

**PAY A  
LIVING  
WAGE**

# Tailored Wages

**Are the big brands paying the  
people who make our clothes  
enough to live on?**

**Clean Clothes Campaign Ireland**



# TAILORED WAGES

## Are the big brands paying the people who make our clothes enough to live on?

March 2014

### CLEAN CLOTHES CAMPAIGN IRELAND

We are an Irish coalition of trade unions, NGOs, not for profits, student groups and individual campaigners dedicated to improving working conditions and supporting worker empowerment in the global garment industry: [cleanclothescampaignireland.org](http://cleanclothescampaignireland.org)

### THE CLEAN CLOTHES CAMPAIGN

An international alliance that works to improve conditions and support the empowerment of workers in the global garment industry. The Clean Clothes Campaign has national campaigns in 16 European countries, with a network of 250 organisations worldwide and an international secretariat based in Amsterdam. [cleanclothes.org](http://cleanclothes.org)

### THE ASIA FLOOR WAGE ALLIANCE

An international alliance of trade unions and labour-rights activists who are working together to demand garment workers in Asia are paid a living wage. Led by trade unions in key garment-producing countries in the region, the Asia Floor Wage Alliance represents the concerns and needs of the workers themselves. In 2011, the alliance first published a calculation of a living wage for Asia, the Asia Floor Wage. The members of this alliance are now using the Asia Floor Wage figure as a tool to negotiate with companies and governments towards payment of a living wage. [asiafloorwage.org](http://asiafloorwage.org)

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# EXECUTIVE SUMMARY

The global garment industry is responsible for millions of people's well-being around the world. The chains linking high-street stores such as H&M, Zara and Marks & Spencer, and the people who make the clothes these stores sell, stretch across the globe.

A living wage is a human right. Yet the scandalous truth is that the majority of workers in the global fashion industry cannot afford to live with dignity, and earn no more than €6 a day in an industry worth nearly €34 billion across Europe. Clean Clothes Campaign Ireland believes that no company can truly claim to be working ethically if the people who produce its clothes are paid less than a living wage.

We initiated this survey with the aim of providing greater transparency for consumers on this issue, which we feel needs close scrutiny: namely whether the people making garments for the brands from which we buy our clothes are paid a living wage, so that they and their families can live with dignity. We surveyed 39 of the leading clothing companies and influential brands to find out what steps they are taking to ensure this is the case.

Sadly we found that very few companies are doing enough. Only four of the 39 companies we contacted – Inditex, Marks & Spencer, Switcher and Tchibo – were able to demonstrate work that we thought might lead to wages increasing in a significant way over time, and none of the companies surveyed are as yet paying a living wage.

But some limited progress is being made. Since the Asia Floor Wage Alliance established in 2009 a real benchmark for what a living wage means, companies can no longer shirk their responsibility for ensuring a living wage is paid by saying there is no definition to the

term. Eight companies – Aurora Fashions, Bestseller, G-Star, Monsoon, New Look, Puma, Switcher and Tchibo – have now adopted what we would consider to be a credible living-wage benchmarking tool, which is vital for quantifying and communicating the goal they are working towards. Some other progress is being made in the fields of pricing, with six companies now pricing up what the labour cost is for each product, and including this as a separate cost in price breakdowns. One company, Switcher, is also trialling a method to pay a wage 'top-up bonus', calculated as a 1% increase on the price paid to the factory, which goes directly to the workers.

But overall, change is not happening fast enough and the wage situation is reaching a critical breaking point. Workers in garment-producing countries around the world are increasingly fighting back against economic oppression. Recent months have seen demonstrations break out in Cambodia, where hundreds of thousands of workers, with no option left but to take to the streets, demanded a new monthly minimum wage of 160 USD. Workers in Bangladesh similarly have been marching in their thousands for better wages and safer factories.

For more than ten years, brands have been promising both workers and consumers that living wages will be paid, despite evidence to the contrary. Workers have been told to wait while brands work out what a living wage is and how to make sure they don't have to pay the cost. Consumers have been told not to worry: brands care and are doing the best they can. The problem is their best isn't good enough and workers can't wait any longer. It is time to make sure that the garment industry provides not just any work, but decent work to the millions of women and men producing the clothes we wear.

**PAY GARMENT WORKERS A LIVING WAGE**

A worker should be able to afford:

- 1 food
- 2 rent
- 3 healthcare
- 4 education
- 5 clothing
- 6 transportation
- 7 savings

A living wage is a human right, for all people, all over the world

[www.cleanclothes.org](http://www.cleanclothes.org)

## THE STATE OF PAY

When Clean Clothes Campaign Ireland, in partnership with the Clean Clothes Campaign and the Asia Floor Wage Alliance, set out to discover what work companies are doing to ensure workers are paid a living wage, we were excited to see what was being achieved. In a handful of cases we were pleased to notice some interesting work initiated

by brands that was actually increasing real wages in workers' pockets. Overall, however, we were disappointed that progress is really still only at the trial stage, and work that is actually putting wages up is still rare. There are very few retailers who have tried to truly ingrain throughout their business work towards a living wage.

### **INFO WANTED** NOTHING TO SAY: COMPANIES WHO DECLINED TO RESPOND TO OUR SURVEY

Armani, Asda, Benetton, Desigual, Diesel, Dunnes Stores, Hugo Boss, Levi-Strauss, O'Neills, Replay, River Island

### **DRAGGING THEIR FEET:** DOING NEXT TO NOTHING TO ENSURE WORKERS ARE PAID ENOUGH TO LIVE ON

Versace, Aldi, Mango, Debenhams, VF Corporation, Esprit, G-star, Gucci, Pentland

### **COULD DO BETTER:** ACKNOWLEDGE THE NEED FOR A LIVING WAGE BUT DOING LITTLE TO MAKE IT A REALITY

Bestseller, New Balance, Asics, Gap, Lidl, Aurora fashions, Nike, Tesco, Next

### **SOME EFFORT:** MENTION OF WORK ON LIVING WAGES, BUT UNCONVINCING SO FAR

Adidas, Arcadia, H&M, Primark, Puma, New Look, Monsoon

### **ON THE WAY:** WORK STARTED TO INCREASE WAGES, BUT NOT ENOUGH YET

Inditex, Marks & Spencer, Switcher, Tchibo

# THE NEED FOR A LIVING WAGE

## WHY FOCUS ON THE RIGHT TO A LIVING WAGE?

A living wage, by definition, means that a working person must be able to support themselves and their family. The notion of living wage is well embedded in the international human right discourse. The United Nations Universal Declaration of Human Rights, Article 23(3) states:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”<sup>1</sup>

However, despite this clear definition of the right to a living wage, for most of the world’s garment workers the reality is a life first and foremost of poverty.

Legal minimum wages in garment-producing countries all over the world fall short of a living wage, meaning garment workers are unable to provide the most basic needs for themselves and their families. The gap between the legal minimum wage and a living wage is ever growing, as figures produced by the Asia Floor Wage Alliance in 2013 show. Yet the daily challenges for an income-poor worker are not limited to money constraints. If a worker’s salary for a standard working week is not enough to cover the basic needs for them and their family, they face other poverty-related problems, such as low calorific intake, limited access to adequate health services, lack of social security, poor housing, limited access to education and limited participation in cultural and political life.

For many years, the global garment industry has justified the shift of production to impoverished economies by highlighting the employment opportunities that the industry brings, and underlining that women in particular benefit from the jobs the garment industry provides. It is indeed true that the vast majority of workers in garment factories worldwide are women, and their jobs are a lifeline for millions of people and their families – even if this lifeline is often very thin and fragile.

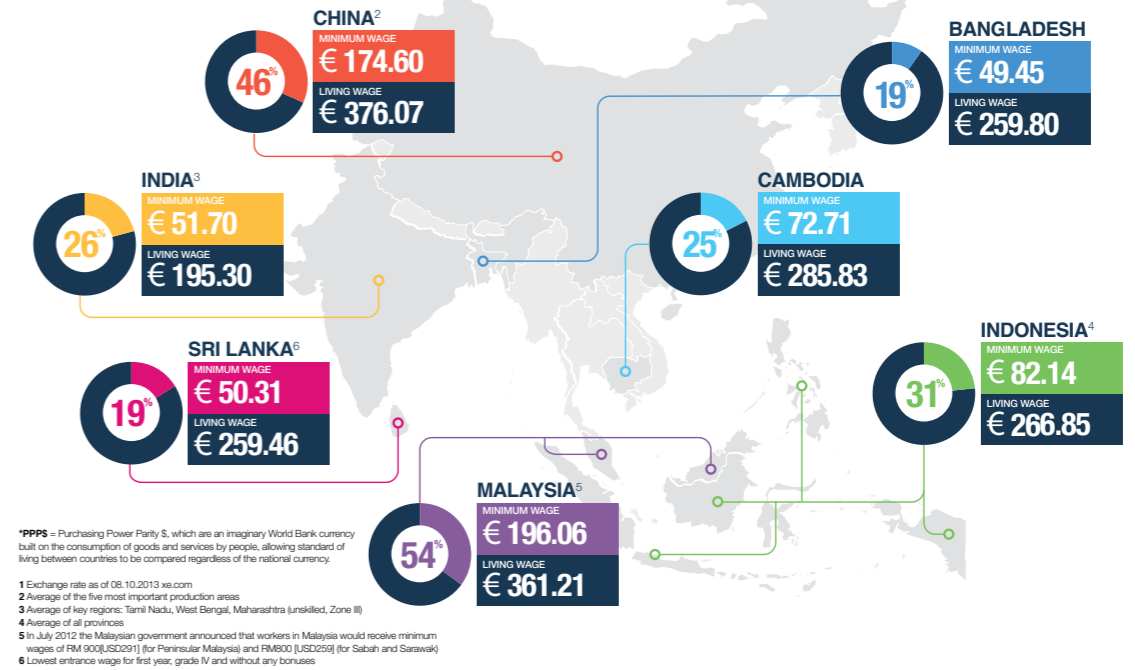
However, mounting evidence from on the ground shows that jobs in garment factories do not offer workers the economic advancement promised by globalisation, and many who enter the system become trapped in poverty. Workers, especially women (who make up 80% of the workforce in the garment industry), do not get a fair share of the value they generate in the supply chain and are not paid a wage they can live from, let alone enough to save and start to break the cycle of poverty. They are trapped in a vicious circle of low wages, excessive overtime, unfavourable debt schemes and extreme dependency, which makes them vulnerable as employees. As the International Labour Organization (ILO) put it in November 2013 in a report on Bangladesh: “Bangladesh has experienced a sustained period of economic growth, driven principally by exports in the garment sector. This has been accompanied by a shift in job creation

### THE RIGHT TO A LIVING WAGE IN INTERNATIONAL CONVENTIONS

As well as in the UN Universal Declaration of Human Rights, the concept of a living wage is established in the UN International Covenant on Economic, Social and Cultural Rights (ICESCR, 1966), Article 7 (a): “The States Parties to the present Covenant recognize the right of everyone to the enjoyment of just and favourable conditions of work which ensure, in particular: ... (ii) A decent living for themselves and their families in accordance with the provisions of the present Covenant; ...”

## MINIMUM WAGE VS LIVING WAGE

The difference between the minimum wage<sup>1</sup> and a living wage. The Living Wage is based on the Asia Floor Wage 2013 figure of PPP\$725.



Lili, a female worker from Cambodia, said:

“My expenses are increasing every day. If I have a wedding or ceremony, if I have grandparents or a mother or children, how can I support them also? Even if we eat all together in a small room and I collect the money from all others, we still can only spend a very small amount each because everybody always thinks ‘How are we going to be able to send money home to our families?’”

towards manufacturing and services and a reduction in agricultural employment. Bangladeshi women have been an integral part of this transformation and have been instrumental in poverty reduction and rural development. However, despite the strong gains in economic growth in recent years, it has not led to a marked improvement in employment conditions, especially for the millions of workers in the garment sector.”<sup>2</sup>

A living wage is vital if the shift to a global economy is to deliver on its promises of economic benefits for production countries and lasting development.

The right to a living wage is, in addition, established in several ILO declarations and conventions:<sup>3</sup>

- Constitution of the ILO, 1919: Preamble of the Charter
- Declaration of Philadelphia, International Labour Conference, 1944
- ILO Declaration on Social Justice for a Fair Globalization, 2008
- Convention 131 and 156 (indirectly) and Recommendations 131 and 135 (indirectly)

## WHAT IS A LIVING WAGE?

Clean Clothes Campaign Ireland, as part of the Asia Floor Wage (AFW) Alliance, defines a living wage as follows:

“Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.”

More specifically, a living wage:

- Applies to all workers, which means that there is no salary below the living-wage level
- Must be earned in a standard work week of no more than 48 hours
- Is the basic net salary, after taxes and (where applicable) before bonuses, allowances or overtime
- Covers the basic needs of a family of four (two adults, two children)
- Includes an additional 10% of the costs for basic needs as discretionary income

1 The Universal Declaration of Human Rights, available at: <http://www.un.org/en/documents/udhr/index.shtml#a23>

2 [www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_229105.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_229105.pdf), p.V  
 3 “Fair Wages: Strengthening Corporate Social Responsibility”, Daniel Vaughan-Whitehead, 2010, p.203

## The Asia Floor Wage

Clean Clothes Campaign Ireland is part of the Asia Floor Wage (AFW) Alliance, an alliance of Asian trade unions and labour groups, which has calculated a living wage formula for Asia. We feel this figure and methodology is the most robust, independent calculation for a living wage currently available, and is a vital tool in benchmarking what companies and governments should be aiming to achieve in terms of actual wage figures for workers.

It is calculated based on some key assumptions that we believe must always be central to a living wage:

- **A living wage is always a family wage.** In most production countries, the pension and insurance schemes are not sufficient and public care services often absent. A genuine living wage must therefore take that into account and at least partially cover the basic needs of unpaid caregivers in the household.
- **A living wage must allow for savings.** Without this, workers remain in a vulnerable situation, are not able to make mid- and long-term plans in their lives and are at risk of ending up in debt when additional unforeseen financial expenditure is needed.
- **A living wage has to put a floor, not a ceiling, on wage payment and secure a minimum income for all workers.** Ideally, a living wage should have a regional approach so as not to increase wage competition between countries, instead increasing the base wage level for all workers.

The Asia Floor Wage Alliance bases its calculations on the following assumptions:

- A worker needs to be able to support themselves and two other “consumption units” (one consumption unit = one adult or two children).
- An adult requires 3,000 calories a day to be able to carry out their work.
- In Asia, food costs account for half of a worker’s monthly outgoings.

The Asia Floor Wage is calculated in PPP\$ (Purchasing Power Parity \$), which is a hypothetical World Bank currency based on the consumption of goods and services by people, allowing the standard of living across countries to be compared, regardless of the national currency.

The Asia Floor Wage Alliance carries out regular food-basket research in the region to calculate new AFW figures. Based on this research, an average purchasing-power figure is established for Asia through negotiations between unions in the Asia Floor Wage Alliance. The most recent food-basket studies were carried out in 2013, and the new AFW figure of PPP\$725 per month was launched in October of that year.

Poverty wages are, of course, not limited to the Asian garment industry. Legal minimum wages in Eastern European countries are sometimes lower than Asian wages, and in many Eastern European countries, minimum wages fall even below the subsistence level that respective governments have defined. The call for a living wage is therefore a global call for a fair share of the earnings, and for that reason we have looked in this survey at policies, practices and strategies of companies across their entire supply chains worldwide.



# WHO IS RESPONSIBLE FOR THE PAYMENT OF A LIVING WAGE?

In 2011, the United Nations Human Rights Council unanimously endorsed the UN Guiding Principles on Business and Human Rights (UN Guiding Principles), which clearly state the role and responsibilities of businesses and states.

The UN Guiding Principles are based on three pillars:

1. The state duty to protect human rights
2. The corporate responsibility to respect human rights
3. Access to remedy

This establishes a principle of shared responsibility between the state and business, meaning that states have an obligation to set the legal minimum wage on a subsistence level in order to protect the human right to a living wage, and business has to respect the human right to pay wages accordingly.

However, the framework also clearly states that the responsibility to respect human rights “exists independently of States’ abilities and/or willingness to fulfil their own human rights obligations, and does not diminish those obligations. And it exists over and above compliance with national laws and regulations protecting human rights.”<sup>4</sup>

In other words, in cases where the state fails to protect human rights – such as when the legal minimum wage

fails to meet the minimum subsistence level (living wage) – business still has an obligation to respect the human right to a living wage and to take advantage of this state failure.

The UN Guiding Principles establish supply chain responsibility, which means that a company is responsible for the human-rights impacts throughout its supply chain, independent of where the adverse impact occurs (i.e. in their own facilities or with first-tier suppliers, suppliers of first-tier suppliers or homeworkers). So while production of garments is often outsourced, the responsibility remains with each corporation and cannot be delegated and outsourced down the supply chain.

Principle 13: “The responsibility to respect human rights requires that business enterprises:

- (a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
- (b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.”

It seems abundantly clear from this that the business responsibility to pay a living wage, which is so often disputed or cast aside as a state responsibility by fashion brands and retailers, is non-negotiable.

<sup>4</sup> <http://www.business-humanrights.org/media/documents/ruggie/ruggie-guiding-principles-21-mar-2011.pdf>, p. 13

# THE CURRENT CONTEXT OF THE LIVING WAGE DEBATE

Over the past three decades, more and more countries have started to compete for export business in the global garment, textile and footwear market. As a consequence of global oversupply, the price of garment and footwear is falling constantly. “Survival of the cheapest” has become the leading maxim, both in production countries as well as consumer markets. The mere threat of relocation is enough for governments of production countries to align their labour and trade policies with the expectations and demands of the global buyers. In practice, this means that, for instance, union activity is severely suppressed and legal minimum wages are set far below the subsistence minimum and not revised in step with inflation.<sup>5</sup>

During and after the financial crisis, the situation got worse for garment workers. The price explosion in rice and oil hit workers especially hard as food represents such a major share of workers’ household budgets. Already extremely low minimum wages were not adjusted in line with high levels of inflation, meaning that real wages dropped even further. The results can be seen in the serious malnutrition occurring amongst garment workers in Bangladesh, and the mass fainting in Cambodian garment factories, due to lack of access to quality food. In recent years, thousands of workers in many different production countries have taken to the street and organised strikes for higher wages, in desperation at the situation they face.

## AUDITING DOESN'T CHANGE ANYTHING

It has become clear over the past decade that classic commercial auditing schemes fail to assess the real situation in factories across Asia, and that auditing is not promoting systematic change in the industry. Commercial auditing largely outsources the responsibility for social compliance to suppliers, and fails to take purchasing practices on the buyers’ side into account – even though a low buying price or short lead times are often at the root of excessive overtime and low wages at the factory level.

Buyers put forward all kinds of excuses for not committing to a living wage: that it is the responsibility of suppliers or governments, that it is impossible to pay as it would price them out of the market, that consumers don’t want to pay more, that there is no consensus on how to calculate it etc. But while services can be outsourced, the responsibility to respect human rights and pay a living wage, as we have elaborated on above, remains with the buyer.

As a reaction to the failure of commercial audits, some companies have joined multi-stakeholder initiatives (MSIs)

such as the Fair Wear Foundation (FWF) or the Ethical Trading Initiative (ETI).

These two MSIs have engaged in moving towards the implementation of a living wage, and a condition of membership for brands is that they commit to the principle of a living wage in their policy. However, there still needs to be much more done to promote the implementation of the living wage effectively, and MSIs could play a bigger role in this.

Tragedies such as the Rana Plaza factory collapse have shown unambiguously where the race to the bottom on cheap fashion can lead, and also that auditing alone is not enough. Rana Plaza had notably been audited several times before it collapsed on 24 April 2013, killing more than 1,100 people, but no audit had detected the deterioration of the building. The legally binding Bangladesh Safety Accord between the global unions and more than 100 brands shows an important new way forward in what business responsibility and cooperation can look like.

<sup>5</sup> “Stitching a Decent Wage Across Borders”, J. Merk, CCC/AFW, 2009, [www.asiafloorwage.org/Resource-Reports.html](http://www.asiafloorwage.org/Resource-Reports.html), pp.30–35



MEMBERS OF THE NATIONAL GARMENT WORKERS FEDERATION DEMONSTRATE ON THE STREETS OF DHAKA. DHAKA, BANGLADESH, JUNE 2013

## DECODING COMPANY JARGON

The international debate on living wage has gained considerable momentum over the past two years. Various actors have tried to hijack the debate, and redefine the terms to favour lower standards or less rigorous definitions of a living wage. Companies have also started to respond publicly to consumers’ and campaigners’ demands on the living wage. Some of these responses have been helpful, others have sought to divert the issue or pull the wool over our eyes. In order to help anyone reading the company profiles in this study, we have sought to decode the most common company jargon (below), and give a brief understanding of the Clean Clothes Campaign’s position on the effectiveness of certain initiatives:

### Multi-stakeholder initiatives (MSIs)

These are organisations bringing together companies, NGOs and trade unions to address supply-chain issues. Some, such as the European Fair Wear Foundation, act as independent verifiers of working conditions; others,

such as the Ethical Trading Initiative, function as forums for the exchange of best practice.

**Fair Wear Foundation (FWF):** The FWF demands its members commit to paying a living wage, and it is facilitating some interesting work in trialling methods to implement this. The foundation has established a relevant and transparent monitoring tool to benchmark a living wage and to assess the wage level in factories (see “wage ladder”, below). However the FWF has, so far, no action plan with clear milestones and a time schedule for its members to systematically implement a living wage.

**Ethical Trading Initiative (ETI):** The ETI demands its members commit to paying a living wage, but doesn’t elaborate on this definition in respect to the number of family members this wage must cover. Little work has been done internally in recent years on setting benchmarks or establishing collective projects to help companies pay a living wage, although some members have been quite active in sharing their own projects.

**Fair Labor Association (FLA):** The FLA states in its code that income should be “sufficient to meet the workers’ basic needs” but no mention is made of the term ‘living wage’ in its policy. The FLA also operates an auditing system, but there is no evidence that its audits measure the gap between current wages and living or basic-needs wages. Nor is there any evidence of any work being done to promote payment of a living wage.

### Business-led Initiatives

The Business Social Compliance Initiative (BSCI) is different from the MSIs described above as NGOs and trade unions are not involved in its core decision structure. The BSCI has a shared social auditing platform and acts as a policy advice body. It also organises some roundtables and trainings in production countries. Although it has a member code, which was updated in February 2014 to include wording about ‘basic needs’, it does not demand members pay a living wage. The BSCI also does not require its members to adapt their purchasing policies and practices to allow the payment of a living wage to factory workers. It relies mainly on commercial auditing to promote change (which has been shown repeatedly to fail as a method), and has not demonstrated any concrete effort to promote the implementation of a living wage in the supply chains of its members.

### Fair Wage Network

The Fair Wage Network (FWN) was set up by wage practitioners from the International Labour Organization (ILO) and a former president of the FLA (although it is not an ILO or FLA initiative). It was created in order to work alongside companies and explore together what they can do to increase wages. Through a series of pilot projects and studies, the FWN is exploring “dimensions of a fair wage”, defined as “company practices that lead to sustainable wage developments”. Under the fair wage concept, it will supply a series of tools or systems that companies can use in factories to increase wages to a sustainable level. A living wage is defined as just one of the “12 dimensions of a fair wage”.

Our concerns with this initiative are that companies are using their involvement to divert attention from the need to work towards payment of a living wage.

As a whole, the Fair Wage Network may prove useful for helping companies get a picture of the wage situation in their supply chain, by helping identify issues that need to be addressed. However, whether a living wage will be achieved as a consequence of these analyses depends, in the end, entirely on the political will and the further engagement of the companies and suppliers involved. Merely ‘being involved in the FWN’ is not a guarantee that a living wage will be delivered.

### Productivity

A number of companies have cited involvement in productivity-improvement projects. These take on a number of different guises, good and bad. For some, it involves engineering of equipment and the way a product moves through the factory, to minimise the number of people involved and the time taken to produce goods. For others, it involves evaluating staff and management structures, and training workers to do more diverse tasks – minimising the number of people that have to be involved in production. One productivity philosophy, called ‘lean’ manufacturing, focuses on eliminating waste and involving all employees in identifying problems and inefficiencies and developing solutions. The idea is that by making factories more efficient, more profit is made in a shorter amount of time, which is good for the buyer and factory manager, and can reduce worker hours/improve worker wages. Our opinion of productivity schemes is that, although they sometimes produce limited improvement and boost wages in a small way, the sort of gains that are likely to be made will not fill the gap between minimum and living wages. They also run the risk of putting workers under even more pressure than they already are in terms of piece rates, and there is no guarantee that financial gains will be returned to workers in better pay.

### Wage ladders

The Fair Wear Foundation has been pioneering an idea that has now been adopted by a number of companies as a way to get an overview of wages in a certain country. Wage ladders consist of a set of compiled benchmarks on wages, including minimum-wage levels, industry standards, local union demands and the Asia Floor Wage, among others. Companies can use this information to plot the wages being paid in their factories, and as a tool to push factories ‘up the ladder’ in the direction of compliance with the minimum living-wage standard. Some companies are now using these wage ladders during audits to indicate to suppliers where they aim to get wages to. We think they are a useful tool.

### SA8000

The SA8000 auditing standard, used by many companies profiled in this report, includes wording stating that the certified factory must pay a living wage. A living wage is defined as being enough “to support half the basic needs of an average-sized family, based on local prices near the workplace.” The SA8000 standard further includes the statement that “the SA8000-certified facility must reach payment of a living wage within 18-24 month into the certification cycle depending upon its size and gap between its current wages and the living wage.”

While in theory these provisions sound good (although not ideal), the effectiveness of the scheme all comes down to

the question of how a living wage is calculated and what benchmarks are used. From what we understand, the SA8000 calculation is based on worker interviews about basic needs, which are used to assess household costs and the living wage. The calculation method as such is public, but the individual living-wage benchmarks form part of audit reports and therefore are only accessible to the certified entity.

The lack of publicly available benchmark data from this method means, in practice, that where the benchmark is not being paid workers cannot claim their right to a living wage, and there is no accountability or democratic control over either the effectiveness of the calculation or whether it is being implemented.

The time and price pressures that are put on auditors can also have adverse impacts on the quality of the calculations being made. The SA8000 method relies heavily on the capacity of the auditor to calculate the living wage and cross-check the information in the region. An example of an SA8000 living-wage calculation that has been confidentially provided to the CCC showed that the assessed “living wage” fell even below the legal minimum wage in the respective region.

In addition, the SA8000 living wage only covers half of the standard family size that should be supported by a living wage. In practice, this usually means that the wage should be enough for a worker plus one other person. In reality, families in the production countries are much larger,

unemployment or precarious employment is widespread, and the pension and social-insurance systems are often non-existent or too scarce for people to rely on. In the rare cases where both parents have a steady job, there is often an unpaid caregiver involved, looking after children or family members who are old or sick. A genuine living-wage calculation must take these aspects into account. We see it as essential that a living wage acts as a floor to ensure that workers in all family set-ups are able to have their basic needs met. This includes single mothers or workers without partners who are supporting two elderly relatives on one wage.

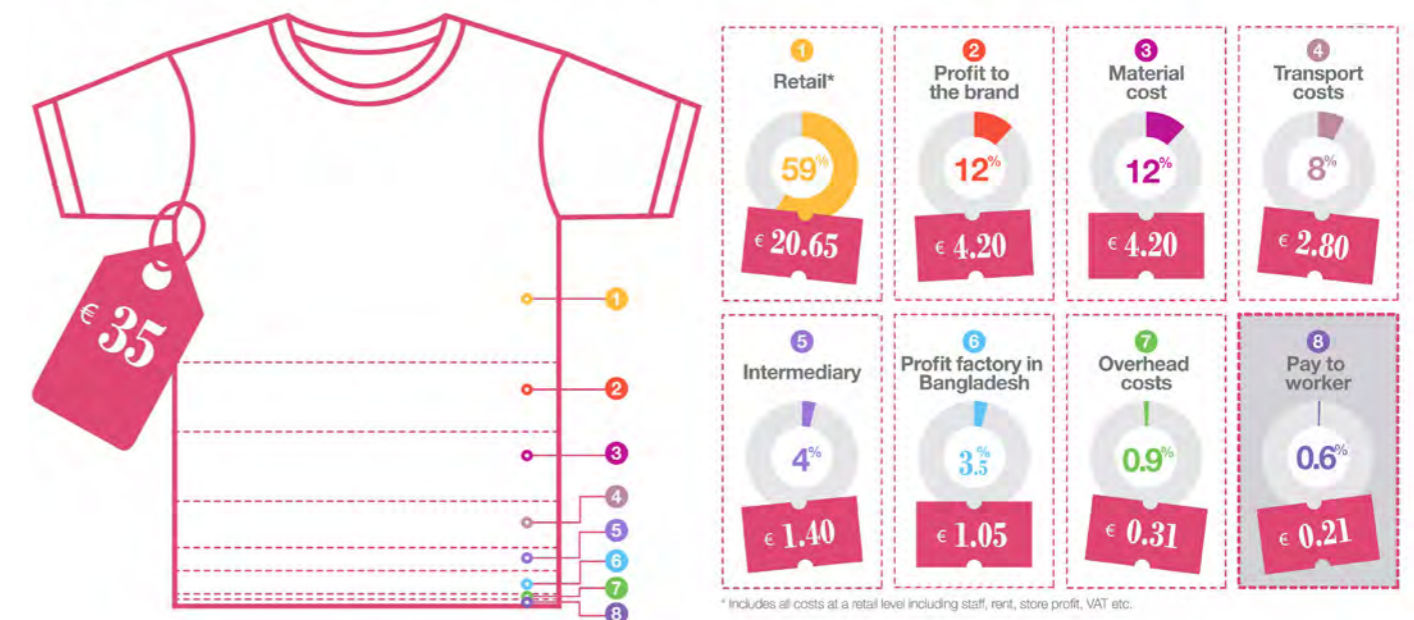
For us, a real living-wage benchmark must be:

- Transparent in method and conclusion
- Revised on a regular basis to ensure inflation is taken into account
- Established in negotiation with national or regional union groups
- Enough to cover the full basic needs of a family, as a baseline, and allow for savings (see earlier definition of a living wage)

The SA8000 calculation method is unable to meet three of these four criteria.

We also, more generally, have concerns with certification schemes because they are prone to corruption and can be based on false promises (as, for example, the recent deadly fire in a SA8000-certified factory in Pakistan showed).

## BREAKDOWN OF COSTS OF A T-SHIRT



# HOW TO REACH A LIVING WAGE

## THE NEED FOR BENCHMARKS

In order to reach a living wage, companies have to go against the tide of current trends. Although many companies have committed to a living wage, across the industry most wages are in reality only a little above the minimum wage, due to a lack of will by all parties to be the first to act.

Brands say that it is up to the suppliers and the production-country governments to increase wages in order to ensure that workers have enough. Whereas suppliers say that they are unable to do this because they do not have enough margin to put up wages, and governments say that they cannot put up minimum wages significantly as global production would simply relocate elsewhere. This stand-off can only really be broken by brands' commitment to a figure.

Companies must commit to living-wage benchmarks for many reasons. By putting a figure on the living wage, the labour cost can be calculated and embedded into pricing breakdowns, and companies can use this to be sure that suppliers are receiving enough to pay a living wage. If enough companies do this, production-country governments are given a clear signal that putting up the minimum wage to a living-wage level will not risk loss of business. The commitment to a real living-wage benchmark from companies also opens up space in wage negotiations between workers and factory owners. Currently, these negotiations often achieve very little because factory owners say they cannot pay more, due to low prices paid by buyers. But if unions or worker groups know that brands being produced in their factory have committed to a specified living-wage figure, these negotiations are opened up and a living wage becomes a possibility.

## OUR DEMANDS TO COMPANIES

The framework of this survey is based on demands developed by the Asia Floor Wage Alliance. Its 'Roadmap to a living wage', published initially in 2011, states 10 key steps that we believe brands and retailers need to engage in to show due diligence to their duty to ensure workers are paid a living wage. These proposed recommendations should not be considered individually, rather combined to form a road map. Sadly, there is no magic bullet regarding the implementation of a living wage, but it should be the result of serious engagement with several (if not all) of these recommendations.

## THE 10 STEPS TO REACH A LIVING WAGE

### Companies must:

- Endorse the principle of a living wage in their company policy
- Respect freedom of association
- Enter into dialogue with unions and labour-rights groups
- Publicly commit to a living-wage benchmark
- Amend purchasing practices
- Conduct pilot programmes involving suppliers, trade unions and labour support groups
- Advocate for governments of sourcing countries to endorse minimum living wages
- Act in a transparent way
- Collaborate with other stakeholders
- Present a roadmap with a concrete timeline for payment of a living wage

These demands broadly fall into four key areas that the Clean Clothes Campaign and its partners agree need to be addressed:

### 1. Worker empowerment

Freedom of association and the right to collective bargaining are key 'enabling rights'. This means that when these rights are respected, workers can use them to ensure that other labour standards, including a living wage, are upheld. A living wage must always be a negotiated figure. We see worker empowerment as central to this. Unfortunately, workers face many barriers to joining or forming a trade union and bargaining collectively. Many governments restrict, undermine, obstruct or even outlaw independent trade unions. Employers often express a hostile attitude toward trade unions and frequently use a range of tactics to prevent unions from emerging, including intimidation, discrimination, dismissal, blacklisting and even physical violence. Brands need to take proactive steps to help prevent these trends and ensure practical respect for freedom of association is upheld.

Practical steps we were looking for evidence of included: clear communication of a policy to support freedom of association and the right to collective bargaining for all stakeholders; training on these rights for a significant proportion of workers and management; issuing the right to organise guarantee to workers and promoting the use of union access agreements with suppliers; adoption of a credible and well-used complaints mechanism; and work to limit the use of short-term contracts, which are often a barrier to trade-union freedom.

### 2. Purchasing practices and benchmarks

The purchasing strategies of global buyers and the pressure to reduce costs often contribute to trends toward lower wages, wage violations, abuses by management and long working days for workers. Price pressure on suppliers is intense, which makes it increasingly difficult to demand and facilitate wage gains, even where trade unions already exist.

The Clean Clothes Campaign believes that suppliers must be adequately compensated for the costs involved in meeting compliance demands. This requires that pricing practices do not prevent suppliers from being decent employers. Global buyers must be sure that the prices they pay will, at the very least, cover payment of a living wage. At the same time, global buyers should also express a willingness to establish long-term relations with their suppliers. Lead times and factory capacity must also be taken into account to ensure use of overtime does not become standard practice. Buyers can further take positive steps to drive change by giving incentives for suppliers displaying best practice.

Practical steps we were looking for evidence of included: adoption of figures for living-wage benchmarks in main production countries and evidence of their use; buying systems that break down the free-on-board (FOB) price to include specified labour costs; open costing with suppliers; buying practices that show a preference for factories with high wage standards or factories that support the establishment and functioning of independent trade unions; and work to consolidate supply chains.

### 3. Collaboration

The solution to the problem of low wages will involve a number of key players in supply chains being willing to work together, namely brands, suppliers, unions (local, national and global), employer federations and governments. This will require trust and partnership between all parties being built over time. A willingness to be transparent also plays a key role. It is vital that brands play their part in initiating partnerships with corporate and labour stakeholders. Vitally important in all of this is the engagement of workers and their organisations in the design and implementation of any projects to increase wages. So often these partners are overlooked or only briefly consulted.

Practical steps we were looking for evidence of included: partnership projects with local and international independent trade unions; central worker involvement in all projects; collaborations with other brands; membership of credible MSIs; work to publicly support national demands for minimum-wage increases to production-country governments; disclosure of supplier lists and a commitment to transparent working.

### 4. Strategy for delivering a living wage

The lack of a comprehensive approach regarding the implementation of a living wage remains an obstacle to progress. Some companies have already adopted a living-wage standard within their codes of conduct, but unfortunately very few global buyers have come up with comprehensive plan for its implementation. If any progress is to be made, it is vital that companies get behind transparent and credible strategies to follow through on their living-wage commitments. A clearly articulated goal allows clear communication between all players in the supply chain about what change will happen, how and when.

Practical steps we were looking for evidence of included: public commitment to delivering a living wage within a specified time frame and a detailed strategy for doing so; consultation and negotiation with trade unions and worker groups on this strategy; inclusion of vulnerable workers; pilot projects demonstrating real wage increases that are up-scalable and create models that can be replicated in other factories.





**GARMENT WORKERS JOIN THE RALLY AT FREEDOM PARK TO CALL FOR THE RESIGNATION OF PRIME MINISTER HUN SEN AND A MINIMUM SALARY OF \$160 A MONTH.**

**PHNOM PENH, CAMBODIA, DECEMBER 2013**

# HOW WELL ARE COMPANIES REALLY DOING?

## OVERVIEW OF NOTABLE PROJECTS BEING CARRIED OUT

The UN Guiding Principles establish that companies need to know and show that they respect human rights. This means that companies should identify and assess actual and potential adverse human-rights impacts. With regard to wages, this requires assessing if, and to what extent, current wages fail to address basic needs of workers and their families, and if an issue is identified to show how this can be remedied.

Some notable projects outlined in this report show varying levels of innovation and progress towards this goal of 'knowing and showing' that companies have done enough to respect the right to a living wage. Below is an overview of who is doing what, more or less, in this respect.

### Labour costing and price innovations:

#### 'Knowing' a living wage

The first step towards ensuring the right to a living wage is upheld is to 'know' what a living wage is and have a clear understanding of what is currently being paid in the supply chain.

Eight of the 39 companies in this survey have now adopted what we would consider to be a credible living wage benchmarking tool – putting real and transparent figures on what a living wage is, thereby allowing companies to quantify and communicate the goal that they are working towards. Aurora Fashions, Bestseller, G-Star, Monsoon, New Look, Puma, Switcher and Tchibo have all started to use wage ladders, or benchmarks which include the Asia Floor Wage.

This progress has largely been facilitated by the Fair Wear Foundation wage ladder tool, which has compiled wage benchmarks for a number of sourcing countries, including minimum-wage levels, industry standards, local union demands and the Asia Floor Wage. Some of these brands are using this tool as part of their auditing process, to discuss with suppliers how to move up the wage ladder.

In terms of purchasing practices, six companies – M&S, Monsoon, Penneys, Pentland and Tchibo – sent us information about work they are doing to calculate the labour cost of each product, so that they are able to 'know' what amount to set aside in their internal pricing process. Switcher has been doing similar cost-breakdown work and told us it plans to publish the calculation of the sewing time and 'sewing wage' for each product they produce in its annual report, starting in 2014. Tchibo also told us it has been doing work on living-wage costing, carrying out "internal simulations on buying and selling price implications with reference to promoting living wages." It has surveyed 70 sample factories on a potential wage increase to the Asia Floor Wage and simulated these price impacts, with the promise of work to take this forward.

### 'Showing' a living wage

The second step towards ensuring the right to a living wage is to 'show' that a living wage is being paid. One part of this is to publicly commit to a living wage. In 2013, H&M added its name, alongside M&S, to the list of companies that have made public pledges, backed up by strategies, to the achievement of a living wage. Both brands have also made public commitments to consider increasing the prices they pay to suppliers in order to cover the wage gap. And both companies' strategies are based on a combination of employee negotiation, efficiency, fair price calculation and adjustment, and better human-resources management. H&M has not committed to any clear living-wage benchmark, and M&S has yet to disclose the figures related to its benchmarking tool.

A separate group of brands is taking a different approach. A number of 'brand bonus' projects have come up in this year's report, which are based on initiatives to make separate, bonus-like payments to workers to top-up wages to a higher/living-wage level. Swiss brand Switcher has been leading the way in this field. Switcher is a member of the Fair Wear Foundation (FWF), and together they have been working with one supplier in Bangladesh to try to pay a living wage. This was decided after a consultation with the workers in the factories. Switcher's method has been to set up an internal 'solidarity fund', into which an additional 1% of the FOB price on each order is placed, which it calculates would double the wage of the workers if it had 100% share in the factory. The fund will be distributed in June as an additional bonus to all workers in the factory, and then once a year from then on. While the scheme does not give workers a living wage – as Switcher only has a 6% share of the factory's output, and even if it did have a full share, the Asia Floor Wage for Bangladesh is five times the minimum wage, not just double – we feel this idea has some merit and will allow Switcher to show that it has moved towards better wage practice. The FWF hopes to take forward this initiative after the first round of payment concludes and it has a complete set of learnings to work from. We hope the foundation will adopt a credible benchmark when starting the second round. Lidl also cited a 'brand bonus' project, carried out in partnership with GIZ (the Deutsche Gesellschaft für Internationale Zusammenarbeit). Since 2011, Lidl has been paying workers at one factory in Bangladesh a lump sum every six months, approximately equal to a month's pay, as a bonus to top-up wages. It is unclear how the amount was calculated and whether this is part of a wider scheme to increase wages in other factories too.

### Freedom of association initiatives:

#### 'Showing' a clear commitment to freedom of association

Freedom of association is systematically undermined across the garment industry. There are a number of brands doing notable work to take proactive steps to curb this trend by taking part in formal agreements. Firstly, the Freedom of Association Protocol in Indonesia is a formal public agreement that has been signed between six major sportswear brands profiled in this report – Adidas, Nike, Pentland, Asics, Puma and New Balance – their suppliers and Indonesian trade unions. The agreement lays out commitments to implement freedom of association in Indonesian sportswear factories. It was signed in 2011, following two years of negotiations, 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. These include: a duty for suppliers to inform workers of the freedom to associate; the use of meeting and office space within factories; an agreement to release union leaders from their duties to carry out union work and facilitate meetings within working hours; the use of company vehicles; union flags to be displayed at the factory; suppliers to assist in deducting union fees from the payroll; and provision of noticeboards for union announcements in prominent factory spaces, and more. Implementation of this agreement is now progressing.

Other formal commitments to ensure freedom of association include the international framework agreement signed by Inditex some years back with the international garment union ITGLWF, now IndustriALL. Progress on what this is currently achieving is unclear.

Other projects to note include the Joint Turkey Programme being set up by Arcadia, Next and Inditex in partnership with IndustriALL, which seeks to set up mature industrial relations as a route to increasing wages. No results are as yet available.

One final project to note in this field is the policy commitment made by Nike to cap the use of short-term contracts (STCs) among its suppliers at 15%. These temporary contracts are often used by employers as a barrier to wage increases and a threat to freedom of association (many workers on STCs say they are scared to join unions because they fear their contract will not be renewed if they do). No other brand has committed to this, and we look forward to hearing about progress in this field.

# SURVEY METHODOLOGY

## SURVEY AIMS AND PROCESS

The survey methodology used in this study was developed in consultation with the Asia Floor Wage Alliance, and is a collaborative project of the Clean Clothes Campaign Network, of which of which Clean Clothes Campaign Ireland is the Irish part. We hope the results that have been gathered will encourage companies to learn from work being done by others, and that this information will allow synergies between organised worker efforts and brands in moving forward on the living-wage issue. It is important to note that the survey is limited to evaluating companies' policies and practices that are aimed at increasing wages at supplier factories, and the ranking does not take into account actual wage levels. No independent verification of the information has been made.

The questionnaire that companies were sent was written with direct reference to the '10 steps to a living wage' paper that was developed for the Asia Floor Wage Alliance in 2011 (see earlier mention). Companies were asked to provide very practical, concrete information about their work in a number of areas, from trainings to buying incentives, and wage benchmarks to transparency issues. The aim was to collect practical data on steps being taken to achieve a living wage, rather than focus on policy or ideological commitments, which in our experience are often not passed down the supply chain.

39 of the most influential or strategic companies retailing in Ireland and Europe were approached to take part in the study. These represent a mixture of fashion, sportswear, budget and supermarket retailers, as well as luxury fashion brands. 10 of these companies did not fill in our survey, but profiles of them have nonetheless been created using publicly available information.

The companies were contacted between June and September 2013 and asked to complete the survey. Data was received between October and December 2013. Once this information had been read and processed, each company was marked according to a list of criteria, and a profile of its progress towards a living wage written up. Drafts of these profiles were sent to the companies for comment prior to publication and they were invited to send any corrections or comments. We also asked clarification questions at this point. Where appropriate, changes were made to reflect feedback.

Company submissions were marked against a pre-agreed set of criteria, and given a mark out of 10 for each of four categories that the Clean Clothes Campaign feels are vital to show due diligence to company responsibility towards the right to a living wage.

## SCOPE OF THIS SURVEY

We believe that how a company performs on living wages is a good indicator of its current commitment to workers' rights more generally. For that reason, we have chosen to focus this survey on this one issue: the living wage. Work on ensuring freedom of association, purchasing practices and other issues have been taken into account too, as commitment to these topics contributes significantly to change.

The survey focuses on the rights of garment workers making clothes for large retailers. It does not cover the rights of workers selling goods in shops in Europe, for example, picking cotton in Uzbekistan or working in spinning and dyeing factories. Other factors such as

environmental concerns and animal rights are also not included in this survey. A number of the companies surveyed may be doing innovative work in these areas, but this has not been taken into account here.

It is also important to note that a number of companies told us things they are planning to do but have not yet started. These were not given marks as we have tried to base our evaluation on actual change being achieved. However, these future plans have been included in the profiles, where relevant, and we will endeavour to keep our web communications updated with their progress, as and when we hear more.

## PROFILE KEY

The profiles in this report are based on information that brands and retailers have themselves submitted, partially supplemented by publicly available information.

### Warning: Our methodology is not perfect

Our profiles can be as much a measure of the effort that 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 important parts 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.

### Profile marking

We have allocated each company a colour and an infographic to help you see how far along the route it is to implementing a living wage. Although these 'colour grades' do not indicate the actual wage levels earned by workers in company supply chains, it is possible to see from this classification which companies are beginning to do more to bring about change.

Companies have been marked out of ten in four areas of work that all contribute towards the achievement of a robust living-wage strategy. 40 marks were available in total. The overall achievement of the company has been indicated by a colour, according to the key below.

### Colour key

**INFO WANTED** Companies who did not respond or who did communicate with us about the survey but failed to fill in the questionnaire

**BLACK:** Companies who are doing little or nothing to ensure workers are paid enough to live on

**RED:** Companies who acknowledge the need for a living wage but are doing little so far to make it a reality

**ORANGE:** Companies who mention work on living wages but whose solutions are unconvincing so far

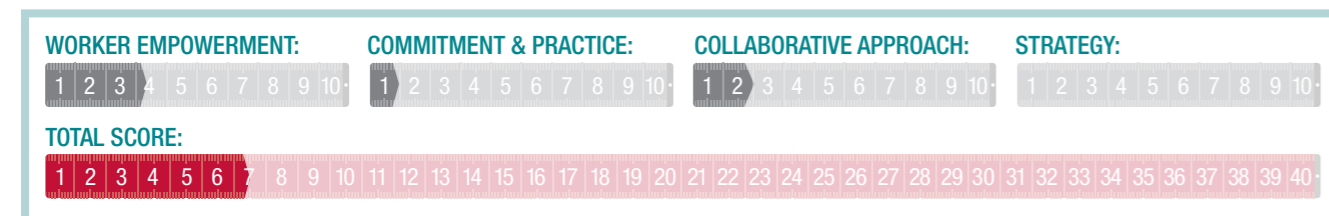
**YELLOW:** Companies who have started work to increase wages but are not doing enough yet

**GREEN:** Companies who are doing significant work towards the payment of a living wage and can demonstrate this in terms of increased wages

**Please note:** None of the companies profiled are as yet managing to pay a living wage to all the workers making their products, and no company has been awarded a 'green' grade this time around.

This graphic below indicates that a company scored 3.5 for work on 'worker empowerment' and 1.0 in the field of 'commitment and practices', 2.0 for 'collaborative approach' but shows no work on 'strategy'. Our overall analysis of its work is 'red': it is doing little or nothing to ensure the workers who make its clothes are paid enough to live on.

A full textual analysis of the reasons for the grades awarded is also provided in each case.



# COMPANY PROFILES



# ADIDAS GROUP

Brands: Adidas, Reebok, TaylorMade, Rockport



## COMPANY POSITION ON THE LIVING WAGE:

“The Adidas Group has examined the question of fair wages and has concluded that the best way to improve the general welfare of workers is to work with our business partners at the enterprise level to promote wage-setting mechanisms which are transparent and have been developed with the direct input of workers...”

“Although we value the work that has been done by the labour NGOs to develop the Asian Floor Wage, and acknowledge that it is a useful reference wage, with broad support from civil society and international trade unions, we do not require our suppliers to follow a proscribed living wage methodology when considering the cost of living for workers. We are continuing to explore this subject through our engagement with the Fair Wage Network.”

## WHAT WE SAY:

Adidas is engaging in work to assess its wage practices across Asia, but as a company it is still not willing to define what a living wage means in its business. By failing to do this, and passing on responsibility for wages in supplier factories to factory owners, the significant change needed for workers will never happen. Adidas must engage in identifying a living-wage figure and changing pricing in order to enable its payment.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Adidas says: “We encourage our suppliers to maintain a climate of non-interference with trade union activities and to implement effective systems of worker-management communication.”

Trainings for workers and factory management to address freedom of association practices were cited, covering 15% of suppliers. Some experiments with issuing the ‘right to organise’ guarantee were also listed.

Adidas has a worker hotline complaints mechanism, advertised by posters in all approved supplier factories. Hotlines are managed independently by NGOs and complaints followed up by Adidas Asia staff. If the complaint is disputed, workers/unions are encouraged to file complaints with the Fair Labor Association. Adidas is in the process of rolling out an SMS-based complaint service also. Service use is monitored by “Independent third parties”.

### Commitment and practices:

Adidas has a “strategic supplier” list through which it places 85% of orders and “do[es] not encourage subcontracting”.

Adidas says: “We conducted in-depth wage studies in selected countries in the past and we have Fair Wage Assessments underway in five different low wage countries globally.”

Adidas currently uses the legal minimum wage or prevailing industry wage as a benchmark to check if its factories are paying a fair wage.

### Collaborative approach:

Adidas has worked collaboratively with unions and NGOs in Indonesia to develop and sign a protocol on freedom of association with factory managers and unions, which allows for certain very practical rights to be delivered to workers in its supplier factories.

### Strategy:

Adidas says that its work on Fair Wage assessments “will help individual suppliers – and the Adidas Group – to identify management practices required in each of the Fair Wage dimensions. These will be progressively rolled out over the next five years.” This work “includes consideration

of living wage benchmarks.” No evidence was given of what these benchmarks are, or when and how these will be implemented so that real wages can go up.

### Production overview:

**Number of suppliers:** 977 first-tier suppliers, 132 subcontracted suppliers.

**Main production countries listed as:** China, Vietnam, Japan, Indonesia, Brazil, Other.

Adidas publishes a full public list of the names and addresses of its supplier factories.

## COMMENTS:

It is disappointing that a company as large as Adidas has yet to commit to a living-wage strategy, and continues to monitor across its suppliers only that factories pay a minimum wage. Although Adidas says it is “examining the question of fair wages” through membership of the Fair Wage Network, this does not commit it to real action to increase wages on the ground in supplier factories. Gathering data and learning more about the problem is not what is needed now.

Adidas does seem to have robust systems in place, as a company, to deal with its supply-chain responsibility, and its work in Indonesia with unions to sign a freedom of association protocol is admirable. We’d like to see more of this commitment channelled to address poverty pay.

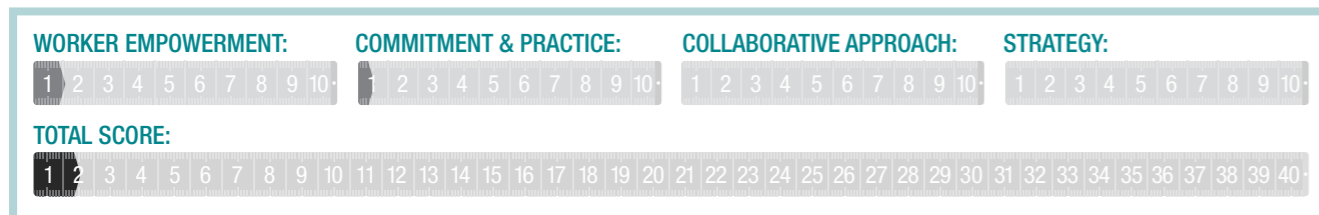
Adidas must use its significant buying power and influence to encourage change among its suppliers by choosing to work with suppliers who pay better wages, and also by addressing its own internal costings to ensure a living wage is set aside for all workers who make its products. For us, it is vital that companies adopt clear benchmarks so that wages meeting workers’ basic needs can be measured, and these aims built into product costings.

Unfortunately, Adidas’s management seem to be heading in the opposite direction: Adidas CEO Herbert Hainer said in a recent article that because the minimum wage had increased so significantly in China, the company plans to grow production elsewhere.<sup>1</sup> This kind of international corporate bullying sends signals to Asian governments that if wages go up; buyers will flee, and drives the race to the bottom on wages in the industry. Adidas needs a change of tack if its commitment to ‘fair wage’ practice is going to become more than CSR rhetoric.

# ALDI NORTH & ALDI SOUTH

Brands: Aldi

Please note: Aldi North and Aldi South responded separately to our survey. Their answers were, however, largely the same and these companies appear to do much joint work.



## COMPANY POSITION ON THE LIVING WAGE:

“Our code prescribes the payment of the legal minimum wage. This legal minimum wage should be at a level that covers workers basic needs as well as provides some discretionary income. As this is often not the case we support change through BSCI [Business Social Compliance Initiative] work towards the payment of a living wage. We believe it is essential to emphasize the importance of a holistic approach towards the issue of fair remuneration for workers.”

## WHAT WE SAY:

Very little evidence was given by Aldi North or Aldi South of any work to address the problem of low pay. Their business model, to source 100% of their goods through agencies, outsources their engagement on human rights (such as the right to a living wage) but does not take away the responsibility to ensure that rights are upheld.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Aldi North and Aldi South say: “This right [freedom of association and the right to collective bargaining] is clearly covered by the BSCI Code of Conduct, which must be displayed prominently in the factory.”

Aldi North and Aldi South also told us about the Aldi Factory Advancement Project, which is “a dialogue programme that involves workers and factory management. The aim of the project is to provide the participants with the ability to apply methods, communication and conflict management techniques in order to solve social problems in their production facilities.” The project started in September 2013.

### Commitment and practices:

No living-wage benchmarks were provided.

Aldi North says: “We believe long-term and fair business relations are integral factors in partnering with our suppliers. In this context ALDI NORTH supports its suppliers by providing clear guidelines and instructions. Suppliers are required to fulfill a comprehensive obligation of transparency towards all contracts with ALDI NORTH, thus ensuring that the improvement of conditions at the production facilities can be actively driven and monitored.” Aldi South provided the same quote, with its name replacing Aldi North’s.

Aldi North and Aldi South’s approach is to rely on auditing and the BSCI standard.

### Collaborative approach:

Aldi North and Aldi South are members of the BSCI, but no engagement with work on wages was mentioned as being carried out as part of the BSCI.

### Strategy:

Aldi North and Aldi South did not provide details of any strategies for ensuring workers in their factories are paid a living wage.

### Production overview:

**Number of suppliers:** Neither Aldi North nor Aldi South disclosed this information.

**Main production countries listed as:** Neither Aldi North nor Aldi South disclosed this information.

Both companies state that they place 100% of orders through agencies or intermediaries.

Neither Aldi North nor Aldi South publishes a full public list of the names and addresses of their supplier factories.

## COMMENTS:

Aldi North and Aldi South state that they have no direct business relationships with any supplier factories. This means their leverage to improve the rights of the people who make their clothes, such as the right to a living wage, is fairly non-existent. This, however, does not remove their responsibility to engage. For us, due diligence on the right to a living wage is a lot more than an auditing model.

The Aldi Factory Advancement Project, which aims to encourage better dialogue between workers and factory management, is encouraging – if a bit unclear what it will achieve. We hope that they are able to involve independent trade unions in this work, and use this new dialogue to support the right to collective bargaining.

Both Aldi North and Aldi South say they support change through the BSCI’s work towards payment of a living wage. To us, it is not clear what work the BSCI is doing on this topic. Furthermore, no evidence was provided of Aldi’s engagement with this work. Both Aldi North and Aldi South need to start to take seriously their own responsibilities, to ensure that wages paid to the people who make their products meet their basic needs and that an appropriate strategy is adopted for paying the living wage in their own supplier factories.

# ARCADIA GROUP

Brands: BHS, Burton, Dorothy Perkins, Evans, Miss Selfridge, Topman, Topshop, Wallis



## COMPANY POSITION ON THE LIVING WAGE:

"Arcadia supports the position that all workers in our supply chain, including piece rate, subcontracted, informal, home and migrant workers, should always

receive enough wages to meet their basic needs for nutritious food, clean water and other needs (shelter, transport etc.) as well as a discretionary income."

## WHAT WE SAY:

Arcadia is taking a collaborative approach to the living-wage issue by working on improving freedom of association (FOA) in Turkey, and worker-management

dialogue in Bangladesh. However, this strategy still lacks living-wage benchmarks and any commitment to address price, which is disappointing.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

work with management and workers separately and together to identify shortfalls in the workplace against FOA requirements."

### Worker empowerment:

Arcadia issues the Right to Organise Guarantee (RTO) in supplier factories: "We also ask that the RTO is: i) included in workers' payslips once every six months; and ii) explained in full to workers who cannot read." The guarantee is signed by management and its distribution checked via auditing. It is currently available in English, Bangla, Chinese, Hindi, Romanian, Turkish and Urdu.

Topshop and Topman have been working in collaboration with Next and Inditex on a programme in Turkey, which has a focus on freedom of association (FOA). Systematic training for workers and management was detailed as part of the 'Joint Turkey Programme': "Training sessions will be provided by trade unions and NGO partners at all levels of the factory personnel moving into more focused

### Commitment and practices:

Arcadia has not adopted living wage benchmarks. Arcadia says: "We await the International Labour Organisation's definition and calculations of wage levels, subsequently ratified, implemented and monitored by national governments."

Arcadia is currently undertaking a 'purchasing practices review' in collaboration with a consultancy: "The aim of the review is to map the buying process, from the design phase through to production, and to look at how decisions are made and communicated along the chain from Arcadia, to our supplier and finally onto the factories." Remediation measures to combat negative impacts of buying processes uncovered by the review will be put in place.

### Collaborative approach:

Arcadia has been working with IndustriALL, and a Turkish women's rights organisation SOGEP on the Joint Turkey Programme, as well as with Next and Inditex.

Arcadia took part in the Benefits for Business and workers project in collaboration with six other brands and the consultancy Impactt: "Working with factories in Bangladesh and India, the project aimed to demonstrate the business benefits of providing better jobs through:

- Establishing a more stable and satisfied workforce;
- Enhancing workers' pay;
- Avoiding excessive hours worked; and
- Improving productivity and quality in the longer term."

In all, 73 factories, reaching over 106,000 workers, took part in the programme, including nine Arcadia Group factories. Results were as follows: "In Bangladesh, worker pay per hour increased on average by 16.76% on the pilot line and on average 11.94% beyond the pilot line." Average take home pay was up by 7.63%. "In India worker pay per hour increased on average by 9% on the pilot line and 8% on average beyond the pilot line."

## COMMENTS:

Arcadia's Turkey programme is interesting and a step forward. We are glad it has made freedom of association a central tool for achieving wage improvement. It is also great that Arcadia is working collaboratively with two other retailers, and with the global union IndustriALL, as wage improvement will only ever work if information is shared and change brought about by many.

However, the project isn't ambitious enough. Arcadia and others have failed to set living-wage benchmarks, so the aspiration to "work towards a living wage" cannot be quantified. KPIs that ensure wages are enhanced could go a lot further, as simply getting wages above the minimum is no longer revolutionary. Establishing living-wage benchmarks sets clear parameters for the problem, and will show that a living-wage level is many times more than the minimum-wage level.

We also have concerns about the focus of the project on productivity. If Arcadia had established some benchmarks or even wage goals of the project, it would see that the sort of gains that can be made by productivity improvements mostly do not bring about the mass increase that wages need in order to reach a level that will cover a worker's basic needs and those of their family. Productivity improvements, worked out in collaboration with workers and unions, are an important piece of the puzzle, yes. But a clear commitment from buyers to also increase their prices is vital. The global

### Strategy:

Arcadia says: "We aspire to work towards a living wage, but not in isolation. Our Joint Turkey Programme addresses HR management systems, FOA and wages."

About its Joint Turkey Programme: "The objective of the programme is to encourage and raise awareness and understanding of the need for a holistic programme that delivers: improved working conditions; effective management systems; mature industrial relations; enhanced factory productivity; opportunities to increase workers' wages; opportunities to reduce working hours."

### Production overview:

**Number of suppliers:** 700 suppliers, approximately 1,040 factories

**Main production countries listed as:** China, Turkey, Romania, Mauritius and India.

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

race to the bottom has gone so far that buyers, who have the money, must contribute substantially to any real change. The acknowledgement of this responsibility is missing from Arcadia's project.

Arcadia have also been participating in the Benefits for Business and workers project (in partnership with the consultancy Impactt, and other brands), which aims to build factory capacity and improve communication and problem-solving in factories. We've heard about the project from a number of brands. One of the outputs is that wages have gone up through productivity improvements, but as we have always held about productivity gains, the improvement to wages has been minimal. The 7.63% average take home pay increase achieved in Bangladesh by efficiency improvements is an increase, but given that the minimum wage was recently put up by 80% after the project ended, and the new minimum still isn't anywhere near a living-wage figure, we aren't keen to call this a living-wage project. However, even if the project doesn't achieve a living wage, we are told that the worker empowerment aspects are worthwhile. We aren't so sure.

All in all, Arcadia seem to be engaging on this issue. The challenge is now to make this a supply chain wide approach, more than just a collection of interesting projects. We hope Arcadia can take this forward, and look forward to hearing more about this as it progresses.

# ARMANI

Brands: Giorgio Armani, Armani Collezioni, Emporio Armani, EA7, Armani Jeans, Armani Exchange, Armani Junior



## COMPANY POSITION ON THE LIVING WAGE:

We have looked at this company's website and through its code of conduct, and the only information available on this topic says: "We will treat our employees fairly with regard to wages, benefits and working conditions including a safe and healthy environment and we will not do business with any company that does otherwise."

## WHAT WE SAY:

This company did not respond to our request for information, and the little information available on its website gives nothing away. It is therefore safe to assume the worst: that it has no engagement with ethical trading.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

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

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

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

# ASICS

Brands: Asics, Onitsuka Tiger, Haglöfs



## COMPANY POSITION ON THE LIVING WAGE:

"ASICS recognizes the issues around fair wages in our industry as well as the need for a clear fair wage mechanism going beyond a strict living wages scope. ASICS does not yet have a company definition of living wage in particular as we believe a broader approach to wages is advisable..."

"As a group, however, we would, rather than pursuing only one of the current definitions of a living wage, like to see a clear consensus around fair wages which include a wider range of worker rights and labor practices which could include what one might call a living wage. ILO [International Labour Organization] conventions and definitions regarding fair wages form an important starting point of our company on this subject..."

"For 2014 the subject of fair wages is a priority subject within the ASICS Groups approach to Corporate Responsibility."

## WHAT WE SAY:

Asics accepts the principle of a living wage, but in practice applies the legal minimum wage or industry benchmark. Good intentions are two a penny, actual commitment is needed. As for a "broader approach to wages", what is more important than the fact that a wage should be enough to live on? This is surely the starting point.

# ASICS

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Asics says: "In addition to compliance to our policies, including freedom of association, we also expect our suppliers to ensure workers understand and are aware of our standards and their rights. This can mean posting our policy in local language in the facilities but also by providing training to new employees and periodic refreshment trainings, distributing worker rights and policies in print or other. We provide trainings to factory management ourselves (e.g. during factory audits) but these can also be facilitated by local partner organizations such as Better Factories Cambodia."

### Commitment and practices:

No living-wage benchmarks were provided. Asics says that its buying teams work closely with its CSR teams, but no detail was given on what this entails or how it improves wages.

### Collaborative approach:

Asics has worked collaboratively with unions and NGOs in Indonesia to develop and sign a protocol on freedom of association with factory managers and unions, which allows for certain very practical rights to be delivered to workers in its supplier factories. Haglöfs, an Asics-owned brand, is a member of the Fair Wear Foundation and recently took part in a survey into living-wage engineering.

### Strategy:

Asics says: "At this stage, we have not publicly communicated our specific strategy on living or fair wages".

### Production overview:

**Number of suppliers:** 228 suppliers

**Main production countries listed as:** China, Vietnam, Indonesia, Japan, Cambodia

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

## COMMENTS:

No real evidence was given of work to improve wages, let alone reach a living wage for workers in Asics' supply chain. Asics seems to be hinting that it may be putting together a strategy on living wages at some point in the future. We hope that it does and that it is able to include in its policy, as a first step, a commitment to paying over the minimum or industry standard, which keeps workers in poverty.

Asics has carried out work in Indonesia with local unions to sign a freedom of association protocol, which is admirable. We'd like to see more of this commitment channelled to address poverty pay.

# AURORA FASHIONS AND KAREN MILLEN

Brands: Oasis, Warehouse and Coast.  
Karen Millen is a separate company.

Please note: Aurora Fashions (Oasis, Warehouse and Coast) is in the process of restructuring. Oasis and Warehouse will become a single parent company whilst Coast will emerge a stand-alone business. Once the restructure is completed, Aurora Fashions will no longer exist.



## COMPANY POSITION ON THE LIVING WAGE:

"Aurora and Karen Millen support the payment of a living wage to all workers, as set out in both companies' codes of conduct."

## WHAT WE SAY:

Aurora Fashions and Karen Millen have been doing some interesting work in China to boost wages, which seems to be having some concrete results. More work is needed on working collaboratively with others.

## IN MORE DETAIL:

### Has living-wage benchmarks?

Aurora are using the Asia Floor Wage (AFW) benchmark in China.

### Worker empowerment:

Aurora says: "Our living wage strategy is focused on China (our largest sourcing country) and there are no independent trade unions to partner with in this country. We advocate the establishment of health and safety committees within our supply base in China. This provides a structure for workers and management to communicate with each other about workplace issues."

Also: "we have delivered supplier conferences where we have discussed each code provision and how suppliers are required to uphold the code. With respect to freedom of association, this has included explaining to suppliers that if workers want to join a trade union, our suppliers must respect this right, should not discourage them and should not penalise them for doing so."



# AURORA FASHIONS AND KAREN MILLEN

## Commitment and practices:

On benchmarks Aurora and Karen Millen say: “We are using the AFW benchmark in China. We have not officially endorsed the AFW figure and our worker survey results call into question the validity of universal benchmarks... From our own surveys, we have found that in the period 2012 – 3, 40% of workers said wages do meet their cost of living expenses and a further 15% said their income was above this amount. However, 45% responded that pay does not currently meet their living costs.”

On numbers of factories paying AFW, Aurora and Karen Millen say: “Please note that average standard pay in China in 2012 was 107% of the AFW figure of RMB 2,332.80 (without overtime) and average take-home pay (with overtime) was 130%.”

On purchasing practices Aurora says: “Plans are in place to continue to strengthen buyers’ understanding of the link between buying practices and labour standards.”

## Collaborative approach:

No evidence of collaborative work on wages with unions, NGOs, other companies, governments or MSIs was provided.

## Strategy:

Aurora commenced a pilot project in a factory in China in 2011 where “the key objective was to control hours whilst maintaining / increasing wage levels.” Results were as follows: “Average hours are now under 60 / week. Over the same period, average take-home pay for this group went up to 2,796 RMB from 2,209 RMB per month. Average wages are now 3,263 RMB (period 5/2012 to 7/2013). Average pay of full-time non-line workers is similar to that of the sewing teams.” The project has since come to an end.

Aurora says “lessons learned from the project are being rolled out to the rest of our supply chain.”

## Production overview:

**Number of suppliers:** 177 suppliers for Aurora Fashions, 49 suppliers for Karen Millen

**Main production countries for Aurora Fashions listed as:** China (59%), Turkey (10%), Romania (10%), India (4%), Bulgaria (4%), Other (13%).

## Main production countries for Karen Millen

**listed as:** China (55%), Turkey (20%), Lithuania (15%), Mauritius (2%), Spain (1%)

Aurora Fashions and Karen Millen do not publish a full public list of the names and addresses of supplier factories.

## COMMENTS:

Aurora are undertaking some significant work in China to boost wages. Wages seem to have gone up significantly in the project factory, and the current AFW for China for 2013 is almost being reached. It is difficult to tell if this has been achieved largely because of the steep increases in minimum wage that have happened in many Chinese provinces, or because of project work that Aurora has been undertaking. We imagine it is a combination of the two. Either way, this is good news.

Aurora’s comments about the questionable validity of universal benchmarks are interesting. To these we would say that how a question is phrased to workers and the context makes a lot of difference in the answers received. If workers are responding about a wage for 1 person or for a family, different results are achieved. Predictions are also largely based on current levels. The AFW has been established to meet the needs of 3 consumption units, (3 adults, or 2 adults 2 children), in order to provide a safety net for workers who are single wage earners supporting a family unit in countries where there is little or no reliable social security. It is vital to have this base (which may be more than subsistence level for some workers with smaller families) in order to make sure that all are able to earn above the poverty line.

The gap in Aurora’s work seems to be in the need to take a collaborative approach to the living wage issue. No work was mentioned of working with trade unions, or NGOs in country, or internationally on wage issues. Aurora are not a member of an MSI, and there was no mention of other work alongside other company peers to jointly facilitate wage change. In particular in countries where Aurora source where there isn’t a living wage benchmark yet (such as Turkey, Romania, Bulgaria), these collaborations are vital for collectively establishing a living wage level, and navigating the issues towards paying it. Work to support FOA in these countries was also absent. We hope this can be addressed.

# BENETTON GROUP

Brands: United Colors of Benetton, Undercolors of Benetton, Sisley, Playlife



## COMPANY POSITION ON THE LIVING WAGE:

“BG [Benetton Group] Business Partners shall ensure that wages paid for a standard working period shall always satisfy as a minimum the basic statutory minimum wage, the prevailing industry wage or the wage negotiated in collective agreements. The wage shall be sufficient to meet at least the basic needs of workers, their families and any other reasonable additional needs. Wages must be paid regularly, on time, and must reflect the experience, qualifications and performance of the worker.”

## WHAT WE SAY:

This company did not respond to our request for information and has limited information on its website. Benetton has a policy that promises a living wage for workers, however no evidence has been given as to how a living-wage plan is implemented. Without evidence to prove otherwise, we suspect that little is being done to make this a reality.

## IN DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

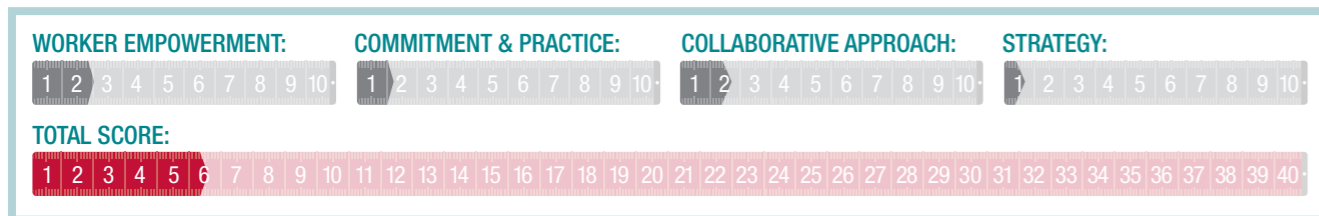
**Number of suppliers:** Benetton did not disclose this information.

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

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

# BESTSELLER

Brands: Jack & Jones, Vero Moda, Only, Name It, Pieces, Selected, Outfitters Nation, Object Collectors Item, Vila Clothes, Junarose, Mamalicious



## COMPANY POSITION ON THE LIVING WAGE:

"The employees are entitled to at least the statutory minimum wage, or the standard benchmark rate in the industry, whichever is higher, and should be enough to meet basic needs. Suppliers are expected to be open, and to actively work on reaching a sustainable solution to providing living wages ... When Bestseller mentions living wages we use the same definition as Asia Floor Wage."

## WHAT WE SAY:

Bestseller recognises the principle of a living wage, but as a company it has a long way to go if this is to become a reality for workers in its supplier factories. No evidence was given of work to increase wages above the minimum wage, aside from trainings for management and staff.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Bestseller says: "In order to communicate the right to freedom of association and collective bargaining to workers in our supply chain we have developed a poster and booklets describing Rights and Responsibilities according to our Code of Conduct. The posters has been distributed to all production units and the booklets have been distributed to 50.000 workers in China, 20.000 workers in Bangladesh and 10.000 workers in Turkey. In Bangladesh we also made an illustrated version for those workers who are illiterate. On the posters there is a contact phone number in case of grievances according to the working environment."

Some training has also been given to the management of Bestseller's top 25 suppliers about freedom of association.

### Commitment and practices:

No living-wage benchmarks were provided. Bestseller says it is in the process of developing a wage calculation matrix so it can measure and compare wages in different countries.

Bestseller adopted a new strategy in November 2013 that will guide its sustainability work towards 2020. As part of this, it announced the following goal: "We will have a clear process in place that will enable our suppliers to pay a fair living wage." No further information was given on what this entails.

### Collaborative approach:

Bestseller is a member of the Danish Ethical Trading Initiative, but no work as part of this was mentioned.

### Strategy:

Bestseller has no strategy for ensuring workers in its factories are paid a living wage.

### Production overview:

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

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

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

## COMMENTS:

It is positive that Bestseller recognises a living wage should provide for a family and meet their needs. We hope that in its coming work to establish wage matrices for its production countries, the Asia Floor Wage standard will feature prominently. Bestseller now needs to come up with a methodology for delivering this sort of promise into the pockets of workers – not an easy task. Its 2020 commitment is a positive step towards this, although now needs content. We look forward to monitoring this progress.

# DEBENHAMS

Brands: Including, Pineapple, Red Herring, Debut, H!  
By Henry Holland, Jasper Conran, Rocha John Rocha and many others. See company submission for full list.



## COMPANY POSITION ON THE LIVING WAGE:

“We hope in time for a realistic living wage to be paid across the global supply chain including the UK and other EU countries. Please see the following as stated in the company Code of Conduct:

Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.”

## WHAT WE SAY:

Debenhams rely heavily on auditing to ensure vital rights are upheld in its supply chain. This outdated model, and lack of proactive work to drive change, will not bring about the vital change needed to ensure wages meet workers basic needs. More effort needed.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

## Worker empowerment:

Debenhams says: “Debenhams policy on Freedom Of Association is included as part of the company Code of Conduct, which is communicated with 100% of our suppliers and factories.” Some auditing work to check up on Freedom of Association was also listed: “we have an additional supplement which specifically addresses Freedom Of Association within our factories. This contains a number of questions (effectively an assessment) addressed to the factory regarding, the Workers committee and any affiliation with local or national unions. This includes the function of the committee, how were its members selected, records of the meetings and the election process.”

Engagement in an ETI China Decent Work project was listed.

## Commitment and practices:

Debenhams has not adopted living wage benchmarks and instead monitors payment of the minimum wage. Debenhams says: “On-going research in our factory base shows, many of the factories we source from pay up to 2 times the minimum wage, in addition to over time and bonus, but total minimum wage is the focus to judge fairly and realistically as a starting point for bench marking.”

Debenhams says: “Suppliers and the factories are expected to adhere to the Code of Conduct, aiming to achieve the highest standards maintaining them at all times, this includes how they can consider a real living wage.”

## Collaborative approach:

Debenhams mentioned work in Turkey with the global union: “FOA and Collective Bargaining Campaign in Turkey with a manufacturer called Desa, positive action allowing ITGLWF union representative into the factory on a regular basis, communicating with the work force.”

In collaboration with other ETI companies: “Debenhams is actively involved in drafting a set of principles in collaboration with other prominent international retailers to address living wages issues in the supply chain.”

## Strategy:

Debenhams says: “In 2014 we will roll out formal training programs to the supply base as part of the company ETI Strategy.”

Also: “Part of the 3 year ETI company strategy we will look to see where we can collaborate accordingly with external stakeholders.”

## Production overview:

**Number of suppliers:** 1266 first-tier suppliers

**Main production countries listed as:** China (52%), India (14%), Turkey (5%), Bangladesh (4%), UK (3%) Other (22%).

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

## COMMENTS:

Debenhams says that it requires suppliers to pay wages that are sufficient to meet workers’ basic needs, but as a company it has failed to make any effort to define what this really means, and so instead defaults to monitoring payment of the minimum wage. It is clear to everyone that this doesn’t meet basic needs.

Debenhams says that it is the suppliers that have to consider how to achieve a living wage. We disagree. Any wage change, although obviously a collaborative effort, will have to be driven by brands, who hold the power in pricing negotiations. Although Debenhams says it works with suppliers to ensure FOB price is enough to cover minimum wage costs, downward price pressure is likely to mean that the minimum wage is the only option. As the Asia Floor Wage calculation has shown, in many of Debenham’s sourcing countries, a living wage is as much as 5 times the minimum, meaning this will have to be factored into costs in a significant way. Debenhams needs to adopt living wage benchmarks or wage ladders and start to use these to promote change.

Debenhams says it is working with the ETI on their strategy, and with other ETI companies on principles of collaboration for addressing wage issues. This is good, although more information is needed about what Debenhams role will be in this.

We hope to see Debenhams take meaningful action to implement the right to a living wage in the near future. There is little evidence of any work on this vital topic to date.

# DESIGUAL

Brands: Desigual



## COMPANY POSITION ON THE LIVING WAGE:

Desigual has a code of conduct for suppliers, which was published in 2009. It states: "Desigual suppliers and subcontractors shall ensure that the wage of their employees is at least equal to the minimum legal wage or that established under the work agreement, if the latter is higher. In any case, it shall always be sufficient to cover the basic needs of the employee."

Desigual also states: "We have social audits through Intertek and we work on action plans that are developed by their own team of consultants, who are based in the factories."

## WHAT WE SAY:

Desigual did not respond to our survey but got in touch at a later date to send us its code of conduct and annual report. No information is available on its website about the living wage, labour rights or ethical trading. We are glad to find out that Desigual does pay a consultant to make "action plans" that follow up on its social auditing, and hope that this work includes initiatives to ensure wages meet basic needs. Desigual seems to be at the beginning of the road towards ensuring this vital right is upheld.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

**Number of suppliers:** More than 100

**Main production countries listed as:** China, India, Spain, Portugal, Morocco, Bulgaria, Turkey, Vietnam

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

# DIESEL

Brands: Diesel, Diesel Black Gold, 55DSL, Diesel Kid



## COMPANY POSITION ON THE LIVING WAGE:

We have looked at Diesel's website, and through its code of conduct, and no information relating to the living wage or labour-standards policies was found.

## WHAT WE SAY:

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

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

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

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

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

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# DUNNES STORES

Brands: Savida, Gallery, Carolyn Donnelly - The Edit, Dunnes Stores Signature, Costello Living - Men, Centred

|                               |             |  |                      |
|-------------------------------|-------------|--|----------------------|
| WORKER EMPOWERMENT:           | COMMITMENT: | APPROACH:  | STRATEGY:            |
| 1 2 3 4 5 6 7 8 9 10          | 1 2 3       | 1 2 3 4 5 6 7 8 9 10   | 1 2 3 4 5 6 7 8 9 10 |
| TOTAL SCORE:                  |             |  |                      |
| 1 2 3 4 5 6 7 8 9 10 11 12 13 |             | 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 |                      |

INFO WANTED

## COMPANY POSITION ON THE LIVING WAGE:

We have looked at the Dunnes Stores website, but no code of conduct, or reference to any living wage or labour-standards policies were found. Despite several requests for further information, none was furnished.

## WHAT WE SAY:

Dunnes Stores did not respond to our requests for information, and has no relevant information available on its website. It is therefore safe to assume the worst: that it has no engagement with ethical trading at all.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

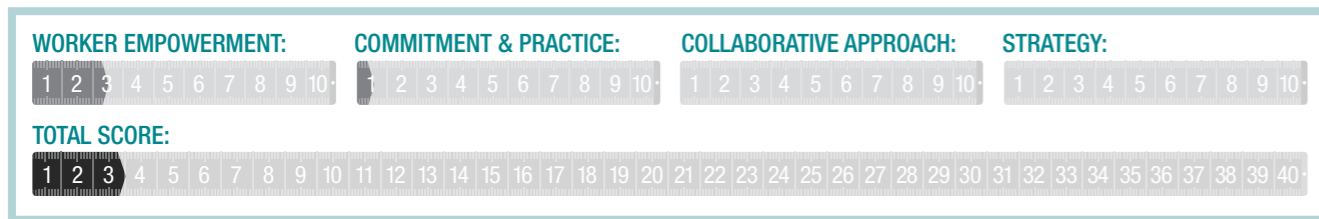
**Number of suppliers:** Dunnes Stores did not disclose this information.

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

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

# ESPRIT

Brands: Esprit, Esprit Casual, Esprit Collection, Esprit Sports, Edc



## COMPANY POSITION ON THE LIVING WAGE:

“We implement the BSCI [Business Social Compliance Initiative] Code of Conduct in our international supply chain. This Code prescribes the payment of the legal minimum wage. This legal minimum wage should be at a level that covers workers basic needs as well as provide some discretionary income.”

“We believe it is essential to emphasize the importance of a holistic approach towards the issue of fair remuneration for workers. In this context, it is important to address the qualitative aspects of wages as well as quantitative aspects ... such as the way of payment, timely and formal payment of wages, reflecting skills and education of workers in the level of wages, and equal treatment of full-time employees, part-time, and piece-rates workers.”

## WHAT WE SAY:

Sound familiar? Like Lidl, Aldi, WE and others, Esprit has simply repeated back to us the answers provided by the BSCI, without engaging in the issues. Very little evidence was given of any work to address the problem of low pay. Nothing in the answers provided indicated to us a serious engagement with the need to increase pay to a living-wage level.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Esprit says: “Communicating information about the rights and freedoms of workers, including freedom of association, is a requirement of the BSCI Code of Conduct. As stated in the terms of implementation, the Code must be translated into the local language(s) and displayed prominently in a factory in order to be BSCI-compliant.”

Esprit gave information about its direct involvement in ensuring collective bargaining rights on two occasions in 2013 where suppliers had refused to engage with worker representatives.

It says: “Esprit has a team of 11 people based in China, Hong Kong, Bangladesh, India and Turkey that perform Esprit internal audits, and develop corrective action plans for our supplier factories.”

### Commitment and practices:

On living-wage benchmarks, Esprit says: “The calculation of the local living wage forms part of the BSCI audit and is calculated according to the SA8000 methodology. They are used for the gap analysis and in the Corrective Action Plans that are issued to factories after each BSCI audit, indicating steps to be taken in order to arrive at the level of a living wage.”

### Collaborative approach:

Little information was given of collaborative projects or work with unions or NGO groups, aside from Esprit’s attendance at the European Conference on Living Wages in Berlin.

### Strategy:

There was no information given on a strategy towards wage and working-condition improvements beyond the BSCI reports referenced above.

## Production overview:

**Number of suppliers:** 455 first-tier suppliers

**Main production countries listed as:** China (54%), rest of Asia (9%), Bangladesh (8%), Turkey (8%), Vietnam (6%), Other (15%)

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

## COMMENTS:

Another giant in the global market, Esprit has over 1,000 shops worldwide, employing more than 10,000 people directly, and a turnover exceeding €2.3billion annually – yet it has little oversight of its supply chain and has developed no strategy for improving wage or working conditions in its supplier factories. Instead it references work being carried out by the BSCI and relies on an outdated auditing model. This ‘tick box’ approach to dealing with company responsibility for labour rights will not bring about the change that is vitally needed.

Our take on the BSCI focus on addressing “the qualitative as well as quantitative aspects” of wage payment is that this is somehow sidestepping the main point. It is important, yes, to pay workers on time and ensure wages reflect how skilled workers are, but the main issue for most factory workers is that they cannot afford to feed their children. We are not saying that the qualitative issues are not important and should not be addressed, just that the quantitative issues are immeasurably more important. The repeated protests that take place around the world in garment-producing countries all call for a significant quantitative wage increase. The focus on other aspects of wage payment must not become a distraction from the pressing and urgent issue of poverty. Given a list of 12 things to do, one of which is ‘pay more’, every supplier will do the other 11 first.

Esprit has a small CSR team, aside from its work with the BSCI, but no evidence was given on how this team is working to improve wages.

Esprit needs to take personal responsibility for its global supply chain and invest in ensuring that the rights of all workers within that supply chain are respected.

# G-STAR

Brands: G-Star Raw Denim



## COMPANY POSITION ON THE LIVING WAGE:

"G-Star supports the living wage principle as well as further research and exploration on defining 'what is a living wage'. We have not endorsed the living wage standard in our Code of Conduct ... Our code is actionable and we made the decision ... to only include actionable aspects that we can deliver at that/this moment in time.

"Our current, but not public definition is that living wage is defined as a wage paid for a standard working week meeting basic needs of workers and their families and to provide some discretionary income."

## WHAT WE SAY:

G-Star needs to make the leap of commitment towards a living wage. It is great that it is monitoring the wages it pays against real living-wage figures, but unless it puts this into its company policy, this support for the principle of a living wage is meaningless and the gap will not be bridged.

## IN MORE DETAIL:

### Has living-wage benchmarks?

Yes.

### Worker empowerment:

G-Star says: "The right to Freedom of association and collective bargaining has been incorporated in the G-Star Code of Conduct ... G-Star is a buying partner of Better Work program Vietnam (8% of the supply chain). In conferences, supplier training and supplier assessments the topic of Freedom of association and collective bargaining is actively raised and acted upon."

### Commitment and practices:

G-Star has adopted a wage ladder to internally monitor its progress towards payment of a living wage. G-Star is using this ladder to carry out "internal overviews of wages by suppliers in comparison to the different wage levels - minimum wage, living wage, Asian floor wage."

G-Star says: "We are working internally on a project to further control prices vs wages paid." Adding: "Currently we are doing research and investigate the topic of Living Wage in our supply chain. Based on the research G-Star has the intention to do a Living wage pilot at one of our suppliers in Q3-4 of 2014."

## COMMENTS:

We are pleased that G-Star has started using a wage ladder to evaluate the wages paid to workers against figures that show how much it really costs to live with dignity in the countries where the company sources its goods. This is a good first step. Intriguingly, G-Star says it is also working on a project to control prices vs wages paid. We look forward to hearing more about this as it develops. It is vital that companies commit to addressing the price they pay to supplier factories when seriously considering how to bridge the gap between minimum and living wages. It will be important that G-Star takes this into account in its project. Simply gathering figures will not solve the problem.

### Collaborative approach:

G-Star is involved in the Better Work programme. It has also taken part in an initiative in the Dutch textile and clothing sector, together with other brands, focusing on a living wage.

### Strategy:

G-Star has no strategy for ensuring workers in its factories are paid a living wage.

### Production overview:

**Number of suppliers:** G-Star did not disclose this information.

**Main production countries listed as:** Bangladesh (36%), China (31%), India (17%), Other (16%)

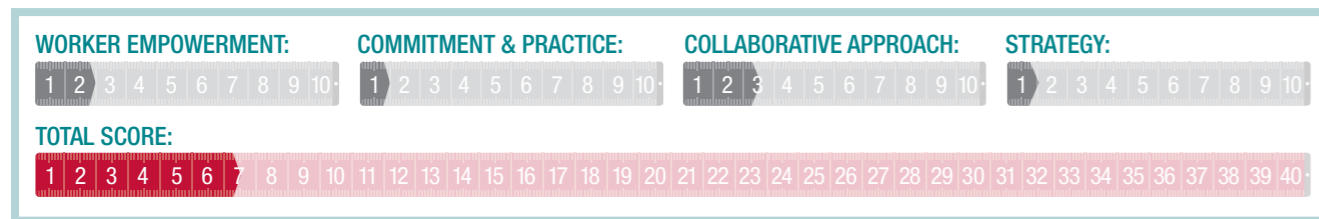
G-Star does not publish a full public list of the names and addresses of its supplier factories.

G-Star demonstrates little evidence of working collaboratively with unions, NGOs or other companies to take forward work on a living wage. There is also little sign of work to combat the very real barriers to freedom of association and collective bargaining in its supply chains. Progress in these areas must go side by side with benchmarks if change is to be sustainable.

G-Star has yet to incorporate a commitment to pay the living wage in its code of conduct, although the company let us know when we sent it this profile that it plans to do this in early 2014. Our experience is that without this public policy statement in place, it is difficult to get a whole company on board with changes at all levels. We hope this will be addressed soon.

# GAP INC

Brands: Gap, Banana Republic, Old Navy, Piperlime, Athleta, Intermix



## COMPANY POSITION ON THE LIVING WAGE:

"We remain committed to the principle that wages for a standard working week should meet the basic needs of factory workers and provide them with discretionary income. We want to do our part to help ensure workers are being treated fairly and that their compensation

reflects that ... While there is no universally agreed-upon calculation for a living wage, we have made it a priority to ensure that our suppliers comply with legal wage and benefits laws, the violation of which is an ongoing problem in the apparel industry."

## WHAT WE SAY:

Gap's submission, although containing many fine words and sentiments, shows little proof of real work that will improve wages for workers making its clothes. This is

disappointing. Gap's proposals to look into productivity projects and ensure it is paying the minimum wage are also sadly insufficient.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

Gap says factory managers are obliged to inform workers of unions operating in the factory, provide their contact details and display or distribute a copy of any collective bargaining agreement.

### Worker empowerment:

Gap says: "We use a wide range of approaches to ensure that FOA [freedom of association] rights are respected and communicated clearly with both management and workers. These range from supporting open dialogue between factory workers and managers to partnering with workers' rights groups and trade unions when appropriate. We believe that helping ensure FOA in both principle and practice is important to laying a foundation for increased wages."

### Commitment and practices:

Gap has no system for monitoring its 'living wage' commitment as it has not developed internal benchmarks. Some work was mentioned about meeting with strategic vendors to develop "tailored programs to address the needs of individual factories." This included discussion of timing and planning of orders to minimise the negative impact of buying practices on workers.

## Collaborative approach:

Gap is a member of the Ethical Trading Initiative (ETI). It is part of an ETI working group – with other companies, NGOs and unions – looking into the Sumangali forced-labour scheme in India.

It also cited work as part of the "Americas Group", addressing precarious labour problems in Central America and Mexico in partnership with unions and NGOs. A partnership with IndustriALL to provide FOA trainings to 14 suppliers in Sri Lanka and India was also mentioned.

## Strategy:

Gap gave information about its P.A.C.E. (Personal Advancement & Career Enhancement) programme, which "provides female garment workers with the foundational life skills and enhanced technical skills needed to advance in their personal lives and in the workplace." Anticipated outcomes include wage increase as a result of career progression. To date, 20,000 women have participated in the programme in seven countries.

## COMMENTS:

For more than 10 years, Gap has been a member of the ETI, with the commitment to a living wage written in its code of conduct, but it still has yet to define what this means in terms of real wage figures and check if this is being paid to the workers making its clothes. It is very disappointing, if not shocking, that a brand of this size and influence can avoid its responsibility for so long and continue to endorse global poverty pay.

The P.A.C.E programme seems to have trained a significant number of workers. However, not everyone can become a supervisor. It isn't clear how this scheme helps the majority of workers to move up the pay scale. We suspect that this sort of training may focus on teaching workers to manage their very limited personal finances better – a bit patronising as the main problem isn't workers massively overspending on Big Macs, but rather the fact that they aren't paid enough to buy enough rice for their families.

On the productivity programmes strategy, Gap is pursuing the wrong project. Productivity, although helpful as part of a package of measures to boost wages, will never increase profits enough to cover the quite significant gap between the minimum wage and living wage in most countries where Gap sources. Countless researches show this (including the figures from some pilot projects highlighted in this report). There is also the risk that

Gap also says that it is considering productivity improvement programmes as a strategy: "We see particular promise in pilots focused on enhancing productivity with an aim to share some of the gains with workers in the form of improved wages. This approach holds the potential to help secure workers' human rights in a way that can be economically stable over the long-term." The company added that it has developed a "framework for laying the foundation to increase wages". This framework has three aims: ensuring compliance with the minimum wage, ensuring freedom of association and promoting effective management systems.

## Production overview:

**Number of suppliers:** Gap says: "We purchase private label and non-private label merchandise from over 1,000 vendors. Our vendors have facilities in about 40 countries."

**Main production countries listed as:** China (26%), US (2%), Other (72%)

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

workers, who are already working hard enough, are set ever-higher targets and see only a fraction of the financial gains. Another way to achieve "economically stable" wage increases is for Gap to agree to pay more and find a system that ensures this dividend gets to the workers. Just a thought.

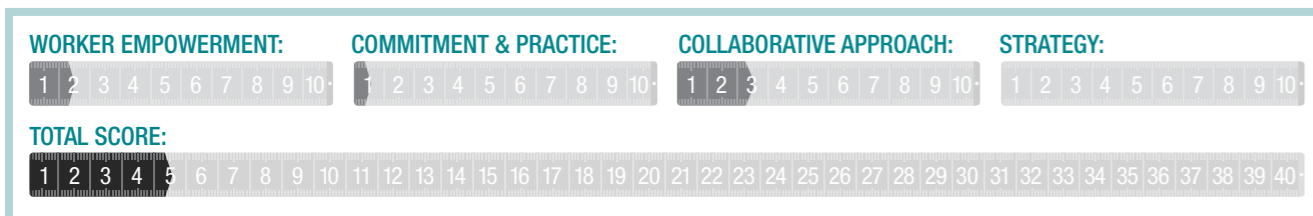
Gap says that while there is no universally agreed living-wage figure, it has focused on ensuring the minimum wage is paid. For us, this is no longer a valid excuse for not engaging. The Asia Floor Wage Alliance set out a figure to define what a living wage means in terms of purchasing power in 2009, and since then a number of nuanced systems have emerged which allow companies to compare the wages paid by their suppliers to a ladder of benchmarks and thus measure progress. Many companies in this report are now doing this. Gap could do a lot worse than to join this trend.

We hope to see Gap re-engage in the living-wage debate in the coming year. We challenge the company to develop its "framework for laying the foundation to increase wages" in order to take its next steps and commit to how the wages will increase. More needs to be done than ensuring the company is obeying the law and paying the minimum wage. A buyer of this size and influence has the potential to make a difference and lead the way in improving the lives of workers around the world.



# GUCCI

Brands: Gucci



## COMPANY POSITION ON THE LIVING WAGE:

"GUCCI is SA8000 certified since 2007. In this standard the compliance with the Living Wage is one of the requirements that has to be satisfied. Then this requirement is also incorporated in the Social Responsibility Policy of our Brand and in the Principles of Sustainability on which we ask the commitment of our suppliers."

## WHAT WE SAY:

Gucci says it produces 100% of its goods in Italy, where it says rights are upheld. However, the company has more than 3,000 subcontracted suppliers and it is unclear to us what its policy is for upholding rights in these workplaces. Previous case work found some Gucci products (uniforms for employees) being made in Turkey. More effort than a simple statement in a policy document is needed.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Gucci says: "The Right to Freedom of Association and Collective Bargaining is clearly communicated through our supply chain ... We training periodically (at least yearly) all of our direct suppliers on our Social Responsibility Policy. This kind of activity has been shared with the main Unions on the basis of an agreement signed in 2004."

### Commitment and practices:

Gucci uses the Italian minimum wage as a living-wage benchmark. It says that this is a suitable figure because it was established by national collective agreements.

### Collaborative approach:

Gucci signed agreements in 2004, 2009 and 2012 with the Italian trade union confederations CGIL, CISL and UIL.

Gucci has had proactive and productive dialogue with the Italian branch of the Clean Clothes Campaign regarding a number of issues, including sandblasting.

### Strategy:

None.

### Production overview:

**Number of suppliers:** 400 first-tier suppliers, 3,600 subcontracted suppliers

**Main production countries listed as:** Italy (100%)

Gucci does not publish a full public list of the names and addresses of its supplier factories, but this list is shared confidentially with unions.

## COMMENTS:

Gucci says its production is entirely based in Italy, where rights are upheld. However, we would not consider Italy to be a 'low risk' country in terms of rights. Indeed, in December 2013, a fire in a subcontractor's factory in the town of Prato killed seven Chinese migrant workers, and unions said the health and safety problems that caused the disaster were common in the area. Due to a significant use of the informal sector and migrant labour in Italy, Gucci's production needs to be carefully monitored if the company is to be sure that wages are enough to meet workers' basic needs and ensure their rights.

We have questions about the fact that there is such a high volume of subcontracted work in Gucci's supply chain, and suspect that some of these subcontractors may be outside Italy. No information was given about how this subcontracting is monitored or how workers' rights are upheld in these factories. It is crucial that Gucci engages in its subcontracting policy and takes responsibility for rights in these factories also.

# H&M GROUP

Brands: H&M, Cos, Monki, Weekday, Cheap Monday, & Other Stories



## COMPANY POSITION ON THE LIVING WAGE:

“A Fair Living Wage, covering workers basic needs, should be paid by all our commercial goods suppliers. A Fair Living Wage should be measured as the workers’ perception of receiving a wage that covers their basic needs.”

“We do not endorse a specific definition [of a living wage], since we believe that this is for workers representative to decide, and conclusion on what specific wage level to bring to wage negotiations.”

## WHAT WE SAY:

H&M has taken some big steps forward in its work in the last 6 months, and has come out in support of a ‘fair living wage’. However, its strategy lacks a living wage benchmark. The wage increases that are currently possible at a factory level through negotiation, when the starting point is only a fraction of the amount needed, will not reach an actual living wage sufficient to feed and support a family. The other elements of H&M’s strategy – capacity building with suppliers, advocacy for increased minimum wages, and adjustments in purchasing practices – may help, but the crucial commitment to a living wage benchmark is a necessary next step for making living wages possible.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

H&M delivered a social dialogue project in Bangladesh. The pilot initially covered five factories, but this is being scaled up during 2014 to cover 15% of H&M’s supplier factories in Bangladesh, and 100% of its supplier factories by 2018. The pilot has so far achieved the election of three worker-participation committees, and dialogue with management has covered compensation issues such as bonuses and wage-payment dates.

H&M has a limited grievance mechanism, in which phone numbers and email addresses of H&M staff are given to workers during interviews.

H&M has also started a project with the Swedish union IF Metall in Cambodia.

### Commitment and practices:

H&M’s new ‘Fair Living Wage’ plan includes the following commitments on purchasing practices:

- By 2014: Improved pricing method, ensuring true cost of labour; improved purchasing plans to reduce production peaks
- By 2018: Reduction of average overtime by 35%; 90% of suppliers to perceive H&M as a fair business partner

H&M’s commitment also includes this statement: “We are willing to pay more so that suppliers can pay higher wages.” It currently uses open costings with suppliers, but does not break down labour cost as part of pricing.

H&M has a buying tool called the ‘Index of Code of Conduct’, which “ranks suppliers, and provides incentives for improvement. This is a weighted index, where by FoA [freedom of association] and CB [collective bargaining] together with compensation and working hours is given a higher weight.”

### Collaborative approach:

H&M is collaborating with Fair Wage Network consultants on its new pilot projects. Some consultation with unions, NGOs and workers was carried out on these plans. An advisory board to oversee the project has some high-level union presence but little involvement of local unions.

### Strategy:

H&M says: “H&M will support factory owners to develop pay structures that enable a fair living wage, ensure correct compensation and overtime within legal limits. This will be explored by implementing the Fair Wage Method in our role model factories ...” This will start in 2014 with work on two ‘model factories’ in Bangladesh and one in Cambodia. At these factories, H&M will have a 100% buying share.

It says: “H&M’s strategic suppliers should have pay structures in place to pay a fair living wage by 2018. By then, this will reach around 850 000 textile workers.”

It adds: “By 2014, we will expand our existing social dialogue project so that 15% of H&M’s suppliers are trained in social dialogue and have freely elected Workers Participants Committees, with the intention to reach 100% by 2018.”

### Production overview:

**Number of suppliers:** 785 first-tier suppliers, 1,013 subcontracted suppliers

**Main production countries listed as:** Far East incl. China, Indonesia and Cambodia (42%); South Asia incl. Bangladesh (28%); Europe, Middle East and Africa (30%)  
H&M publishes a full public list of the names and addresses of its supplier factories.

## COMMENTS:

We are disappointed that H&M's newly announced Roadmap to a Fair Living Wage fails to clearly state a living-wage benchmark. Although there are many good elements to what H&M has developed, without such a definition it is impossible to create a 'road map' to achieving the payment of such a wage or measure the road map's success.

A key part of H&M's strategy is promoting negotiations at a factory level, based on wage levels proposed by workers. We obviously support the need for wages to be negotiated – this is key. However, factory-level negotiations alone will not achieve 'fair living wages'. The wage increases that are possible at factory level, when the starting position is a minimum wage that is only a quarter or a sixth of a living wage, will never reach an actual living wage sufficient to feed and support a family. A commitment must come from H&M to raise the wage significantly via a benchmark. Such a commitment may open the space in negotiations for trade unions to make wage demands that represent the real needs of workers.

H&M's statement that, in order to achieve a fair living wage, it is willing to pay more to its suppliers marks a commitment that is essential at the heart of any wage improvement. This is welcome. It is also encouraging that H&M is committed to improving its purchasing practices to decrease overtime.

H&M says that as part of the worker assessments of perceived living wage, which will be carried out to calculate wage levels in its new model factories, the following parameters will be assessed: "Food, Accommodation, Health, Education, Clothing and Vacation/leisure." We are concerned that this limited list – which omits family care, transport and discretionary income – will give an inaccurate picture of what a real living wage is. The fact that some workers have to support elderly relatives and children must play a central role in the calculation (a living wage may be three times the amount that an individual needs to survive).

On top of the factory-level negotiations, H&M must go further in ensuring the inclusion of local unions, whose role is critical. Signing the Indonesia Protocol would be a good step and a learning experience. This agreement, already signed by a number of major sportswear brands in Indonesia, is delivering some very concrete actions to enable better workplace representation across many suppliers, and is proving a groundbreaking test bed for how to ensure freedom of association in the industry. H&M could also consider broadening its advisory board to ensure local trade unions have more direct representation.

H&M's statement that it plans to scale up a project to create Worker Participation Committees in 100% of its key supplier factories is a bit worrying. Although helpful for improving factory-level communication at times, these committees can act as a parallel means to worker empowerment and, in fact, prohibit the engagement of local unions in factory processes. Worker committees should only be used in places where trade union rights are prohibited, otherwise local unions engage in these processes via access agreements and issuance of the 'right to organise' guarantee. We hope that H&M will take this important point on board.

We are keen to follow H&M's progress as it moves forward with its commitment to a 'fair living wage'.

# HUGO BOSS

Brands: Hugo Boss



## COMPANY POSITION ON THE LIVING WAGE:

"Our supplier contracts are based on the norms of the International Labour Organization (ILO). They contain requirements that all employees are covered at least by the legal minimum wage, the legally defined minimum leave and the defined maximum working hours. If there is no, or no adequate, legislation in the country concerned, our HUGO BOSS Social Standards set the standard to ensure appropriate working conditions for the employees.

"Safety at work, the prohibition of child labor and the payment of fair wages are just a few of the mandates that we set for our producers. However, far from relying exclusively on legal covenants, we actively monitor compliance with our social and ecological guidelines during regular visits to the sites, together with an external consultancy."

## WHAT WE SAY:

Hugo Boss has basic information on minimum-wage payment within its code of conduct and a section on sustainability in its 2012 annual report. Other than this, there is no evidence of any work being done within supply chains to ensure workers are being paid a living wage. All in all very disappointing for such a high-profile brand.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

**Number of suppliers:** Hugo Boss did not disclose this information.

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

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

# INDITEX

Brands: Zara, Bershka, Stradivarius, Pull & Bear, Massimo Dutti, Oysho, Zara Home, Lefties, Uterqüe



## COMPANY POSITION ON THE LIVING WAGE:

Inditex says: “Wages should always be enough to meet at least the basic needs of workers and their families and any other which might be considered as reasonable additional needs ... In the International Framework Agreement Inditex have signed with IndustriALL it states the union will work with Inditex to ensure full compliance to codes and standards including Clause 5 of the ETI [Ethical Trading Initiative] base code: ‘Living wages will be paid.’ ... Inditex understands that any collective agreement on salaries that have been freely negotiated between employers and freely elected trade unions representatives constitutes a fair wage reference for a country / region / city / factory.”

## WHAT WE SAY:

Inditex’s commitment to working with trade unions to increase pay, demonstrated by its International Framework Agreement, is commendable. While the focus on freedom of association is very welcome, the focus on delivering improvements to wages needs to be improved and developed if workers in the company’s supplier factories are to start seeing concrete improvements to their economic well-being.

## IN MORE DETAIL:

### Has living wage benchmarks?

Inditex cited benchmarks in some countries, including Morocco, Spain and Portugal. For Asia, no benchmarks have been established.

### Worker empowerment:

Inditex says: “Manufacturers and suppliers shall ensure that their employees, without distinction, have the right of association, union membership and collective bargaining. No retaliation may arise from the exercise of such right and no remuneration or payment whatsoever may be offered to the employees in order to hinder the exercise of such a right. Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers’ representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed.”

Inditex has worked to proactively promote these rights through trainings and meetings with local trade unions in a number of key production countries, through trainings of suppliers on freedom of association, and through issuing ‘right to organise’ guarantees in Turkey, Cambodia and India.

### Commitment and practices:

Inditex has started to address the way it manages its supply chain by reducing the number of suppliers used, increasing production in suppliers with more ethical practices and taking steps to reduce the need for subcontracting. Although it has started to include labour costs in its price calculations, there is no commitment to addressing its own pricing practices – a key factor in ensuring living-wage levels can be met. Inditex has yet to produce clear living-wage benchmarks for each of its production countries.

### Collaborative approach:

Inditex has realised the importance of working collaboratively on these issues. It is the only international garment retailer to have signed an International Framework Agreement with IndustriALL, the global union representing garment and textile workers. Joint work with IndustriALL in South America, Europe and Far East Asia was cited. It has also worked with local unions in Cambodia, Bangladesh, Turkey, Portugal, Brazil and Spain. Collaboration with other brands is also a key part of its approach, both through its membership of the Ethical Trading Initiative and within separate pilot programmes.

### Strategy:

Inditex is working on a number of pilot projects that address issues fundamentally linked to wages, including freedom of association and short-term contracts. Inditex says it is taking part in a project in Turkey with Next and Arcadia: “The programme aims to establish or improve a sustained worker representative system to strengthen social dialogue & communication between employer and employees ... [and] to improve overall productivity and efficiency on the basis that financial benefits will be equally shared ...” No results are yet available.

Inditex also cited an agreement to work with the International Labour Organization (ILO) on a number of projects including: “Project to spread out the ILO Conventions throughout the supply chain; Projects devoted to living wage; breakdown of labour costs, proper calculation of Living wages in different sourcing countries under the ILO provisions.” These projects have not yet started.

Although Inditex has identified the living wage as “one of the key priorities for the coming years”, to date, the company has not published an overall strategy to deal specifically with living wages, has no systematic benchmarking of living-wage standards, and no time-bound commitment to improve wages to a specified living-wage level.

### Production overview:

**Number of suppliers:** 1,434 first-tier suppliers, 2,878 subcontracted suppliers

**Main production countries listed as:** Asia (42%), Europe and Morocco (55%), Rest of the World (3%)

Inditex does not publish a full public list of the names and addresses of its supplier factories, but a full supplier list is provided to the unions.

Note on subcontracted supplier figure: Inditex says it has reduced suppliers by more than 30% in recent years, but has also increased internal supply-chain transparency. The subcontracted figure is large (and has increased) because it also now includes laundries, dyeing facilities, packing and other units.

# INDITEX

## COMMENTS:

Inditex continues to merge its responsibility to ensure workers are paid a living wage with its commitment to freedom of association. While we certainly agree that collective bargaining between management and trade unions is a fundamental part of improving and maintaining wages, this approach relies on strong trade unions within all workplaces and countries. This is simply not the case in many of the regions where garment production takes place. The long-term strategy of supporting trade unions needs to be supplemented by work to increase wages urgently in the short term.

Inditex states that any collective agreement freely negotiated between employers and elected trade union representatives counts as a fair wage. We both agree and disagree with this statement. Certainly any negotiated agreement on wage must be respected. But even where trade unions do exist, they often do not have the political space to demand real living wages at the factory level or in national minimum-wage negotiations, especially when the starting point is a minimum wage that is only a quarter of the amount needed. The downward price pressure exerted by international buyers denies the space for workers to negotiate a real living wage based on actual need.

This is why it is essential that Inditex develops benchmarks based on the real cost of living for workers and ensures these are included in the prices paid to factories. We hope that work with the ILO on “proper calculation of Living wages in different sourcing countries” will play a part in Inditex making this important step.

Developing benchmarks does not and should not undermine the work of a trade union. In fact, knowing that key buyers have a commitment to moving toward a living-wage figure may actually assist trade unions in making wage demands that represent the real needs of workers, and open up space in negotiations.

We were shocked to see that the living-wage benchmarks that Inditex did provide (for Europe and Morocco only) were so low – just above the minimum wage.

Inditex also lacks a strategy to address the problem of poverty wages where trade unions are not yet well established. It would be more than possible for Inditex to look at improving wages in the short term, alongside its programme of trade union rights. This would require a clear, time-bound strategy for reaching a living-wage level in its key supplier factories in major production countries.

Inditex is able to demonstrate efforts to address other related issues, such as homeworking and short-term contracts, and has proved willing to collaborate with key stakeholders to deliver pilot projects, which is great. Unfortunately, to date, Inditex has been reluctant to engage with the Asia Floor Wage proposal. This is disappointing. Given its commitment to engagement and the buying power Inditex has in key Asia Floor Wage countries, the company would be a good candidate for working with the trade unions involved and testing the implementation of the Asia Floor Wage benchmark.

# LEVI STRAUSS & CO.

Brands: Levi's, Dockers, Denizen, Signature by Levi Strauss & Co.

Please note: This company did not respond to the questions in our survey and this profile has been written using publicly available information.



## COMPANY POSITION ON THE LIVING WAGE:

“Levi Strauss & Co. (LS & Co.) believe 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.”

Referring to wages, LS & Co.’s Terms of Engagement state that it “will only do business with partners who provide wages and benefits that comply with any applicable law and match the prevailing local manufacturing or industry standards.”

## WHAT WE SAY:

Levi Strauss & Co.’s new strategy on, among other things, ‘economic empowerment’ lacks any real commitment to increase wages – the thing that workers need the most. Healthcare, maths classes and meal programmes are all very well, but these needs could be met by paying a living wage. LS & Co. need to re-evaluate and get back on track.

# LEVI STRAUSS & CO.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No

### Worker empowerment:

LS&CO. says: “[We] strongly support the worker’s right to establish and join organizations of his or her own choosing, including unions.”

LS & Co. cites successful work in Cambodia, Haiti and Mexico, working with NGOs and trade unions to address violations of freedom of association and issues with factory management. Worker education on issues including freedom of association is provided in some cases by LS & Co. assessors and in others by the Levi Strauss Foundation funding local NGOs. Supplier meetings and trainings are held to discuss topics including freedom of association.

LS & Co. has a complaints mechanism, advertised by auditors during assessments, who share their contact details with workers and/or union representatives. Auditors and direct managers are responsible for handing over worker complaints.

### Commitment and practices:

LS & Co. says it is working to “Improve our business practices that may impact suppliers’ social performance and implement programs that provide mutual benefits to Levi Strauss & Co. and our suppliers.” This includes, in the main, “supplier productivity programs to improve issues related to work hours and wages”.

### Collaborative approach:

LS & Co. says: “In a globally competitive economy, we cannot unilaterally raise wages. We have 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.” It was not clear how LS & Co. is using these engagements to raise wages.

LS & Co. is not a member of a multi-stakeholder initiative developing work on living wage. It participates in Better Factories Cambodia and supports the International Labour Organization’s Better Work Programmes in Haiti, Indonesia, Lesotho, Nicaragua and Vietnam.

### Strategy:

LS & Co. launched a new approach entitled ‘Improving workers well-being’ in 2011 and started to implement it in 2012 through pilots in Cambodia, Bangladesh, Egypt, Haiti and Pakistan. The strategy, based on the UN Millennium Development goals, focuses on five areas: “Economic empowerment; Good health and family well-being; Equality and acceptance; Education and professional development; and Access to a safe and healthy environment.”

The economic empowerment aspect of the strategy is still being developed. The first step has been to identify worker priority needs. A related survey in 2013 revealed fair wages were top of the list. LS & Co. says that the next step of its strategy is to set indicators for progress; to develop programmes in factories, together with its suppliers, to address worker needs; and to team up with industry stakeholders, local NGOs and other retail customers at these pilot sites. No more info was available about the detail of this.

### Production overview:

**Number of suppliers:** 619 suppliers in 40 countries

**Main production countries listed as:** China (34%), India (9%), Argentina (5%), Italy (5%), Vietnam (5%), Sri Lanka (4%), Mexico (4%), Turkey (4%), Portugal (3%), Thailand (3%), Cambodia (2%), Japan (2%), Republic of Korea (2%), Bangladesh (2%), Dominican Republic (2%), United States (2%)

LS & Co. publishes a full public list of the names and addresses of its supplier factories.

## COMMENTS:

LS & Co. is doing very little to directly combat wage issues in its supply chain, which is disappointing. The limited work the company is promoting with suppliers, aiming to improve “worker well-being”, is based on a ‘return on investment’ approach and looks mostly for results in terms of productivity increases. This can be a good incentive for supplier involvement in such programmes but current work does not seem to have direct impact on worker wages. No concrete figures showing if wages are being improved by this initiative are documented.

The focus of LS & Co.’s new well-being strategy seems to miss the point. Companies are welcome to undertake charitable work in countries where they source their goods, but this does not remove the responsibility they have to ensure that core human rights are upheld. It seems that effort is being poured into health provision, maths classes and free meals, which workers do need – but work is needed first to address freedom of association and the right to a living wage.

Many of the programmes listed in this profile were developed and funded through the Levi Strauss Foundation, which the company says leads “pioneer” work for LS & Co. It seems to us that this foundation, in return, avoids raising questions about the core business practice of the company by separating off ethical practice from business decisions. We do not see corporate social responsibility as the work of charitable foundations, but rather as something that should be ingrained in a business model. There was little evidence found of work to address purchasing practices.

LS & Co., despite supporting the concept of a living wage, is unable to demonstrate any work to define or deliver this figure, it seems. The company says that because there is a lack of an internationally recognised benchmark or consensus between brands, it is not possible to move forward. To this, we say that the debate has moved on. The Asia Floor Wage set a figure defining what a living wage means in terms of purchasing power in 2009, and since then a number of nuanced systems have emerged that allow companies to compare the wages paid to their suppliers against a ladder of benchmarks and thus measure progress. This excuse for not engaging in proactive work to assess a living wage and move towards its payment is no longer valid. We hope that LS & Co. can take this on board and start monitoring progress against real benchmarking.

We would like to see more evidence of LS & Co. taking responsibility for its own business practices, including pricing, taking practical steps to support freedom of association in its supplier factories and working with others to design and implement programmes that aim to deliver real, measurable changes for workers producing Levi Strauss goods.

# LIDL

Brands: Lidl



## COMPANY POSITION ON THE LIVING WAGE:

“The aim of paying ‘living wages’ is clearly stated in our Code of Conduct, which is a fixed part of all contracts with business partners.

“In accordance with its cooperation in ILO’s [the International Labour Organization’s] Fair Wage Network, BSCI stresses the importance of including qualitative aspects such as the way of payment, timely and formal payment of wages, reflecting skills and education of workers in the level of wages, and equal treatment of full-time employees, part-time, and piece-rates workers. Thus, it is important to address the quantitative aspects of wages as well as qualitative aspects. Focusing on the quantitative level of the wage earned by workers alone is not enough.”

## WHAT WE SAY:

This might all sound familiar if you’ve read the statements of many other BSCI members in this report. Like a number of these companies, Lidl has mostly repeated the answers given to it by the BSCI. However, some further information provided by the company highlights interesting project work in Bangladesh, on top of business-as-usual BSCI compliance.

## IN MORE DETAIL:

**Has living-wage benchmarks?**

No.

## Worker empowerment:

Lidl says: “We expect all supplier factories to comply with the ILO core conventions. For risk countries in general, Freedom of Association and Collective Bargaining is part of all audits being conducted under the Scheme of the BSCI Auditing Process.”

In addition to this, Lidl also cites a “Supplier Qualification Programme” (SQP) that it is running in Bangladesh in partnership with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit): “SQP, which involves in the current phase eight factories with more than 26 000 workers in total, has one module on FoA and CB and clearly communicates these rights and the advantages of an organized labor force to the management and workers of the participating supplier factories ... The dialogue approach that we use as a basis for our trainings though has been developed at the Round Table Codes of Conduct together with trade unions and NGOs.”

## Commitment and practices:

As part of the same project in Bangladesh, Lidl has been working to improve wages through two methods: firstly, by ensuring overtime is properly paid and that workers are correctly classified for the work they do. Secondly, it says: “...In Bangladesh, we commissioned GIZ to organize the payment of direct bonuses to workers in one supplier firm in recognition of their quality work. We implement this pilot measure in order to gauge whether such a system can be incorporated into the existing structures and to determine if other textile buyers can be encouraged to implement similar measures.”

This payment amounts to “more than a month salary per cash disbursement in addition to the normal monthly wage paid by factory”, and has taken place twice a year since October 2011.

## Collaborative approach:

Lidl is a member of the business initiative BSCI, and has collaborated with German federal enterprise GIZ on its pilot project in Bangladesh.

## Strategy:

Lidl gave no information of any internal strategy for improving the conditions for workers within its supply chain beyond its pilot project in Bangladesh. Although this project has been in operation since 2011, Lidl gave no indication of an intention to extend this project to other parts of its supply chain.

## Production overview:

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

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

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

## COMMENTS:

Lidl’s work in Bangladesh is interesting and its commitment to make a significant payout to workers twice a year is hopeful. However, this project leaves us with a lot of questions. Is this payout a trial to see if this system works? Is the payment system one that Lidl hopes to scale up as a supply-chain practice? How was the bonus amount calculated? Without commitments or more information on what this idea means for the company it is difficult to judge whether this has the potential to bring about change for Lidl workers. We hope to hear more.

Lidl’s repeated reliance on its membership of the BSCI as an answer to important questions regarding its due diligence on human rights, however, seems to be the main element of the company’s work. While projects outlined by Lidl in this survey are of some value, there is little by way of a strategy within the company to ensure the respect of human rights within its supply chain.

Our take on the BSCI focus on addressing “the qualitative as well as quantitative aspects” of wage payment, is that this is missing the point. It is important, yes, to pay workers on time and ensure wages reflect how skilled workers are, but the main issue for most factory workers is that they cannot afford to buy shoes for their children. The repeated protests that take place around the world in garment-producing countries all call for a significant quantitative wage increase. The focus on other aspects of wage payment is a distraction from the pressing and urgent issue of poverty. Given a list of 12 things to do, one of which is ‘pay more’, every supplier will do the other 11 first.

With a revenue of more than €18 billion in 2012, this retail giant needs to take responsibility for its global supply chain and invest in ensuring the rights of all workers within that supply chain are respected.

# MARKS & SPENCER

Brands: M&S Collection, Limited Collection, Per Una, North Coast, Portfolio, Indigo Collection, Autograph, Classic, Blue Harbour, Collezione, Savile Row Inspired, Big & Tall



## COMPANY POSITION ON THE LIVING WAGE:

"Our public commitment on living wages is detailed in our Plan A commitment 17.1: 'Implement a process to ensure our clothing suppliers are able to pay a fair living wage in the least developed countries we source from, starting with Bangladesh India and Sri Lanka by 2015.'"

## WHAT WE SAY:

Marks & Spencer (M&S) is undertaking significant work to make sure that the prices it pays are enough to ensure the basic needs of its workers are met. The company's 'Plan A' commitment to pay a living wage is commendable. M&S has yet to disclose the figures it is using to benchmark a living wage and much of its model relies heavily on purchasing practices – without real data we remain unsure about the real progress being made.

## IN MORE DETAIL:

### Has living-wage benchmarks?

Yes, but refuses to disclose these.

### Worker empowerment:

M&S says: "Our training commitment 17.2 'to work with our suppliers and partners to provide a training and education programme for 500,000 workers by 2015 covers employees roles, responsibilities and rights...' We have included specific sections to cover freedom of association and collective bargaining in our training modules: Induction training; Rights roles and responsibilities; and our Effective Worker & Management communication programmes. To date over 391,000 workers from around the world have been trained."

Training programmes have followed different models in different countries:

India: "... we have developed the Effective Worker Management (EWM) Programme. This programme includes a Freedom of Association module and focuses on creating a conducive environment for exercising rights. This is implemented by the Centre for Responsible Business... GIZ India." This also was delivered in Bangladesh – 38 factories were reached.

Bangladesh: "... we have rolled out the Ethical Model Factory (EMF) programme which includes Worker Rights training and HR systems and Industrial Relations Management training for middle management and HR personnel." This programme also focuses on productivity training and industrial engineering, and has seen a wage increase of 12-42% in participating factories.

Bangladesh and India: "... the Benefits for Business and Workers (BBW) project ... includes a training module focused on the importance of worker/ management dialogue."

Turkey and Egypt: A workplace-communication training programme with Partner Africa was cited: "This is a two day course explaining the importance of workplace communication and uses experiences from leading ethical suppliers to illustrate mechanisms for improving workplace communication. A DVD is used to support the training, highlighting how welfare committees and unions have improved communication between management and workers within leading companies."

M&S has worker hotlines in China for workers to express grievances. It is also trialling a mobile-phone feedback mechanism: "Using mobile technology, we are carrying out quantitative surveys direct to workers. Workers listen to questions on their mobile phones in a local language, and respond using their touch-tone keypad. This returns anonymous results ... we have already tested the technology with 13 suppliers in India and Sri Lanka, surveying over 2,000 workers ... we will now roll out the service to 30 factories and 22,500 workers in India, Sri Lanka and Bangladesh, gathering feedback on subjects such as working conditions, job satisfaction and training."

## Commitment and practices:

M&S says: "For the last 5 Years we have been using a costing model within our buying practices which breaks down the cost price of garments into every area and specifies Direct and Indirect Labour costs. We have been implementing our cost price model across our supply base in 14 global sourcing countries. The model identifies and ring fences the actual labour cost during cost price negotiations. It is based on standard minute values, actual work-study minutes taken, efficiency as well as, cost of living and a theoretical wage calculation."

M&S calculates the living wage using the following methodology:

$$\text{Living Wage} = (\text{Basic Food Basket per Person}) \times (1/\text{Fraction of Average Household Income Spent on Food}) \times (\text{Household Size/Number of Wage Earners}) \times 1.10$$

To collect the information required to apply the above formula, for each area in which we carry out living wage research, we:

Surveyed 20 individuals living and working around the factory. Respondents represented a cross-section of the community including factory workers, owners of stalls and small businesses in the area, retired people, housewives etc.

Surveys focused on Household Size; Number of Wage Earners; Contents and cost of an essential food basket; Fraction of average household income spent on food."

M&S also uses wage ladders, updated each year by Impactt Ltd., to monitor progress.

On purchasing practices, it says: "...we have developed a process which awards outstanding factories the status of 'Ethical Excellence'. The process identifies factories which demonstrate world class working conditions and that they pay living wages. This is motivated in the business as the buying teams annual bonus is measured against how many Ethical Excellence factories they have used – this is really driving factories to increase pay to meet this target."



## Collaborative approach:

The Ethical Model Factories Programme, Benefits for Business and Workers (BBW) programme and involvement in a piece of research on 'Capturing the Gains' were cited. The BBW programme is a collaborative piece of work involving Impactt, the Department for International Development and eight other brands.

M&S has also been working on a piece of 'financial inclusion' work, where it has provided training to workers in India about savings and the use of bank accounts: "With M&S, geosansar has completed some 60 financial inclusion training programmes inside factories supplying us. This has resulted in educating some 10,000 unbanked workers directly and a further 3,000 indirectly. Approx. 4,500 workers have gone onto open bank accounts and the conversion rate is growing."

## Strategy:

M&S says: "...through Plan A we are the first retailer to publish our commitment to implement a process to ensure our suppliers are able to pay a fair living wage by ensuring the cost prices we pay our suppliers are adequate. We have committed to achieve this in Bangladesh, India and Sri Lanka by 2015. We report annually on this in our Plan A Report. It will remain a Plan A commitment for the foreseeable future."

## Production overview:

**Number of suppliers:** 2,000 first-tier clothing, food and homeware suppliers globally

**Main production countries listed as:** M&S did not disclose this information.

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

## COMMENTS:

M&S has finally sent us its method for calculating a living wage. This reassures us that the work is being done to verify what this really means for the company internally, and that a process is in place to update and monitor whether this is enough for a worker to live on – even if M&S still refuses to give us actual figures. This has, however, raised for us a number of questions. The method calculates a living wage based on figures of what the current average situation is (which from what we know is a poverty level) – why not instead base these elements on what it should be? The number of calories covered by the food basket, which M&S says is based on the Social Accountability International (SAI) extrapolated basket methodology, was not disclosed and is not available on the SAI website. For us, this is also crucial, as recent research has shown that many workers are currently seriously malnourished, due to inability to buy nutritious food.

One of the other concerns that M&S's submission raised for us was about a worrying rhetoric focusing on worker committees rather than work to endorse real freedom of association. No collaborative work in partnership with trade unions, rather than NGOs, was mentioned. This came through in both its involvement in the BBW project and the Ethical Model Factory programme.

Neither project, as part of its worker empowerment focus, seems to have engaged with the trade union movement, and there is no reference to freedom of association or trade unions in the training materials. The BBW programme has focused on "building towards the idea of Freedom of Association" by trying to overcome obstructionist attitudes to collective worker representation in management. This has involved training programmes and getting management to engage with legally required worker-committee models in Bangladesh. Although this may be helpful in the short term, worker committees are not the solution to the worker empowerment issue in our opinion. Engaging in this runs the risk of promoting 'parallel means' to management as a way to avoid engagement with functioning trade union movements. Worker committees do not have the power to collectively bargain on anything aside from fringe benefits or minor wage increases, do not have

the right to take industrial action to back up their position, often can't hold independent elections, and are usually restricted to individual workplaces – meaning members cannot take part in campaigning aimed at improving wages and conditions on a sectoral, national or regional level. All in all, not so great for workers or long-term change. A commitment or strategy to transition the work on worker empowerment in both projects towards collaboration with trade unions would be a good step.

We are also sceptical about M&S's reliance on productivity as a tool for increasing wages from minimum to living-wage level. Both the Ethical Model Factory programme and the BBW project give productivity improvements a primary focus, but as we have always held about productivity gains, very small wage changes are often the only achievement, while big leaps in wage levels are what's needed. For example, the 7% wage increase achieved in Bangladesh by the BBW project is very small, given that the minimum wage was put up by 80% (after this project ended) – and this still isn't anywhere near a living-wage figure. As such, we aren't keen to call this a living-wage project. However, even if the project doesn't achieve a living wage, some of the trust-building exercises carried out with management may yet be preparing the way for improvement.

We are pleased to see M&S has been doing work to make sure there are financial incentives for buyers to source from factories that M&S says pay living wages. This is a good step forward. Although we don't see this as a grievance mechanism, it seems M&S is also doing interesting work on using mobile-phone technology to get feedback from workers.

All in all, interesting progress seems to be being made. It is impossible to judge the real benefit to workers making M&S clothes because no figures have been disclosed. M&S could do a lot more to support wage improvement globally by becoming more transparent in its business practice and by sharing data. This would lead the way for other brands to also commit. Without this, it could all still be smoke and mirrors.

# MANGO

Brands: Mango, H.E. by Mango, Mango Kids, Violeta



## COMPANY POSITION ON THE LIVING WAGE:

Mango says: (in its code of conduct) "Manufacturers will guarantee that salaries comply strictly with all legislation. Equally the minimum legal wage will be considered the legal minimum, but not a recommended wage level."

It also told us that "most of our suppliers have their own remuneration policies that follow the minimum wage ... but that they also give allowances for accommodation, food, skill productivity etc. We support and push these kinds of policies."

## WHAT WE SAY:

Mango has yet to make any commitments at all to ensure workers in its supplier factories receive a living wage, even in its own code of conduct, although it claims it does agree with our definition of a living wage. A living wage must be paid as a basic salary, excluding any extra, discretionary bonuses, as it is only the basic wage that workers can be sure of receiving. Simply "encouraging" suppliers will not be sufficient to ensure wages are improved to a living-wage level.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Mango says: "In many of our factories there is a percentage of workers who belong to workers associations or local trade unions. This is traditionally more common in some countries than in some others. Mango always supports that workers can choose freely to associate and this is also remarkable during trainings with suppliers and factory managers."

Mango also told us that it has regular meetings with the Spanish trade union CCOO (Confederación Sindical de Comisiones Obreras) to discuss these issues and has been building a relationship with global union IndustriALL.

### Commitment and practices:

So far, Mango has made no commitments to pay a living wage and is not involved in work to examine its own purchasing practices.

### Collaborative approach:

Mango mentioned plans for a project in Morocco with CCOO, but didn't provide any details as to the aim, scope or time frame of the project. The fact that it does have a dialogue with trade unions in Spain signals an openness to positive engagement on freedom of association, but this needs to be turned into practical and active steps to support this in reality.

### Strategy:

Mango has no long-term strategy for ensuring workers in its factories are paid a living wage.

### Production overview:

**Number of suppliers:** 100% of orders are placed directly to supplier factories. In 2012, Mango sourced from 264 suppliers, 70% of which it has used for more than five years.

**Main production countries listed as:** China (42%), Turkey (12%), South Korea (9%), Spain (8%), Morocco (6%), Bangladesh (6%), India (5%), Vietnam (4%)

Mango does not publish a full public list of the names and addresses of its supplier factories, although it does provide a list to CCOO.

## COMMENTS:

Mango's entire approach is based on an auditing model, which has been proven highly ineffective in tackling root problems such as living wage and freedom of association. If Mango is to take worker rights seriously, it must go beyond this approach and start taking proactive steps to tackle these rights. This includes making clear commitments to the principle of a living wage, developing benchmarks for progress, looking at the impact of its own purchasing practices and working both strategically and collaboratively with trade unions, workers and other companies. Until Mango starts taking more responsibility for tackling worker-rights issues, we would expect little improvement in wages and conditions in Mango's supplier factories.

# MONSOON

Brands: Monsoon, Monsoon Accessorize



## COMPANY POSITION ON THE LIVING WAGE:

“We recognise that this is a challenging area, particularly with suppliers where we represent less than 10% of their business. However, we see living wages as a key part of our commitment to ethical trade and continue to make it a priority. We were the first retailer to commit to rolling out the ETI’s piece rate methodology for homeworkers and have made steady progress with this.

We regularly review wages across our supply chain and benchmark these against the Asian Floor Wage, amongst other indicators. For 2012-13, we are delighted that a good portion of our suppliers (representing 28% of our production) paid wages equivalent to the Asia Floor Wage or above (using the 2012 benchmark figures).”

## WHAT WE SAY:

Monsoon have made a commitment to a living wage as a company (although their benchmarks are from 2012), and continue to pioneer work with homeworking

supply chains. Interesting work calculating piece rates paid is taking place in India.

## IN MORE DETAIL:

### Has living wage benchmarks?

Yes, but uses 2012 Asia Floor Wage figures no longer equivalent to a living wage level due to inflation

Monsoon have been working on an ETI initiated ‘decent work’ project in China which aims to: “identify possible ways to create a sustainable dialogue systems in China. This encompassed both workers and managers, with the goal of creating a mechanism to negotiate priorities, resolve workplace issues and move towards establishing mature industrial relations.” 2 other brands were also involved, and 3 suppliers (although 2 of these pulled out). Monsoon are rolling out learning from this work.

### Worker empowerment:

Monsoon say: “We believe that meaningful worker representation at factory level is essential to any living wage strategy.” Some trainings and regular seminars for suppliers in China and India were cited which “raise awareness on freedom of association and emphasise the business benefits to suppliers.”

Monsoon through their artisan range, work alongside ‘artisan cooperatives and producer owned companies’ in order to ‘promote worker ownership and decision making’.

## Commitment and practices:

On their supplier base Monsoon say: “We continue to have a very small percentage of supplier fluctuation, we have been trading with many suppliers for over 20 years.”

Monsoon have made a commitment to the Asia Floor Wage as a living wage benchmark.

Monsoon say on pricing: “We have introduced a policy of open costings with suppliers to allow full visibility of budgeted labour costs. This includes any piece rates paid to homeworkers (e.g. embroidery workers). Where suppliers (or subcontractors) are paying piece rates to homeworkers, we require them to undertake a time-motion study to calculate the correct piece rate, based on time taken, and to be at least at the local minimum wage.”

Monsoon are working on a project in the Barabanki region of India to improve incomes for hand loom weavers: “The project aims to improve the socio-economic status of weavers through payment of living wages, education and secondary livelihoods. Activities include establishing a fully transparent system to calculate piece rates and ensure correct payment, facilitated by ASK, and a secondary livelihoods programme to allow weavers to supplement their incomes where needed.”

## Collaborative approach:

Monsoon say: “We are supporting a SEWA embroidery centre which aims to provide regular work for women embroidery workers as well as other benefits such as education, training, micro-finance and legal advice.”

## Strategy:

Monsoon are planning to “develop an ethical scorecard that provides buyers with an overview of the compliance status (e.g. right to freedom of association) and ethical best practices (e.g. payment of living wage) of their supplier factories.” An investigation into the impact of buying decisions on wages, using data from open costings model, is also planned.

## Production overview:

**Number of suppliers:** 585 first tier suppliers, 172 subcontracted suppliers

Main production countries listed: China (64%), India (22%), Turkey (5%), Romania (2%), Thailand (2%)

Monsoon does not publish a full public list of the names and addresses of its suppliers factories.

## COMMENTS:

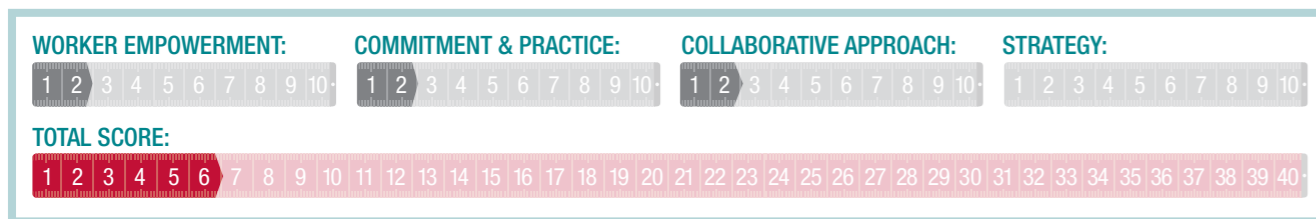
Monsoon’s work with homeworking supply chains continues to be admirable. Monsoon are the only company to have focused work on ensuring homeworkers rights and legal wage payments. Collaboration with homeworkers unions and cooperative models is good. This work has been going on for a number of years now, but wages are still only covering minimum levels, which as research has shown overtime, aren’t enough to live on. It would be good to see Monsoon try to use their leverage with these supplier relationships to now boost wages to a living wage level. Especially in situations where buyers are dealing with cooperatively owned supply models, their time-motion study work should make direct payment of the living wage at least possible.

Although work with homeworkers is quite advanced, Monsoon’s work with first tier factories still seems to lack a strategy for paying a living wage. Open costings and calculation of labour costs is a first step, but without up to date benchmarks, and work with suppliers to try to find ways to get these benchmarks paid as wages, there is still some work to do. Work alongside union groups in India who are affiliated to the Asia Floor Wage Alliance would be a good place to start.

It is good that Monsoon are using the Asia Floor Wage to measure meaningful engagement with the living wage. But their benchmark is from 2012, and there isn’t much evidence of the benchmark being used internally in the company to push change. The Asia Floor Wage benchmark is revised each year with inflation, and in 2013 new food basket studies were carried out by Asia Floor Wage Alliance members to ensure that figures are in line with real market food prices paid by workers. The benchmarks that Monsoon provided, of 2,333 Yuan in China, and 12,096 Rupees for India now fall short of the 2013 figures, of 3,132 yuan and 16, 240 rupees respectively. With inflation, unsurprisingly, there is now a bigger gap to bridge. Monsoon need to address this and come up with a plan for how to boost figures on a bigger scale.

# NEW BALANCE

Brands: New Balance, Aravon, Warrior, Brine, PF Flyers, Dunham, Cobb Hill



## COMPANY POSITION ON THE LIVING WAGE:

"New Balance is committed to aligning our program with the Standards on the FLA [Fair Labor Association] Code of Conduct. The FLA Code states that 'every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income ... Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.'"

## WHAT WE SAY:

New Balance (NB) is doing very little to ensure that a living wage is paid to workers in its supply chain. Without any definition of what a living wage is, or projects to work towards this, its commitment to making sure a wage meets workers' basic needs remains a paper promise.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

New Balance says that suppliers must respect freedom of association (FOA) because it is part of supplier agreements. It adds: "In Indonesia, we have taken additional measures on Freedom of Association by signing the national-level FOA Protocol and also requiring our footwear suppliers to sign and implement the FOA Protocol."

### Commitment and practices:

On pricing, New Balance says: "Footwear costing policy includes a specific calculation for labor rates."

### Collaborative approach:

New Balance has been working with other buyers on social insurance payment in Chinese suppliers: "NB has taken a strict position on social insurance, particularly in China where underpayment of social insurance is common ... In cases where footwear and apparel factories are shared with other brands, NB has sought to enlist the help of other brands to help ensure that social insurance benefits are paid."

### Strategy:

New Balance says: "NB recognizes the importance of progressive realization of the wage standard in the FLA Code of Conduct. To this end, NB plans to join the Fair Wage project through the FLA in 2014 to encourage evidence-based research on the implementation of each of the Fair Wage elements in a diverse group of suppliers."

### Production overview:

**Number of suppliers:** Approximately 200 first-tier suppliers

**Main production countries listed as:** US, China, Vietnam, Indonesia

New Balance publishes a full public list of the names and addresses of its supplier factories.

## COMMENTS:

New Balance has recently adopted wording from the FLA about wages being enough to meet basic needs. We hope that this will now become ingrained in the company's practice as it starts to work out how to ensure a living wage is being paid to the people making its products. Currently, work towards this goal is fairly non-existent.

Plans to work with the Fair Wage Network will help. We hope that this new work will focus primarily on the most important dimension of putting wages up to a living-wage level, rather than the distraction of other wage payment concerns.

It is good that New Balance is already detailing a specific labour rate as part of its product cost. We assume that this rate is currently the minimum wage. As New Balance's work towards making sure a wage meets workers' basic needs progresses, this practice will form a good basis for ensuring costs are enough to meet living-wage levels too.

It is also good that New Balance has signed the Indonesia Protocol. If it can use the learnings from this in other parts of its supply chain, in collaboration with other buyers, this would help to move forward its work in this area.

We hope to see New Balance progress over the next year. It is at the very start of the road.

# NEW LOOK

Brands: New Look



## COMPANY POSITION ON THE LIVING WAGE:

“We believe in taking an incremental approach to increasing wages towards living wage standards, concentrating on developing methodologies and approaches that actually deliver higher wages. These wages do not reach living wage levels in many contexts, however, we have real evidence of significant increases which are reaching workers’ pockets.”

## WHAT WE SAY:

New Look has started to use wage ladders to benchmark wages, and is doing interesting work in China and Bangladesh. More work is needed on pricing commitments.

## IN MORE DETAIL:

### Has living-wage benchmarks?

Yes.

### Worker empowerment:

New Look says: “We provided training to managers at 100% of our 50 factories in Bangladesh and training to workers at 24 factories on worker rights and FOA [freedom of association]. We also supported 49 factories to set up worker committees. In China we supported 9 factories to set up worker committees, while in India we delivered training to workers on their labour rights at 20 factories.”

In addition, New Look is “currently working on freedom of association training for nearly 100 factories and suppliers in Bangladesh, India and Turkey.”

New Look also has a worker hotline complaints mechanism.

## Commitment and practices:

New Look has started to use the Fair Wear Foundation wage ladder to benchmark living wages. This includes the Asia Floor Wage (AFW) benchmarks. In China, New Look has been doing strategic work with 12 factories using the AFW as a benchmark. Results show that 75% of the factories’ average monthly wages are now higher than the AFW.

Work on purchasing practices includes supplier-base consolidation, and the use of an internal ethical scorecard to support buying choices.

On short-term contracts in North India, New Look says: “Over the last 2 years we have worked with 8 factories to address the issue of short term contracts ... As a result of this work, some factories have started to improve the package offered to contract workers by enrolling them in Provident Fund and ESI [Employees’ State Insurance], and working with the local government offices to ensure that paperwork is correctly completed.”

## Collaborative approach:

Some meetings with Cambodian unions were mentioned, where New Look’s intervention resulted in certain union demands being met by factory management.

New Look is a member of the Ethical Trading Initiative.

New Look says: “11 of our factories participated in the Benefits for Business and Workers (BBW) programme 5 in Bangladesh and 6 in India. This is a collaborative project, involving 8 retailers, with support from the Department of International Development’s RAGS [Responsible and Accountable Garment Sector] Challenge Fund, and managed by Impactt ... Overall, in Bangladesh average monthly take-home pay increased by 7.63% ... In India, monthly take-home pay increased by 5.09%.” Working hours were also reduced. These gains were achieved via trainings and productivity improvements.

## Strategy:

New Look says: “We address the issue of low wages through a combination of approaches:

1. We train our buyers to understand how their buying practices impact upon workers ...
2. Importantly we develop long term relationships with our suppliers ...
3. We run many factory improvement projects and trainings for workers and supervisors across our key sites which develop their understanding of worker’s needs and improve the skills and capacity of management to meet them.

“We are also implementing 2 projects in India and Bangladesh giving workers access to bank accounts – this is a vital corollary to work on increasing wages, since access to banking reduces costs for workers and enable fairly priced remittances and access to savings products.”

New Look adds: “We worked with one factory in the UK to trial a methodology for increasing workers’ wages through increasing skill levels and paying skill increments. This is a work in progress, and we look forward to reporting on results in the future.”

New Look has set itself the following targets for the coming year: “Work with 30 key factories in China to establish wage improvement targets; Continue to work with the 12 factories in the RAGS BBW [Benefits for Business and Workers] programme in India and Bangladesh to monitor and support wage improvements with a target of 10% increase in average pay per hour; Support 2 factories in China to improve average pay per hour by 10%.”

## Production overview:

**Number of suppliers:** 917 first-tier suppliers

**Main production countries listed as:** China (48%), Cambodia (14%), Bangladesh (12%), UK (7%), Moldova (5%), Turkey (3%), India (3%), Vietnam (2%), Pakistan (2%), Romania (2%), Other (2%)

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

# NEW LOOK

## COMMENTS:

New Look has been engaging in the Benefits for Business and Workers project (in partnership with the consultancy Impactt, and other brands), which aims to build factory capacity and improve communication and problem-solving in factories. One of the outputs of the BBW project is that wages have gone up through productivity improvements, but as we have always held about productivity gains, the improvement to wages has been minimal. The 7% wage increase achieved in Bangladesh by efficiency improvements is an increase, but given that the minimum wage was recently put up by 80% (after the project ended) and this still isn't anywhere near a living-wage figure, we aren't keen to call this a living-wage project. However, even if the project doesn't achieve a living wage, New Look and Impactt are keen to say that the 'transformational change' and 'worker empowerment' aspects are worthwhile. We aren't so sure.

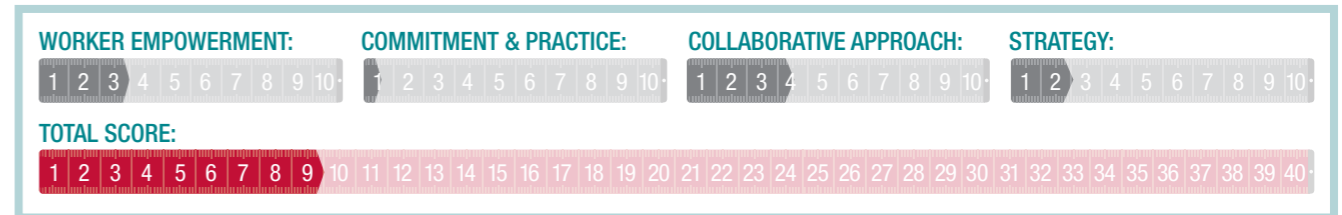
Our second concern with the project is that the entire worker-empowerment emphasis has failed to engage with the trade union movement, and there is no reference to freedom of association or trade unions in the training materials provided. The programme has focused on "building towards the idea of Freedom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

Beyond the BBW programme, New Look is carrying out other work on freedom of association and other factory projects, which is good. It has been doing some work on short-term contracts (STCs) in North India, which sounds interesting. We hope this learning will be used more widely in its Cambodian factories (where STCs are an issue).

We are pleased also that New Look has started to use the Fair Wear Foundation wage ladder to benchmark living wages in its supplier countries. Work in China actually paying a living wage is also impressive. We hope that New Look will work towards rolling this out more widely and seriously engaging in projects to meet these figures. It seems to be on this path, which is positive. It is now vital that New Look makes a real commitment to address pricing and internal calculation of costs to ensure these living-wage levels can be paid.

# NEXT

Brands: Next



## COMPANY POSITION ON THE LIVING WAGE:

"As a long standing and active member of ETI [the Ethical Trading Initiative], NEXT is fully committed to the Living Wage principle ... We are well aware that we (as many other global organisations) 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 and worker benefits are increased sustainably through workers and employers engaging in dialogue enabling mature systems of industrial relations to develop."

## WHAT WE SAY:

Next is taking a collaborative approach to the living-wage issue by working on improving freedom of association (FOA) in Turkey. However, this long-term strategy still

lacks living-wage benchmarks and any commitment to address price, which is disappointing.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

into more focused work with management and workers separately and together to identify shortfalls in the workplace against FOA requirements."

### Worker empowerment:

Next says: "Our strategy to implement living wages has worker management dialogue as a key / crucial pillar as the Turkey programme (see below) highlights. This collaboration will allow us to build relationships with local suppliers and the global and local unions to ensure capacity has been created to facilitate the scaling up of this work."

Next has a well-used worker hotline complaints mechanism in China with the NGO Inno.

### Commitment and practices:

Next uses the minimum wage as a benchmark on wages. No living-wage benchmark has been developed.

Next has a system in place for working with suppliers "beyond simply auditing": "We provide training materials, example documentation, and importantly, reasons why certain requirements are necessary, along with guidance on how to use specific tools to address particular issues."

# NEXT

## Collaborative approach:

Next says: “During 2012/2013 we have partnered with IndustriALL as part of the Joint Turkey programme with a clear future ambition to expand this work globally, as well as initiate multi-stakeholder social dialogue discussions.”

Next is an active member of the ETI. Work with various NGO partners and unions was mentioned both on a local and international scale, as was ongoing involvement in homework supply-chain mapping. Next participated in the Berlin Living Wage conference, and is involved in a collaboration with a group of ETI companies working on a living-wage process.

## Strategy:

Next says: (about its Joint Turkey Programme): “We aspire to work towards a living wage, but not in isolation. Our Joint Turkey Programme addresses HR Management systems, FOA and wages.” Work will “holistically link worker management dialogue with productivity/efficiency. Each work stream has its own KPI's [key performance indicators]. The KPI's in the wages work stream are set to ensure workers wages are enhanced and incentive

schemes/targets are realistic and have employee involvement.”

The scheme is a partnership between Next, Arcadia Group and Inditex, and will cover three factories and 3,000 workers in its initial phase.

Next also mentioned some collaborative work with manufacturers this year: “There are manufacturers that have established high levels of competitiveness by retaining high quality workers through excellent conditions and payment. It is NEXT intention this year to seek a limited number of successful manufacturers that have achieved the above to partner & achieve understandings for future replication.”

## Production overview:

**Number of suppliers:** 2,118 first-tier suppliers

**Main production countries listed as:** China (44%), India (9%), Sri Lanka (8%), Turkey (7%), Bangladesh (7%), Other (25%)

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

## COMMENTS:

Next's Turkey project is interesting and a step forward. We are glad it has made freedom of association a central tool for achieving wage improvement. It is also great that Next is working collaboratively with two other retailers, and with the global union IndustriALL, as wage improvement will only ever work if information is shared and change brought about by many.

However, the project isn't ambitious enough. Next and others have failed to set living-wage benchmarks, so its aspiration to “work towards a living wage” cannot be quantified. KPIs that “ensure wages are enhanced” could go a lot further, as simply getting wages above the minimum is no longer revolutionary. Establishing living-wage benchmarks sets clear parameters for the problem, and will show that a living-wage level is many times more than the minimum-wage level. Next says that while it sees the Asia Floor Wage as a useful tool for provoking discussion, without a universally agreed benchmark it intends to focus more on simply boosting wages. We disagree that this is an either/or situation. Since 2009, when the Asia Floor Wage Alliance defined what a living wage means in purchasing power, a number of nuanced systems have emerged that allow companies to compare the wages paid to their suppliers against

a ladder of benchmarks and thus measure progress. Without a “universally agreed formula”, many companies in this report have engaged in the benchmark process and measured the gaps between the minimum and living wages, allowing them to mark progress against a scale. Next could do a lot worse than to join this trend.

We also have concerns about the focus of the project on productivity. If Next had established some benchmarks or even wage goals of the project, it would see that the sort of gains that can be made by productivity improvements mostly do not bring about the mass increase that wages need in order to reach a level that will cover a worker's basic needs and those of their family. Productivity improvements, worked out in collaboration with workers and unions, are an important piece of the puzzle, yes. But a clear commitment from buyers to also increase their prices is vital. The global race to the bottom has gone so far that buyers, who have the money, must contribute substantially to any real change. The acknowledgement of this responsibility is sadly missing from Next's project.

We hope that Next can build this sort of commitment into its work in the coming year.

# NIKE

Brands: Nike, Nike Golf, Jordan, Hurley, Converse



## COMPANY POSITION ON THE LIVING WAGE:

“We support ongoing work to study and understand wages and impacts on workers and communities. Nike firmly believes that responsibility for long-lasting, systemic change must be shared by governments, manufacturers, NGOs, brands, unions, and factory workers. We remain committed to working closely with our contract factories and investing in their capability to comply with Nike's Code of Conduct requirements and meet the health and safety needs of the workers they employ.”

## WHAT WE SAY:

Nike supports the principle of a living wage, but in practice little is as yet being done to increase wages above the minimum level.

## IN MORE DETAIL:

**Has living-wage benchmarks?**

No.

# NIKE

## Worker empowerment:

Nike has signed the Freedom of Association Protocol in Indonesia and was part of its development.

Nike is also delivering a "...Human Resources Management training program, which includes training on freedom of association." So far, this has been delivered in 76 factories in Vietnam, China, Indonesia, Sri Lanka, India and Thailand, representing 422,000 workers.

Nike has a policy on short-term contracts that caps the use of these contracts (often used as a barrier to freedom of association) at 15% of a workforce.

## Commitment and practices:

Nike uses a supplier performance ranking system as part of its buying decisions, which includes labour standards. Incentives are given for suppliers to rank higher on this system, including priority ordering and access to training. Nike is also working towards sourcing from factories that comply with the Fair Wage Assessment criteria. This will be in the form of a new audit tool.

When asked whether the cost of a living wage is taken into account in the company's pricing, Nike said: "Yes, our costing model includes legally required wage rates required per our Code of Conduct."

Nike has no living-wage benchmarks.

## COMMENTS:

Nike's long-term plan to increase wages seems to be that suppliers should be asked to lead on this, which isn't going to work. Gone are the days when it was appropriate to just give a code of conduct to a supplier factory and expect everything in it to happen. Even with buying systems to encourage suppliers to up wages, downward price pressure will always win out. For this reason, we have consistently said that brands must adopt internal living-wage benchmarks and pay enough to allow suppliers to pay this figure to workers. This commitment to build-in price increases is vital. Nike has so far failed to do this.

Nike has done some work on its short-term contracts policy, which is a good thing. These contracts are a barrier to accessing benefits and rights in many countries, and a strong message about caps on the number of these contracts used is important for many of the unions we work alongside. We hope Nike will continue to work on implementing this policy in its supplier base and will share learnings from the findings.

## Collaborative approach:

In collaboration with the Fair Labor Association's Fair Wage working group, the company says: "Nike is also beginning to test with factories how they can increase workers' wages while maintaining a financially competitive business. We do not know the answers but are working with non-governmental organizations, academics, factories and other businesses to find out how this can work."

## Strategy:

In addition to the Fair Wage Assessment engagement mentioned above, Nike has "set an expectation that our Contractors commit to developing and implementing a process that incrementally moves employee compensation (wages and benefits) over time toward meeting employees' basic needs including some discretionary income."

## Production overview:

**Number of suppliers:** 774 first-tier supplier factories

**Main production countries listed as:** Nike produces in 42 countries worldwide. See [nikeinc.com/pages/manufacturing-map](http://nikeinc.com/pages/manufacturing-map) for the full map.

Nike publishes a full public list of the names and addresses of its supplier factories.

Nike has signed the Indonesia Protocol, which is great. Work to implement this and monitor its effectiveness needs to be at the heart of the work to improve wages in Indonesia.

Work on Fair Wage Assessments was mentioned in a number of places. We are pleased that Nike is engaging in the debate about what a 'fair wage' means, but hope that this won't become an opportunity to get sidetracked from the main problem: that workers are currently being paid significantly less than the amount on which it is possible to live with dignity. The Fair Wage Assessment places an equal value on a number of 'how wages are paid' issues as 'how much the wage is' issues. For us, and for workers joining protests around the world, the latter is always massively more important. Given a list of 12 things to do, one of which is 'pay more', every supplier will do the other 11 first. As Nike develops this work, we would encourage it to take this priority into account.

# O'NEILLS

## COMPANY POSITION ON THE LIVING WAGE:

We have looked at O'Neills's website, and through its code of conduct, and no information relating to the living wage or labour-standards policies was found.



## WHAT WE SAY:

O'Neills did not respond to our requests for information, and has no relevant information available on its website. It is therefore safe to assume the worst: that it has no engagement with ethical trading at all.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

**Number of suppliers:** O'Neills did not disclose this information.

**Main production countries listed as:** O'Neills did not disclose this information.

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



# PENTLAND BRANDS

Brands: Berghaus, Boxfresh, Brasher, Canterbury, Ellesse, Kangaroos, Mitre, Prostar, Red or Dead, Speedo.

License holders for Lacoste Chaussures, Ted Baker footwear and Kickers in the UK and Ireland



## COMPANY POSITION ON THE LIVING WAGE:

“Our Code states that living wages must be paid, that working hours must not be excessive, and that overtime must be voluntary. Suppliers must comply with any applicable laws and regulations, including those on minimum wages.”

## WHAT WE SAY:

Pentland says in its code that “living wages must be paid” but in practice, as a company, it only pays the minimum wage. We hope that mooted collaborative work on living wages progresses soon.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Pentland says: “We are a signatory to the FOA [freedom of association] Protocol in Indonesia (further information below). We also discuss freedom of association in the worker interviews that form part of our factory ethical trade assessment process, however at present we do not have a broad programme of communicating directly with workers about these topics. We would welcome suggestions as to how this might best be done.”

### Commitment and practices:

Pentland has no living-wage benchmarks. It says it pays the minimum or industry-standard wage, but “would welcome an industry-agreed benchmark for living wages in our manufacturing markets.”

On costings, Pentland says: “We are looking at opportunities to increase our use of open costing. For one product category we have already introduced semi-open costing to guarantee specific piece rates, which have been collectively bargained.”

## COMMENTS:

Pentland says that it requires suppliers to pay wages that are sufficient to meet basic needs, but it failed to make any effort to define what this really means. Without this knowledge, it has taken the easy option: default to payment of the minimum wage, which, it is clear to everyone, doesn’t meet basic needs. If Pentland doesn’t put work into defining what its wage benchmark is then the term ‘living wage’, which is written into its code of conduct, will remain a paper commitment and workers making its products will continue to live in poverty.

It is great that Pentland has signed the Indonesia Protocol. Other work in the area of freedom of association is, however, fairly non-existent, with no

### Collaborative approach:

Pentland is a member of the Ethical Trading Initiative (ETI). No further work on wages as part of this multi-stakeholder initiative was detailed.

Pentland also takes part in the Better Work programmes, works with Chinese NGO Inno on worker interviews in China, and provides trainings via the Red Cross on worker health and safety.

### Strategy:

Pentland says it is “currently investigating further opportunities for collaborative work involving other brands and specialist local organisations, to look at living wages in our manufacturing markets,” in collaboration with other ETI member companies.

### Production overview:

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

**Main production countries listed as:** China (55%), Vietnam (9%), India (9%), Indonesia (6%), Thailand (4%), Other (17%)

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

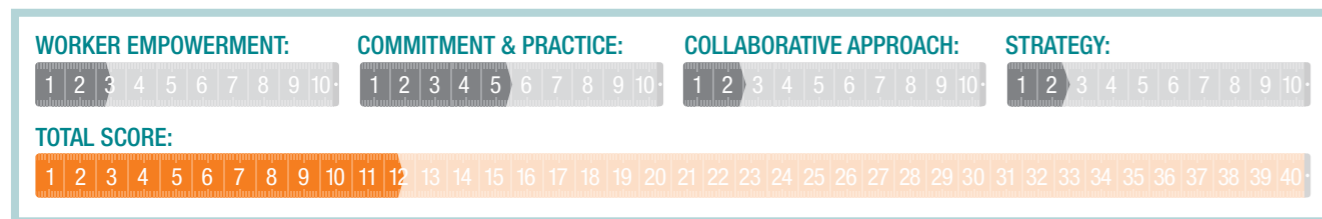
evidence of training for management or workers, or work in collaboration with local unions on the topic. It would be good for Pentland to take away learning from the Indonesia Protocol – what works and what doesn’t – and discuss with other companies how to take this process forward in other countries where it sources products.

We were pleased to read that Pentland is doing some work on open costings, and calculating collectively bargained wage figures into these. This is a good step forward.

We hope that the investigations that Pentland is currently working on with other ETI brands into living wages will progress swiftly.

# PENNEYS

Brands: Penneys/Primark, Atmosphere, Cedarwood State, B&W, Denim Co., Love to Lounge, Young Dimension, No Secret, Ocean Club, Secret Possessions



## COMPANY POSITION ON THE LIVING WAGE:

“We agree with the principle that a living wage should cover basic needs, provide for discretionary income and savings, and cater for dependants. We acknowledge the inherent challenges in defining and calculating a living

wage figure and have concluded that the negotiated approach remains the most practical and sustainable, and therefore support the development of mature industrial relations in achieving this.”

## WHAT WE SAY:

Penneys’s submission shows some proof of real work that will improve wages for workers making its clothes and a high level of commitment and practice. However, at a

strategy level, projects are still at pilot or research stage and rely heavily on Ethical Trading Initiative (ETI) base code rather than long-term building blocks to pay a living wage.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

ITGLWF [now part of IndustriALL Global Union], ILO [the International Labor Association], audit companies, and other experts”, and hopes to use this to set standards.

### Worker empowerment:

Penneys says: “We fully recognize the importance of FOA [freedom of association] as an enabling right for workers to achieve a living wage, and have included this as a key aspect in our strategy. This builds upon our work to date to fully understand the complexities of freedom of association, the spectrum of approaches, the legal contexts underpinning it, and the roles and responsibilities of stakeholders including Penneys as a responsible retailer.” Penneys has commissioned research into what good practice on FOA looks like “in consultation with TUC [the Trades Union Congress],

Penneys says it has “several pilots that incorporate training for workers on FOA”. It has been running a programme in South India since 2009 that provides education to workers on “workplace rights, labour laws, trade unions, and FOA.” This has been delivered in non-factory discussion-group settings in association with the NGO SAVE (Social Awareness and Voluntary Education).

Penneys is developing hotlines in North India and Bangladesh to act as grievance mechanisms. A hotline in South India is already in place.

## Commitment and practices:

Penneys says: “Our current focus is consolidating our supply base with the aim of strengthening relationships with existing strategic suppliers and developing strong relationships with those newer suppliers who demonstrate an ability to efficiently grow their business whilst pro-actively engaging on key performance issues, including ethical trade issues.”

Penneys has a factory-ranking system that “enables buyers to continuously assess suppliers’ performance in relation to all aspects of our Code of Conduct including wages, and to move production towards those suppliers demonstrating improved and sustained ethical performance.” It is also developing a scorecard system to further aid buyers.

Penneys states that: “Open costings with suppliers are becoming standard practice within our business. We have developed cost models for all product types which provide clarity on a factory’s costs, including labour and overhead costs ... In this way we have visibility of the payment of fair wages to factory workers at all production sites.”

## Collaborative approach:

Penneys/Primark is a member of the ETI, and is taking part in work with other ETI corporate members on the living-wage topic. Penneys has worked with IndustriALL and the IndustriALL Bangladesh Council on short-term relief and long-term compensation for the victims of Rana Plaza – although this is not wage-related work.

## Strategy:

Penneys is working on pilot projects in seven factories in Bangladesh and China, in collaboration with various consultants, government bodies and manufacturers associations. Projects focused on “worker needs assessments, training and support on productivity enhancements, human resources, compliance, worker-management dialogue and negotiation, and workplace resolution.” Results in terms of actual wage increases were not given. Penneys says this is because results varied from factory to factory: “at one factory workers negotiated increases in piece rates on three separate occasions through the skills and training they had received in the pilot. Similarly, another factory initiated a new bonus scheme whereby 1% of profit was distributed to the entire workforce.”

Penneys says: “Primark is developing a holistic strategy to look at wages, with country-specific approaches. The strategy builds upon our pilot programmes and research conducted over the past two years, and will focus on key areas including, but not limited to, worker empowerment, factory improvements, stakeholder engagement and benchmarking supplier performance.”

## Production overview:

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

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

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

## COMMENTS:

Penneys/Primark is a member of ETI, with the commitment to a living wage written in its code of conduct, but it still has yet to define what this means in terms of real wage figures and check if this is being paid to the workers making its clothes. For a company that has a lot to prove, when it says that it is not exploiting its workers by selling things so cheaply, more needs to be done.

Penneys says its approach to paying a living wage is to support “the negotiated approach”, by which it means that it supports unions to negotiate better wages. However, there was little evidence of work with, or in consultation with, local unions given, and little evidence of work with international unions outside of the Bangladesh disasters. Its research into developing a standard of good practice on FOA sounds good, but without a solid plan or timescale for putting this in place we will wait to hear more.

Penneys says that because there are “inherent challenges” in calculating a living-wage figure, it has chosen instead to adopt a negotiated approach. For us, it is not an either/or situation, but a both/and. There is a pressing need to define a goal in any commitment, because without putting a real figure on the commitment how will you know if you have achieved it? A living-wage commitment can only be an effective performance indicator if it is measurable. The negotiated approach is the ‘how’ of delivering a living wage, and the definition of the figure is the ‘what’. Without either of these, the commitment is meaningless. We hope that Penneys will consider this and work towards adopting a living-wage benchmark – the Asia Floor Wage springs to mind. Penneys indicated some work on starting “open costings” with suppliers. This is a step in the right direction. Transparency about the labour cost of each product will lay the ground for work to cost a living-wage figure into pricing.

Penneys currently lacks a strategy for delivering a living wage. The various current pilot projects cited give little data about real wage improvements and no indication of plans to use the learning gained in other parts of the supply chain, which is disappointing. Penneys informed us that it is now working on a strategy, we look forward to reading more about this as it progresses.

# PUMA

Brands: Puma, Cobra Golf, Tretorn



## COMPANY POSITION ON THE LIVING WAGE:

"Improving wages for factory workers in PUMA's supply chain remains a core issue in ensuring sustainable workplace improvement ... PUMA does not subscribe to any given definition of a living wage given the varying definitions and formulations that have been provided over several decades."

## WHAT WE SAY:

Puma is engaging in work on a number of topics. It has adopted a credible living-wage benchmark (the Asia Floor Wage) as part of its wage ladder approach. There is still some way to go, though, on strategy for how to deliver this to its suppliers – productivity won't cut it.

## IN MORE DETAIL:

### Has living-wage benchmarks?

Yes.

### Worker empowerment:

Puma says: "PUMA is a signatory to the FOA (Freedom of Association) Protocol in Indonesia. This requires signatory brands to support the adoption of agreed FOA practices by suppliers to ensure that factory workers are free to form unions and organize."

Puma displays posters on FOA in its supplier factories; a pocket guide is provided for workers, distributed by sourcing offices and licensees; a briefing is given to new workers, which covers FOA; and annual training is advised. Puma also has a complaints mechanism.

Some trainings for suppliers and workers including information on FOA were detailed. This was delivered in collaboration with various union and corporate partners. Training in labour law and national wage-setting mechanisms was given in Indonesia for union leaders.

## Commitment and practices:

Puma is using a wage ladder methodology to monitor progress towards payment of a living wage, which includes the Asia Floor Wage benchmark. This was based on a project, called the Jo-In project, which finished some years ago. No work on pricing was mentioned.

Puma has a supplier rating system that takes social compliance into account and affects its purchasing decisions. This system is currently being updated, says Puma: "...we are incorporating incentives for those who show consistent wage practices that are above the minimum wage."

## Collaborative approach:

Puma is working with the Fair Labor Association and the Fair Wage Network. Some partnerships with unions were mentioned on specific initiatives. Puma is a signatory of the Indonesia Protocol.

## Strategy:

Puma projects:

**Human-resource management in China.** Work focused on productivity improvements and human-resource management techniques. **Scope:** 12 factories engaged. Delivered in partnership with Impactt. **Impact:** Wage ladder appears to show take-home pay was above the Asia Floor Wage figure for China in 2012, after overtime and benefits.

**Human-resource management in Vietnam and Cambodia.** The project "seeks to enhance human resource management systems among PUMA factories." **Scope:** 16 factories engaged. Delivered in partnership with the International Labour Organization's Better Work programme.

**Fair Wage Network.** 28 factories will develop 'road maps' based on Fair Wage methodology, three factories in Indonesia will receive specific technical assistance to increase wages.

Puma says that these various projects form its Better Wage programme: "The aim of this Better Wage program is to implement sustainably fairer wage structures in selected suppliers by 2015. The program does not guarantee that workers in selected suppliers will have increased wage levels, but works towards fairer compensation structures and practices."

## Production overview:

**Number of suppliers:** 203 first-tier suppliers

**Main production countries listed as:** China (33%), Vietnam (21%), Indonesia (10%), Turkey (10%), Other (26%)

Puma publishes a full public list of the names and addresses of its supplier factories.

## COMMENTS:

Puma is engaging in some work to improve wages in its supply chain, but still has some way to go before it arrives at a coherent strategy for paying a living wage to the workers making its products.

Puma's code of conduct states that compensation should be "respectful of basic needs and all benefits mandated by law", but says nothing about the company's position on a wage to support a family. The guidance manual for suppliers states that good practice on wages is: "The factory pays more than the minimum wage." We would hope that this guidance could become more ambitious.

Although it is good that Puma has acknowledged the Asia Floor Wage (a definition developed in Asia by unions and workers), it is unclear to us how this benchmark is used internally in the company. If a wage ladder approach is to be useful, it has to be integrated throughout all sourcing and compliance work that Puma is doing. So far it appears to be an added extra.

Puma has signed the Indonesia Protocol, which is great. Work to implement this and monitor its effectiveness needs to be at the heart of work to improve wages in Indonesia.

We were concerned that Puma says the Better Wage programme "does not guarantee that workers in selected suppliers will have increased wage levels." For us, "fairer compensation structures" (which is the language of the Fair Wage Network too) are intrinsically about wages being enough to live on. This has to mean that wages go up, not just that workers are paid the same amount in a 'fairer' way.

The Better Wage programme focuses largely on productivity improvements, and encouraging worker-management dialogue. This is all fine and good, yet we are sceptical about how far productivity improvements will boost wages in places such as Vietnam or Indonesia, where the gap between the minimum and living wages is significant. No clear indication was given as to whether Puma is willing to pay more to cover wage improvements, or how this plays a part in its long-term strategy. Puma says: "We are currently in the process of refining our costing methodology to assess how compliance standards can be better incorporated." Without this very important piece of the puzzle, we think little will be achieved in terms of real change for the workers who need it most.

# REPLAY JEANS

Brands: Replay, Replay & Sons, Red Seal,  
We are replay, White Seal

Please note: Replay Jeans is owned by the Fashion Box Group



## COMPANY POSITION ON THE LIVING WAGE:

We have looked at this company's website and no information relating to sourcing or labour standards policy was found. Replay later wrote to us and sent us its code of conduct. On wages it says: "Employees must receive at least the legal minimum wage for ordinary working hours as well as for overtime hours according to the standard labour contract. Illegal or non authorized allowances in the wage packet are not permitted."

Replay also says that it works with companies in Hong Kong and Tunisia to "ensure a local presence in those countries where we are active, directly sourcing manufacturers in these territories and conducting spot checks through-out the supply chain (be it for simple components or finished garments). This gives Fashion Box greater transparency and control over its production network and enables us to verify compliance with our code of conduct."

## WHAT WE SAY:

Replay does not accept the principle of a living wage in its policy and is doing no work to ensure that workers who make its products earn enough to live on. Simple compliance with the minimum wage is a legal duty, but the human right to a living wage is a responsibility that Replay must take steps to ensure. No evidence of this work is yet available.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

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

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

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

# RIVER ISLAND

Brands: River Island



## COMPANY POSITION ON THE LIVING WAGE:

River Island did not respond to our request for information. We have looked at this company's website and found reference only to the company's code of conduct, which states: "Living wages are paid." Beyond this, no further evidence of work to make this a reality was available.

River Island is a foundation stage, rather than full, member of the Ethical Trading Initiative.

## WHAT WE SAY:

River Island has failed to provide any concrete information about work towards ensuring workers making their products are paid a living wage. Although it has taken steps to join the ethical trading initiative, no evidence of work beyond basic auditing is available about attempts to ensure workers who make River Island clothes are paid enough to live on.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Production overview:

**Number of suppliers:** River Island did not disclose this information.

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

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

# SWITCHER

Brands: Switcher, Whale



## COMPANY POSITION ON THE LIVING WAGE:

“The payment of a living wage is a central element considered before entering into a business relationship with a supplier – we uphold this for all production countries.”

Switcher’s code of conduct says: “Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.”

## WHAT WE SAY:

Switcher is committed to paying a living wage and uses the Asia Floor Wage as a benchmark. The company is collaborating with the Fair Wage Foundation (FWF) on ways to implement payment of a living wage and has initiated a project in Bangladesh to raise wages through creating a solidarity fund. Overall, Switcher has helped push forward the international debate on a living wage and is working on this important topic throughout its supply chain.

## IN MORE DETAIL:

### Has living-wage benchmarks?

Yes.

### Worker empowerment:

Switcher includes statements on freedom of association in its code of conduct, as stipulated in the FWF Code of Labour Practice, which is implemented in supplier factories.

Switcher says it takes part in a ‘Workplace Education Programme’ as part of the implementation of the FWF Code of Labour Practice. This has been jointly developed with local trade unions and labour-rights NGOs. To date, only one Switcher supplier from Turkey has participated in the training.

Switcher also uses the FWF’s grievance mechanism, whereby workers can report problems in the factories with local persons of trust. Incoming complaints are handled by the FWF and outcomes are made public in a report.

## Commitment and practices:

Switcher uses the FWF’s wage ladders to calculate the difference between the target living wages and the wages actually paid in its supplier factories. Results are integrated into a corrective action plan after the audit.

According to Switcher, four of its suppliers in China currently pay a living wage (as defined by the Asia Floor Wage benchmark).

Switcher provided the CCC with detailed information on the wage structure of its main suppliers. Switcher’s supply chain is transparent and publicly accessible.

Before entering into a business relationship, Switcher systematically evaluates the difference between the wages paid and a living wage. Wages play an important role in determining whether or not to source from a specific supplier.

## Collaborative approach:

Switcher is a member of the Fair Wear Foundation and is actively engaging, together with other companies, on an initiative to implement a living wage.

Switcher publishes a list of its suppliers and enables traceability of all its products through an online tool (respect-code.org). Switcher also uses Sedex, a database that allows the company to systematically collect information on suppliers and which provides an overview of production sites.

## COMMENTS:

Unlike many other companies, Switcher uses a concrete benchmark for the implementation of a living wage. The FWF requires its members to adapt their purchasing policies and practices in order to allow the payment of a living wage at factory level. Any progress towards the realisation of a living wage is documented and published in annual progress reports for each company. The FWF sets out clear requirements for its members, taking it a step further than other standard-setting initiatives. Switcher clearly has a pioneering role – both within and outside of the FWF – when it comes to transparency and sustainability management.

Switcher reacted very openly to the CCC company survey. Its business practices build on transparency, which is a very important prerequisite for the improvement of working conditions in the supply chain and for raising salaries to a living wage.

Moreover, Switcher demonstrates more initiative than other companies regarding the implementation of a living wage. The solidarity fund in Bangladesh, one of Switcher’s projects, is internationally acclaimed and has great potential for use in other factories. This fund demonstrates

Switcher says it plans to publish in its next annual report (due March 2014) the calculation of sewing time (in minutes) and ‘sewing wage’ for each product.

## Strategy:

Switcher has initiated a project to raise wages in one of its supplier factories: “Since March 2013, Switcher has implemented a solidarity fund for ALL workers of its unique supplier in Bangladesh, ‘Karooni Ltd’, made with 1% added on each unit FOB [free-on-board] price. This amount will be used for the creation of a separated, direct and annual payment to ALL workers of the factory.”

This project was put together following a consultation held with local trade unions in Bangladesh.

Switcher is just one of many buyers at this factory, so its payout will not top-up wages very significantly. Switcher says it is trying to convince other companies sourcing from the same factory to commit to the solidarity fund. It hopes the project can be expanded to other factories and countries.

## Production overview:

**Number of suppliers:** 24 supplier factories

**Main production countries listed as:** Portugal (44%), Romania (19%), China (16%), Bangladesh (12%), India (4%), Turkey (3%), Taiwan (1%)

Switcher publishes a full public list of the names and addresses of its supplier factories.

one possible way in which all the brands sourcing from the same factory can jointly contribute to an increase in wages. The project is still in its infancy, many questions remain and it’s unclear whether this will or will not be the way to go in the future. The increase in wages created by the solidarity fund is, as yet, marginal and still a long way off a living wage, due to the fact that Switcher is only one small buyer amongst many other buyers at that factory. This means that the amount of money paid into the fund is very low. It is crucial to convince other companies to commit to the fund. Nevertheless, this is one of few projects aimed at ensuring a living wage that is being implemented in consultation with local trade unions.

Switcher now needs to work systematically on the implementation of a living wage in other areas of its supply chain outside of Bangladesh. According to Switcher, in four out of six of its supplier factories in China, all workers receive a living wage equivalent to the Asia Floor Wage. However, in its supplier factory in Romania, actual wages are far below a living wage. With a purchase volume of more than 20%, Switcher is in a good position to work towards the payment of a living wage in this case.

# TCHIBO

Brands: TCM (Tchibo Certified Merchandise)



## COMPANY POSITION ON THE LIVING WAGE:

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

## WHAT WE SAY:

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

## IN MORE DETAIL:

### Has living-wage benchmarks?

Yes.

### Worker empowerment:

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

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

## Commitment and practices:

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

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

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

## Collaborative approach:

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

## Strategy:

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

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

## Production overview:

**Number of suppliers:** 810 first-tier suppliers

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

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

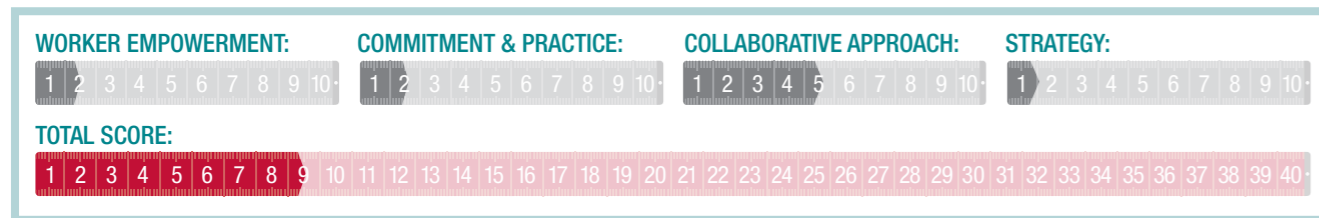
## COMMENTS:

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

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

# TESCO

Brands: F&F



## COMPANY POSITION ON THE LIVING WAGE:

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

"We focus on practical steps that make a real difference. So in countries where wages are lowest, our first step is to identify lower-paying suppliers and ensure they progressively raise wages to at least the average for our supply base ... As a safety net, we also strictly enforce compliance with the minimum wage, and exercise zero tolerance where suppliers underpay workers against the legal minimum – for all hours worked."

## WHAT WE SAY:

Tesco's approach of aiming to pay more than the minimum wage and above average for the industry is a far cry from a living-wage plan. Work on improving factory efficiency will only improve wages so far. Bigger thinking is needed from a buyer with this sort of market power.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Tesco says: "Under our commitment to the ETI [Ethical Trading Initiative] Base Code and mature industrial relations, we require our suppliers to meet the ETI clause

on Freedom of Association ... As part of our commitment to the Bangladesh Accord, all suppliers are required to provide free access to Trade Unions."

Tesco also mentioned the "Tesco Technical Library" and other ethical trading documents that it makes available to suppliers. Tesco's engagement in a Department for International Development-sponsored project to set up a "not for profit training academy for the whole industry to improve productivity, raise wages and reduce hours" was also stated. This offers training to lower and middle management on industrial relations. So far, 73 factories in India and Bangladesh have received this training.

### Commitment and practices:

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

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

### Collaborative approach:

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

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

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

### Strategy:

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

- Ensuring compliance with local wage legislation as a foundation;
- Improving supplier's capability and capacity to improve wages for workers by improving efficiency and productivity;
- Creating a supportive, enabling environment by lobbying Governments and working with other international stakeholders to deliver sustained improvements in wages through better jobs."

### Production overview:

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

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

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

### COMMENTS:

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

Tesco's progress in setting internal benchmarks is interesting, but pegging benchmarks to existing wage payments will not overcome the huge gap between minimum and living wages. Tesco says it is hoping to pay above-average for its supply base. The problem with this is that "industry standard" is, at best, just above the minimum wage, and downward global price pressure means that even the best factories are still paying not enough to live on. Tesco also says that it is not its role to specify the amount that should constitute a living wage. We agree that this is indeed the role of negotiations between supply-chain actors. However, a minimum living wage is merely a floor on which negotiation must rest. Buyers, who have the freedom and power to do something about the downward global price pressure on wages, must collectively take action to raise the standard

in order to underpin real living-wage negotiation. With a living wage being two to four times the minimum wage, the gap will not be closed by simply paying a little above the industry average.

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

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

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

# VERSACE

Brands: Versace



## COMPANY POSITION ON THE LIVING WAGE:

“Versace complies with all the Labor laws, as fore-casted into the policy of Versace Ethic Code.”

Versace makes no reference to a living wage in its ethical code.

## WHAT WE SAY:

Versace says it produces 82% of its goods in Italy, 7% in other European countries and just 2% in Asia. However, we would not consider Italy to be a ‘low risk’ country in terms of labour rights. Little evidence was given of work to ensure that workers making Versace products have their rights respected. More engagement is needed than issuing a paper code of conduct.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.

### Worker empowerment:

Versace says: “Both the Ethic Code and the Framework Supply Agreements state that anyone who has relationships with Versace in any way has to fulfill with all the Versace ethic values, including expressly those related to the Laws and Rules in force in the countries where Versace acts, Labor Laws included.”

### Commitment and practices:

Versace has no identifiable monitoring in place to ensure rights are upheld for workers in its supply chain. There are no incentives in place for buyers to show preference to suppliers who promote better wages or are demonstrating better practices, and the company has no policy in place to limit the use of short-term contracts or subcontracting.

Versace says the Asia Floor Wage is being paid to workers in its four Chinese and Indian supplier factories.

### Collaborative approach:

Versace has had no involvement with any multi-stakeholder initiatives or trade unions in Italy or anywhere else.

### Strategy:

None.

### Production overview:

**Number of suppliers:** 167 first-tier suppliers

**Main production countries listed as:** Italy (82%), Other European Countries (7%), India (1%), China (2%)

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

## COMMENTS:

Although most of Versace’s production takes place in Italy itself, Versace displays a startling lack of engagement in the need to ensure rights for workers making its products. Due to a significant use of the informal sector and migrant labour in Italy, Versace’s production needs to be carefully monitored if it is to be sure that wages are enough to meet workers’ basic needs and ensure their rights. Little evidence was shown of this. Health and safety in Italian factories has repeatedly cropped up as an issue. Indeed in December 2013, a fire in a subcontractor factory in the town of Prato killed seven Chinese migrant workers, and unions said the health and safety problems that caused the disaster were common in the area – an area where Versace has factories. More needs to be done to safeguard rights than simply having an ethical code and hoping factories comply with the law.

# VF CORPORATION

Brands: 7 For All Mankind, Ella Moss, Bulwark, Lee, Rustler, Majestic, Nautica, JanSport, Wrangler, Eagle Creek, The North Face, SmartWool, Riders By Lee, Reef, Kipling, Red Kap, Horace Small, Splendid, Timberland, Lucy, Napapijri, Eastpak, Vans



## COMPANY POSITION ON THE LIVING WAGE:

“All VF Authorized Facilities must compensate their employees fairly by providing compensation packages comprised of wages and benefits that, at the very least, comply with legally mandated minimum standards or the prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.”

## WHAT WE SAY:

VF doesn’t recognise the principle of a living wage as part of its responsibility or policy. Company engagement in local education and health projects is all very well, but does not solve the problem of poverty. It is embarrassing that a company of this size is not engaging in this important issue.

## IN MORE DETAIL:

### Has living-wage benchmarks?

No.



# VF CORPORATION

## Worker empowerment:

VF ensures that a poster explaining freedom of association (FOA) and the right to collective bargaining is displayed in all its factories.

Some reactive training for suppliers with FOA violations was mentioned.

## Commitment and practices:

VF does not support the principle of a living wage in its policy and has no living-wage benchmarks, only the minimum wage.

VF is currently undertaking a review to verify wage levels against Social Accountability International's SA8000 standard on the basic-needs wage. It says: "Our initial review process in sample factories in the regions where we have facilities has provided some positive indications, and we will continue to expand the scope of these reviews and take the necessary measures. We are choosing to not disclose this data publicly until all research is complete."

## Collaborative approach:

VF says: "VF is working in collaboration with other brands and various NGO's, government representatives, industry associations, and trade unions to address a variety of issues related to social compliance." No specific collaborative work on the living wage was mentioned.

## Strategy:

VF says: "We ... believe that higher wages alone do not necessarily create improved living conditions. It is within this context that we have defined our approach to support and facilitate sustainable living by addressing the environment (societal infrastructure) that workers live within rather than focus on wages alone. While we recognize that in some countries or regions the legal minimum wage is insufficient to support sustainable living, what we don't know is whether simply raising wages for workers will ensure that their basic needs are met. What if the issue involves more complex questions, such as the cost and accessibility of basic human services like health care or education?" As a result of this position, Timberland is working with some local and international partners on financial-literacy courses for workers, plus education and clean-water projects.

VF has no strategy for delivering a living wage to workers who make its products.

## Production overview:

**Number of suppliers:** 2,300 suppliers, both first-tier and subcontractors

**Main production countries listed as:** China (26%), US (21%), India (7%), Vietnam (5%), Bangladesh (4%), Mexico (4%), Turkey (2%), Pakistan (2%), Other (29%)

Timberland publishes a full public list of the names and addresses of its supplier factories. The rest of VF's brands do not publish a full public list of the names and addresses of their supplier factories.

## COMMENTS:

VF states in its submission that it recognises the minimum wage is not enough to cover workers' basic needs, yet it is failing to take any action to increase wages to solve this. The VF policy requires payment of the minimum wage only, with no reference to a need for wages to meet basic needs – this falls some way behind even the most basic policy commitments that other companies featured in this report have made.

Instead VF (or rather Timberland – no evidence was given of any other VF brand engagement) has invested effort in a programme to provide "sustainable living environments" for some of its workers. This involves some projects on clean-water provision and education for workers and their children, as well as healthcare.

To this, we say that VF is getting confused as to its responsibility and role in the supply chain. It is not the responsibility of companies to provide schools and healthcare for workers, although if they want to contribute to charity to help struggling Asian communities that is their choice. However, it is the primary responsibility of a brand to ensure that the wage that is paid to the people who make its products is enough to cover basic needs.

For us, meeting basic needs is about giving people who work the liberty to choose the way those needs are met. This is done through an income that is sufficient to allow this to happen. By trying to manage the way needs are met, this liberty is removed.

It is good that VF is carrying out some sort of benchmarking exercise to try to define its commitment to a basic-needs wage. We look forward to hearing more about this as it progresses. We would hope to see VF, in the future, engage in work that acknowledges both the need for a real living wage and its own role in this process.

**The Clean Clothes Campaign Ireland is a coalition and the Irish branch of a global alliance of organisations dedicated to improving the working conditions and supporting the empowerment of workers in the global garment industry.**

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