, with clear plans to move beyond pilot projects.

Summary: Inditex is the only brand to have signed a framework agreement with the international textile union federation. This commits Inditex to work in partnership alongside unions to ensure freedom of association and a living wage is delivered in its supply chain.

Position on living wages: Inditex has made a commitment to pay living wages. This is written in its code of conduct, is verified by its ETI membership, and forms a core part of its framework agreement (FA) with the International Textile Garment and Leather Workers Federation (ITGLWF).

The framework agreement commits Inditex to work with the ITGLWF on ensuring compliance with the living wage.

Text from the agreement reads *'ITGLWF will work with Inditex to help secure full compliance either with the standards set out in the international instruments mentioned above, the Inditex Code of Conduct for External Manufacturers and Suppliers and the ETI Base Code, namely:... 5. Living Wages shall be paid.'*

Living wage benchmarks: None given.

Position on freedom of association: *'Inditex truly believes in the promotion of mature industrial relations at all the stages by encouraging social dialogue either at factory level or at international level with our natural counterparts...'*

This position is supported by the fact that Inditex is the only brand to have signed a framework agreement with the International Textile Union Federation (ITGLWF). This guarantees the right to freedom of association throughout the supply chain and commits Inditex to working with the ITGLWF to ensure freedom of association is properly respected, and living wages are paid.

Work so far on living wages: Inditex has been working with Northumbria University on research into labour costing, putting forward the case and a model for using labour costing to address problems of wage defaulting and failure to pay a living wage. It has also worked with the ITGLWF on several interventions to prevent conflict and resolve freedom of association and collective bargaining violations.

In its submission it also mentions involvement in the ETI living wage group and active participation in the UN Global Compact Supply Chain Advisory Group which *'aims*

Inditex

Continued

Jane Norman



to deliver "sustainable supply chain guidelines" which includes the need to implement the living wage concept.'

Inditex stated its commitment to the proposals raised by the Asia Floor Wage and mentions participation in meetings in Bangladesh to advance the determination of a correct living wage for Bangladesh.

Inditex has also provided training to sourcing and design departments in order to raise awareness of wage defaulting and living wages, to enable these departments to combine proactive preventative action with corrective action plans.

Plans on living wages: Inditex plan to implement the following projects:

- *'...A pilot project together with the ITGLWF... to promote the sustainable payment of the living wage in appointed suppliers.'*
- *'Development of a specific monitoring programme... to increase assurance that all suppliers are complying'* with the living wage clause in Inditex's code of conduct.
- Development and implementation of a model for sustainable labour costing.
- A campaign across other international brands to create the necessary critical mass within the industry to promote the establishment of living wages in shared suppliers.
- Development of a purchasing practice programme focused on key sourcing teams together with external experts.

Our comments: In many ways Inditex's submission is quite impressive. It is involved in work to address pricing issues, is at the forefront of work to address freedom of association and is working with trade unions, academics, and other industry actors to deliver its commitments. It deserves special credit for being the first brand to sign a framework agreement with the ITGLWF, thereby institutionalising its commitment to freedom of association.

All of these actions have the potential to provide a solid framework for addressing fundamental supply chain issues in a systematic way. However, there is little detail in the submission about concrete actions within supplier factories to increase current wages to living wage level; no detail on current wage levels; and no benchmarks or strategies in place for increasing wages on the ground.

Now that Inditex appears to have the right building blocks in place – a working, constructive relationship with the international union, plans for costings that allow for a living wage and involvement in various industry and multi-stakeholder initiatives – it is time for Inditex to start translating good steps at the international level into practical work on the ground to ensure this translates into genuine improvements for workers. It would also be useful for Inditex to provide some information on concrete impacts this work has had so far; some positive facts would strengthen the case for the kind of institutional work Inditex are doing.

We note that the company's future plans include pilot projects with the ITGLWF on living wages and a project to implement costings. We look forward to hearing the outcome of these next year.

Responded to survey: No.

MSI involvement: No.

Grade: 0 Does not accept the principle of a living wage or does not accept responsibility for ensuring that living wages are paid.

Summary: This company did not respond to our request for information, and makes no information available on its website. It is therefore safe to assume the worst – that it has no engagement with ethical trading at all.

Levi Strauss & Co.



Responded to survey: Yes.

MSI involvement: No.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Summary: Levi Strauss has now slightly updated its code to acknowledge the right to a living wage, but continues to use minimum wages as its benchmark. It has included in its submission work to support infrastructure that could lead to improved rights to freedom of association, and government lobbying in Bangladesh and Cambodia. The direct work being done with its suppliers, however, remains very limited.

Position on living wages: Levi Strauss & Co believes *'everyone who works has the right to wages ensuring a standard of living adequate for the health and well-being of themselves and of their family including food, clothing, housing and medical care and necessary social services'*

'Within our supply chain, we will: ensure our contract suppliers provide local minimum wages or prevailing industry wage, whichever is higher, as well as required overtime premiums and benefits...'

Living wage benchmarks: None given.

Position on freedom of association: Levi Strauss says that it strongly supports a worker's right to establish and join organisations of his or her own choosing, including trade unions. *'Within our supply chain we will: ensure our suppliers respect freedom of association and collective bargaining.'*

Work so far on living wages: The only work Levi Strauss outlined that explicitly includes increasing wages as an aim was a wage and productivity project with four Chinese suppliers. Levi Strauss told us that, across the four factories, working hours were shortened by 12–15% and average wages increased from 20–44%. No information was provided on how workers were involved in the design and implementation of the programme, if they were, or the mechanisms used to ensure productivity gains were passed on.

Levi Strauss mentioned some work to resolve freedom of association violations in Cambodia, Haiti and Mexico, although the Haiti case dates back several years and no details of the outcomes in Cambodia and Mexico were provided. It also provided financial support to trade union capacity projects in Vietnam and the Cambodian Arbitration Committee, although it is unclear if this has or will translate to direct improvements in its own supply chain.

In line with the company's view that governments should be responsible, Levi Strauss has engaged with governments in Bangladesh, Cambodia and Mexico on minimum wage and freedom of association.

Plans on living wages: Levi Strauss is planning some pilot project work to replicate and scale wage and productivity programmes. One project is now being considered in Cambodia. In May, a plan to establish a new *'terms of engagement'* for the company's ethics was announced. It plans to *'move beyond a compliance model of "do no harm" towards supporting factory based programs that will help empower workers to improve their lives.'*

As part of this announcement the company stated that it plans to *'work closely with governments, unions, industry associations, and other stakeholders to figure out how we can raise wages across the industry. We look forward to a robust dialogue with our stakeholder group on this topic to find potential solutions we can pilot in the new Terms of Engagement.'*

Other significant information: Other work mentioned by Levi Strauss included the development of performance ratings based on some ethical considerations, joining the ILO 'Better Factories' programme in Cambodia and supporting 'Better Work' capacity building, monitoring, remediation, worker education programmes in Haiti, Indonesia, Lesotho, Nicaragua and Vietnam. It also mentioned the provision of financial education to workers and micro credit programmes.

Our comments: Levi Strauss is less adamant this year in its refusal to accept responsibility for wage levels, but its submission shows that the direct work being done with suppliers to implement higher wages remains very limited. In line with its belief that governments and markets should set wages Levi Strauss has done some lobbying work toward the Cambodian and Bangladeshi governments, but has also been embroiled in a controversy over the raising of the minimum wage in Haiti. Although Levi Strauss denies that its supplier was involved in business moves to oppose the minimum wage law this year, it seems it missed the opportunity to publicly advocate an increase. Levi's itself points out that it only has one supplier in Haiti (mentioned above) and that the minimum wage law was passed anyway. We would, however, like to see more public support of minimum wage increases in supplier countries from companies like Levi Strauss which continue to rely on legally set standards as core wage policies.

Some of the information in the Levi Strauss submission was fairly old. For example, the resolution of the Haiti case took place in 2005 and yet, it is included in their 2011 report. It would be helpful for Levi's to ensure that they are clear on the time frame of activities they are reporting on.

Like many companies, Levi Strauss have been wooed by the win-win-win arguments of productivity proponents. Its only project which directly links to wages in its own supply chain is, therefore, almost entirely productivity focused. It claims this programme has reduced working hours and increased wages. However, there were no concrete figures to show whether suppliers are meeting living wage levels and no details given on how, or if, workers were involved in the design and implementation of the project.

Overall, Levi Strauss's work continues to push responsibility on to other actors and away from its own actions. Its purchasing practices work focuses on pushing suppliers to perform better, its freedom of association work focuses largely on financial support for the ILO and its wages work focuses on limited government lobbying and teaching workers to manage their finances better. Any meaningful Corporate Social Responsibility work must also examine the impact of a company's own actions. We would like to see more evidence of Levi Strauss & Co taking responsibility for its own purchasing decisions, including pricing, taking practical steps to support freedom of association in their supplier factories and working with others to design and implement programmes that aim to deliver real, measurable changes for workers producing Levi Strauss goods.

Limited Brands

(La Senza, Pink, Victoria's Secret)



Responded to survey: No.

MSI involvement: No.

Grade: 0 Does not accept the principle of a living wage or does not accept responsibility for ensuring that living wages are paid.

Summary: This company has a sourcing and labour standards policy which it displays on its website, but it is not developed enough to have considered living wages.

Position on living wages: This company does not support a living wage. Its policy says: *'Payment to workers of the minimum wage prescribed by local law or the prevailing local industry wage, whichever is higher; provision to workers of benefits that conform to the better of applicable local law or prevailing local industry standards; and payment to workers of overtime compensation in compliance with all applicable laws shall be undertaken.'*

Position on freedom of association: From its policy: *'The lawful exercise of workers' rights of free association and collective bargaining shall be respected and not restricted or interfered in, and workers lawfully exercising those rights shall not be threatened or penalized.'*

Our Comments: No response was made to our request for information. Limited Brands' code states that wages must be paid that match national or industry minimum – a figure well below the amount a worker would need to cover her basic needs and provide for her family.

Marks & Spencer



Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 3.5 Can offer concrete examples of steps to develop and implement a living wage methodology in the supplier base, with clear plans to move beyond pilot projects.

Summary: M&S has taken a leadership role on the issue of the living wage by making a commitment to deliver this to workers on a large scale by 2015. It is, however, dragging its heels over publishing figures which give its 'fair living wage' promise a concrete benchmark.

Position on living wages: *'Our publicly published Plan A commitment states that we will: Implement a process to ensure our clothing suppliers are able to pay workers a fair living wage in the least developed countries we source from, starting with Bangladesh, India and Sri Lanka by 2015. We will achieve this by ensuring that the cost prices we pay to our suppliers are adequate to pay a living wage and by rolling out our ethical model factory programme.'*

Living wage benchmarks: No benchmark provided, but the process for settling on one was outlined. The process includes: analysis of actual wages paid currently; establishing transparent costings with suppliers; identification of the labour cost within product cost prices; setting key performance indicators in factories; comparison of all theoretical models on wages; establishing wage ladders; assessment of the wage gap and implementation of programmes to fill it.

Position on freedom of association: *'...We are committed to the principles of freedom of association and the right to collective bargaining. We reiterate the necessity of respecting labour laws, international labour standards and the right to organise and bargain collectively in our global sourcing principles, which have been updated this year and re-published to all suppliers to reinforce this.'*

Work on promoting the business case for FOA at supplier conferences, a DVD of rights information, and training for workers on dialogue with management was also mentioned.

'The DVD addresses workplace representation... It explains in detail how to set up a workers committee effectively as well as the alternative forms of representation such as Trade Unions & through a case study at one of our suppliers, demonstrates the benefits this has given to workers.'

Marks & Spencer

Continued

Work so far on living wages: M&S's Ethical Model Factory programme in Bangladesh *'is now being implemented in 11 factories with a further 9 starting the programme throughout 2011/12.'* The programme covers 3 elements: worker rights training, HR management systems, and productivity training.

Results so far have seen basic pay, without overtime, increase by 12% - 54%.

'Recent wage analysis in the original 3 factories has shown, that in the best performing of the factories 67% of the workers are now paid over 6000tk per month excluding overtime and the lowest paid worker received on average over 4900tk per month excluding overtime.' Assessment of living wage figures in key sourcing countries, including academic and field research, was mentioned. M&S says it has *'created wage ladders for several countries/regions'* based on this research, but no figures were provided.

M&S is using the monitoring of key performance indicators to encourage and reward suppliers who implement mature industrial relations. On FOA, the criteria states that a site must have: a freely elected Trade union or Worker Committee; worker representatives must reflect the workforce re nationality, gender and temporary workers; all representatives receive training on negotiation, representation and communication skills; monthly meetings take place with management; minutes show action points are taken forward; evidence of collective bargaining on pay and conditions is shown.

M&S is also monitoring a high number of key performance indicators in factories on wages paid, cost prices, absenteeism and staff turn over among others.

On purchasing practices M&S said: *'All senior executive staff including the board and buying teams have a specific ethical trading performance objective in their annual appraisals and are held to account for delivery. 100% of buyers attend Ethical Trading training sessions within the first few weeks of joining the company...'* and *'In addition, buyers in the UK and our regional offices have been trained in the use of the cost model referred to above including explanation of the provision of the direct % labour cost included in our cost prices.'*

M&S's work on labour standards for homeworkers has included participation in the ETI group, a database for tracking homework, and the setting up of sourcing relationships with homemaker co-ops in the Philippines and India.

Plans on living wages: M&S plans to roll out the Ethical Model Factory programme in India to 25 factories in 2011/12. As stated in the Plan A commitment, M&S will also work on the calculation of the cost of a living wage within all products by 2015.

Other significant information: M&S has shared the learning from its projects at a number of multi-stakeholder meetings in order to collaborate and upscale learnings.

M&S is also taking part in the 'Benefits for Business and Workers' programme with a number of other brands.

M&S has increased the number of staff in *'regional teams who are deployed locally and regionally and who provide close support for suppliers at a factory level...'*

Position on freedom of association: M&S has made some impressive commitments to the living wage since the publication of our last report. We welcome its published aim to pay a fair living wage to workers by 2015, and to increase if necessary the costs that it pays itself for the production of each garment to cover the wage gap. A clear route map towards achieving a living wage is demonstrated by this. No other retailer has taken leadership on the living wage issue in this way.

Our reservations about M&S's work are centred on the definition, still not published, as to what a 'fair living wage' really means for the company. The process for defining the living wage as outlined seems to depend heavily on what is already being paid and what is feasible, rather than, as we'd hope, the actual figure needed by a worker to live a decent quality of life and provide for her family. Without the figure being clarified the commitment to pay the living wage is meaningless. We are unclear what stage the setting of these figures has reached, as M&S reports that wage ladders have been created, but NGO partners, such as ActionAid, who M&S 'have worked closely with' on this, have yet to hear about them or be consulted. It is vitally important that M&S stops dragging its heels over this as its leadership position has an effect on the progress of other companies.

A further reservation centres around capacity to deliver this resource-heavy, top down programme on the scale that M&S are proposing. We note that M&S have boosted their regional teams in order to sustain the volume of site visits required, but we still maintain doubts about further capacity needed to keep this sustainable. If more trade unions and local/regional stakeholders were involved, of which there so far have been few, this type of mass training and monitoring could be handled more effectively.

M&S's work on freedom of association is, furthermore, thin. Although attempts to monitor and reward positive industrial relations is a good step, more needs to be done beyond trainings to involve both local and international stakeholders such as the trade union movement. M&S also continues to promote workers' committees in places where trade union representation is legal, which acts as a barrier to organising and true worker representation. This needs to be addressed.

M&S has been awarded a grade in the top bracket and we'd expect to see it move up the grades next year if it can demonstrate significant work on freedom of association, and publish its benchmarks.

Matalan



Responded to survey: Yes.

MSI involvement: No.

Grade: 2 Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.

Summary: Matalan seems to be having success with increasing pay through work study engineering and are citing good intentions around freedom of association programmes. However, its submission shows it has a limited understanding of complex issues and Matalan has a long way to go to convince us that its efforts are genuinely improving wages.

Position on living wages: *'Matalan continue to support the principle that workers should be paid a reasonable living wage.'*

Living wage benchmarks: None given.

Position on freedom of association: As part of a project idea to increase wages through support for freedom of association in Bangladesh, Matalan *'plan to reach agreements and put in place non discriminatory policies and procedures for workers to have the right to form or join a trade union of their choice without fear of intimidation or reprisal. We also want to provide worker representatives with the relevant facilities to assist in the development of effective collective bargaining.'*

Work so far on living wages: Matalan has been carrying out efficiency projects in Bangladesh, Turkey and China.

'Matalan have employed the services of work study engineers who have implemented time and motion practices, not only to set real time and motion standards but to demonstrate how being more effective in work can equally reward all parties.'

Results: *'The majority of the pilot production workforces in each hub are earning 3 times their local government minimum salary.'*

The details provided about this project do not, however, allow us determine if they are explicitly designed to address low wages or not.

Plans on living wages: Matalan plan to work with *'non production workers'* in Bangladesh to support freedom of association as a route to a living wage. This project will be designed via a consultation process with representatives from the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), local trade unions, Matalan's technical services controller and country manager, and workers from 4 different product type factories. The details of what this project will involve are to be determined through this process.

Plans to work with homeworkers in India were also mentioned but no detail provided.

Other significant information: *'Over the last 18 months Matalan have employed 16 additional heads most of which are ex pats with a wealth of manufacturing and compliance experience to ensure Matalan's social and corporate responsibilities are adhered to.'*

Our comments: Matalan's efficiency engineering seems to have been very successful. However, no mention is made of consultation with workers over the improvements in the factories, or how the increase in worker salary was verified. Matalan says that it rewards the supplier with a bonus as a result of efficient and on time delivery, and this in turn gets passed on to the workers. In our experience, this trickle-down effect is not automatic unless there is some way of verifying it. It is also unclear if the wages cited by Matalan are based on a normal working week, or the extent to which wages have actually increased to reach this level.

Matalan's proposed work in Bangladesh to encourage freedom of association using a collaborative approach sounds interesting. Some involvement from the national and international union movement will be vital in ensuring freedom of association rights are improved.

No real mention was made of any work on purchasing practices. Progress in this area is vital for an inexpensive fast fashion brand such as Matalan and it would do well to address this as a priority.

Joining the ETI would help Matalan to increase its understanding of the issues and share learning with other brands who are further along in developing living wage programmes.

Monsoon Accessorize



Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 3.5 Can offer concrete examples of steps to develop and implement a living wage methodology in the supplier base, with clear plans to move beyond pilot projects.

Summary: As before, a lot of Monsoon's work is focused on homeworkers. It is also working on concrete programmes to calculate piece rates and is taking some steps to address purchasing practices. Monsoon also seems to be working towards support for worker organising, but falls into the trap of confusing freedom of association and parallel means.

Position on living wages: Monsoon quoted the standard ETI language: *'we are committed to implementing 'living wages' across our entire supply base, including for home workers and sub-contractors...'*

Living wage benchmarks: Monsoon told us that *'We have undertaken our own studies, in collaboration with a local NGO, to help define a 'living wage' in the Indian context and this has informed our ongoing work.'* No figure for this was provided.

Monsoon added that *'We see [the AFW] as a useful methodology to benchmark wage differentials'*

Position on freedom of association: Monsoon said: *'meaningful worker representation at factory level is essential to any living wage strategy.'*

It also told us that *'as part of our code, all workers have the right to join or form trade unions and to bargain collectively. We require our suppliers to take an open attitude towards union activities and encourage them to actively support freedom of association and collective bargaining.'*

Monsoon also gave commitments to reaching measurable targets in this area stating that: *'We are committed to ensuring that 100% of our factories have either recognition agreements with unions or worker representation through parallel means by 2014 and ensure effective worker representation via parallel means at 100% of Chinese suppliers by 2013.'*

Work so far on living wages: Monsoon outlined a number of projects that covered the four pillars we look for in a living wage project. On worker organising and freedom of association it mentioned work to build trade union and NGO capacity to support homeworkers to claim fair piece rates, the negotiation and signing of two recognition agreements in Mumbai and the provision of information gathered from audits to worker representatives in supplier factories.

For homeworkers Monsoon is also piloting the use of piece rate methodology to ensure a fair price can be paid and providing training for home workers on record keeping.

On purchasing practices Monsoon:

- has increased orders to SEWA run embroidery units.
- has committed to continuous sourcing from Bareilly to ensure improvements made in homeworkers' projects continue.
- is asking suppliers to provide open costings to ensure full visibility of labour costs and pricing accordingly.
- is developing an inventory management project to address problems in its

critical path management.

In China, Monsoon is working on a productivity programme, claiming a 20% increase in productivity, all of which has been passed on to workers in the form of increased wages and incentives.

Plans on living wages: Over the coming year Monsoon is planning to work on two DFID funded projects, one with the ITGLWF to deliver recognition agreements and/or worker empowerment in Monsoon suppliers, and one to support weavers in Barabanki. Monsoon also plans to roll out the ETI piece rate methodology for homeworkers across its supply chain.

Other significant information: Monsoon has established an independent complaints mechanism to allowing workers to lodge complaints directly with the company.

Our comments: Monsoon was able to provide good examples of projects that cover all the pillars required for delivering meaningful steps towards a living wage. It is the only company that has specifically mentioned recognition agreements with unions, is taking steps to look at pricing and is doing interesting work to support increased wages and job security for home workers.

Its apparent confusion in regard to the meaning of freedom of association is, however, a major weakness. Monsoon is carrying out work with trade unions, but appears to give equal weight to using parallel means, which could undermine workers' ability to form or join organisations of their choosing. Although the legal restrictions on trade unions in China mean parallel means might be necessary, this is not the case in India. Monsoon should not be promoting the use of workers' committees as a substitute for genuine trade union representation.

Monsoon refute that its position on freedom of association is confused and state it would never promote workers' committees where trade union representation already existed. However, it also sees them as a 'useful first step' where no trade union is present. This is a dangerous position. Workers' committees can actually undermine real, independent organising and prevent unions being formed. If Monsoon is genuinely committed to freedom of association, it needs to work with local trade unions to support them in talking to workers, and enabling them to organise, rather than looking for quick fixes. We hope that its planned work with the ITGLWF will help them progress in this area.

Monsoon's work would also be stronger if it could provide clearer benchmarks in regard to what it considers to be a living wage in its key sourcing countries. In its 2009 submission it was clear that the majority of its work was addressing payment of a minimum wage, still well below the level needed for a living wage. Of course, it is important for workers to at least be earning legal minimums, but companies must have a clear view of what they are aiming for in the long term. It is also unclear how Monsoon can genuinely adjust pricing decisions to take account of the need to pay a living wage without these benchmarks in place.

Monsoon is using productivity to deliver higher wages in China: it would be interesting to know more about how workers are being included in the design and implementation of these programmes and how Monsoon ensure any gains from increased productivity are passed on to workers.

New Look



| | |
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| Responded to survey: | Yes. |
| MSI involvement: | Yes; ETI. |
| Grade: | 3 Can offer concrete examples of steps to increase wages in the supplier base, but there are either significant omissions or there is no clear plan to move beyond pilot projects. |
| Summary: | Some complex work being carried out on fringe benefits, and worker management dialogue, in collaboration with other retailers, but work on freedom of association, which underpins all sustainable wage improvements, is limited in scope. |
| Position on living wages: | <i>'We endorse the principle of living wages for all workers in our supply chain, including those on piece rate, sub-contracted workers, informal and home workers. We note that certainty surrounding jobs and the future in general continues to be a key factor for workers and management which thinking about the concept of living wages. This includes access to social security or savings schemes (where these exist), access to the banking system and greater permanency of employment.'</i> <i>'Our approach is one of incremental improvement towards a living wage.'</i> |
| Living wage benchmarks: | None given. |
| Position on freedom of association: | New Look told us that: <i>'We are committed to the principles of freedom of association and the right to collective bargaining.'</i> New Look acknowledge that <i>'The penetration of trade unions in our supply base is relatively low'</i> and that <i>'for this reason, this year we prioritise the roll out of our worker committee model to factories where there is no active trade union present. Whilst this is not ideal, we believe that an empowered workers' committee can go some way to supporting workers to be able to negotiate with managers on key workplace issues.'</i> |
| Work so far on living wages: | A project New Look started in 2006 with three Bangladeshi suppliers has been working to increase wages and fringe benefits (a savings scheme and free lunches) while reducing overtime. <i>'Taking fringe benefits into account, the average grade 7 worker's monthly package is now consistently worth around 5,712 taka (take-home wage, plus employers contribution to Provident Fund, plus cost of lunches) and the average grade 3 worker's monthly package is consistently worth around 7,508 taka. These wages have increased by 112% and 88% respectively since the project began.'</i> Workers' committees exist in the factories but, <i>'Sadly the factories are not yet comfortable holding elections for representatives.'</i> Work with a further supplier in India focused on contract labour issues, access to state benefits, and wages. All tailors are now on contracts, all contract workers are eligible for benefits, and the use of daily contract workers has been eliminated. <i>'Tailors' wages are now Rs 7,410 for standard time, with total take home of around Rs 9,410, up from Rs 4,888 at the start of the project, an increase of 93%. Workers are now very close to the newly calculated India AFW level of Rs 7,967 within standard time.'</i> On purchasing practices New Look told us that: <i>'Our project work has strongly indicated that continuity of orders and relationship is a key determinant of ability to deliver good labour standards. For this reason we have signed contracts with our top 5 suppliers, responsible for 42% of our business intake cost. Contracts range from 2 to 5 years.'</i> |
| Plans on living wages: | Working with Arcadia, M&S, Mothercare, Tesco, Sainsbury's and Impactt, New Look is |

taking part in a government sponsored programme called 'Benefits for Business and Workers' targeting 110 factories in India and Bangladesh. The project aims to improve factory management and efficiency, human resources, and worker management communication systems.

A 'supply base enhancement initiative' was also mentioned to disseminate learning from New Look's pilot projects *'to reach 450 factories supplying New Look across the world by March 2015.'*

Other significant information: A 60% increase in ethical trading staff in country was mentioned, and New Look's 'ethical champions' programme where 31 staff in design, buying, merchandising and technical departments have volunteered to champion ethical trading across the business.

Our comments: New Look's detailed work on wages in Bangladesh and India is showing good results having increased by over 80% in all cases; the Indian project is coming close to achieving the Asia Floor Wage figure. We are pleased to see a retailer also taking steps to address one of the pressing barriers to wage projects: casual and contract labour. Learning from these projects also looks set to be rolled out to other factories.

A sustained effort over 5 years has brought only incremental progress in these pilot projects which raises concerns about their suitability for roll out. New Look state themselves that, *'factories need considerable technical support on human resources management, business management and productivity techniques to be able to reap these gains.'* We are concerned that this top-down change approach will be resource-heavy to roll out to 450 factories by 2015. New Look clarified that it is now working on a lighter touch model for roll out as part of its RAGS funded project. We look forward to seeing if this can be done and still achieve the same results.

Some work on purchasing practices was demonstrated and New Look's long term commitment to key suppliers is a good step forward. One area not addressed was the issue of price paid by buyers. As these wage projects seek to close the gap between wages paid and the living wage, some work needs to be done to address this issue. New Look should now look at working out how it can ensure its prices allow for a living wage.

To reiterate what was said last year, New Look's tendency to champion workers' committees is a serious area of concern. New Look can provide evidence that it supports trade unions *'where they exist'*, citing work done with the ITGLWF and the ILO in Cambodia. However, where this isn't the case New Look is supporting workers' committees rather than taking steps to enable freedom of association and trade union organising. The use of these committees often undermines the real and sustainable empowerment offered by the trade union movement. New Look admits that the factories are reluctant to allow workers to elect their own representatives, leading us to wonder if the attitude of management towards their employees has really changed through this programme. We recognise that supporting genuine freedom of association is complex, but we expect companies to demonstrate their commitment by taking concrete steps.

Neither in the pilot projects in Bangladesh and India, or the 'Benefits for Business and Workers' scheme was any mention made of work with local NGOs, civil society groups or, most importantly, trade unions. Although collaboration with other brands is important, and laudable, collaboration with these groups is equally vital if New Look's work is to become sustainable.

Next



Responded to survey: Yes.

MSI involvement: Yes: ETI.

Grade: 3.5 Can offer examples of steps to develop and implement a living wage methodology in supplier base, and are making progress with a number of pilot projects.

Summary: Next is working on a project building mature industrial relations in its supply base to create a climate in which wages can be negotiated between management and workers. We believe this approach is the right one and has the potential to secure long term increases in wages. Unfortunately, Next's work is very limited in other areas: without the commitment to address its own purchasing practices or a willingness to set benchmarks it is unclear the extent to which the work will deliver a living wage to workers in the near future.

Position on living wages: *'We are well aware that we do not have an internationally accepted definition of a living wage, or a methodology for calculating one. Whilst the Asia Floor Wage campaign offers strong discussion and benchmark figures, we continue to believe that less emphasis should be placed on finding a universal formula and more on how to ensure wages are increased sustainably through workers and employers engaging in dialogue, enabling mature systems of industrial relations to develop.'*

Living wage benchmarks: None given.

Position on freedom of association: See above.

Work so far on living wages: Next's main area of work has been its Autopilot programme:

'The overriding objective of Autopilot is to develop a way of working across our supply base that will replace auditing and instead will rely on sound management systems covering all aspects of our code.'

'Our strategy is to develop workplace systems with clearly defined roles and responsibilities enabling workers to determine their own needs and priorities and to participate with management in decision making about their workplace. Training and model management systems have been developed to facilitate this form of internal ownership.'

'Throughout 2010 we have actively engaged with a wide range of local stakeholders in our key sourcing locations. These relationships are essential in building the capacity we need to affect long term social change...' Partnerships with national and international trade unions were cited.

On scalability, Next said: *'We always anticipated the first pilot to be very resource intensive and we planned for this and budgeted accordingly. We have been aware from the outset that the eventual scalability of Autopilot will also be a significant challenge and planning for this has been built into the project programme.'* As far as we are aware, 'Autopilot' is only being currently delivered in India.

We asked Next about the projects in China, Sri Lanka and Bangladesh which were the main focus of its 2009 submission. It said: *'All of the pilot projects we outlined in some detail in our previous submission have since been integrated into programmes which form a part of our broader ethical trade strategy.'*

Plans on living wages: *'We have partnered with ITGLWF [International Textile Garment and Leather Workers Federation] as part of the RAGS challenge fund. A significant part of this work is to expand our Autopilot project, as well as to initiate multi stakeholder social dialogue discussions.'*

'Our current strategy is to now focus the resources that will be necessary to deliver solutions to the underlying causes of labour issues.'

Other significant information: Next *'have developed a new internal data and contract management system which has allowed us to increase the support, information and tools needed by our commercial teams to take account of their impact on our suppliers' ability to comply with our code.'*

Next has collaborated within the ETI to share its autopilot work, and with external stakeholders including global and local trade unions, other MSIs and international local NGOs and campaign groups.

Our comments: We agree fully with Next's Autopilot methodology and support its efforts to enable workers to feel empowered enough in their own workplaces to become the agents and enforcers of change. We recognise that establishing genuine freedom of association does take time but if done well it should deliver sustained improvements for workers. Next also seems to be working with a variety of different stakeholders and is sharing some of the learning with other brands.

It seems, however, that Next has moved away from seeing wage improvements as a key element of its project, although it does clarify that Autopilot is designed to replace audits as a method of meeting Next's code and that as wages are part of its code so these will be included. However, as far as we can tell the worker-management dialogue doesn't seem to have reached core issues such as wage improvements. Next need to move forward in this area if these pilots are to provide any useful evidence of how to deliver a living wage via this route.

There was little mention of any work looking at Next's own purchasing practices, with no apparent work to look at labour costings or commitment to increase price where necessary to allow for whatever wage increases workers are able to negotiate. Next told us that its new data and contract management systems aim to align buying and ethical trade practices, but no detail was given on exactly what this would look like in reality. Ultimately if this project is to succeed in the long run Next will need to make clearer commitments on buying practices, including agreeing to stick with its suppliers and take its share of any price increases that may result.

Despite Next's assurances, we still have concerns about the capacity required to deliver this on a large scale as it will be resource intensive. Work with the ITGLWF is the right place to start, and Next's DIFD sponsored project is hopeful in this area, but for this work to deliver wider impacts Next needs to expand its sights beyond individual projects. The signing of a framework agreement with the international union could be an important first step in institutionalising its commitment to continue with the FOA work.

The impact of its programme could also be deepened if Next proves willing to lead the field on freedom of association and start work with other brands to expand the programme. The ETI would be a good forum for this. Next has been awarded a top grade for its innovative work in the field of FOA, and if it can demonstrate significant work on pricing, purchasing practices, and provide clear benchmarks for the living wage levels it is aiming for, we'd expect to see it move up the grades in the next year.

Paul Smith



Responded to survey: No.

MSI involvement: No.

Grade: 0 Does not accept the principle of a living wage.

Summary: This company did not respond to our request for information, and makes no information available on its website. It is therefore safe to assume the worst – that it has no engagement with ethical trading at all.

The Peacock Group

(Peacocks, Bon Marche)



Responded to survey: No.

MSI involvement: No.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmarks

Summary: Peacocks has a code of conduct which it displays on its website, but only commits to pay the legal national or industry minimum wage.

Position on living wages: Code states: *'Wages and benefits paid for a standard working week meet, at a minimum, national legal requirements, or local industry standards – whichever is higher. In any event, wages should always be enough to meet basic needs and to provide some discretionary income.'*

Position on freedom of association: Code states: *'Freedom of Association and the Right to Collective Bargaining are Respected.'*

Our comments: Although it states that wages should be enough to meet basic needs and provide some discretionary income, the company doesn't recognise that this won't be achieved by the national or industry minimum and only commits to pay this legal minimum wage – a wage that falls woefully short of the amount needed for a worker to survive and care for her family on a basic level.

Primark



Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 3 Can offer concrete examples of steps to increase wages in the supplier base, but there are either significant omissions or there is no clear plan to move beyond pilot projects.

Summary: Primark appears to be revising its trend for purely delivering productivity projects and has redesigned programmes with a strong productivity focus to incorporate other key aspects. Work on training and capacity building for workers and management is now its priority, but work falls short on programmes that promote freedom of association. Proposals seem promising and for this reason Primark scraped a grade 3 this year, but to maintain this grade in the future we will need to see more concrete work, especially on pricing.

Position on living wages: Primark told us that, *'The issue of wages continues to be a priority area'* and that it *'agrees with the principle that a living wage should cover basic needs, provide for discretionary income and savings and cater for dependants.'* Primark also believes *'the negotiated approach [to wage increases] remains the most practical and sustainable.'*

Living wage benchmarks: *'We have used the Asia Floor Wage as an internationally-recognised benchmark in addition to wages research within our specific country programmes based upon calculations defined by workers.'*

Position on freedom of association: Primark said, *'We are conducting research into how freedom of association and worker representation can be effectively measured within our monitoring programme and have started discussions with a range of external stakeholders including trade unions, the ILO and NGOs.'* Primark hopes to have this completed by the end of 2011.

Work so far on living wages: **Bangladesh:**

- A capacity building programme in 16 factories, training over 500 managers and 1100 workers on legal wages and benefits, health and safety, workers' committees.
- Work to establishing worker participation committees.

China:

- A training and capacity building programme for management and workers on industrial relations, negotiation and communication skills.
- Baseline assessments and system improvements.

India:

- A living wage analysis to develop a benchmark wage figure for a family of four and single people in 2 regions in India. This will be reference in living wage work along with the AFW figures.
- Worker education and monitoring, including a training course on labour laws and rights, trade union rights and history, role of the ILO, code of conduct, sexual harassment, state benefits, working hours and salary.

Work on purchasing practices was described, including: a prompt payment to suppliers scheme; the development of a sourcing department tasked with ensuring a consolidated and sustainable supply base; critical path research; long lead times and 'off-cycle' ordering to fill in lean periods; buyer training and support. Primark also stated that, *'Following the Action Aid meeting convened by the ETI in June, we have started to conduct research on how wages are incorporated into our purchasing prices.'* Primark mentioned involvement in several ETI groups. A piece rate and homeworkers wage analysis was also cited.

Plans on living wages:

- Primark plans to develop a program, using the AFW and other benchmarks in Bangladesh.
- In China it plans to foster engagement between management and workers, establish good communication mechanisms, carry out living wage analysis through worker dialogue, and use AFW benchmarks.
- Further research on living wages is planned in India

Other significant information: Primark outlined a number of other projects that fall outside the scope of living wage programmes. These include: health education programmes for women workers in Bangladesh; a toolkit for addressing labour shortages in China; financial inclusion projects in India; and work with jewellery homeworkers in the Philippines.

Our comments: Primark is one of two companies to raise doubts as to the effectiveness of productivity programmes. Feedback from stakeholders showed that other factors had an equal if not greater part to play in wage improvement. We agree with Primark that these programmes can only be effective as part of a wider collaborative scheme to support worker organising and improve purchasing practices. It's good to hear this is supported by Primark's experience. Their programmes are still getting properly under way and we hope to see more progress by this time next year.

Primark's work on capacity building and training looks positive, but the success of this will depend on who is doing the training (Primark say NGO partners are involved) and how learning is fed back into its work. Primark itself notes feedback from training showed a high interest in joining a union, yet there is very little trade union representation in its work places. Primark therefore need to look at supporting the translation of this interest into reality through removing the barriers that prevent workers from joining a union.

Primark is also falling into the common trap of confusing workers' committees and trade union representation. Although it acknowledges a trade union's role in supporting workers even where workplace unions do not exist and its importance in negotiating regional and national wage rises, it seems to be focusing on strengthening workers' committees rather than pushing for space for trade unions to enter a factory. This could undermine the good training work it is doing in the community. Primark acknowledges it has a lot to learn in terms of supporting freedom of association. We hope that over the next year Primark will focus on improving its understanding in this area and developing more proactive work in supporting workers' rights to join a union.

It is important for Primark to start developing more structured collaboration; many of its fellow brands and retailers are involved in programmes that Primark could learn from. Its experience with workers' rights training in India could also be interesting for others to look at. As members of the ETI we would expect to see Primark's level of collaboration deepen.

Finally, as a fast-fashion leader, Primark's work on purchasing practices is critical if it is to show that its business model doesn't negatively impact on the ethical trading work it undertakes: it needs to prove that its retail model does not push wages down. The interest shown in examining price as part of its purchasing practices work is promising, and we hope to see much more work on this. This will be even more fundamental given Primark's acknowledgement that productivity will not provide all the answers in resourcing living wage increases.

Reiss



Republic



Responded to survey: No.

MSI involvement: No.

Grade: 0 Does not accept the principle of a living wage.

Summary: This company did not respond to our request for information, and makes no information available on its website. It is therefore safe to assume the worst – that it has no engagement with ethical trading at all.

Responded to survey: No.

MSI involvement: No.

Grade: 0 Does not accept the principle of a living wage.

Summary: This company did not respond to our request for information. It has a code of conduct on its website and this states that it pays the legal minimum wage or a wage that meets local industry standards, whichever is greater. This amount falls far short of the amount needed for a worker to be able to feed, clothe, and shelter herself and her family.

River Island



J Sainsbury

Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 1 Accepts the principle of a living wage, but applies legal minimum/industry benchmark.

Summary: As a full member of the ETI River Island should, in principle, accept the right of workers to a living wage, but its submission this year provided no mention of this commitment, or of any work being done to address the issue of wages in its supply chain.

Position on living wages: None mentioned. Its submission is entirely focused on working with Fair Working Conditions (FWC), a not-for-profit audit firm based in Ireland. According to the website, although FWC adheres in its code to the ILO definition of a 'fair wage', FWC uses minimum wage standards as a benchmark, or industry standard benchmarks where no minimum wage applies.

Living wage benchmarks: None given.

Position on freedom of association: None mentioned. FWC have freedom of association and collective bargaining as a benchmark, but no details are provided about proactive programmes to address this. As an ETI member River Island should be committed to upholding trade union rights, but appear to be doing no work to tackle this issue.

Work so far on living wages: None mentioned

Plans on living wages: None mentioned

Our comments: A very disappointing submission. Since our 2009 report River Island has joined the ETI, but this appears to have had little impact on the extent of the work being done by the company to address fundamental issues within its supply chain. From its submission, it appears that River Island is investing all its resources into an auditing programme with FWC. We have no direct knowledge of this organisation, but evidence shows that auditing alone will do little to address systematic workers right violations such as low pay, long hours or freedom of association. River Island clearly has a long way to go if it is to start matching its competitors on ethical practice.

Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 2 Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.

Summary: Sainsbury's has started a wage project in Bangladesh and is working with a group of brands in 110 factories in Bangladesh to improve systems and worker-management dialogue. This is an improvement on last year but it still has a long way to go.

Position on living wages: *'Sainsbury's agree that living wage must be an inherent and inextricable element of their Ethical Trading framework and advocate this through our Code of Conduct for suppliers... This is true for all sectors of employees including Homeworkers and subcontractors.'*

Living wage benchmarks: None given.

Position on freedom of association: *'We recognise that Trade Unions are the gold standard for collective bargaining, however, in countries where that is not legally possible there is strength and value in workers' committees as this can still ensure dialogue and lead to mature systems of industrial relations.'*

Work so far on living wages: Sainsbury's started a wage project in one factory in Bangladesh in 2009. This project looked at productivity, HR, wages and communication. The factory saw profit increases of \$120,000 'of which all has or will be going into increased wages for workers'. This was achieved via an incentive bonus scheme that boosted productivity. According to Sainsbury's, wages increased by 80%, although no concrete figures were given to show whether this applied to the lowest paid workers or the extent to which this included overtime work.

Plans on living wages: Working with Arcadia, M&S, Mothercare, Tesco, New Look and Impactt, Sainsbury's is taking part in a DFID sponsored programme called 'Benefits for Business and Workers' targeting 110 factories in Bangladesh.

The project aims to enable managers 'to build an understanding of the needs and aspirations of workers' as well as to build 'skills in production quality and human resources management.' It further aims to enable 'workers to communicate their views' and

J Sainsbury
Continued

Supergroup
(Superdry, Cult)



support 'the negotiation of improved wage packages meeting workers' stated needs.' This is to be done through a combination of production management; factory efficiency improvements; human resources management systems improvements; and worker management communication systems.

Responded to survey: No.

MSI involvement: Yes; foundation stage ETI.

Other significant information: Sainsbury's have created a data tracking system to 'increase the visibility' of its supply base. Some training for buyers in purchasing practices has also been carried out.

Grade: 0 Does not accept the principle of a living wage.

Our comments: After years of merely citing attendance at ETI working groups, it is good to see Sainsbury's taking proactive steps to start its own work on wages and participate in measurable collaborative projects with other retailers. The 'Benefits for Business and Workers' project is a good place for it to learn from other retailers and take part in a project that could have a real impact.

Summary: This company did not respond to our request for information, and makes no information available on its website. We therefore assume that Supergroup has no ethical trading policies. It has, however, recently joined the ETI so we hope to see it adopt a better stance towards wages and rights in the near future and publicly communicate this to consumers.

Sainsbury's is still at the beginning of the road that other brands have been on for a while. With no clear work on freedom of association, pricing, work with other civil society groups, or a route map for impacting wages across its supply base, it has some catching up to do.

Although its one and only wage project in Bangladesh appears to have led to impressive wage increases of 80%, this could easily be accounted for by the increase in minimum wage, which also took place in November 2010 and increased wages by a reported 81%. Productivity improvements may have enabled its supplier to absorb these wage increases, but it's unclear the extent to which workers will be seeing the benefit.

Sainsbury's must be careful to apply its own definition to freedom of association and only use workers' committees where genuine freedom of association is outlawed. Its assertion that workers' committees can provide mature systems of industrial relations is misleading – this phrase applies to workers who have the collective power to bargain and negotiate on working terms and conditions both inside the workplace and in regional and national wage negotiations. This does not apply to workers' committees, which are usually very limited in scope.

A pilot project in China was mentioned in its 2009 submission, but this does not seem to have materialised.

Tesco



Responded to survey: Yes.

MSI involvement: Yes; ETI.

Grade: 2 Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.

Summary: Tesco continues to focus its efforts on increasing productivity and internal matters such as improving relationships with its suppliers. There is no work mentioned that explicitly aims to increase wages, apart from checking for compliance with the minimum wage in Bangladesh.

Position on living wages: *'We seek to implement the ETI's Base Code...[which] stipulates that "wages should always be enough to meet basic needs and to provide some discretionary income." We subscribe to and require our suppliers to abide by, this definition.'*

'The lack of an agreed definition of living wage precludes our use of the term in our day-to-day work [but we]..agree that....a living wage should 1. cover basic needs, 2. include a small amount for savings and discretionary income, 3. cater for dependants. We apply this definition to all workers in our supply chain.'

Living wage benchmarks: None given.

Position on freedom of association: As an ETI member, Tesco are signed up in principle to support the right to freedom of association for workers in their supply chain, however, they failed to provide any information regarding work in support of freedom of association.

Work so far on living wages: Tesco said: *'We view improved productivity as vital in underpinning supplier's ability to improve wages for workers. Our approach is therefore focused on: ensuring we understand the nature and scale of the issue, setting clear expectations, supporting suppliers to improve productivity and conditions, building long-term relationships to enable investment in workers.'*

The work Tesco listed as wage-specific work included 'Supply Chain Impact Assessments' (in Thailand and elsewhere), and involvement in the DFID funded 'Benefits for Business and Workers' project to establish a model for improving productivity and working conditions.

Work on compliance with the minimum wage included: work to establish criteria for the appropriate use of training grades in Bangladesh; wage surveys in Bangladesh;

and engagement with the Bangladeshi government to push for a regular salary review for garment workers.

Work on purchasing practices included: the development of 'preferred supplier schemes,' lengthening of lead times; stabilising orders; development of out of season production; and a scheme to give commercial incentives to good 'ethical' suppliers.

Plans on living wages: Tesco plans to set up a Bangladesh Apparel Skills Foundation to support the delivery of training modules in improved productivity.

Other significant information: Tesco appears to be doing some interesting work to establish grievance mechanisms in farms and packhouses in South Africa, working with government, NGOs and trade unions to oversee the process. Not much detail was given on this work but it would be interesting to see if and how Tesco plans to transfer learning to garment supply chains.

Our comments: Another disappointing submission from Tesco, which should be engaging a lot more constructively in this area given its market power and long term involvement in the ETI. All its focus continues to be placed on improvements in productivity for its Bangladesh suppliers, supplier training on improving productivity, and developing better relationships with its suppliers.

The two specific wage-focused projects are, again, in Bangladesh and focus on preventing employers abusing loopholes on workers' grades to avoid payment of the minimum wage.

Tesco's continued failure to involve workers in any of its ethical programmes makes us sceptical that any benefits from improvements in productivity will go to the workforce. Our experience from Bangladesh is that suppliers are reluctant at best to tolerate any demands from workers in regard to wages or freedom of association. Tesco must confront this problem and build in mechanisms to address this if any of the gains from its productivity work are to be passed on to workers in a meaningful way. Without this important piece of the puzzle, none of the productivity work Tesco is currently doing can genuinely be described as work towards a living wage.

White Stuff



Glossary of terms

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| Responded to survey: | Yes. |
| MSI involvement: | No. |
| Grade: | 0 Does not accept the principle of a living wage. |
| Summary: | White Stuff has started a basic auditing system, but hasn't yet made a commitment to work towards paying living wages. |
| Position on living wages: | <i>'A minimum legal wage is in our established code and we want to confirm our factories are fully compliant with our code before evaluating a living wage.'</i> |
| Living wage benchmarks: | None given. |
| Position on freedom of association: | White Stuff's code states: <i>'Workers are free to join associations of their own choosing. Factories must not interfere with workers who wish to lawfully and peacefully associate, organise or bargain collectively.'</i> |
| Work so far on living wages: | Work so far on wages has focused on ensuring the minimum wage is paid. |
| Plans on living wages: | <i>'This year we will conduct our first trial into a living wage in India to understand any gaps and the impacts of a minimum wage on our workers in our supply base. The results will be discussed in our quarterly governance meeting to determine how best to take this forward.'</i> |
| Other significant information: | <i>'At White Stuff, we believe that by being different, and making a difference, we'll make the world a little happier, and we keep this at the heart of everything we do.'</i> |
| Our comments: | <p>As a new company in Let's Clean up Fashion, we welcome the fact that White Stuff has been open to engaging with us at the beginning of its ethical trade work, but it has a lot to do if it is to reach its aim of <i>'making the world a little happier.'</i></p> <p>On the positive side we're pleased to see that White Stuff is considering investigating the living wage in India. This exercise may be an eye opener for a company that is at an early stage of its compliance journey and has previously not completed full regular audits on its factories. It might be helpful for White Stuff to start working with brands that already have experience in this area.</p> <p>We hope that as it starts to uncover the real underlying issues in the garment industry, White Stuff will take decisive action to engage with solutions to some of these problems. A commitment in its code of conduct to a living wage rather than industry minimum should be made as soon as possible. Joining a multi stakeholder initiative might also be a good way to catch up some ground with its competitors and learn from other companies both of a larger and similar size.</p> |

We are well aware that when reading the profiles in this report, a lot of jargon is used to describe the activities a company is undertaking. In order to help you, the reader, decrypt some of this, here is a brief glossary of what we mean by each of the terms.

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| AFW (Asia Floor Wage) | A figure calculated by workers and unions from across six major Asian garment producing countries, which gives a numeric definition to the term 'minimum living wage.' |
| Audit | An inspection carried out, normally by an external body, against the standards laid out in a company's code of conduct. |
| BGMEA (Bangladesh Garment Manufacturers and Exporters Association) | A trade body that represents the interests of the manufacturers, factory owners and exporters of garments in Bangladesh. |
| Buyer | The person within a retailer or clothing brand who establishes and manages relationships with suppliers. |
| Code of conduct | A statement by a retailer or brand outlining the way it expects suppliers to act, in particular regarding workers' rights. |
| Collective bargaining | A process of negotiation between employers and trade union representatives which establishes standards under which workers are employed. They normally result in a collective bargaining agreement (CBA) where these standards are laid out. CBAs cover everything from conditions, pay, hours and benefits. |
| Critical path | The sequence of activities or timeline which takes a garment from the design stage through production to delivery. |
| CSR (Corporate Social Responsibility) | The idea that companies have a responsibility to all stakeholders affected by their business, and actions that can be taken to reduce negative or increase positive impacts on these communities. |
| DFID | The figure being used to give a value to the term 'living wage' on a country by country basis. |
| ETI (Ethical Trading Initiative) | A UK based 'multi-stakeholder initiative', in which corporate members commit to working together towards, and reporting on, a set of basic standards in collaboration with unions and NGOs. |
| FLA (Fair Labour Association) | An international 'multi-stakeholder initiative', which draws together companies, academics, and NGOs to work together towards change. |
| Framework Agreement | International Framework Agreements (IFAs) are negotiated between Transnational Companies and Global Union Federations and commit the company to respecting minimum labour standards in its operations around the world. |
| Freedom of association (FOA) | The right of workers to form and join independent trade unions or other representative organisations of their own choosing. |
| ILO (International Labour Organisation) | A United Nations agency that formulates and promotes internationally recognised standards for working conditions, and assists with their implementation. Its governance is through a tripartite structure in which governments, trade unions and business have equal representation. |

Glossary of terms

Continued



Labour Behind the Label

Clean Clothes Campaign 

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| Industrial relations | The relationship between employees and management which stems directly or indirectly from union-employer relationship. |
| ITGLWF (International Textile, Garment and Leather Workers' Federation) | The international trade union organisation that brings together trade unions that represent workers in these sectors from different countries around the world. |
| Lead time | The amount of time from the moment an order is placed, to when it is delivered. It can also be used to refer to the amount of time given for an order to be manufactured. |
| Living wage | Where the earnings from a standard working week before overtime are sufficient to meet the basic needs of a worker and her family (4 people), and to provide some discretionary income. Distinguished from both the minimum wage and prevailing industry wage. |
| Living wage benchmark | The figure being used to give a value to the term 'living wage' on a country by country basis. |
| Monitoring (of compliance) | The internal process by which a company measures the actual working conditions at its suppliers against its code of conduct. |
| Piece rate methodology | A method used for calculating a fair price to be paid to a worker who earns a wage on the basis of the number of items manufactured, rather than on the time worked. |
| Pilot project | A test study of a certain technique or idea which a company hopes to learn from and replicate on a larger scale. |
| Productivity project | A project which works to improve efficiency within a factory by a number of measures, with a view to increasing profits, timing and quality. |
| Purchasing practices | The manner in which a buying company does business with its suppliers, encompassing prices, lead times, size and frequency of orders, stability and security of the buying relationship, etc. |
| SEWA (Self Employed Women's Association) | A trade union based in India for women who earn a living through their own labour or small businesses. These women are mostly homeworkers. |
| Standard minute value | The time required for a qualified worker working at a standard efficiency to perform a given task e.g sew one seam. |
| Supplier | A manufacturer / factory contracted by a retailer or clothing brand to carry out the process of garment manufacture. |
| Trade Union | An organisation of workers offering mutual support and representation. In particular, trade unions negotiate with management on employment matters, and are given support internationally by the wider trades union federation. |
| Workers' committee | A sometimes elected, sometimes appointed committee of workers taken from the workforce in a factory, whose role is to liaise with factory management and raise issues that concern the workforce. This is not to be confused with a trade union. See pages 11-12. |
| Work study engineering | A study which aims to find the best and most efficient way of utilizing the available resources (manpower, material, money and machinery) to achieve best possible quality of work in the minimum possible time. |

Labour Behind the Label supports garment workers' efforts worldwide to defend their rights. To do this we educate consumers; lobby companies and government; raise awareness and encourage international solidarity with workers. As part of the movement for global justice, we support garment workers' demands through strategic actions aimed at those involved in the production, marketing and consumption of clothing.

Our vision is to see a transformation of the distribution of power in the clothing industry, so that the rights of people at work and in the community are respected.

We work together with partners in producer countries, similar campaigns across Europe and with the Clean Clothes Campaign, of which we are the UK platform.

You can join us!

Help us to work together towards these goals by becoming a member of Labour Behind the Label or making a donation. It costs a minimum of just £24 annually or £2 per month to be a member; you can donate at whatever level you wish.

You can go to www.labourbehindthelabel.org/join to become a member.

Or you can visit www.labourbehindthelabel.org/donate to make a contribution to our campaign online.

Or simply fill out the standing order form and post to the address below.

Labour Behind the Label Standing Order Form

Your bank's name: _____

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Your account number:

Please pay the Co-operative Bank plc, PO Box 250, Skelmersdale, WN8 6WT. For the account of Labour Behind the Label Ltd, Sort code 08-92-99, Account no 65229826

The sum of: £ _____ (in numbers) In words: _____

Starting on: _____ / _____ /20____ (Please leave at least one month until the start date to ensure your form is processed in time)

And _____ monthly/annually hereafter (please delete as appropriate)

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Signed: _____ Date: _____

This order cancels any previous order to the same payee. Please send this form to LBL, not to your bank, at this address: 10-12 Picton Street, Bristol, BS6 5QA. (You can also join or donate by cheque).

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Labour Behind the Label is the UK platform for the international **Clean Clothes Campaign**.

You can join us! Use the contact details below or go to the form inside.

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