

LET'S CLEAN UP FASHION

The state of pay behind the UK high street

✂ Labour Behind the Label



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Labour Behind the Label

An initiative of the Labour Behind the Label coalition. Labour Behind the Label is a campaign that supports garment workers' efforts worldwide to improve their working conditions. We educate consumers, lobby companies and government, raise awareness, and encourage international solidarity with workers. Our members include trade unions and their local branches, consumer organisations, campaign groups, and charities. We are the UK platform of the international Clean Clothes Campaign.

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EXECUTIVE SUMMARY



Background

Six years ago, Labour Behind the Label (LBL) published a report entitled "Wearing Thin: the state of pay in the fashion industry." The report demonstrated how workers the world over producing for UK high street companies were living off poverty wages, and that few companies were taking the issue seriously.

"The evidence that the legal minimum wage is insufficient, even to cover the needs of a single worker," it concluded, "is overwhelming...The majority of companies are not addressing the problem of low pay. They attempt to demonstrate that what workers are paid is adequate, or use the pretext that 'nobody knows what a living wage is' to do nothing, or simply ignore the concerns of workers and consumers."

At the start of 2006, we decided it was time to check in with the fashion industry, to see what progress had been made. At the same time as we compiled information on conditions on the ground, we wrote to the major high street names, giving them the opportunity to comment on profiles we had compiled from the information publicly available on their websites.

Poverty wages

"When told that it is checked that workers should get at least the minimum wage set by the government, which they all do, she said that if they think this wage is enough they should all try to live on this amount for a month and decide if it is OK." - woman working in a garment factory in Pakistan



LBL defines a living wage as one that enables workers and their dependants to meet their needs for nutritious food and clean water, shelter, clothes, education, health care and transport, as well as allowing for a discretionary income.

Most companies make an in-principle commitment to paying a living wage in their codes of conduct. Many use a formulation along the lines of that in the ETI base code:

Bangladesh:
Living wage = £30 per month
Minimum wage = £7 per month

"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."

The difficulty with this statement is that, as evidence overwhelmingly demonstrates, neither national legal standards nor industry benchmark standards come close to meeting basic needs. Yet most companies seem to think that ensuring payment of a minimum wage is either sufficient to have discharged their responsibilities, or an adequate stop-gap measure. But a stop-gap for what?

Meanwhile, the global garment workforce in 2006 is even more tired, underpaid, and unable to reap the benefits of globalisation than it was six years ago. Earlier this year in Bangladesh, where garment sector wages have fallen in real terms by half in the past ten years, workers finally snapped, protesting, rioting, striking, and even setting light to factories to express their desperation at wages as low as £7 per month. They are far from alone in having wages way below what is decent.

There are a few glimmers of hope. Several companies have accepted their responsibility to work towards payment of a living wage, and have begun pilot projects to investigate how this can happen. As yet, no company has made a serious commitment to ensure that all workers in its supply chain receive a living wage.

Workers unable to negotiate

"Before there was a problem with our overtime pay - we weren't given enough. But now [we are unionised] it's what it should be. We can send money home to our parents now. This helps families." - workers in an Indonesian garment factory

Not only are trade union rights internationally-recognised fundamental human rights, they also offer the most effective and legitimate way to ensure that workers get a fair wage, by allowing them to stand together to negotiate it with their management. Most efforts by fashion companies to ensure that workers' rights are respected in their supply chains fail because workers themselves do not have a real voice in the process.

Any company that says it takes working conditions seriously should welcome the formation of a trade union in one of its suppliers, and indeed should set out to encourage it. A functioning, effective collective bargaining agreement is the most credible way that all concerned can have confidence that workers at a particular factory are not exploited.

This year LBL has been involved in two cases in factories supplying UK high street brands, one in Cambodia and another in Turkey, where workers have been persecuted and lost their jobs for trying to form a union to do something about their low wages. In both cases, pressure from these UK brands has helped bring management and workers to the table. They are just two examples of the countless requests for solidarity received from workers in garment factories. In 2005, nearly 10,000 workers were sacked for trade union involvement. Meanwhile more and more garments are sourced from countries, such as China, where workers have no freedom of association.

While almost every company was at pains to emphasise its 'zero-tolerance' approach to abuses of the right to freedom of association, only a few have recognised that freedom of association can actually help them to fulfil their commitments on workers' rights. Even fewer have actually set out to ensure workers have access to their trade union rights, through education and training by local trade unions and labour rights groups.

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Brands turning a blind eye

"The retailers and their suppliers are playing an elaborate game. They only want to reassure consumers, not to improve conditions." - Dr Liu Kaiman, Institute of Contemporary Observation, Shenzhen

In response to consumer pressure for living wages, companies have adopted codes of conduct, which they claim they enforce through social audits, inspections of working conditions in factories. Tens of thousands of these audits are performed every year, either as internal company monitoring, or by third party auditing firms.

But the evidence shows that audits are not the panacea that many companies believe them to be, frequently failing to pick up serious problems. Suppliers keep two sets of records - one which shows the real of wages and hours worked, and one to show the auditors. Factories are prepared to meet health and safety criteria. Workers who should not be there, for example because they are under age, are given the day off, while homeworkers and people working in subcontracted factories are often passed over in the process. Better audits may place a strong emphasis on worker interviews, but even then rarely get past the coaching and intimidation of workers.

Social audits can be valuable, if they are frequent and unannounced, include gender-sensitive, rigorous, off-site interviews, and involve local trade unions and NGOs. But they remain only one component in a toolbox of which freedom of association is the most powerful tool. Other useful tools include: long-term partnerships with local trade unions and NGOs; grievance and complaints mechanisms; education and training; addressing existing business or purchasing practices; effective remediation; increased transparency.

Many companies can offer no real guarantee that the good intentions in their code of conduct amount to anything on the ground. Those that do have a systematic auditing process in place lean too heavily on bulk auditing, even though some acknowledge its flaws. Aside from a few pilot projects, systematic involvement of local trade unions and NGOs in the process remains off the radar for almost every company.

How companies fared

We wrote to all the major high street retailers and all members of the Ethical Trading Initiative (ETI). On the basis of the information gathered for this report, we put the companies into five groups, based on how well they were able to respond to the questions we asked.

China: "The factory does have a union, but it exists in name only. The current union takes no responsibility for the workers." - worker, Jiangsu

1. Non-responders

These companies make no information available to consumers on their websites, and did not respond to our enquiries in any meaningful way. We are concerned that this lack of transparency indicates a lack of engagement. Includes: Bhs*, Diesel, House of Fraser, Kookai, Mothercare, Marshalls, Monsoon Accessorize, Moss Bros, Peacocks/Bon Marche*, River Island, Ted Baker.

*We wrote to Bhs and Peacocks later than the others, but followed both of them up with telephone calls, and were unable to find anyone who could deal with our request.

2. Dragging their feet

Responses from this group indicate scant effort to tackle workers' rights issues. They have not participated in collaborative efforts to develop best practice, in particular the Ethical Trading Initiative (ETI), and it shows from their responses. Includes: Arcadia (Topshop, Dorothy Perkins, Miss Selfridge, etc), French Connection, Jigsaw/Kew, Laura Ashley, Matalan, Mosaic Group (Oasis, Karen Millen, etc), Primark, Principles.

3. Resting on their laurels

While these companies have previously taken some steps to address working conditions, including joining the ETI, their responses and case histories suggest that they are more interested in ticking the right boxes to stave off criticism than they are in achieving actual results for their workers. By and large they don't seem to accept the seriousness of problems regarding wages and freedom of association. Includes: Asda, Debenhams, Sainsbury's, Madison Hosiery, Pentland.

4. Could do better

These companies gave us mixed responses, which indicated some consideration and decent steps in some areas, but didn't deal substantively with others or were too vague to be sure about. Includes: John Lewis, H&M, Levi Strauss & Co, M&S, New Look, Tesco, TK Maxx, Zara.

5. Pulling ahead

From their responses and case studies, these companies are further along than others. While they still have a long way to go, they seem to be engaging more seriously with the issues we raised. Includes: Gap, Next.

**Thailand: 1 plate of rice, 1 coffee
1 day's rent, 1 day's transport to
work = 90% of one day's wages.**

Recommendations

If its workers really are to earn a living wage, a fashion brand needs to make a serious commitment to tackling all three of the issues we raised here across its whole supplier base. None comes close, although some are doing more than others. They all need to:

Make sure a living wage is paid

- ▶ Develop strategies to improve wages, above and beyond the legal minimum, in their supplier base.
- ▶ Engage in good-faith negotiations with suppliers to ensure that a living wage can be paid out of prices they pay. Accept that this may increase the cost they pay to suppliers, and make it clear to suppliers that paying a living wage is a positive criterion.
- ▶ Work with other companies, trade unions and governments on a national and industry-wide level to develop strategies to raise wages, through active participation in frameworks like the Ethical Trading Initiative (ETI).

Give workers the space to negotiate wages and defend themselves collectively

- ▶ Make it clear to suppliers that they must not prevent workers from organising, and that a functioning collective bargaining agreement will count in their favour, not against it.
- ▶ Through local labour rights organisations and trade unions, ensure that workers and management are educated about freedom of association and workers' rights. Disclosing supplier lists will help these local stakeholders gain access to factories.
- ▶ Where applicable, lobby governments to permit and protect freedom of association by law, and in the meantime take steps to find alternative means by which workers can organise.

Stop with the smoke and mirrors

- ▶ Put in place a system of regular, unannounced audits, for all their suppliers. Audits need to involve comprehensive worker interviews, as well as local trade unions and NGOs, who are better placed to judge what conditions are like.
- ▶ Go beyond this by working collaboratively with supplier managements to ensure that they implement the necessary corrective measures when audits show up problems, and create incentives for improved working conditions.
- ▶ Put in place complaints mechanisms so workers can raise concerns at other times.
- ▶ Take a pro-active approach to freedom of association, including setting up worker training by local trade unions or labour rights groups.

LESOTHO

Lesotho is highly dependent on its garment industry, which employs the majority of its workforce, but it has had a roller coaster ride. 20 000 jobs were lost (almost half the labour force) when the MFA ended and investors relocated (see p8), illustrating the country's vulnerable position in relation to buyers. Despite this, things are now looking up. The Lesotho government and a multi-stakeholder initiative, the MFA Forum, have both worked hard to promote Lesotho as a socially responsible supply source. Factories have reopened and demand from the US and Europe is currently increasing. Lesotho supplies major brands such as GAP, Levi Strauss and Sears.

Wages and conditions

In Lesotho, a typical machinist can earn the legal minimum wage of 686 Rand per month (roughly £50), but as garment workers themselves say, despite working a 45 hour week, "this is not enough to live on". One worker explained that she is paying 380 Rand for rent, food and gas, plus supporting her mother and paying for her brother's transport to school. As her wages don't cover this she borrows from loan sharks to make up the difference. This is common among garment workers, who then pay 20-30% interest rate on the loans. Although the minimum legal requirements are inadequate, the ICFTU also found, "*foreign employers in the industrial zones ...ignore national legislation and pay wages below the statutory minimum.*" In these conditions, just making ends meet is a massive challenge.

Freedom of Association

Anti-union attitudes among employers make operating trade unions in Lesotho difficult and union members have been intimidated and threatened with dismissal. In one case textile workers were locked up in their factory for trying to organise. Although unions in Lesotho have benefited from international solidarity actions resulting in greater recognition by some companies and some improvement in conditions, many workers' trade union rights are yet to be realised.



Ways forward

Lesotho's garment industry is 100% foreign owned, leaving it highly vulnerable to international changes. Work by the government and MFA Forum has had some positive results in terms of job numbers and shows how active brand involvement can produce results. However, concerns remain about the long term benefits of this, while wages remain so low. For small scale, vulnerable supplier countries, a long term commitment from buyers to increasing wages across the sector will be needed before workers see real improvements.

Sources: Irinnews.org (2006) "Lesotho Textiles no longer hanging by a thread"; ICFTU (2005) "Stitched Up!"; MFA Forum (2005) "Raising competitiveness and labour standards within the Lesotho garment industry in the post MFA era." ICFTU (2006) "Annual Report on Violations of Trade Union Rights."; ITGLWF Africa (2005) "Asian Multinationals in Africa. Information and Strategy Guide"

1. INTRODUCTION

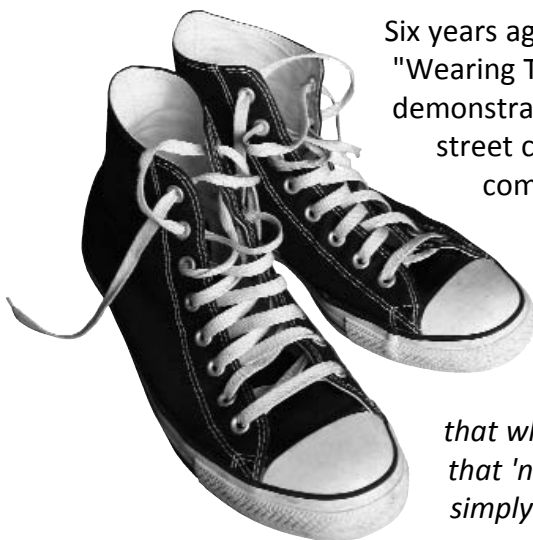
The state of pay behind the UK fashion industry

"My concern is not that there are too many sweatshops, but that there are too few," says economist Jeffrey Sachs.¹ In a sense he, he has a point. The fashion industry has the potential to lift millions of people in low-income countries out of poverty, and working conditions are not going to improve overnight.

But it shouldn't hurt this much. The global garment workforce in 2006 is tired, underpaid and unable to benefit from globalisation. Earlier this year in Bangladesh, where garment sector wages have fallen in real terms by half in the past ten years, workers finally snapped, protesting, rioting, striking, and even setting light to factories to express their desperation at wages as low as £7 per month.² The number of legal challenges and protests by Chinese workers is also on the up.

What do you think is a fair wage for the people who sew your clothes? Imagine you were a worker - what would you consider decent? The right of workers to earn a living wage is enshrined in the codes of conduct that most UK fashion companies have pledged to implement throughout their supply chains, yet as the evidence on the ground shows - and as many companies admitted to us in the research for this report - few garment workers actually earn enough to make ends meet and have a decent quality of life.

Where we start from



Six years ago, Labour Behind the Label published a report entitled "Wearing Thin: the state of pay in the fashion industry."³ The report demonstrated that workers the world over producing for UK high street companies were living off poverty wages, and that few companies were taking the issue seriously.

"The evidence that the legal minimum wage is insufficient, even to cover the needs of a single worker," it concluded, "is overwhelming...The majority of companies are not addressing the problem of low pay. They attempt to demonstrate that what workers are paid is adequate, or use the pretext that 'nobody knows what a living wage is' to do nothing, or simply ignore the concerns of workers and consumers."

Since that report was written, the fashion industry has changed phenomenally. One of the most significant changes was the end of the Multi Fibre Agreement (MFA), a trade treaty that had altered the competitive landscape of the industry for decades. On 1st January 2005, the industry was transformed overnight, as a free trade system was introduced and trade flooded from previously competitive countries towards the giants of China and India.

The repercussions of this change were felt in the EU, where Trade Commissioner Peter Mandelson was forced to impose quotas on China's exports to cushion the impact. For workers, the outcome has been an even quicker 'race to the bottom'. Manufacturers struggling to prevent their business being hoovered up by China have been forced to produce for lower prices and accept ever worsening terms and conditions.

Meanwhile, the UK high street fashion business is a very different beast compared to six years ago. Average womenswear prices have fallen by a third in the past decade, and the new buzz word is 'fast fashion.'⁴ Whereas before, shops would change collections just a few times each year, fast fashion means clothes are in the shops just five or six weeks after they were first seen on the catwalk, at minimal prices. Lower prices and faster orders inevitably mean lower wages, longer hours and worsening conditions.

So at the start of 2006, we decided it was time to check in with the fashion industry, to see what progress it had made on living wages. At the same time as we compiled information on conditions on the ground, we put together a list of the major high street names and wrote to them, giving them the opportunity to comment on profiles we had developed from the information publicly available on their websites.

"The global garment workforce in 2006 is tired, underpaid and unable to benefit from globalisation."

Wages and the related issue of working hours are probably the most serious issues faced by workers, but they are not the only ones. From harassment and discrimination to hard physical work to job insecurity, being a garment worker in 2006 is not a happy life. That's why we broadened our investigation. We asked about a second issue, trade union rights, which is both an end in itself and a means for workers to defend themselves. Worker empowerment should be the most sustainable and desirable way to achieve a living wage and prevent exploitation, much more effective than the policies and codes drawn up by suits in London. Yet few garment workers are in a position to exercise this fundamental right and negotiate their own wages.

We also asked about the 'monitoring and verification' of working conditions. In recent years, a huge global industry has grown up around the practice of 'social audits', inspections of working conditions in factories. Yet as chapter 4 explains, workers testimonies show that most social audits are more about alleviating guilty consciences and ticking boxes than they are about uncovering the inconvenient truths about working conditions.

The companies written to were: Arcadia Group, Asda, Bhs, Debenhams, Diesel, French Connection, Gap, H&M, House of Fraser, Jigsaw, John Lewis, Kookai, Laura Ashley, Levi Strauss & Co, Madison Hosiery, Marks & Spencer, Marshalls, Matalan, Monsoon/Accessorize, Mosaic Group, Moss Bros Clothing, Mothercare, New Look, Next, Peacocks/Bon Marche, Pentland Group, Primark, Principles, Quantum Clothing, River Island, Sainsbury's, Ted Baker, Tesco, TK Maxx, William Lamb Footwear, and Zara.

What this report means

This report is a snapshot of the progress (or lack of it) being made on workers' rights by the major players on the UK high street. The most important point to remember is that the problems with the fashion industry are structural. There aren't 'good guys' with happy workers and 'bad guys' who use sweatshops. The working conditions described in this report are common everywhere, as the country profiles demonstrate.

The mark of a company that's doing well for its workers would be real commitment to improving their pay and conditions, which will be a gradual process. It would mean taking on the challenge of a living wage, and working with others to raise pay and conditions throughout its supply chain. It would mean acknowledging the positive role of trade unions and local labour rights groups, and allowing them access to suppliers to educate workers and management in their rights. It would mean putting place a system for checking and improving working conditions that gets to the root of the problems, rather than just relieving guilty consciences.

The disappointing conclusion of this report is that, with a few isolated exceptions, no company is making a serious effort to challenge these structural problems.

The final message of this report is for you. This report is a challenge to consumers, to stop turning a blind eye and start interrogating the companies we buy from. If they aren't doing enough to ensure their workers are earning a living wage, it is at least in part because they need to hear us shout louder.

Enough is enough. Let's clean up fashion.

BANGLADESH

The Bangladeshi garment industry employs some 1.8 million people, and ten million more jobs are dependent on servicing the sector. It makes up around 70% of Bangladesh's export earnings. In a climate of increased international competition, the fate of Bangladesh's garment industry seemed to hang in the balance, dependent on the willingness of its workforce to work harder for less to keep their place as the world's cheapest, most obedient workforce. Then, in mid 2006, this workforce snapped, and the ensuing riots led to scores of injuries, two deaths and hundreds of arrests. The worst industrial strikes in Bengali history, they shut down the industry for two weeks.



Wages

At 930 taka (£7) per month, the minimum wage for unskilled garment workers has not changed since 1994, in spite of a doubling in the cost of living. This makes Bangladesh the cheapest country in the world on the basis of hourly wages.

Garment workers are adamant that this is not enough. The wage board established in the wake of the uprising this year has yet to reach a consensus: trade unions

are demanding 3000 taka (£20) per month, already short of the 4000 taka estimated living wage, but employers point out that in many cases this will raise the cost of labour alone above the price they receive for a garment.

Freedom of Association

The majority of Bangladeshi garment factories are in its Export Processing Zones (EPZs), special regions of the country in which laws are changed to attract foreign investors. Trade unions are not permitted within EPZs, although in 2004 the government began a staged introduction of the right to freedom of association, beginning with heavily-regulated health and safety committees and likely to reach its completion in 2008. Examples abound of union-busting activities by employers supported by the government. The ICFTU concluded that, *"consistent anti-union discrimination by employers ensured [that in 2005] Bangladesh maintained its sorry reputation as one of the worst countries for trade union rights violations in the [Asian] region."*

Ways forward

There is cause for optimism. Following the riots this summer, a memorandum of understanding was signed between trade unions and employers that guaranteed many of the basic rights of which workers had been deprived. The sticking point as this report goes to press seems to be the minimum wage, where there is clear water between the two sides. It seems the fate of Bangladesh's garment workers lies in the hands of the buyers: they must agree to stump up for the price increases that will be necessary if Bangladesh is to pay its workers a decent wage, and send a signal to employers that they will not cut and run if prices rise.

Sources: ICFTU (2006) "Annual Report on Violations of Trade Union Rights."; Daily Star newspaper <www.thedailystar.net>.

2. IN PURSUIT OF A LIVING WAGE

"Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing, medical care, necessary social services, and the right to security..." - United Nations Universal Declaration of Human Rights Article 25.1

A brief history

In the decade or so since workers and consumers began to campaign for living wages in the garment industry, much has changed, and at the same time, much hasn't.

Most companies responded at first by publishing codes of conduct outlining the labour standards that they committed themselves to upholding. Many put in place auditing programmes which, for all their many flaws, required cost and effort. In the UK, most major high street names have joined the Ethical Trading Initiative (ETI), a forum for collaboration with each other, trade unions and other non-governmental organisations (NGOs) representing the workers' perspective. The ETI's 'base code', which its members commit to working towards, makes clear that, *"wages should always be enough to meet basic needs and to provide some discretionary income."*

Yet for garment workers and their families, little has changed. Wages have fallen - by as much as half in Bangladesh - despite increased consumer spending on clothes. Workers still find themselves struggling to survive on the breadline, working excessive overtime just so they can make ends meet. The growth of China as a garment exporter and the freeing up of trade in the industry has put the squeeze even harder on workers as suppliers struggle to maintain their business in an environment of tumbling prices.

This contradiction between company rhetoric and the reality for workers is what prompted our report. As companies continue to develop their policies on workers' rights, and to make them more visible, they need to be honest about the real extent of their commitments to ensuring workers earn a living wage, and they need to investigate why their apparent commitment is not having the impact it should.



Bottom up: how workers see it

Because of the fact that wages are so low and the cost of living so high, she finds it very hard to make ends meet. At 18, she is the only earning member of her family of three. She is an only child and both her parents are jobless. She spends almost 40% of her income on the rent of her one bedroom house. [...]

When told that it is checked that workers should get at least the minimum wage set by the government, which they all do, she said that if they think this wage is enough they should all try to live on this amount for a month and decide if it is OK.⁵

Employment in the garment industry offers hope for people like this young Pakistani woman, in areas where work is scarce. In many countries those who can get jobs in factories like hers are considered lucky, and young girls leave their families in rural areas to travel hundreds of miles in search of them. Yet the reality when they arrive is tough. A Thai woman gives a similar example:

We work until 2 am or 3 am during the peak season. We always have to work a double shift. Although we are very exhausted, we have no choice. We cannot refuse overtime work, because our standard wages are so low.⁶

These are not the extreme examples: this is the norm. As this chart shows, the wage an average person working in the garment industry takes home is often well below the national poverty line, itself short of what can be reasonably defined as a living wage.

A comparison of wage estimates in four countries



Poverty line based on government statistics and calculated for a family of three, living wage calculated based on average family size. Sources: Worker Rights Consortium. "Sample living wage estimates, Indonesia and El Salvador", and "Wages and Subsistence Thresholds in the Global Apparel Industry" draft document on file: "Minimum wage for garment sector by 1st week of Oct", The New Nation, 24th August 2006 <<http://nation.ittefaq.com/>>

The chart also shows the minimum wages set by governments - often in negotiations with governments and trade unions - in these countries. These minimum wages are set in the context of ferocious competition between countries for clothing trade and consequently well below these governments' own poverty thresholds. Worse still, the responses from companies to our survey indicate that many suppliers do not even pay this legal minimum.

An additional problem exists for the millions of piece-rate workers and homeworkers in the global garment industry. Paid by the number of garments they produce, not the number of hours they work, the rate per piece often makes it impossible to earn a living wage in a normal working week, but when the issue is raised, managers will simply argue that they should work faster. Employed informally and further removed from the brands, they are more vulnerable to seasonal variations in work.

It's not just garment workers themselves who suffer, but their families too. Young people who have travelled from the country often need to send back money to unemployed or poor parents before they can look after themselves in the city. The garment workforce is 80% female, and those who are not looking after their parents often have children to support.

Labour Behind the Label defines a living wage as one that enables workers to meet their needs for nutritious food and clean water, shelter, clothes, education, health care and transport, as well as allowing for a discretionary income. It should be enough to provide for the basic needs of workers and their families, to allow them to participate fully in society and live with dignity. It should take into account the cost of living, social security benefits and the standard living of others nearby. Finally, it should be based on a standard working week, before overtime, and apply after any deductions.

The most common response from companies to our inquiries about living wages was to point out that there is no universally agreed definition of a living wage. This is not entirely true. While some elements of our definition might be disputed, three are common across almost all definitions formulated by trade unions, campaigners, academics and companies. This consensus seems to be that a living wage should:

- ▶ Cover basic needs
- ▶ Include a small amount for savings or discretionary income
- ▶ Cater for dependents

**Thailand: 1 plate of rice, 1 coffee
1 day's rent, 1 day's transport to
work = 90% of one day's wages.⁷**

How this is applied in practice is a matter of some discussion, although as the box overleaf shows, rationales have been developed and applied by organisations including Social Accountability International, the body whose SA8000 factory accreditation many companies use, and the Greater London Authority. Using these rationales in collaboration with locally-based organisations, it is quite possible to come up with an in-country working figure for a living wage.

Academic discussion on how to calculate and measure a living wage can be avoided by applying the negotiated, rather than the calculated approach. Allowing workers and their managers to set wages through bargaining between themselves not only avoids definitional issues, it also empowers workers to start to take their working conditions into their own hands. That's why we also asked companies about their attitudes to trade union rights, explored in chapter 3.

The major disadvantages of the negotiated approach are, firstly that it does not guarantee that brands or retailers will be willing to pay the new rates, and secondly that most garment workers do not have access to their right to bargain collectively. With most companies' purchasing practices set up to ensure low costs and profit maximisation, relocation is a real risk if wage increases lead to cost increases.

Workers in the Americas, Eastern Europe and South East Asia have all been threatened with companies' potential relocation to China, famous for its massive, cheap labour force; yet Chinese workers are warned against workplace complaints by threats of moves to Vietnam, where Vietnamese workers are simultaneously threatened with abandonment in favour of China.⁸ The threat of relocation if wages and other costs increase contributes to the general sense of fear that prevents workers from joining trade unions (see chapter 3).

This is why the only way wages can really be addressed is on a sector-wide level. Only by working together can the brands end the downward spiral in prices that they have started

Calculating a living wage

Back in 1998, a Living Wage Summit hosted by the University of California in Berkeley, United States, drafted the following formula. Referred to as the "full market basket approach", it takes into account the average number of family members and adult wage earners per family in a region, as well as integrating the costs included in our definition. The formula assumes that the total required is to be met from adult take-home pay, after deductions but before overtime.

$$\frac{\text{Average household size} \times \text{Cost of basic needs per person}}{\text{Average number of adult earners per household}} + \text{savings (10\% of income)}$$

Social Accountability International, the body that administers the popular though questionable SA8000 certification for factories, uses an 'extrapolated market basket approach'. This begins from the amount of money that is needed to feed the family if there are two wage earners. This figure is divided by the fraction of total household expenditure that is spent on food on average in the locality, to give the total household expenditure the family will need. Savings are then added on.

$$\text{Half average household size} \times \text{Cost of food per person} \times \frac{\text{total expenditure}}{\text{food expenditure}} + \text{savings}$$

Since the proportion of income spent on food decreases as income increases, this calculation of a living wage is appropriate to a country's per capita income. SA 8000 does stress that this formula specifically does not preclude consultation with workers as to the level at which a living wage should be fixed.

The Greater London Authority calculates a living wage in London to be £7.05 per hour. This is the result of two different calculating methodologies: one which starts from a basic needs basket approach, and one from an "income distribution" approach, which sets the relative poverty threshold at 60% of median earnings. These two formulae give results of £6.00 and £6.30 respectively, and when 15% discretionary income is added, this yields an average value of £7.05 per hour. If benefits and tax credits are not taken into account, the figure rises to £9.00.

One way of calculating a living wage in any country would be to apply a purchasing power parity index (PPP). PPP adjusts amounts based on the relative cost of living in different countries, which means that we can calculate what the equivalent of a £7.05 living wage is in different countries.

Adjusted for the cost of living, £7.05 per hour is £1.45 in Bangladesh, £1.53 in China, £1.10 in Cambodia, and £1.14 in Lesotho.

Sources: Labour Behind the Label (2000): *Wearing Thin: the state of pay in the fashion industry*; GLA (2006): *A Fairer London: The Living Wage in London*. PPP data from the World Bank, based on 2002 values.

and on which their competitiveness depends. Only then will suppliers have the confidence to negotiate prices that factor in a living wage, and to set meaningful minimum wages.

Top-down: how companies see it

While a few companies, for example **H&M**, **Laura Ashley** and **Matalan**, make no reference to a living wage in their published codes of conduct, most make an in-principle commitment to living wages in their codes of conduct. Many use a formulation along the lines of that in the ETI base code: *"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."*

The difficulty with this statement is that, as we have seen, neither national legal standards nor industry benchmark standards come close to meeting basic needs. We challenged companies who suggested that suppliers were held to this standard, as it seemed impossible to us that suppliers could be paying workers a living wage.

Companies we wrote to largely conceded this point. How they dealt with the discrepancy varied. Some do not believe that they are obliged to do anything to implement it. **Arcadia** told us,

While a living wage is aspirational, until there is a universally agreed alternative we rely on a solid benchmark specified by an ILO convention, and that is the minimum wage set by law in the appropriate country.

Plenty of these respondents acknowledge that minimum wages aren't sufficient, but then tried to wriggle out of it, as **Pentland** do here:

The minimum wage is not a living wage in any country. However in many countries it is subject to a tri-partite negotiation between employers, trade unions and government and we need to respect this process.

Asda typified the most common position when it told us that it could not apply the living wage because there was no 'clear definition' of it, and that instead,

Governments should set their minimum wage at levels that are linked to the country's cost of living and local requirements.

Several brands seemed to disagree with this. **Tesco**, for example, said that in Bangladesh it has estimated a living wage value of 3000 Taka, three times higher than the minimum wage. Others did not go this far, telling us instead that they could not measure a living wage, but also adding what they were doing to develop a measurement. They acknowledged, as **Next** did, that, *"achieving compliance to the living wage within our supply base is one of our biggest challenges."* **Levi Strauss & Co** said that,

we do not feel that we have all the information we need to be able to responsibly implement and enforce a living wage requirement... We have assembled an internal working group on the issue and have proposed participating in and funding a research project with the multi-stakeholder organization, ETI.

These brands are taking small steps, usually through pilot projects, to move living wages forward in their supply chains. **New Look** told us that after several years' work establishing a clear idea of what actual wages are, it was *"finding ways to increase wages."* It gave the example of the 'Impactt Overtime' project in China, where collaborative working with suppliers led to a 60% increase in take-home pay over an 18 month period, despite a

reduction in overtime. **New Look** and **John Lewis** were the only companies to specifically mention collective bargaining agreements as tools to establish a living wage.

Gap's response made reference to its participation in the Joint Initiative on Corporate Accountability and Workers' Rights, a collaborative project to explore ways of better implementing codes of conduct. **Gap** and **H&M** were the only companies to draw a link between wages and their own purchasing practices towards suppliers.

Puncturing the myths

So three arguments arise against paying a living wage. Let's address them in turn.

Myth 1: Paying a living wage is impossible because there is no consensus on how to calculate it

From the workers' perspective, there is little sense in this argument. It sounds much more like an excuse than a policy. There is some truth in saying that there are few examples of applying a living wage in practice, but to make this argument with any validity, a company needs to demonstrate that it is taking at least some steps to raise wages above the basic minimum that most acknowledge is too low, and in the long-term to develop a living wage rationale.

The ETI tackled this issue in a working paper back in June 2000, which recommended that,

companies should consult widely with the local community about the appropriate level of the living wage, then negotiate the precise amount with representatives of the workforce in a manner consistent with the freedom of association and right to collective bargaining provisions of the ETI base code (ILO Conventions 87 and 98).

In situations where the negotiating power of the local workforce is weak because union representation is undeveloped or because the labour market is over-supplied...the responsibility of the company to arrive at an adequate measure of the living wage (through study and consultation) is proportionately greater.⁹

Six years later, no companies, whether in the ETI or not, have made any progress on this beyond participation in a few working groups, and few seem concerned about this state of affairs.

Myth 2: Governments, not companies, need to set reasonable minimum wages

While it's true that minimum wages set by governments (often negotiated with local business and trade unions) should ideally be reasonable, there is a clear reason why they aren't. Governments have to think about their international competitiveness, and are all too aware that multinational fashion buyers will move elsewhere if labour costs become too high. It's down to the multinational companies who dominate garment supply chains to show that they are willing to absorb the small increases in production costs that might occur, in order to give governments the confidence to raise minimum wages in the first place.

Fashion brands will need to work both across their entire supply base in different countries, and with other brands buying from each country, to move forward on the living wage issue. For many companies at present, this amounts to signing up to the right initiatives and

committees: this is a step forward, but rarely translates into real policy changes. We have acknowledged the companies that seem to be taking real efforts to put collaborative initiatives to good use in their profiles.

Myth 3: Low-income countries would lose their competitive advantage if wages were higher

The first and most obvious point to make here is that labour costs represent such a small proportion of the cost breakdown of a garment that even doubling them would make only a small difference. The labour costs in a typical piece of clothing make up two to four percent of its retail price. For example, the labour cost for an £8 T-shirt sewn in Bangalore, India, is around 15 pence.



Philip Green, owner of Britain's fourth biggest clothing retailer, Arcadia group, took home a £1.2bn share dividend at the end of 2005. At £30 per month, it is hard to imagine that providing a living wage for workers in Bangladesh would break the bank.¹⁰

On top of this, it's not just the cheap labour that entices production to other countries. Classic Ricardian comparative advantage - the theory behind the liberalisation of global trade - says that everyone should gain if countries specialise in production of the goods and services that they produce more efficiently than others. China is popular in part because of its cheap workforce, but in part because its industry is very efficient and productive, and because it can offer the 'back-linked industries' right the way from cotton production to finished garment that most other countries cannot. Also its currency, the Yuan, is undervalued against other currencies.

Wage increases have been shown to improve workforce morale and productivity, and to reduce absenteeism and employee turnover, so paying a living wage could even improve quality and flexibility, allowing enlightened suppliers to retain a competitive edge.¹¹

"At £30 per month, it is hard to imagine that providing a living wage for workers in Bangladesh would break the bank."

What should fashion brands do?

Most companies seem to think that ensuring payment of a minimum wage is sufficient to have discharged their responsibilities, or at least an adequate stop-gap measure. But a stop-gap for what? There is little cause for workers to be optimistic on the basis of our survey.

Brands and retailers at the top of the supply chain aren't passive entities floating on a sea of global trade. When they work together, they control the industry. They don't have to

relocate to chase the cheapest labour. They could take responsibility for their actions, commit to paying a living wage, and absorb the small increase in costs this might create.

Whether a living wage is defined by a formula or by collective bargaining, it requires that companies address the root problems of the conflicting messages they send to factory managements, and the way they purchase. This means finding solutions that work on a country-wide, supply chain-wide and ultimately industry-wide level. Companies deserve credit for working actively to find industry-wide solutions to the difficulty, but not simply for signing up and then doing nothing.

This means that buyers need to,

- ▶ Develop strategies to improve wages, above and beyond minimum wages, in their supplier base.
- ▶ Engage in good-faith negotiations with factories to ensure that a living wage can be paid out of prices paid to the factory. Accept that this may increase the cost they pay to suppliers.
- ▶ Make it clear to suppliers that they expect workers to be paid a living wage.
- ▶ Make it clear to suppliers that negotiating wages via a functioning collective bargaining agreement will not come at the expense of their custom.
- ▶ Ensure that local trade unions, who are better placed to get information from workers, and know the local cost of living, are involved in supplier audits.
- ▶ Work with other companies, trade unions and governments on a national and industry-wide level to develop strategies to raise wages, through active participation in

Multi-stakeholder initiatives - necessary, but not sufficient

The Ethical Trading Initiative (ETI) is an important tool for companies to address workers' rights issues like those covered in this report. ETI is a multi-stakeholder forum for companies, trade unions and labour rights groups to share experiences and concerns, and to work together to solve problems in global supply chains. Its working groups are a means of developing and sharing best practice; its reporting system opens companies up to scrutiny from other member organisations.

But multi-stakeholder initiatives like the ETI, Fair Labor Association and MFA Forum remain tools, not outcomes. The test of a company's commitment is not its membership of forums like these alone, but what use it makes of them.

All of the companies surveyed have a long way to go to apply the policies and solutions that we know will deliver better wages and working conditions for workers desperately need them. This is despite the many recommendations and best practices developed over the past decade within collaborative forums like the ETI. Clearly, it's easier for a company to sign up to a pilot project or focus on reporting than is to tackle the substantive issues across its supply base. Pilot projects are only useful for so long: there comes a point at which the learning from them has to be put to use, and it is here that progress from ETI and non-ETI companies alike is frustratingly slow.

CHINA

The world's most populous nation, China is also its biggest exporter of textiles and garments. Following the end of the MFA in 2005, China's market share has continued to increase, maintaining its position as the world's major supplier for the foreseeable future. It is a source for almost every one of the brands profiled in this report.

What does this mean for Chinese workers? 15 million people are currently employed in China's garment sector, mostly in Hong Kong and Taiwanese owned factories in 'Special Economic Zones'. The workforce is predominantly young women, a large proportion of whom are migrant workers, far from home, who require permits and visas to work. This makes them particularly vulnerable to exploitation.

Wages and conditions

"If you don't work hard today, tomorrow you'll have to try hard to get a new job."

- Sign on the wall of a Chinese factory

If you were employed as a sewing machine operator in China you could expect to earn roughly RMB600 (£50) a month, be on a short term contract and work at least 10 hours a day, plus overtime. Non-payment of wages is a major issue and in 2004 the total amount of wage arrears owed to migrant workers was calculated at £450 million.

Due to the cost of work visas, many migrant workers are held under systems of economic bondage and extremely restricted in their ability to defend their rights. In this context, it is unsurprising that investigations found over half of the foreign owned garment factories in Guangdong not to paying the local minimum wage and the legal maximum working hours



being exceeded by 25 hours a week. In addition migrant workers face social discrimination and have very limited knowledge of their legal rights.

Ah Yun is a typical 19 year old migrant workers who sews in a garment factory in Guangzhou city in Guangdong. She receives a monthly wage of 360Rmb a month, though the legal minimum is 684Rmb. In the three months she had worked in the factory she worked overtime an average of 25 days per month. She has one day off per month

Freedom of Association

"The factory does have a union, but it exists in name only. The current union takes no responsibility for the workers" - Cao Maobing, worker at Funing County Silk Mill, Jiangsu.

As increasing amounts of garments are produced in China, the lack of trade union rights needs to be one of most urgent issues addressed by buyers. In China there remains no Freedom of Association for workers. Only one legal trade union, the ACFTU, is allowed to exist and it is officially subordinate to the Chinese government. This means it faces a fundamental conflict of interests between promoting party policies and workers' interests and is widely perceived inside and outside China, as ineffective for protecting workers rights.

Chinese workers who organise independently do so at great personal risk. Protests are often violently repressed and Labour activists can be sentenced to forced labour or "re-education through labour," a form of administrative detention, which can lead to people being held for three years or more. In 2004, 2000 workers from the Tieshu textile factory took part in a mass protest over payment of pensions and wages, after the factory had refused to allow genuine negotiations. The demonstration was dispersed by armed police, and several protesters were hospitalized. 20 workers were detained for a short time and three others were given terms of 21 months re-education through labour.

As the economy booms and investors flood in, workers are therefore left with very little voice and very few of the traditional means for securing genuine improvements in conditions.

Ways forward

"If Chinese workers had the right to speak, the workers of the whole world would benefit" - Han Dongfang, Human right activist

Although free, independent trade unions remain illegal in China, it has proved possible to find ways round this, through the development of 'parallel means' that are permitted under Chinese law. Collective contracts and elected health and safety committees are some of the tools, which companies can use.

If a company is both committed to workers' rights and determined to source from China, it is clear that special efforts like this need to be made to protect workers and give them some sort of voice to achieve sustained improvements.

Sources: Asian Labour Update, issue 52; Maquila Solidarity Network; ICFTU (2005) "Whose miracle? How China's workers are paying the price for its economic boom"; HKCIC (2004) "Conditions of women workers in SEZ and Labour standards in supplier factories of German garment retailer companies and brands in China"; American Center for international Labour solidarity (2005) "Justice for all: The struggle for workers rights in China"



3. WHY TRADE UNIONS ARE IMPORTANT

"Everyone has the right to form and to join trade unions for the protection of his interests." - United Nations Universal Declaration of Human Rights Article 23.4

An overlooked right?

Anyone serious about ensuring workers get a living wage and decent working conditions cannot ignore the role of trade unions. They offer the most effective and legitimate way to ensure that workers get a fair deal, by allowing them to stand together to defend their rights. Most efforts by fashion companies to ensure that workers' rights are respected in their supply chains are based on a top-down model referred to as 'compliance', which relies on a code of conduct and audits imposed on suppliers. The compliance model fails time and time again to pick up serious abuses of workers' rights, because workers themselves do not have a real voice in the process.¹²

In contrast, when workers are able to organise into trade unions and established systems of industrial relations are put in place, it is much easier to be confident that working conditions are decent. Unions give workers a voice to say things collectively that they are too scared to say on their own. Through collective bargaining, wages and working hours that workers themselves believe are decent can be negotiated with their managers.

The International Labour Organisation, a UN agency that brings together governments, companies and trades unions, tells us that,

The fundamental principle of freedom of association and the right to collective bargaining is a reflection of human dignity. It guarantees the ability of workers and employers to join and act together to defend not only their economic interests but also civil liberties such as the right to life, security, integrity and personal and collective freedom. It guarantees protection against discrimination, interference and harassment. As an integral part of democracy, it is also key to realizing the [other] fundamental rights set out in the ILO Declaration.¹³

The ILO includes two central trade union rights in its core conventions, the internationally recognised minimum standards for workers' rights:



- ▶ **Freedom of Association:** the right of workers to form and join representative organisations of their own choosing in the workplace.

"Workers and employers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organisation concerned, to join organisations of their own choosing without previous authorisation." - Convention 87, article 2.

- ▶ **Collective bargaining:** the right of workers to join trade unions without fear of discrimination, to have their union recognised as the representative of its members, and to have it negotiate the terms and conditions of their employment on their behalf.

"Workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment [...] Measures appropriate to national conditions shall be taken, where necessary, to encourage and promote the full development and utilisation of machinery for voluntary negotiation between employers or employers' organisations and workers' organisations, with a view to the regulation of terms and conditions of employment by means of collective agreements." - Convention 98, articles 1 and 4

"Most efforts to ensure that workers' rights are respected fail because workers themselves do not have a real voice."

Bottom up: how workers see it

"In the absence of a trade union it is very difficult to talk about a wage hike. Many times we mustered courage and tried to put our demands forward but we always reverted back due to the fear of reaction from the management." - garment worker in north India¹⁴

"Before there was a problem with our overtime pay - we weren't given enough. But now [we are unionised] it's what it should be. We can send money home to our parents now. This helps families." - garment worker in Indonesia¹⁵

Trade unions offer a voice to marginalised and exploited people, and they offer a real chance for workers to improve their lot. Yet only a small percentage of garment workers are unionised, and many of these are in 'yellow' unions established by factory managements to please their clients. Workers across the world, with the help of existing trade unions, labour rights organisations and campaigners, are fighting to gain their rights to organise. Managers often respond by adopting 'union-busting' tactics to prevent workers from forming unions.

Last year, when workers in a Cambodian clothing factory supplying **Topshop, Next, Debenhams** and **Asda** (among others) tried to protest their low wages by exercising their legal right to form a union and strike, the factory began a major anti-union campaign. Some 19 union leaders and 120 union members were dismissed and replaced by new non-unionised workers, and 11 union activists were pursued into the courts. The man identified by the factory management as the leader during the strike, Mr Sok Vy, was singled out and prosecuted on charges of incitement and criminal damage, despite the fact that no evidence was presented against him at court and that witnesses claimed the strike had been entirely peaceful.¹⁶

Similar problems were seen recently in Turkey, when a factory owned by US conglomerate Paxar International fired 15 workers after they had formed a union, and refused to recognize the union. The factory's clients include **Marks & Spencer, Next, Levi Strauss & Co** and **Gap**. The Turkish High Court found that five of these workers had been fired specifically because of their union activities, and a further six had been fired with no legal justification.¹⁷

Back in February 2005, 338 of 465 workers at the Paxar facility had joined a trade union known as TEKSIF (Textile, Knitting and Clothing Industry Workers' Union of Turkey). In

November of that year, the Turkish Ministry of Labour granted TEKSIF authority to negotiate a collective bargaining agreement with Paxar on behalf of 246 of its members. A year and a half after the union was formed, Paxar still refused to enter in good faith into collective bargaining over wages with the union, and none of the sacked workers had been reinstated.

The Cambodia Fortune case was eventually resolved with the help of solidarity action by campaigners here in the UK: after the case appeared in a UK newspaper and some of the buyers put pressure on the factory management, the sacked workers were reinstated and allowed to form their union. The Paxar case is ongoing. They are just two examples of the countless requests for solidarity received from workers in garment factories. The ICFTU estimates that in 2005, 115 trade unionists were murdered for defending workers' rights, while more than 1,600 were subjected to violent assaults and some 9,000 arrested.¹⁸ Nearly 10,000 workers were sacked for their trade union involvement, and almost 1,700 detained.

These dramatic figures are the tip of an iceberg of anti-union rhetoric and threats that are used to stop workers from trying to organise in the first place. Here is an example of the atmosphere in a factory supplying WalMart in Bangladesh:

Workers...are not allowed to form any union or organisation. The management has warned them that if any one tries to organise workers and form a union he or she would be handed over to the police.¹⁹

Why such a resistance to unionisation from suppliers? Hostility from management has been par for the course since the birth of the union movement, and an anti-union culture is rife among managers in many garment-producing areas. There is another thing, though. The pressure placed on suppliers by buyers to come up with the goods in shorter lead times and at a lower cost is an added pressure. An organised workforce would protest at the long working hours and low pay necessary to meet the terms of these orders, and so to keep business the factories are even more likely to crack down on workers who try to organise. Not only is the suppression of the right to freedom of association by a supplier a breach of workers' fundamental rights, it is also likely to be indicative of wider problems.

Another difficulty is that more and more production is taking place in areas where the rights to freedom of association and collective bargaining are either not protected by law, or actually prohibited. This is the case in China, where the communist state insists that workers may only join the ACFTU, which is not a free trade union representing workers in collective bargaining (see page 19). It is also true in many of the export processing zones in other countries where much of the world's garment production takes place. In such cases, it is possible to find alternative structures through which workers can organise, such as workers' health and safety committees.

For the thousands of garment workers who work from home, rather than in factories, forming a union also presents special difficulties. Isolated and ill-informed, they are frequently unaware of their rights. Often employed informally, they have little job security and the fear of losing work is even stronger than in factories. They may not enjoy the same legal protection as on-site workers, and many trade unions do not organise homeworkers at present.

“Only a few companies have recognised that freedom of association can help them to fulfil their commitments on workers' rights.”

Whether through a union or through another representative structure, workers who have been able to organise enjoy better working conditions and the security of collective bargaining. Not all garment workers who are aware of their rights choose to take them up by joining a union, but the fact remains that tens of millions have never been given that choice.

Top-down: how the brands see it

The companies we wrote to in this report were all at pains to emphasise their 'zero-tolerance' approach to abuses of the right to freedom of association. Where cases of union oppression were brought to their attention, they said, they made it clear to suppliers that this would not be tolerated (though the case history sometimes tells a different story, as **Arcadia**'s reluctance to acknowledge the problems at the Cambodia Fortune factory demonstrates).

Only a few companies seem to have recognised that freedom of association can actually help them to fulfil their commitments on workers' rights. **Gap** is one of them, telling us that,

We believe that a strong system of industrial relations can have a positive impact on both productivity and wages.

As we outlined above, to access the right to freedom of association means more than just for it to exist in principle. Workers - and their managers - need to know that it is an internationally recognised, legally protected right. Some companies have realised this. For example, **New Look** said,

If neither workers nor management are aware of the benefits of freedom of association, these structures do not provide any real protection for workers.

H&M agreed that,

The right to freedom of association is only of any value if workers and management understand the rights of workers and the various benefits they entail.

So what are companies doing for the vast majority of workers that do not have access to their right to organise? Some companies told us that they believed the responsibility for this kind of education lies with factory management. For example, **Asda** said that,

Suppliers and factory managers have the obligation to inform their workers of their legal rights and to take the necessary steps that will facilitate such processes. It is also the responsibility of the suppliers and factory management to properly communicate and educate their factory workers

Arcadia, too, said that,

We encourage our suppliers to promote an open dialogue between factory management and their workforce. This is monitored through risk evaluation reports.

These kinds of responses surprised us, as the conflict of interest between supplier managements who are under pressure to reduce costs and lead times, and the interests of their workers, is evident. Training needs to be conducted by local trade unions and labour rights NGOs, not by factory managements or the brands themselves.

Other companies were taking some active steps, and it is here that it becomes difficult to distinguish between the token and the substantive. Most of these efforts seem limited at present to training factory managers, and a few pilot projects for training workers. For example, **Sainsbury's** has,

Worked with trade unions directly in countries such as Cambodia to ensure that workers' rights in this area are known and protected.

New Look's response focused on its efforts in China, from where a large proportion of its products are sourced:

we are currently working with one of our biggest suppliers and a group of their factories on developing health & safety committees including worker representatives

Few companies had set a goal to establish training for all workers across their supplier base. One exception appears to be **Next**, who said that,

One of our key objectives is to build education and training programmes across our supplier base on rights in the workplace, and to maintain good relationships with trade unions

Instead, many believed that posting up their code of conduct in factories, and distributing booklets to workers, was sufficient. **Pentland**, for example, told us,

We are producing a series of booklets with the Guangdong Department of Labour for managers and worker on their rights and responsibilities. We participated in the Sri Lanka ETI project which produced booklets for workers.

What should the brands do?

Any company that says it takes working conditions seriously should welcome the formation of a trade union in one of its suppliers, and indeed should set out to encourage it. The existence of management systems at factory level including trade union recognition agreements, procedures for the avoidance of disputes and regular collective bargaining ought to be a sign to buyers that a framework is in place for achieving compliance with the labour standards contained in their codes of conduct.

Given the atmosphere of fear and the 'divide and rule' tactics of suppliers towards their workforces, workers need to have the confidence to exercise their rights without fear of persecution. That requires moral support from people they trust, and it needs a strong, positive message from buyers.

It means inviting in local organisations with the confidence of workers, to train both them and managers in their rights and how to exercise them. It means breaking the atmosphere of fear that prevents workers from organising, and sending a clear message to managers that a collective bargaining agreement is a positive step, even if a newly vocal workforce might resist the unreasonable demands placed on wages and working hours by buyers' expectations.

When the response from a brand on trade union rights is lukewarm, one has to wonder whether this is not because it knows that the prices and lead times it demands from suppliers would not be sustainable if workers were really in a position to object.

There are several things that buyers should consider doing to ensure workers can properly access their trade union rights:

- ▶ Make it clear to suppliers that they must not prevent workers from organising.
- ▶ Through local labour rights organisations and trade unions, ensure that workers and management are educated about freedom of association and workers' rights.
- ▶ Ensure that local trade unions, who are better placed to judge what conditions are like, are involved in supplier audits.
- ▶ Make it clear to suppliers that a functioning, effective collective bargaining agreement will count in their favour, not against it.
- ▶ Where applicable, lobby governments to permit and protect freedom of association by law, and in the meantime take steps to find alternative means by which workers can organise.

CAMBODIA

"If we didn't respect the unions and labour standards we would be killing the goose that lays the golden eggs." - Cambodian Minister of Commerce

The Cambodian economy is highly dependent on the garment industry, which accounts for 80% of its export earnings and is by far the largest private sector employer. They currently supply major brands including Next, Debenhams, Topshop and GAP. A unique trade agreement with the US, which links export quotas to labour standards, has given Cambodia a new competitive advantage, as a socially responsible producer. Under the agreement, garment factories are inspected by the International Labour Organisation (ILO) and according to a GAP spokesperson *"the presence of the ILO was an important factor in our decision to remain in Cambodia."*



Wages

"Wages are so low, that all these girls can afford, after sending home half their pay checks to their family, is to crowd into a single room without electricity with four other girls." - Kate Frieson, Ministry of Women's Affairs

The industry average wage in the Cambodian garment sector is £25-30, making it one of the lowest in the world. The amount estimated by the ILO to live decently and support a family is £45 a month, a long way from actual wages. Since the end of quotas there has also been a 6% drop in real wage value, as suppliers attempt to deal with falling garment prices. This makes meeting basic needs hard.

Freedom of Association

"Cambodia has chosen to ... foster unusually strong garment unions that have become an independent political force." - ILO

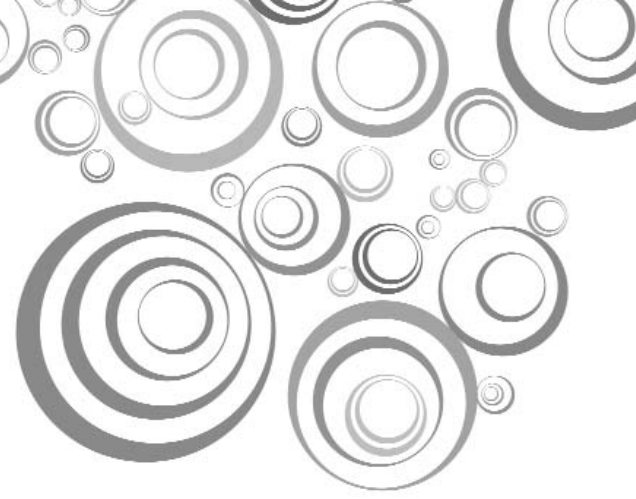
Thanks to ILO monitoring there has been improved dialogue between unions and the Garment Manufacturers Association of Cambodia. However, repression of trade unions outside of factories has also been increasing. The ICFTU 2006 Annual Report states, *"Employers do not hesitate to use anti-union discriminatory practices such as dismissals."*

Ways forward

When the ATC ended in 2005, loss of market share for small producers was predicted. So far however, Cambodia has bucked this trend. Exports and employment are increasing, and have been largely accredited to Cambodia's record on labour standards. To support this, buyers must maintain a commitment to source from locations where labour rights are promoted and support Unions, such as in the Fortune case, to ensure change.

Sources: ILO (2005) "Making decent work an Asian Goal", 14th Asian Regional Meeting, Oct 05, Director General's report (vol II); ICFTU (2005) "Stitched Up!"; ICFTU, (2004) Trade Union World Briefing, "Cambodia: textile workers face a gloomy future"; ICFTU (2006) "Annual Report on Violations of Trade Union Rights."; ILO (2006) "Cambodian garment industry: One year later."

4. TURNING A BLIND EYE



"The retailers and their suppliers are playing an elaborate game. They only want to reassure consumers, not to improve conditions." - Dr Liu Kaiman, Institute of Contemporary Observation, Shenzhen²⁰

Smoke and mirrors

What should a company do to find out whether the workers who produce its clothes have their rights respected? To campaigners, the answer is simple: ask the workers. That's what we do, and that's how we know that conditions are unacceptable.

When companies began responding to consumer pressure by publishing their codes of conduct, we told them they needed independent evidence that these codes were observed in their factories. And thus was born the social audit, an inspection of working conditions in factories. Tens of thousands of these audits are performed every year, either as internal company monitoring, or as independent verification by a third party (usually an auditing firm): social auditing is now a major industry.

A typical audit will involve three things:

- ▶ **Document review:** looks at wage sheets, timekeeping, personnel records, etc.
- ▶ **Site inspection:** walking through a factory to check for health and safety problems and to observe the workers at work.
- ▶ **Interviews:** usually this includes interviews with managers, supervisors and workers. In best practice, trade unions and local labour rights groups are also consulted.

Most audits attempt to do all this in a few hours, while some take several days. Some are better than others. There are important distinctions between internal monitoring visits and independent audits, between audits where warning is given and unannounced audits, and between regular auditing and one-off checkups. At root, and however they are conducted, the evidence shows that audits are not the panacea that many companies treat them as.



Bottom up: how workers see it

I have been working [here] for more than a year. Auditors visit the factory but there is no visible change in our working conditions [...] I have been having a constant leg pain since I joined. I have complained to the supervisors but have not got time off to see the doctor.

Throughout the interview of the workers conducted by the social auditor, management kept a strict vigil. I was not comfortable at all while conversing with the auditors. I was so scared by the management's presence that under pressure I even gave wrong answers.²¹

These two testimonies from workers in north India typify the results of a wide-ranging investigation of worker perspectives on auditing conducted last year by the Clean Clothes Campaign (CCC).²² Some 670 workers from 40 factories in 8 countries were interviewed about their experiences with auditors. The results were conclusive:

The social audit methods used by [some retailers] are based on a seriously flawed model largely discredited not only by labour rights advocates but also by those within the industry who have had a longer-term involvement in this field but on an extended scale. The impact of these programmes on working conditions is at best superficial.

Their approach seems for the most part to be minimalist - they tend to invest as little time and money as possible, and more worryingly, they seem to be promoting a "lowering of the bar", in order to make it easier to tell consumers that they are meeting goals for treating workers responsibly.

Interviews with workers and those who work closely with them showed many technical flaws with the audits. The problem is the cat and mouse game played between supplier management and auditors: it suits both the brand and its supplier for an audit not to turn up any serious issues. Suppliers may keep two sets of records of wages and hours worked - one which shows the real information, and one to show the auditors. The factory is tidied up and prepared in advance so that it meets health and safety criteria. Workers who should not be there, for example because they are under age, are given the day off. Homeworkers are often totally passed over in the audit: out of sight, out of mind.

Better audits will place a strong emphasis on worker interviews, which will be conducted by someone who has the workers' trust (a local person of the same gender, with experience of interviewing). Ideally, they are conducted off-site. All this will help, but in itself it is often not enough to get past the coaching and intimidation of workers to ensure that they say the right thing. One factory manager in north India admitted,

[Supervisor's name] is present at the time of the interview so we get to know who was interviewed and what was asked. We hold meetings with the workers, train them, before the audit. We tell them what may be asked and what should be answered.²³

Workers' testimonies reveal that, even when audits are conducted well, and though they may pick up on some problems like basic health and safety, as a Chinese researcher stated,

Workers do not see any improvement in significant areas such as the wage and working hours despite repeated factory audits and worker interviews. They have a sense of distrust and feel that the standards and auditing is completely irrelevant to their everyday working life at the workplace.²⁴

It appears to workers and campaigners that most companies are more interested in ticking the right boxes than they are in actually improving working conditions. As we discussed in the previous chapters, there are commercial reasons why it is in their interests to maintain low wages and the absence of trade unions.²⁵

We have tried to see through companies' responses to our questions, and to assess what action they are actually taking. In the final analysis, as the CCC research concluded,

The challenge facing the clothing industry is not to demonstrate to labour rights advocates...that they are carrying out more audits, but that workers' lives are improving.

Top down: how the brands see it

For the majority of companies, best practice appears to mean an annual audit of each supplier.

Companies that do this include **H&M**, **Gap**, **Levi**

Strauss & Co and **Asda-WalMart**. The latter's website tells us that this amounted to more than 13,600 audits in 2005.

"It appears that most companies are more interested in ticking the right boxes than they are in actually improving working conditions."

Not all companies accept that this is necessary, however. Some, such as **New Look**, **Tesco** and **John Lewis** focus regular audits on "high risk" or "core" suppliers. Others are even less rigorous. In some cases the information supplied suggests that there is no process to check working conditions, or only a very cursory one. **Oasis** told us that, *"we cannot visit all the factories for each order placed and as a result are reliant on the supplier adhering."*

Turning back to companies with regular audits, at the better end, audit programmes will involve unannounced audits. We asked specifically about this, but few companies told us whether or not audits were announced, or gave proportions. One exception was **H&M**, where 33% of audits in Asia were unannounced.

Some of the more developed responses told us what audits entailed, and placed a strong emphasis on worker interviews. For example at **Levi Strauss & Co**:

Each facility is formally assessed once a year. The formal assessment consists of: interviews with the facility management; a review of personnel, wage and working hour records; and a physical walk-through and inspection of health and safety conditions in the factory and dormitories if they exist. A critical part of each T[erms] O[f] E[ngagement] assessment is the process of gathering information from workers, a random, confidential worker interview process.

Several companies, such as **New Look**, were 'sceptical' of the ability of 'bulk auditing' to *"diagnose problems and tackle the root causes of non-compliances."* Some of these explained, in vague terms, that local stakeholders were consulted at some stage of the process, although no company indicated that this was systematic and rigorous. **Tesco**, for example, requires auditing companies to,

use local auditors who have involved local labour groups (NGOs, Trade Unions and Multi-stakeholder organisations) in the pre audit data and information gathering process.

Pentland said that,

Where there are unions, worker representative groups and health and safety committees we include them in the process and at the final meeting.

Real multi-stakeholder oversight of audits is confined at present to a few companies and a few pilot projects. **Next** told us about the ETI pilot project in Sri Lanka, where,

our audit methodology will be coupled with a 'social add on' ie; NGO conducting extensive worker interviews and linking into the process as a whole.

Finally, **Gap** has begun to examine how a more systematic involvement of trade unions in its approach to workers' rights can be realised:

ITGLWF [the global federation of unions representing garment workers] also will be facilitating introductions between local union affiliates and members of our monitoring team based in Southeast Asia, South Asia and Turkey.

What should the brands do?

"Auditing is a critical first step towards trading ethically, but we also need to look beyond audits for their own sake. Sourcing companies need to remind themselves that auditing is only a means to an end, and that it is only one piece in the jigsaw of ethical sourcing." - Supplier's perspective, ETI²⁶

Social audits can be valuable, if they are conducted in a credible way. That means frequent, unannounced audits; it means using gender-sensitive, rigorous, off-site interviews; it means involving trade unions and NGOs in the auditing process. But audits remain only one component in the toolbox of social compliance. To truly determine working conditions means giving workers a voice. Freedom of association within a mature system of industrial relations remains the most powerful tool we have to verify working conditions, as it creates an environment in which workers are able to express their concerns with confidence. Other useful tools include: long-term partnerships with local trade unions and NGOs; grievance and complaints mechanisms; education and training; addressing existing business or purchasing practices; effective remediation; increased transparency.

Companies also have to make it clear that they are prepared to support factory managements to raise conditions, and ultimately pay more if it means workers will receive a living wage: when factory managements threaten workers that they will lose their jobs if they tell auditors what they are really paid, there is some truth in their argument - buyers may well be more likely to relocate elsewhere than to stump up to ensure workers receive decent pay.

It's also important to ask what companies do with their audit results: do they simply file them away, or do they have an effective system to correct the faults they find?

So buyers need to:

- ▶ Put in place a system of regular, unannounced audits, for all their suppliers.
- ▶ Involve comprehensive worker interviews in these audits, as well as local trade unions and NGOs.
- ▶ Ensure that supplier managements implement the necessary corrective measures when audits show up problems.
- ▶ Put in place complaints mechanisms so workers can raise concerns at other times.
- ▶ Take a pro-active approach to freedom of association, including setting up worker training by local trade unions and NGOs.
- ▶ Disclose their factory lists publicly or to global union federations, and negotiate access or neutrality agreements with trade unions.
- ▶ Work collaboratively with factory managements to raise standards, and create incentives for improved working conditions.

Homeworkers - under the radar

A significant amount of garment production takes place off the factory floor, hidden in the informal sector and in the living rooms of homeworkers. Generally, only first tier suppliers are audited, so homeworkers and other workers in sub-contracted production facilities paid by the first-tier supplier to do parts of the work are less likely to be visible. Because they are not on site, they fall outside the scope of most audits: their rates of pay and working conditions are less likely to be included in auditing of a suppliers' compliance. Where the use of homeworkers is not permitted by the buyers because they are 'high risk' for workers' rights abuses, suppliers may simply hide their existence.

Commonly paid by piece rates (calculated per garment rather than per hour), homeworkers often cannot earn the minimum wage, even where clear legislation exists applicable to them. Even in the UK, where homeworkers are working on products for many of the companies profiled in this report, they often receive less than half the national minimum wage. Income and working hours vary widely from week to week. When work is plentiful and order books are full, homeworkers often have little choice as to whether they work long hours through the night. At weekends and holidays there is no overtime pay, the piece rate remains the same. When no work is available from the supplier, homeworkers have no pay/income. This flexibility makes life difficult for homeworkers, but works in favour of the company using them.

Informal sector workers and homeworkers are even less likely to be organised in trade unions than their on-site counterparts, because they are isolated and ill-informed. In areas where work is more precarious or more difficult to obtain, homeworkers may be less inclined to organise themselves, through fear of losing or not getting work. Many trade unions don't organise in the informal sector. Homeworkers and other types of atypical workers often fall outside the scope of employment law, and internationally tens of thousands miss out on key worker rights such as maternity leave, pensions, social security, sick pay, protection against unfair dismissal and redundancy provisions, because their employment status is not clear.

Homeworkers tend to work for sub-contracted suppliers who are below the first tier in the supply chain, which puts them in a vulnerable and isolated position. Lower down the chain, the risks and prices become more competitive and, as contracts are won on cost, this leads to lower rates of pay. As the prices paid to contractors and suppliers are pushed ever further downwards this leads to lower piece rates being paid to homeworkers. They work in a vulnerable and precarious position and have little choice but to accept lower rates of pay in order to keep their job and family income.

Suppliers who choose not to follow best practice as laid down in national and international labour law and codes of practice have little to fear, as homeworkers are hidden or excluded from audits. By using homeworkers, these companies often defer production costs and have no liability, and take little or no responsibility for homeworkers who they often designate as self-employed, sub-contracted workers even though they are totally dependent on the supplier for all the materials, components, machinery and their pay.

Over the last four years, the ETI has developed a set of homeworking guidelines, which will now be piloted. In the meantime, there is very little evidence to show that the situation of homeworkers is improving.

TURKEY

"Last year while workers at the next factory were striking ...our supervisor said to us 'You will see - all of them will lose their jobs. You never make this mistake. Otherwise you will face the same consequences.'" - Rana, 22 year old Turkish garment worker

Job losses were exactly what happened when workers unionised at the Paxar factory in Turkey, a case symptomatic of garment workers' problems in the country. Despite being the second biggest supplier of garments to the European Union (after China), Turkey's working conditions have been described as the worst in the region. While its workshops continue to supply major brands such as Marks & Spencers, Next and Debenhams, its garment industry is characterised by a high number of unregistered workplaces, low levels of unionisation and a predominantly informal workforce.

Wages and conditions

The legal minimum wage for workers in Turkey is £220 a month. However, Turkish trade union Turk-Is estimates that approximately £550 a month is needed to support a family of four. As a worker producing clothes for Puma put it, *"the wages are so scant and not sufficient for anything. But ...wages in garment factories are nearly all the same. Our choice is between this and unemployment. Forced overtime and dangerous conditions are also common in the factories."*

Freedom of Association

"Recourse to the informal economy has been mounting since the end of quotas, diminishing the workers' ability to organise" - Saner Taysi, Turkish Textile Union TEKSIF

In Turkey there is significant evidence of companies opposition to unionisation, and the government appears to support this position as a means to protect the industry's competitiveness. While brands continue to demand lower prices and faster production, companies are unlikely to risk allowing more demands from workers. Unregistered workers have no right to join a trade union and the high numbers of home workers and small subcontracted workshops makes organisation extremely difficult.

Ways forward

Exploitative conditions, including no established employment relationships, excessive overtime and child labour are still the norm for Turkey's estimated 2.5 million informal workers. Significant work is needed by all stakeholders to improve the situation, including expectations from brands being conducive to allowing union rights.

Sources: Play Fair Alliance (2004) "Play Fair at the Olympics"; ICFTU (2006) "Annual Report on Violations of Trade Union Rights"; Clean Clothes Campaign (2005) "Workers Voices. The situation of women in the Eastern European and Turkish Garment Industries"; ICFTU (2005) "Stitched Up!"; Engin Sedat Kaya (2004) "Turkey's position within the global garment industry", SOMO, Amsterdam

5. OUR SURVEY SAID...

The survey

We wrote to companies in May 2006, enclosing a profile that we had developed from publicly available information on their websites. We asked about three areas: living wages, freedom of association, and monitoring and verification. The profile compared their published policies against an 'ideal' set of standards. Companies were invited to respond, and most took up the opportunity. In July we offered them a second pass at our comments on their responses.

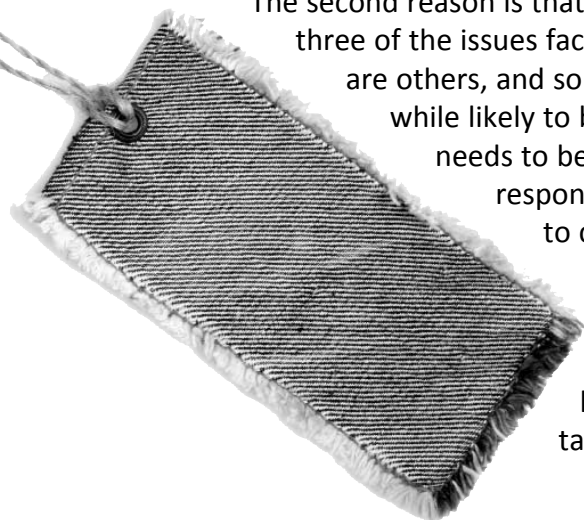
The profiles here do not reproduce company responses in their entirety, because there is not space. We have tried to represent the responses in good faith, giving credit where it is due and wherever possible using direct quotes. You can check for yourself by reading the original profiles and the whole responses online at www.cleanupfashion.co.uk.

Wot no table?

What you won't find here is a league table giving an easy representation of who are the 'good' and 'bad' companies. This is for three reasons. The first is that the issues under discussion are complex and at times subjective. Distilling responses down to a simple mark out of ten would not do justice to this complexity and the depth of some of the responses we received.

The second reason is that we have chosen in this report to focus on just three of the issues facing workers in garment supply chains. There are others, and so a company's performance in this report - while likely to be representative of its wider engagement - needs to be seen in the context of its whole social responsibility programme, and the way it responds to consumer pressure following this report.

A final reason is that problems in the garment industry are structural, not specific to individual companies. Our judgement here is based on what steps each company is taking to address these structural issues,



wherever it buys from. It would be misleading to say that clothes bought from a retailer that comes off well in our survey are necessarily produced in better conditions than those from a company that comes off badly; in fact, they may even be produced in the same factory.

What we looked for

A copy of the 'ideal' response we sent to companies, and a second round letter, is available online. In judging their responses here, we assessed which of the following stages each company had reached on the three areas of investigation (companies were, by and large, quizzed specifically on these points where their policy made no mention of them). The stages are:

Wages

- ▶ **Grade 0:** Does not accept the principle of a living wage
- ▶ **Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **Grade 2:** Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- ▶ **Grade 3:** Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- ▶ **Grade 4:** Sophisticated and serious engagement with a living wage, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- ▶ **Grade 5:** Sustained implementation of an effective living wage policy across entire supply base.

Freedom of association (FoA)

- ▶ **Grade 0:** Does not accept the principle of FoA and collective bargaining (CB).
- ▶ **Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **Grade 3:** Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- ▶ **Grade 4:** Sophisticated and serious engagement with FoA and CB, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- ▶ **Grade 5:** Sustained implementation of an effective policy to promote and safeguard access to FoA and CB across entire supply base, including in countries where trade union rights are restricted by law.

Monitoring and verification (M&V)

- ▶ **Grade 0:** Does not have an auditing system in line with accepted industry norms.
- ▶ **Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.
- ▶ **Grade 2:** Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.
- ▶ **Grade 3:** Can offer concrete examples of steps to involve local stakeholders in oversight of M&V, but only in a few pilot projects.
- ▶ **Grade 4:** Sophisticated and serious engagement with multi-stakeholder M&V, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- ▶ **Grade 5:** Sustained implementation of an effective and credible multi-stakeholder M&V programme across entire supply base.

Limitations

This report should not be read as a definitive guide to the good guys and the bad guys. We have only considered three areas related to one stage in the supply chain, not the full spectrum of workers' rights issues, nor wider ethical issues like the environment or animal rights.

Our dialogue with companies was a fascinating exercise in comparing their attitudes. It was certainly a chance to deconstruct the stock responses that consumers have been receiving from these companies for years. But these profiles are as much a measure of how much effort individuals within these companies put into their responses as they are of company policy and practice. This is not a bad thing: transparency and engagement with stakeholders is an important aspect of the steps companies should be taking.

Our profiles give a summary of our dialogue with the company, rather than the definitive take on working conditions in their suppliers. Further correspondence might have opened up new issues and answered some of our questions, but a cut-off point had to be drawn somewhere. The gradings are there to make it easier to see how responses correspond to our criteria, not as a ranking of companies. This is particularly true as we drew the criteria up on the basis of our dialogue with companies, not before it began.

As you are reading this report, it is probably already out of date. It represents a snapshot of where companies stand now, in September 2006. We recognise that companies change: some improve policies and take new steps, some reduce their commitments or end their engagement. We hope this report is the beginning of a new level of debate between consumers, campaigners and companies, and we warmly invite everyone involved - not least the companies themselves - to join the discussion online at www.cleanupfashion.co.uk.

Bottom of the pile

The following retailers have no information public on their websites, and did not respond to either of our letters. We telephoned a number of them, but in each case their switchboards were unable to direct us towards anyone who could deal with our enquiry. We hope that this does not mean they have no substantive engagement with workers' rights issues at all, but there is no evidence to suggest that they do.

- ▶ Bhs*
- ▶ Diesel (London) Ltd
- ▶ House of Fraser
- ▶ Kookai
- ▶ Moss Bros Clothing
- ▶ Peacocks/Bon Marche*
- ▶ River Island
- ▶ Ted Baker

*We wrote to Bhs and Peacocks in July, rather than May, but followed both of them up with telephone calls, and were unable to find anyone who could deal with our request.

The following companies are ETI members, but do not make their policies available through their websites and did respond meaningfully to either of our letters. While their membership of the ETI means they must be taking some steps to implement its code of conduct, the lack of a response is disappointing, and we feel that more should be expected:

- ▶ Mothercare
- ▶ Marshalls, Inc
- ▶ Monsoon Accessorize

ARCADIA GROUP (Topshop, Topman, Dorothy Perkins, Miss Selfridge, Wallis, Evans, Outfit)

Owned and managed by billionaire Sir Philip Green, Arcadia is the biggest high street clothing retailer not to have joined the ETI. Its answers were way behind those of most others, demonstrating that by staying out of the ETI, it is falling further and further behind industry best practice. Arcadia recently told its suppliers to cut their prices by one percent, likely to lead to an even greater squeeze on wages and working conditions.²⁷

- ▶ **Responded to survey:** Twice, but no new information in second response
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 0:** Does not have an auditing system in line with accepted industry norms.

Wages

Arcadia's code of conduct commits suppliers to paying the legal minimum or, "[i]f no laws apply, the conditions for workers must be at least as good as the usual terms for workers in the area doing the same kind of work." When challenged on a living wage, Arcadia told us that,

While a living wage is aspirational, until there is universally agreed alternative we rely on a solid benchmark specified by an ILO convention, and that is the minimum wage set by law in the appropriate country...The LBL proposals on defining a living wage may offer a way forward and we would be prepared to support further research into making these concepts viable to all stakeholders.

Freedom of Association

Arcadia's code of conduct specifies that, "[s]uppliers must not prevent workers from joining legal associations." We asked what steps were taken to promote access, to which we were told, "[w]e encourage our suppliers to promote an open dialogue between factory management and their workforce. This is monitored through risk evaluation reports."

There is a clear conflict of interest in asking factory management, who are under pressure to reduce costs and lead times, to 'promote' freedom of association. In our second round of questions, we asked what concrete form this 'promotion' took, and no response was forthcoming.

A look at Arcadia's recent case history raises concerns about its commitment to freedom of association. In 2005-6, workers in a Cambodian factory supplying Top Man, Wallis and Dorothy Perkins were persecuted and fired for trying to form a union to protest over pay. LBL contacted Arcadia to express our concerns about this case on many occasions, yet to our knowledge, Arcadia refused to intervene.

Monitoring & verification

Arcadia states that its, “code is backed up by a process of self-evaluation and independent inspections.” The full details Arcadia gave of its system for monitoring working conditions are available online. It relies on a ‘self-evaluation questionnaire’ completed by factories, technical audits, and occasional independent audits. Arcadia did say that, “an independent audit programme is in place throughout our business, to our Code of Conduct. This is supplemented by extensive factory visits by the Arcadia technical team.”

No information about the frequency or nature of its independent audits was given, despite our specific questions. A system that places faith in self-evaluation questionnaires is a long way from even the most basic best practice. In addition, there are obvious concerns about an auditing system that found ‘no cause for concern’ at the Cambodia Fortune factory days week before the Observer newspaper demonstrated trade union oppression and appalling safety violations, and another company’s audit concurred with the union’s claims.²⁸

Our conclusion

It’s good to see that that Arcadia accepts the principles of a living wage and freedom of association, but we are unconvinced by its answers. We do not see how the existence of multiple ways to assess a living wage prevents Arcadia from developing a rationale and implementing measures to improve wages. Without any evidence that this is the case, it sounds rather like a smokescreen for inaction.

On freedom of association, Arcadia’s response indicates that it does not appreciate that it is often factory managements themselves who prevent workers from organising. Meanwhile its monitoring and verification system seems poorly developed.

The company’s response to our second round of questions did state that,

As circumstances change we adapt to them, and I outlined in my reply a number of areas which we want to develop further, in association with different stakeholders. Your latest proposals are interesting and will be included in our research.

If Arcadia is genuine in this desire, it needs to do a lot just to catch up with best practice in the industry as a whole. To do that we would strongly urge it to join a multi-stakeholder initiative such as the ETI.

ASDA/WALMART

Asda is a long-time member of the ETI. Since its takeover by WalMart, campaigners have been concerned by its falling prices and the likely impact this will have on working conditions. In its responses, Asda does little to allay these fears.

- ▶ **Responded to our survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Asda told us that its factories are held to the ETI base code, which specifies a living wage. We asked how this could be possible in practice, and Asda's compliance manager told us that,

Unfortunately there is no clear universal definition of the living wage and therefore the ETI Base Code cannot be applied. I believe that Governments should set their minimum wage at levels that are linked to the country's cost of living and local requirements.

From this response, it is not even clear that Asda is committed to a living wage in the long term. Asda sells garments at prices around half of the high street average, and to do so it must rely on a sourcing strategy that pushes prices down as much as possible. The buying strategies of a major importer like Asda have an indirect impact on national minimum wages, by obliging governments to set them low enough to stop businesses going elsewhere. Conversely they could also contribute to ensuring the minimum wage is set at a decent level by making clear signals in the other direction.

Freedom of Association

The ETI base code obliges respect for this right. What is Asda doing to promote access, we asked.

Suppliers and factory managers have the obligation to inform their workers of their legal rights and to take the necessary steps that will facilitate such processes. It is also the responsibility of the suppliers and factory management to properly communicate and educate their factory workers.

Yet there is a clear conflict of interest in asking factory management to inform and educate workers and to 'facilitate' freedom of association when they are under pressure to reduce costs and lead times. Workers in a Bangladeshi factory supplying WalMart recently told researchers,

Workers...are not allowed to form any union or organisation. The management has warned them that if any one tries to organise workers and form a union he or she would be handed over to the police.²⁹

Wal-Mart, Asda's parent company, has long had an ambivalent relationship with trade unions, openly preventing workers in its US retail outlets from forming unions. Meanwhile in the UK, Asda was recently fined £850,000 by an Employment Tribunal for attempting to induce employees to give up their right to collective bargaining.³⁰ Its approach in the Fortune Cambodia case was to pull out of the factory and wait for other buyers to resolve the issues at the factory, rather than engaging with the factory management to encourage them to recognise the union.

Monitoring and verification

WalMart's website states,

We audit each of these suppliers' factories at least once a year. In 2005, Wal-Mart's Ethical Standards auditors and third party audit firms conducted more than 13,600 initial and follow-up audits of 7,600 suppliers' factories making products for our stores. We also trained more than 11,000 suppliers and their factory managers to increase their familiarity with Wal-Mart's Standards for Suppliers and to encourage the use of accepted practices.

We asked for more detail about these audits. We also voiced our concerns about the problems with commercial audits, and asked what steps were being taken to involve local stakeholders:

Ethical sourcing is only 14 years old and therefore it is at its infancy. We personally believe that the most promising opportunity is that convergence of codes and collaboration between organisations is the only way to truly make strides in social compliance at the individual factory level. That is why we are a strong supporter of Better Factory Cambodia and the MFA Forum. We have been an active voice in encouraging the Forum within Bangladesh and the Americas to initiate reputable convergence projects within these countries. We are always interested in pursuing other collaborative initiatives.

Our conclusion

Asda was not able to tell us of any attempts it was taking to develop a viable measure of a living wage, hiding instead behind the untenable excuse that there is no universal definition. Similarly, its response on freedom of association did not really tackle the reality of life on the ground for workers.

While participation in the Better Factories Initiative and MFA Forum is a positive step, without demonstrating the concrete steps it has taken within them, it is tempting to conclude that Asda's strategy is to hang on to the coat tails of more active companies like Gap. Asda's idea of engagement seems to involve sitting on the right committees and pilot projects, then carrying on with the same flawed policies and methodologies that these stakeholders criticise. As the world's biggest retailer, Asda should be leading the field.

DEBENHAMS

A long-standing ETI member, Debenhams' website implies that its suppliers are held to the high standards of the ETI base code. We were optimistic on this basis, but when we asked for further information we were unable to get any specific details.

- ▶ **Responded to our survey:** once
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Debenhams' code largely follows the ETI base code. Its policy with suppliers is to,

firstly ensure they are paying legal minimum wage and then through our audit process identify whether an industry benchmark exists and assess where the wages paid stand against this...Debenhams does not audit against a "Living Wage" calculation as we are not aware of an agreed formula that can be applied across the countries we source from.

Debenhams didn't acknowledge the insufficiency of minimum/industry benchmark wages.

Freedom of association

Debenhams' code includes all the standard ETI clauses. It told us that it is currently,

in detailed discussions with a third party provider with the intention of holding workshops relating to freedom of association. We have also worked with Trade Unions directly in countries such as Cambodia to ensure that workers' rights in this area are known and protected. We are also members of the ETI Occupational Health and Safety project which will be empowering workers to represent themselves on this important subject in China.

Debenhams didn't say who its third party provider was, or who would benefit from the training, nor did it give us more detail on Cambodia, despite our asking this specifically.

Monitoring and verification

Debenhams told us that it,

is currently undertaking a social mapping exercise of our complete own buy primary supply chain and as part of this we will have a factory evaluation and a social audit for all live factories...Independent social auditors carry out all our audits and whilst some do involve local NGO's, these tend to be related to specific issues.

Debenhams is committed to auditing all its factories this year, although its response implies that these audits are neither regular nor unannounced. It appears to rely solely on these audits except in isolated cases.

Our conclusion

Debenhams has a long way to go. On freedom of association, while these steps could be constructive, more detail would have been helpful, to help us to understand the nature of its planned work and its past collaboration. On wages and on monitoring and verification, however, it needs to make a lot more progress, beginning by acknowledging the insufficiency of the status quo.

FRENCH CONNECTION

When we received a response from French Connection, the company only supplied a small amount of information, as its supplier handbook was, *“in the process of a complete review and update,”* and therefore, *“not yet ready for publication.”*

- ▶ **Responded to survey:** only when followed up on telephone
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 0:** Does not have an auditing system in line with accepted industry norms.

Wages

French Connection told us that, *“our policy is that our suppliers should pay their employees a fair wage.”* No information was given on how this is defined and what it entails.

Freedom of Association

Suppliers are told, *“that their employees should be allowed freedom of association and not be discriminated against as a result.”* No other information was given.

Monitoring and verification

French Connection’s website says that *“Our staff visit the factories we employ on a regular basis and consider the environment and work practices during those visits.”* The email we received added that the company, *“will develop our monitoring policies and processes. We are considering using an external agency to help with this.”*

At present, it therefore appears that French Connection is not taking any serious steps to audit factories, but may do in the future.

Our conclusion

French Connection’s response was very disappointing in its lack of detail, especially the lack of any serious steps towards monitoring and verification. We hope its revised policies will be a bit more substantive.

Long associated with sweatshops in the public mind, Gap's supply chain compliance operation is now one of the most advanced we have seen. Its answers demonstrate the significant steps it has taken to resolve the systematic abuses of workers' rights that are found throughout all garment supply chains.

- ▶ **Responded to survey:** yes, twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 3:** Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- ▶ **FoA Grade 4:** Sophisticated and serious engagement with FoA and CB, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- ▶ **M&V Grade 3:** Can offer concrete examples of steps to involve local stakeholders in oversight of implementation, monitoring and verification (M&V), but only in a few pilot projects.

Wages

Gap's code of conduct goes no further than, *"at least the minimum legal wage or a wage that meets local industry standards, whichever is greater."* Its website does continue, however, that,

Gap Inc. is committed to the principle that wages and benefits for a standard working week should be sufficient to meet basic needs and to provide some discretionary income...we continue to work with ETI to determine what is meant by 'basic needs'.

We asked how this was progressing in practice, and Gap cited its participation in two multi-stakeholder projects, the Joint Initiative on Corporate Accountability and Workers' Rights (Jo-In) and the MFA forum. Gap has played a pivotal role in establishing the MFA Forum's work in Bangladesh, and sits on its Executive Board. Gap also told us that,

In addition to working with factories, local non-governmental organizations and government agencies, we are engaged with other brands to find a sustainable solution. From past experience, we know that we cannot have a sustainable impact on wages alone and that it is only with support from other brands that we can hope to arrive at a meaningful solution."

Finally, Gap was among the few companies to draw a link between wages and its own purchasing practices towards factories.

Freedom of Association

Gap's code states that, *"Workers are free to join associations of their own choosing. Factories must not interfere with workers who wish to lawfully and peacefully associate, organize or bargain collectively."* Asked about promoting access, Gap was able to cite its collaboration with trade unions and other local stakeholders in Central America, Lesotho and Cambodia. Gap is also working internationally with the ITGLWF to develop a training module for its buyers, and *"exploring ways to enhance the industrial relations process for factories and local trade union affiliates."*

Gap continues that, *"[b]y designing programs that target the root causes of problems and*

educate and empower workers, we hope to eliminate some of the factors that lead to non-compliance.” And, “[w]e believe that a strong system of industrial relations can have a positive impact on both productivity and wages in the factory.”

This is borne out in Gap’s case history in recent years, for example at the Paxar factory in Turkey, where Gap has been one of the brands most active in pushing factory management to accept a collective bargaining agreement with the trade union.

Monitoring and verification

Gap says, *“we strive to monitor all approved garment factories at least once in a 12-month period. In 2004, our Vendor Compliance Officers (VCOs) inspected 99.9 percent of the garment factories approved for all of fiscal year 2004.”* Its VCOs have all received SA8000 accreditation, and both SAI and a commercial auditor, Verite, conducted assessments of its monitoring system in 2004.

Gap seems to place a lot of faith in SA8000, an accreditation typical of the commercial social audit model that is demonstrably flawed. Gap does indicate that it is *“continuing to explore the viability”* of using independent monitors who are *“respected members of the local community and enjoy credibility among factory workers.”* It also seems to have recognised that trade unions can help with monitoring: *“ITGLWF also will be facilitating introductions between local union affiliates and members of our monitoring team based in Southeast Asia, South Asia and Turkey.”*

Our conclusion

Gap’s responses to our questions belied a thoughtful, sophisticated and concrete attempt to deal with the issues we quizzed it on, especially freedom of association, where its responses were among the most substantive we received. You can read them in detail online. What is most pleasing is that Gap has understood that trade unions are positive partners, and that by supporting and encouraging their efforts on the ground it can raise working conditions and prevent serious abuses from emerging.

The test of Gap’s commitment to the Jo-In project and MFA forum, and its work on purchasing practices, will be whether it moves these projects from the pilot stage to roll them out across its supply chain. We agree that this will be most effective if other brands can be encouraged to make the same level of commitment. Ensuring that the verification systems used by Gap go beyond social auditing is vital if this is to happen.

The Swedish retailer is the world's biggest specialist clothing retailers, valued at £15 billion.³¹ It was among the pioneers of 'cheap chic', yet was also one of the first fashion retailers to begin pilot projects to improve respect for workers' rights.

- ▶ **Responded to survey:** said it didn't receive our first letter, but did respond to the second
- ▶ **MSI involvement:** yes, FLA
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 3:** Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

H&M's code of conduct does not commit to a living wage, stating instead that, "[w]ages should be paid regularly, on time and be fair in respect of work performance. The legal minimum wages should be a minimum, but not a recommended, level." We probed a little further, and were told that, "we presently focus our efforts on making certain that all employees at all supplier and subcontractor factories receive at least the legal minimum wage."

H&M therefore does not commit to a living wage in its code of conduct, although its acknowledgment that minimum wages are 'not recommended' does move it some way further than companies that consider minimum wages to be perfectly acceptable standards.

Freedom of Association

H&M's code states that "All workers should be free to join associations of their own choosing, and they should have the right to bargain collectively." On access, it agreed with us that, "the right to freedom of association is only of any value if workers and management understand the rights of workers and the various benefits they entail." H&M organised 21 workshops for 664 members of factory management in 2005, and, "we also train workers, e.g. in collaboration with the Bangladeshi NGO, Karmojibi Nari."

H&M has understood the importance of training workers and management, although it only gave this one example in Bangladesh, which it appears does not involve unions. H&M also didn't tell us what it is doing in China to address the specific issues there.

Monitoring and verification

Generally, our ambition has been to visit each factory that manufactures H&M products once a year...in 2005, we conducted 2,670 audits at potential suppliers' and existing suppliers' and their subcontractors' factories. On average, 33 per cent of all audits at existing production units in Asia and 41 per cent in Europe were unannounced.

H&M's CSR report tells us about its new 'Full Audit Programme', which introduces many of the elements common in other companies' social audits, such as worker interviews. It has also joined the FLA, a US-based multi-stakeholder initiative, which will audit its suppliers in China. H&M did not tell us of any collaboration with local trade unions and other stakeholders.

Our conclusion

H&M is another company that has begun to tackle workers' rights issues. Its responses suggest that while it may have made a good start, the lack of incorporation of local stakeholders into its processes leaves a lot to be desired. It is also concerning that it does not support a living wage.

JIGSAW / KEW

Jigsaw did not respond to our letters or telephone follow-up, and does not make any information available on its website. We were passed on a letter received by an LBL supporter in response to an action card asking about these same issues.

- ▶ **Responded to survey:** no, despite telephone follow-up
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 0:** Does not accept the principle of a living wage
- ▶ **FoA Grade 0:** Does not accept the principle of FoA and collective bargaining (CB).
- ▶ **M&V Grade 0:** Does not have an auditing system in line with accepted industry norms.

Wages

Jigsaw's letter never makes clear its exact policy on wages, instead telling us that workers in Romania, *"are paid hourly rates plus bonuses and we have no problems in recruiting and retaining high calibre individuals,"* and that in, *"Czechoslovakia...To the best of our knowledge, workers in this factory are well remunerated and treated."*

Jigsaw makes the point that it has long-standing relationships with suppliers and that, because it is at the higher end of the market, *"'price' is not the be-all and end-all, but quality, consistency and reputation are also important factors."*

Freedom of Association

Jigsaw's letter does not make any reference to freedom of association at all, although it is one of the demands on the card it is responding to. It does say that, *"we do not place orders for clothes in countries that have a reputation for disrespecting workers' rights."* It's not clear which countries this refers to, given that a large proportion of Jigsaw's sourcing is from China, where trade union rights are not respected by law.

Monitoring and verification

The letter implies that there is no systematic auditing process in place, and instead that the company relies on trust, reputation, and on-site visits by its buyers. It says that in China,

Our office staff regularly visit each factory and they not only check the quality of the garments, they also verify the age of workers and the working conditions. Of course, it is nigh on impossible for us to be absolutely certain that all rights of all workers are being respected in every case, but as far as we can tell, that is very much the rule.

[...] It is, frankly, hard to show you concrete proof of our policy in action. However, Jigsaw is a company founded on retailing with integrity, and we have no interest in trying to hoodwink our customers about something we are not convinced about ourselves.

Our conclusion

If Jigsaw is genuine when it proclaims its integrity towards customers, it must have a naive attitude towards its suppliers. While it is true that a company that sources on quality rather than price is not as likely to be driving down conditions by squeezing the terms of its relationships with suppliers, it is not a guarantee of good working conditions either. The issues in the Chinese garment industry, for example, are endemic.

Jigsaw's letter is full of good intentions, and we suspect that if it had specifically addressed the points we raised in our enquiries, it might have scored better. We do not accept many of its arguments, especially that it is unable to show concrete proof of the steps it is taking on the ground. After all, other companies have been able to cite solid examples.

JOHN LEWIS

One of the few non-ETI members to give a serious response, John Lewis' responses were often well developed, but once again we felt that ETI membership would help the company to better develop best practice.

- ▶ **Responded to survey:** yes, twice
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 2:** Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 2:** Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

Wages

John Lewis' code states that wages, *"shall always be sufficient for basic needs whilst still providing some discretionary income."* In its response, the company admits that, *"we recognise that our code sets an aspirational standard and we are keen to work with our suppliers and other stakeholders to identify practical ways of implementing it in the future."* In its second response, it accepts the difficulties of determining a living wage, adding that,

we agree and support your view that [the] most practical and immediate solution to addressing this challenge is to ensure that all workers have the freedom to collectively negotiate pay either through trade unions or through elected worker councils.

John Lewis told us about some, *"[p]reparatory work with local partners looking at wage levels"* in India, but did not give the examples of further concrete steps that we asked for.

Freedom of Association

On this area, John Lewis told us that, *"Various methods are used to educate and ensure workers' awareness of their rights which include: new employee induction and orientation programs, the promotion of worker representatives and the posting of national/local labour laws in the workplace."* One key agent has distributed workers' rights pamphlets, and all suppliers are expected to communicate the Code of Practice for all workers. *"[F]or that reason,"* says John Lewis, *"we have translated it into nine different languages."*

Given that the interests of workers and management are often in conflict, written materials and worker representatives are not a sufficient substitute for training by local organisations and the presence of a genuine trade union.

Monitoring and verification

John Lewis says it has been making 'significant progress' on factory monitoring. Li & Fung, its sourcing agent in East Asia, conducts most of the audits. *"In 2005, 246 social compliance audits were carried out on John Lewis suppliers, with appropriate corrective action plans put in place to address any non-compliances identified. Follow-up audits are carried on an annual basis by the agent's compliance team."* John Lewis itself or independent bodies

occasionally shadow these audits. Using a sourcing agent to conduct audits seems to create a conflict of interest between delivering genuine and honest audits and ensuring orders are placed at its supplier factories.

John Lewis' strategy for broadening this approach is to use Sedex, an online database of factory audit results. Suppliers complete self assessment forms, which,

enables us to prioritise suppliers and individual sites that we believe have the greatest need to raise labour rights. The approach selects sites based on their self assessment records, as well as their size, commercial importance, location and the production processes employed. All these priority or 'high risk' suppliers are then required to have an independent third party audit.

It is limited to its 650 'key own brand and exclusive suppliers' not the entire supply base

In terms of stakeholder involvement,

We recognise the concerns that you have raised and have been actively working to address them...Sedex members will be engaging key NGO and Trade Union stakeholders and providing opportunities for some of these audits to be shadowed. We are keen to continuously look for pragmatic ways to utilise the expertise of local stakeholders in our monitoring programme.

Our conclusion

We'd like to see John Lewis join the ETI. "Employee participation is something that is central to the way John Lewis operates as the UK's oldest and largest co-owned business," it said in its response. For this ideal to be played out among suppliers, it will require a significantly more realistic acceptance of the difficulties faced by workers in garment factories, and for this greater collaboration with trade unions and NGOs, in a framework such as the ETI, will be needed. We are unimpressed by the lack of breadth and depth in John Lewis' monitoring, and the lack of concrete steps to implement a living wage and access to freedom of association in its supply base.

LAURA ASHLEY

Laura Ashley has not joined the ETI, and its responses suggest that - as with most companies that choose to go it alone - its engagement with workers' rights issues is very underdeveloped.

- ▶ **Responded to survey:** only after telephone follow-up
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 0:** Does not accept the principle of a living wage
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 0:** Does not have an auditing system in line with accepted industry norms.

Wages

Laura Ashley's code commits suppliers to paying 'at least the minimum' wage or 'a reasonable sum' if none exists. We asked about a living wage, but the response we received did not address this issue at all, and in fact by not referring to prevailing or industry benchmarks, Laura Ashley sets a lower standard than most other retailers.

Freedom of Association

Laura Ashley's code states that, "*no worker should be discriminated against or prevented from joining a trade union or business association,*" and that in countries where this is not permitted, "*suppliers should strive to foster parallel means of workers' representation.*" Again, we asked about promoting access to this right, but the response we received did not address this.

Monitoring and verification

Laura Ashley's website states that, "*[t]he company has met with various suppliers over the year and reinforced our commitment to Ethical Supply Chains...This work will continue and will be monitored as site visits take place.*" The company sent us a copy of the guidelines for its representatives inspecting factory premises, which made no mention of checking rates of pay, freedom of association, or interviewing workers. From this limited information, Laura Ashley seems to be a long way behind even the weak social auditing model used by most companies.

Our conclusion

We hope it was only our questions that Laura Ashley did not very seriously, and not the issues about which we asked. The responses we received indicated a lack of real engagement on Laura Ashley's part. A company with a £200 million turnover can and should have a lot more to say about its policies on workers' rights.

LEVI STRAUSS & CO

Levi's is rightly proud to have been the first global brand to develop and adopt a code of conduct, back in 1991. It is also one of the first to disclose its supplier list in public. On the issues we raised, however, it did not perform as well as this record would suggest.

- ▶ **Responded to survey:** only after email follow-up
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 2:** Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Levi's' website states that,

We will only do business with partners who provide wages and benefits that comply with any applicable law and match the prevailing local manufacturing or finishing industry practices.

When asked about living wages, Levi's told us that,

[W]e do not feel that we have all the information we need to be able to responsibly implement and enforce a living wage requirement in our Code of Conduct. As a matter of policy, we will not add provisions to our T[erms] O[f] E[ngagement] that we can not adequately enforce.

It was also able to tell us what it was doing to further address the issue:

We have assembled an internal working group on the issue and have proposed participating in and funding a research project with the multi-stakeholder organization, ETI, of which we are currently a member.

This suggests its work on a living wage is at a very early stage.

Freedom of Association

Levi's told us that its Terms Of Engagement guidebook for suppliers,

states that managers and supervisors should be trained in Freedom of Association and when possible, workers should receive instruction on their rights according to company standards and under national law.

Levi's didn't tell us of any systematic steps it was taking to promote access to freedom of association within its own factories, though it was keen to tell us that,

Additionally, through our workers' rights grants program, the company and the Levi Strauss Foundation fund local NGOs in communities where we have a business presence that provide worker rights trainings for apparel factory workers including training on freedom of association.

The company's online database of grants backs up this statement, but we note that while such ad hoc funding is a positive step, it is very different from what we are asking. There is also an obvious conflict of interest if organisations defending workers' rights in Levi Strauss & Co's supply chain are funded by the company.

Monitoring and verification

Levi's told us,

Each facility is formally assessed once a year. The formal assessment consists of: interviews with the facility management; a review of personnel, wage and working hour records; and a physical walk-through and inspection of health and safety conditions in the factory and dormitories if they exist. A critical part of each TOE assessment is the process of gathering information from workers, a random, confidential worker interview process developed by Verite and LS&CO. staff and to provide important, uncoloured information for the assessors and ensure protection for the participating workers.

This sits Levi at the best practice end of the commercial auditing spectrum, but still does not move past this into collaboration with local stakeholders. Levi's also publishes a full list of all 700 its supplier factories, a positive step for encouraging transparency.

Our conclusion

We welcome Levi Strauss & Co's positive attitude to a living wage, but the proof of the pudding here will be in the eating, as appears to be only beginning to put in place projects to address it. On freedom of association, Levi's is a way from promoting access across its supplier base, and similarly on monitoring and verification we would like to see more concrete and systematic engagement with trade unions and local labour rights organisations on the ground.

MADISON HOSIERY

Madison was unhappy with our methodology, which it felt to be out of keeping with the cooperative ethos of the ETI. It did respond thoughtfully to our first letter, and while we'd like to see some concrete examples, made some of the right noises.

- ▶ **Responded to survey:** twice, but “nothing more to add” the second time
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 2:** Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

Wages

The code on Madison's website states that living wages should be paid, so we challenged this statement. Madison told us it,

[A]lways identifies the legal minimum wage in the country/industry (prior to an audit) and determines the actual lowest wage being paid...Each worker's circumstances and needs are different and armed with the above information; we can clearly determine the extent that wages are meeting a basic need.

Confusingly, Madison then went on to repeat the oft-cited argument that,

[E]ven the International Labour Organisation (ILO) has not agreed what a living wage is. As a consequence, Madison works to ensure that all its employees and those of its suppliers are firstly meeting the local legal minimum wage, secondly minimum industry standards/benchmarking and then where possible be in excess of these minimums.

It's not clear what Madison does, then, when it identifies – as it must if it correctly identifies actual wages and basic needs - that workers are not paid a living wage.

Freedom of Association

In this area Madison, whose code follows the ETI base code, told us,

[M]ost of our suppliers have some union representation and employee members. Furthermore, all employees are given literature from the ETI (that we have had translated into the relevant language where possible) so that they are aware of their rights. Further copies are displayed prominently around the factory and information is passed during employee audits. Where the law of the land discourages trade unions we have had significant success in helping to ensure factories set up worker councils so that there is positive and essential dialogue between owner/senior management and their employees.

We asked for some concrete examples to illustrate this, but Madison chose not to send us any. We are therefore cautious about the extent to which this union representation

translates into meaningful collective bargaining, particularly as Madison did not give any indication that living wages are established by collective bargaining, which is surprising if most of its suppliers are unionised. We did give Madison the opportunity to answer these concerns, which it chose not to take.

Monitoring and verification

Madison told us that it,

organises and pays for audits of all first tier suppliers on a regular rolling basis that is scheduled both by announced and unannounced internal and external third party audits. At the closing meetings of these audits, an agreed corrective action plan and time frame for completion is agreed with all of the relevant parties. Follow up reports/audits verify implementation and completion of the corrective action plan. Madison is working towards a procedure clearly detailing sanctions if suppliers fail to meet corrective actions, which will be implemented within this year, and we also have plans to start collaborating with local NGO's.

This response is in line with current industry best practice.

Our conclusion

It does seem that Madison is making some good use of the tools provided by the ETI, but time will tell whether this is really the case. We were disappointed that Madison did not believe it had anything to add, especially on living wages, as this indicates it is not prepared to admit the systematic problems within the industry. We were pleased to note the plans to collaborate with local NGOs, and await more news of this. We hope that local trade unions will also be involved, especially given the apparently high union presence in its suppliers.

MARKS & SPENCER

Still the leader in the UK fashion market, M&S' prospects are looking up since Stuart Rose, one-time protege of Arcadia boss Sir Philip Green, took the helm. M&S' recent 'look behind the label' campaign has trumpeted the ethical values that it claims underlie its business practices.

- ▶ **Responded to survey:** said it did not receive our letters, promised response to follow-up, but none received as we went to press
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 3:** Can offer concrete examples of steps to involve local stakeholders in oversight of implementation, monitoring and verification (M&V), but only in a few pilot projects.

Wages

M&S Global Sourcing Principles, signing up to which is mandatory for all suppliers, says simply that,

Each supplier must strive to comply with the ETI base code and with all relevant local and national laws and regulations.

It is not clear how M&S deals with the "basic needs" provision in the ETI base code, but the implication is that it follows minimum wages.

Freedom of Association

The GSPs commit suppliers to respect these rights. M&S has previously told us that,

We understand that Freedom of Association is a challenging area for the ETI and we are committed to investigating how we can further our understanding and improve implementation of this complex element of the ETI base code in our entire supply chain.

It is not clear how M&S is doing this in practice.

Monitoring & verification

M&S' GSPs simply state that,

All production sites are visited and assessed regularly by our suppliers and by our own people. Together we strive for continual improvement.

M&S has previously told us that,

All of our suppliers must receive an assessment of their compliance with our minimum labour standards requirements before they begin working with us and are assessed for compliance and continuous improvement on an ongoing basis. However, our ethical trade programme does not currently include independent verification of

working conditions by trade unions and NGOs. As part of our own monitoring process, we carry out 'due diligence' audits on some 20 factories each year. This gives us the opportunity to audit the work being carried out on our behalf by the independent audit companies, and we use this process to explore new audit methodologies and best practices.

And,

We are working on a number of initiatives including pilot projects with the ETI to investigate alternative approaches to auditing and monitoring our supply chain e.g. the development of multi-stakeholder audits in Sri Lanka.

Our conclusion

It is a shame that M&S did not respond to our survey in time, although it is worth noting that when they heard about it via the ETI, they contacted us to say that they had not received our letters. In the area of workers' rights, the information we have available suggests that, while M&S has some good things to show, it is far from leading the field as its 'look behind the label' advertising implies.

MATALAN

Thought to be struggling in late 2005/early 2006, Matalan imposed a unilateral two percent cut on payments to its suppliers last November.³² More recent signs are that Matalan's profits are picking up again, and it remains one of the top companies at the value end of the market. On workers' rights, however, it fared the worst of every company profiled here.

- ▶ **Responded to survey:** no, despite follow-up
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 0:** Does not accept the principle of a living wage
- ▶ **FoA Grade 0:** Does not accept the principle of FoA and collective bargaining (CB).
- ▶ **M&V Grade 0:** Does not have an auditing system in line with accepted industry norms.

Wages

The policy on Matalan's website states that,

Wages and benefits paid for a standard working week must meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher.

No mention is made of living or "basic needs" wages.

Freedom of Association

Matalan's published policy contains no mention of freedom of association at all.

Monitoring and verification

Matalan's website states that,

Matalan will as far as is reasonably practicable ensure that its suppliers and their sub contractors comply with the stated policy requirements.

No mention is made of audits at all, let alone of what nature any audits might take.

Our conclusion

Based on the information it makes public, Matalan has no serious engagement with workers' rights issues at all. It does not commit to paying a decent wage, and it gives no information on any programmes to check working conditions. Worst of all, and possibly worse than those companies that do not publish any information at all, Matalan does have a policy on workers' rights, but this makes no reference to the internationally-recognised core human rights to freedom of association and collective bargaining.

MOSAIC GROUP (Oasis, Coast, Karen Millen and Whistles)

Oasis has previously met with LBL members Tearfund to discuss its ethical sourcing policy, and told us it has, *“appointed an experienced external consultant to review our compliance procedures and their implementation throughout the business.”* From its answers to us here, this is not before time!

- ▶ **Responded to survey:** second time only
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 0:** Does not accept the principle of a living wage
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 0:** Does not have an auditing system in line with accepted industry norms.

Freedom of Association

Freedom of association and collective bargaining are part of Oasis’ vendor requirements. Oasis did not respond to our points about promoting access to freedom of association or facilitating alternative forms of organisation in countries and areas where free trade unions are illegal, and no mention is made of these issues in the information it sent us.

Monitoring and verification

Oasis told us the following,

We monitor our supply base through scheduled and unscheduled visits and accreditations made by our UK and Far East externally qualified Quality teams. However as you can appreciate we cannot visit all the factories for each order placed and as a result are reliant on the supplier adhering to the terms outlined within the Supplier Manual.

This is a surprising statement, especially as many retailers told us that they do audit every factory that produces for them, and few would consider a suppliers’ word a reliable guarantee.

Our conclusion

Oasis has a long way to go to catch up with the field. To rely on suppliers’ word that condition are adequate seems astonishingly naïve. We welcome its external review, which is clearly not before time, and look forward to seeing its outcomes in terms of better developed policies on these issues.

NEW LOOK

For a company at the bottom end of the market, known for its cheap prices rather than the quality of its clothes, New Look performed well in our survey, although there are still serious holes in its policy.

- ▶ **Responded to survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 3:** Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 2:** Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

Wages

New Look cites the ETI base code as the standard for its suppliers. When asked about a living wage, New Look agreed that there were *“many challenges in achieving a minimum wage.”* Factory assessments have focussed on,

developing a clear understanding of workers’ wages, their working hours, and their access to social insurance. Through our work with local partners we have a good grasp of common practice in the industry and the approximate level of a living wage in each locality...Our key concern now, moving beyond measurement, is finding ways to increase wages.

New Look told us about its participation in the ‘Impactt Overtime’ project in China, which *“established how wages can be increased and working hours reduced through improving productivity, human resources management and communication in the workplace.”* New Look is not the only company featured in this report to have participated in this project, but it is the only one to cite it, and to further add that, *“inspired by these results we are now working with a number of suppliers in various countries...to reduce working hours and raise wages.”* For example, *“In Bangladesh, our key supplier is working towards a living wage. He is, as we are, very aware of the inadequacy of the minimum wage, and we are working together to find ways of increasing wages in a sustainable way.”*

New Look was also unusual in referring to collective bargaining agreements in its answer here, stating that, *“where there are collective bargaining agreements in place, we take this to indicate a living wage.”*

Freedom of Association

New Look not only supports this right, but also accepts our point that, *“if neither workers nor management are aware of the benefits of freedom of association, these structures do not provide any real protection for workers.”* A large proportion of New Look’s supply base seems to be in China, which creates extra difficulties. *“In order to tackle this issue,”* New Look told us, *“we are currently working with one of our biggest suppliers and a group of their factories on developing health & safety committees including worker representatives.”*

Outside of China, *“Within our scoped supply base, this aspect of the ETI Base Code is investigated with each supplier on our factory evaluations and any shortfall will stay open as a corrective action until satisfactorily closed.”*

No collaboration with local groups is cited, and a committee including worker representatives is very different from a freely elected committee. Meanwhile in the rest of its supply chain, New Look’s response indicated that it is not taking significant efforts to promote access.

Monitoring and verification

New Look told us,

We aim to conduct assessments of the key factories of each of our top 10 suppliers every 12-24 months. We are sceptical of the ability of bulk auditing using large commercial audit companies to diagnose problems and tackle the root causes of non-compliances. Instead, we work with [consultants] Impactt and a local partner (usually an NGO, academic or specialist) to assess working conditions...we ensure that the views of workers are used to challenge the testimony of managers and documentation throughout the assessment.

On the basis of this and the other information New Look supplied us with, it seems to be moving beyond basic commercial auditing. It is not clear who the local partners New Look uses are, and hence whether or not they are in a position to really have the trust of workers, which is essential if they are to open up and be honest about working conditions.

Our conclusion

New Look is doing better than many of its competitors, especially at the cheap end of the market. We were pleased to note its reference to collective bargaining. But it still needs to do more in comparison to industry leaders. We are especially concerned that its positive efforts seem limited to its top 10 core suppliers, which represent only 55% of its merchandise. This must mean that almost half of its clothes do not have the same safeguards attached to them. We’d also like to know more detail about how its suppliers are implementing the learning from the Impactt Overtime project.

NEXT

In its recent case history, Next has proved to be one of the most responsive companies when dealing with urgent appeals LBL and others have raised, such as the Paxar and Fortune cases. Next did take the time to deal with our questions and to admit the ‘major challenges’ we raised, but we had hoped for more concrete steps on a systematic level.

- ▶ **Responded to survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 3:** Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- ▶ **FoA Grade 3:** Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- ▶ **M&V Grade 3:** Can offer concrete examples of steps to involve local stakeholders in oversight of implementation, monitoring and verification (M&V), but only in a few pilot projects.

Wages

Next’s code is aligned with the ETI’s code. When challenged on a living wage, Next agreed that,

achieving compliance to the living wage within our supply base is one of our biggest challenges. At this point in time it is still very difficult to understand the calculation of the living wage in different regions, countries and sectors. We think that we should address this together with our partners in the ETI, believing that a combined approach and effort will be by far the most effective.

Next cited its participation in the ETI’s Sri Lanka working group, and various other ETI initiatives.

Freedom of Association

Next told us that, “one of our key objectives is to build education and training programmes across our supplier base on rights in the workplace, and to maintain good relationships with trade unions.” While we were disappointed not to receive further information on what Next was doing in practice, its commitment to responding to violations of trade union rights is demonstrated by its recent case history.

In both the Paxar and Fortune cases, Next, working proactively through the ETI, put pressure on its suppliers to recognise trade unions, with some success. As Next told us, “Our learning from these experiences has broadened our knowledge and we now have a better understanding of how to tackle such issues, and engage with trade unions.”

Monitoring and verification

Next’s response tells us that,

It is not possible for us to audit every factory every season, due to the large number of suppliers we work with. Therefore, supplier audits are prioritised seasonally against a set criteria...During 2005 we sourced product from 1360 factories based in 46

countries. We audited 550 factories, 40% of the supply base. Of the 46 countries we source from we audited in 29 (63% of the total).

These audits are conducted by Next's own staff: *"We believe that managing the audit and follow up procedure internally forms part of the business relationship we have with our suppliers,"* although,

We are and remain committed to engaging with third party auditors to conduct verification / surveillance audits in our supply base. This has happened to an extent through use of one third party company in Morocco and UAE in conducting employee interviews for us. The target of incorporating these companies for full audits has carried over to this year and is a priority.

While Next's response on this area indicates a movement beyond standard social auditing, it still seems to place a lot of faith in this conventional model, and to apply it over only a minority of its suppliers. Using locally-based companies does not amount to involving local stakeholders with the confidence of workers. The exception seems to be Next's participation in the ETI Sri Lanka working group, where *"our audit methodology will be coupled with a 'social add on' ie; NGO conducting extensive worker interviews and linking into the process as a whole."*

Our conclusion

Next has demonstrated that it is prepared to engage with the most serious violations of workers rights when they arise. We are not yet convinced that this extends to tackling the root causes of these issues in a systematic way, although Next is further along in the process than a lot of its competitors. While we are pleased that Next supports a sector-wide approach to a living wage, it's not clear quite how concrete its commitment to moving beyond working groups will really be.

On freedom of association, we look forward to seeing how its recently gained knowledge and understanding will be used to prevent future violations happening rather than just resolving them afterwards. And on monitoring, Nexts response is a good start, but we hope it will accept the principle of involving local trade unions and NGOs in its monitoring processes on an ongoing basis, across all 46 countries from which it sources.

PRINCIPLES

We received a phone call from Principles on the day before this report was sent to print. In the phone call we outlined the issues this report would raise, and were assured that Principles was meeting our concerns. As its response demonstrates, however, this is far from being the case.

- ▶ **Responded to survey:** second time only
- ▶ **MSI involvement:** no
- ▶ **Wages Grade o:** Does not accept the principle of a living wage
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Principles told us that its code of conduct addresses the points we raised. On wages, it makes no mention of a living wage, as we were told:

Suppliers to us must pay their workers no less than the legal minimum within the country they operate, must pay over and above this for voluntary overtime and deductions cannot be made for disciplinary measures. All workers must be provided with a wage statement they can easily understand.

Freedom of association

The code simply tells suppliers that, “*you must not prevent workers from joining legal associations.*” Principles did not mention any steps to facilitate access to this right, despite our specific questions.

Monitoring and verification

Principles told us that,

Our manufacturers are regularly visited by us and randomly by external organisations on our behalf. These external inspections cover all aspects of our code in great detail, including the checking of employment and wage records as well as interviewing workers individually to probe their freedom to bargain collectively. Action plans and follow up visits are carried out by us, or by our external auditors if more appropriate.

Our conclusion

Principles is a typical non-ETI member, whose unsophisticated responses demonstrated that it has not really grasped what it needs to do to ensure workers earn a living wage and have their other rights respected. While its auditing system sounds reasonable from the brief detail given here, it is hard to tell whether the issues we raised are really addressed on the basis of such a small amount of information. The failure to engage with a living wage, access to freedom of association and multistakeholder verification, despite them being raised specifically in our telephone conversation, is telling.

PRIMARK

Through its parent company, Associated British Foods, Primark recently became a member of the ETI. This is an encouraging step for a retailer that made its name selling cheap; because of its low prices and short lead times, Primark needs to go the extra mile to ensure they do not come at the expense of working conditions.

- ▶ **Responded to survey:** first only
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Primark's code uses the ETI formula that, "[i]n any event wages should always be enough to meet basic needs and to provide some discretionary income." When challenged, Primark told us that,

[w]e are aware of the subsistence rate in the main countries that we source from and expect our suppliers to be paying above the basic minimum in line with industry benchmark standards to meet our expectations. Where factories are not meeting this expectation, but are in line with their local laws, we actively engage with them to agree a staged improvement programme.

Primark chose not to answer our questions in response to this, and our requests for more information, despite our assertion that it is not possible that its suppliers adhere to the living wage clause within its code.

Freedom of Association

Again, Primark's code follows the ETI base code. When asked about worker education, Primark told us that,

[w]e are currently gathering information on the level of understanding/knowledge amongst the workforces and will then decide on appropriate local approaches to work with factories and, where appropriate, local NGO's or other organisations to tackle this issue.

We note that it does not name trade unions as potential partners, though they may come under "other organisations."

Monitoring and verification

Primark told us it was taking a 'staged approach' towards its supply base, which at present involves "gathering information on the level of knowledge of the issues and previous audit history of the factories in order to risk assess and decide on the audit priorities." Announced

audits are conducted by a third party auditing organisation, and there is follow up. *“In principle the regular audit interval will be one to two years.”* Finally, *“the audit protocol and methodology used call for a union representative or failing that a workers representative to be involved in the opening and closing meetings at a minimum.”*

This does not amount to the involvement of local trade unions and other stakeholders. A workers’ representative in an opening meeting of an audit is unlikely to be confident enough to raise any concerns. Primark did state that *“we are open to further collaboration with responsible local stakeholders,”* but chose not to respond when we asked it for concrete examples.

Our conclusion

Primark seems to be only waking up to workers’ rights issues, and time will tell whether it will use its recent involvement with the ETI for active change or whether this is more of a cosmetic exercise. In particular, we are pleased that Primark recognises the need to ensure workers are educated, but would have liked more information on its planned engagement with local stakeholders. Primark needs to acknowledge that commercial audits on their own are not the way forward, and to engage seriously with the living wage issue. There are serious reasons to question whether Primark will be prepared to make the changes to its cheap, fast fashion business model that may be required to really ensure workers are paid a living wage.

PENTLAND GROUP (includes Lacoste, Kickers, Berghaus and Ted Baker)

The name behind a number of clothing brands on sale in the UK, Pentland disputed both our facts and the practicality of our policy recommendations. It was the only company to do so: most companies seemed to ignore questions on which they had taken no steps.

- ▶ **Responded to survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 2:** Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

Wages

Pentland's code of conduct states that, *"living wages are paid."* It disputes our figures that minimum wages are often a fraction of a living wage (we cited Bangladesh and Indonesia in our reply). It did tell us, however that, *"the minimum wage is not a living wage in any country. However in many countries it is subject to a tri-partite negotiation between employers, trade unions and government and we need to respect this process."*

Pentland told us it is, *"very rarely in a dominant position in the factory and to negotiate higher than the general market rate for wages would be impossible without agreement from the other customers."* Its new brochure, *"Ethical Sourcing the Pentland Way"*, says however that, *"our policy is only to do business with suppliers that adopt and implement our standards or have their own policies that reflect the same standards."* Taken together, these two statements imply that payment of a living wage is not a criteria on which sourcing decisions are made.

Pentland did illustrate its answer with a number of positive examples, including a project with homeworkers in several countries and work, *"with factories [to] examine ways to reduce turnover of workers, increase productivity and improve HR systems."*

Freedom of Association

Pentland told us that many of its factories do have unions or workers committees, but that,

Frequently these do not work very well to serve the interests of workers and we encourage factories to hold elections, make the union more visible, clarify its constitution, hold regular meetings etc. In China, where the union is not independent, few factories have unions and we have held workshops in four factories to see if more effective channels of communication can be established. We have also conducted training with the ACFTU on Codes and CSR. In all factories we encourage the factory to inform workers by way of notices and staff handbook of their rights under the law.

On access, Pentland pointed out that it was not in a position to educate workers itself, but that it sits on a large number of multi-stakeholder committees, and, *“we are producing a series of booklets with the Guangdong Department of Labour for managers and worker on their rights and responsibilities. We participated in the Sri Lanka ETI project which produced booklets for workers.”*

Pentland’s response suggests a misunderstanding of what constitutes a free trade union with real collective bargaining, and the ACFTU is not a free trade union (see page 19). Its brochure does not mention trade unions, even though it contains a section on worker representation. Furthermore, its response leans heavily on using written material to educate workers, rather than the face-to-face training that is really necessary.

Monitoring and verification

On this topic, Pentland told us that,

[W]e do not use third party auditors...Ideally reviews are conducted in co-operation with local health and safety personnel, to ensure local standards are applied, that there is the possibility of follow up by qualified personnel and that training links are established. In Thailand, India, Pakistan and Indonesia this has been established. China has been more difficult. Through the Vietnam Business Links Initiative (now in its 6th year) project we hope to improve in Vietnam.

All reviews include some worker interviews, conducted by a range of contacts through the International Labour Office, local universities, local NGOs and local research institutions. Interviewers are often women experienced in talking to workers in a sensitive way. Where there are unions, worker representative groups and health and safety committees we include them in the process and at the final meeting.

The representative nature of the local partners with which Pentland works is ambiguous, based on the list it supplied in its response on freedom of association. It is also not clear how much involvement representative organisations have in audits. Pentland’s brochure also implies a conscious choice to compromise in the auditing process:

We accept that off-site interviews [with workers] might yield more information but it could affect our relationship with management and therefore compromise our ability to find sustainable solutions.

Our conclusion

Pentland’s response was a challenging one. It does have some interesting things to show, but it also seems to be in denial about the cost of living for workers. Many workers and their families are living well below the poverty line on legal minimum wages that Pentland thinks we should ‘respect’. Through its participation in ETI working group projects, Pentland has demonstrated that it is in a position to improve wages, if not on its own then in collaboration with others. If that collaboration is lacking, the obvious response is to initiate it.

It also seems that Pentland has not fully understood the nature of true worker representation, and so we are concerned that few workers producing for it are actually in a position to form, join and bargain through representative unions of their own choosing. It would have been nice to have further detail as to how it ‘encourages’ factories on this issue.

SAINSBURY'S

Sainsbury's' TU range of clothes is booming, with a 45% leap in sales in 2005-6.³³ It was the first supermarket to develop a code of conduct, and has often been keen to trumpet its ethical credentials in public. Yet its response to us was unconvincing.

- ▶ **Responded to survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Sainsbury's follows the ETI base code, with the addition that its code makes explicit that wages should have, *"regard to what is need to maintain family life above subsistence level."* Its Socially Responsible Sourcing Manager told us, *"[w]e are very aware that the subject of 'Living Wage' is an area of huge debate but we do work towards the aims of our Code of Conduct and the ETI Base Code."*

We asked what steps Sainsbury's was taking to contribute to the debate. *"The key point,"* we were told, *"is that we have to work collaboratively on such issues. Through the ETI we feel we can tackle situations such as this far more effectively than acting unilaterally."*

Sainsbury's did not set out what it was doing itself, whether within the ETI, MFA Forum or on its own.

Freedom of Association

Sainsbury's told us,

we are conscious of the need to raise awareness... We are for example engaged on a number of fronts at the moment on a FoA issue in Central America. On awareness raising, we are rolling out a Supplier Training programme having already successfully piloted it.

When we probed further,

In terms of your supplementary question about awareness, we have made a wide range of literature available both hard copy and electronically. We recognise that this is not enough though and are also committed to training. We fully support the ETI training that we have helped to develop, but we are also now running training for our Suppliers on a monthly basis.

Supplier training is an important part of the process, but as we have explained it is through training of workers by local labour rights organisations that workers can truly have access to these rights.

Monitoring and verification

Sainsbury's approach uses staff visits and *"third party assessments may also strategically be employed."* It told us that,

We have recognised the need to re-evaluate the approach to audits and last year were proactive in bringing together the major audit companies together to review this.

Working collaboratively, we now have a revised framework for audits with an agreed set of standards.

Despite our questions in both rounds making referring to the known problems with social audits and asking about the multi-stakeholder approach, Sainsbury's did not respond on the point. Regarding current audits, the frequency and nature was not made clear.

Our conclusion

"[I]t is worth reminding you that we were founder members of the ETI and the first Supermarket to have its own Code of Conduct," began Sainsbury's' response to our first letter. This is a commendable history, but its response on living wages was a textbook case of a company referring to the actions of the ETI, citing the ETI's delegation to Bangladesh. Yet Sainsbury's was unable to tell us what concrete steps it was taking itself.

The vagueness of its response on freedom of association led us to doubt the actual depth and scope of Sainsbury's commitment in this area, while neither response engaged with the difficulties of social audits at all.

Sainsbury's may see itself as the early pacemaker, but on the basis of the information supplied it is in danger of being the hare while its rivals play the tortoise.

With double-digit growth in sales, Tesco recently overtook Asda to take the number two spot in market share by volume for clothes. It is the UK's biggest retailer. Tesco needs to be rigorous in the evidence it offers, since there is inevitably concern about the impact on workers of achieving its low clothing prices, less than half of the UK high street average.

- ▶ **Responded to survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 3:** Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- ▶ **FoA Grade 2:** Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- ▶ **M&V Grade 2:** Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

Wages

Tesco referred us to the ETI base code the first time round. Its second response concentrated on Bangladesh, where it pointed out its participation in the MFA forum, as well as giving us the following example:

Tesco has been working with our suppliers in Bangladesh since early 2005 to achieve a living wage for the workers in suppliers that manufacture the products we sell. Using findings from audits as well as working with Consultants, local Unions and NGOs we use a living wage figure of 3000 Taka a month, when evaluating wages across our supply chain, in Bangladesh...In practice not all suppliers have achieved the living wage figure. To date audits of the wages paid to workers in factories that supply Tesco confirms that all workers are paid significantly more than the current minimum wage of 930 Taka.

By committing to work towards a living wage in Bangladesh, Tesco is ahead of many competitors. For the reasons discussed in chapter 5, however, audits may overestimate the wages workers are earning; additionally, 3000 Taka is at the lower end of living wage estimates in Bangladesh, with a more recent suggestion from workers' organisations being 4286.³⁴ Riots over wages by workers at a Bangladeshi factory supplying Tesco earlier this year resulted in a worker being killed in clashes with police, indicating that the rosy view portrayed above may not always be shared by workers.³⁵

Tesco did not set out its activities in other countries, even though 100% of its Cherokee products are sourced from China, India and Turkey.

Freedom of Association

Tesco's code reflects the ETI base code, and it told us,

We have worked with local multi-stakeholder groups and consultants to develop relevant training materials for not just Freedom of Association but for all of the ETI Base Code criteria. To date we have delivered training materials for our suppliers and their workers in 9 different countries (Bangladesh, China, France, India, Spain, South

Africa, South America, Turkey and UK). The training is delivered in local language and paid for by Tesco.

Training materials are useful, but cannot substitute for face-to-face training by local stakeholders.

Monitoring and verification

Suppliers that Tesco identifies as “*high risk...have a two-three day ethical assessment by a third party company every year.*” Medium-risk suppliers are audited every two years, while for low-risk suppliers, Tesco relies on self-assessment. It told us that,

A part of the recognition of commercial [auditing] companies is that they use local auditors who have involved local labour groups (NGOs, Trade Unions and Multi-stakeholder organisations) in the pre audit data and information gathering process. We also carry out a routine number of annual checks of audits conducted by commercial audit companies by industry, country and audit company to ensure that the issues raised in the audits accurately reflect the issues raised by local multi-stakeholders. We use independent organisations (local consultants that work with local labour groups) to undertake these checks.

Tesco points out that these organisations’ capacity to participate in audits is often not sufficient to meet its demand. This is a fair point, but its response indicates a reliance on the flawed commercial auditing process, all be it using more effective audits than many. It’s not clear exactly how much influence trade unions and other organisations actually have, beyond being consulted.

Our conclusion

Tesco was able to offer us some good examples to indicate the steps it is taking, although not the systematic, supply chain-wide responses we would have liked. There was nothing in Tesco’s response to indicate that it sees trade unions as positive partners, or freedom of association as more than an obligation. The extent to which local stakeholders are involved in the processes it described to us is not clear either.

TK MAXX (TJX)

TX Maxx is a major player at the lower end of the market, not just in the UK, but also in its native US. While the majority of the clothes it sells come from other brands, it does source around 10% of its lines itself, and here its policy seems to be relatively poorly developed.

- ▶ **Responded to survey:** first time only, referring us to website.
- ▶ **MSI involvement:** no
- ▶ **Wages Grade 0:** Does not accept the principle of a living wage.
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

TJX's code states that its suppliers,

must abide with all applicable laws relating to wages and benefits, and must pay the legally prescribed minimum wage or the prevailing industry wage, whichever is higher.

Its website makes no reference to a living wage.

Freedom of association

TJX's code states that,

Our vendors must respect the rights of their workers to choose (or choose not) to freely associate and to bargain collectively where such rights are recognized by law.

As TJX's website indicates that a lot of its private label brands are sourced from China, it is disappointing to note that its code implies that workers there will have no freedom of association, since trade union rights are not recognised by law. TJX does state that it has conducted supplier training, which is also limited to local labour laws.

Monitoring and verification

Over 90% of products sold by TJX are produced by other brands, with their own codes of conduct and compliance procedures. Nevertheless, TJX states that,

our name brand vendors warrant that their goods have been manufactured and shipped in accordance with...among other things, human rights and labor rights standards.

For its private label lines, TJX has an auditing system in place:

On-site audits conducted by our independent monitors and principal buying agents generally include one to two full working days at each audited factory, and include the following components: Interview with factory management [...]; Payroll and documentation review; Health and safety inspection; Confidential worker interviews; Debrief with factory management [...].

It is not clear whether these audits are announced, nor the frequency with which they take place.

Our conclusion

We were disappointed that TJX only referred us to its website, since the website does not answer many of our points. It seems that, while TJX has developed a training and auditing programme, it still needs to move above the legal minima on both wages and freedom of association.

WILLIAM LAMB FOOTWEAR

Yorkshire-based William Lamb lays claim to the title of UK's biggest footwear distributor. We included it in our investigation because it is a member of the ETI. It was very keen to enter into discussion, although it didn't seem able to tackle the meat of our questions.

- ▶ **Responded to survey:** twice
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 1:** Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

William Lamb told us,

A standard wage is not always a living wage this we understand but we are in a very competitive market with our customers demanding the lowest possible cost for each item.

We pointed out that the wage costs in a piece of footwear are a small proportion of the final cost, but we didn't receive a response on this. We were told that,

We always work with our suppliers to have continuous improvements. Sometimes it may be small, but as long as it is an improvement we are going in the right direction.

Freedom of Association

William Lamb doesn't agree with our suggestions on facilitating access, arguing that,

Your IDEAL policy looks good on paper but would be very difficult to enforce, in China for example. We have adapted a workers committee in one of our factories in Thailand for both grievance and union negotiations with good results.

We pointed out that there are ways to give workers freedom of association in China, and also asked for more information on this example in Thailand (where unions are permitted, so it is not necessary to use a workers' committee), but William Lamb did not clarify either point.

Monitoring and verification

William Lamb's website states that,

[W]e also influence our suppliers to employ the same ethical practices. As part of this, we audit them before beginning a working relationship. If they do not or will not meet the standard required we won't work with them. It's as simple as that.

It told us that this policy is out of date, but didn't specify what the new policy involves, beyond saying that,

As a member of the ETI we have committed to monitoring and progressively improving the working conditions in the factories that supply our products.

Our conclusion

William Lamb was keen to enter into discussion with us over the issues we raised, although it did not really tackle the specific questions we asked. We understand that smaller companies cannot devote as much time to investigations such as ours, but we were concerned about the lack of detail in its responses. As an ETI member, we hope that William Lamb will do more to develop its engagement with workers' rights in the future.

ZARA (INDITEX)

Inditex is a company that in recent years has become increasingly cooperative with campaigners, joining the ETI and being a lead participant in the MFA forum (see page 18). We have analysed Zara's position from publicly available information.

- ▶ **Responded to survey:** no
- ▶ **MSI involvement:** yes, ETI
- ▶ **Wages Grade 1:** Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- ▶ **FoA Grade 3:** Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- ▶ **M&V Grade 1:** Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

Wages

Inditex's code only commits it to minimum wages, although as an ETI member it is committed to working towards a living wage.

The External Manufacturers and Workshops shall comply with the local legislation in force with regard to labour matters. They shall pay their employees at least the minimum wage established by Law for each professional category.

Inditex's annual report measures performance only against minimum, not living, wages.

Freedom of association

Zara's code states that,

The External Manufacturers and Workshops shall respect the rights of the employees to associate or organise themselves or to bargain collectively, in no case shall employees be subjected to any kind of sanction because of this.

Inditex's recent case history is promising. It has been pro-active in attempting to help resolve a number of cases of trade union oppression, and its annual report sets out steps it is taking to facilitate access in Morocco and Bangladesh. In the latter case it says that following two breaches of trade union rights, it set up a working group with aims including,

In the long term: to develop a professional and competent trade union fabric, capable of looking after the rights of workers and to establish mature relations of collaboration between the workers and the management of the factories.

The aims for these factories include training management and workers' representatives by 'external trade union agents'.

Monitoring and verification

Inditex's Annual Report indicates that in 2005 it audited 1060 of 1686 production sites. Of these, 339 were 'rejected for breach'. Inditex follows the 'BSCI' model of social auditing, singled out for criticism by campaigners because it was developed without collaboration with trade unions and labour rights groups, and its consequent 'minimalist' approach.

Our conclusion

There are a number of areas in which Inditex is performing well. When a factory supplying Inditex in Bangladesh collapsed in 2005, killing 64 workers, it was one of the first to contribute to the relief effort, and has invited other brands to contribute to a relief fund. Along with Gap, it has been a key player in the MFA Forum. We still have significant concerns based on the information made public by Inditex, above all in regard to its auditing processes.



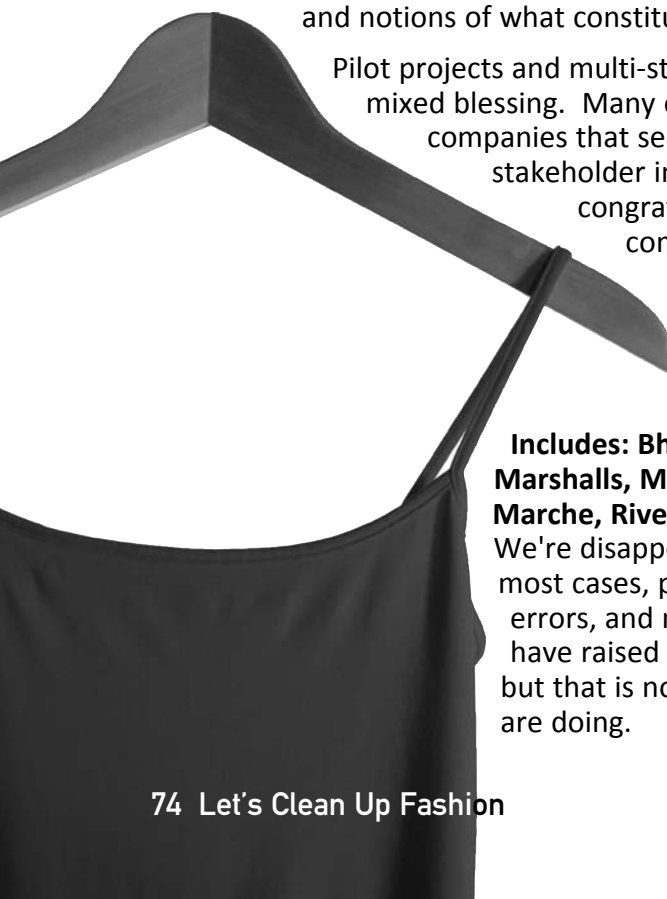
6. CONCLUSION

Perhaps the most astonishing thing we discovered in the process of researching this report is that most companies make their code of conduct, with its usual claim to pay a living or "basic needs" wage, publicly available as if the standards it contains are met throughout their supply chains. Only when challenged did most admit that this is not the case, a tacit admission that their public information is misleading for consumers.

Workers on the ground, no matter which companies they are supplying at any one time, are unlikely to earn anything approaching a living wage. They remain forced to work excessive hours of overtime in order to make ends meet, and their families continue to survive below the poverty line. Few have access to their right to join a trade union, meaning that they have little hope of pulling themselves out of this situation without outside help.

Of 37 companies that we wrote to, and 26 which made some information available, 16 accepted the principle of a living wage. Yet only four could actually demonstrate any concrete steps towards putting this principle into practice. Only four were able to demonstrate credible steps to give workers in their supply chains access to their rights to freedom of association. Just three gave examples of the serious involvement in and oversight of factory audits by local trade unions and labour rights organisations.

Yet this report has shown glimmers of hope. Through pilot projects and the collaborative initiatives undertaken by some companies, workers are starting to see their rights realised, and notions of what constitutes 'best practice' are moving on.



Pilot projects and multi-stakeholder collaboration, it should be noted, are a mixed blessing. Many of the most frustrating responses came from companies that seemed to have signed up for participation in a multi-stakeholder initiative and its pilot projects, then sat back and congratulated themselves on a job well done. These companies need to wake up to the reality that workers have no option but to live in, day after day.

Our messages to companies are as follows:

1. Non-responders

Includes: Bhs, Diesel, House of Fraser, Kookai, Mothercare, Marshalls, Monsoon Accessorize, Moss Bros, Peacocks/Bon Marche, River Island, Ted Baker.

We're disappointed that you didn't respond to our letters and, in most cases, phone calls. We hope this was due to administrative errors, and not because you chose to ignore us. The issues we have raised are difficult ones, and grappling with them is tough, but that is no excuse. You need to tell consumers what it is you are doing.

2. Dragging their feet

Includes: Arcadia, French Connection, Jigsaw/Kew, Laura Ashley, Matalan, Mosaic Group, Primark, Principles.

Thanks for making some information available. Unfortunately, from that information, it looks like you have a long way to go in understanding and responding to the complexities of workers' rights issues. We recommend that all of you join the Ethical Trading Initiative (Primark has recently done so), to learn from companies, trade unions and labour rights NGOs who have been working to get to grips with the difficulties of wages, freedom of association and monitoring and verification for years. Believe us, you need it.

3. Resting on their laurels

Includes: Asda, Debenhams, Sainsbury's, Madison Hosiery, Pentland.

Your responses were possibly the most frustrating of all. It seems to us that your approach within the ETI borders on free-riding. From your responses, you do not take seriously enough how difficult life is for workers who produce the clothes that you sell. They do not earn a living wage, and they are not able to defend themselves through trade unions. Rather than notching up a large number of audits and jumping through all the right hoops, you owe it to these workers to take their situation more seriously.

4. Could do better

Includes: John Lewis, H&M, Levi Strauss & Co, M&S, New Look, Tesco, TK Maxx, Zara.

There were things to welcome in all of your answers. But there were also a lot of things to worry about. Progress is patchy, and largely only at the pilot project stage. We'll be watching closely in the coming years to see whether your commitment expands, or whether it stalls at the difficult point of moving from pilots to the whole supply chain.

5. Pulling ahead

Includes: Gap, Next.

A fine line separates you from the last group, and it may only be a linguistic one. From your responses and your recent activity on the ground, it seems to us that you are grappling with the issues we raised with the intention of making some improvements throughout your supply chains. Whether this apparent good intention becomes sustained good practice is what we will be watching for.

And finally...

What about the consumer in all of this? If you were surprised to read that Gap is no longer the bad boy of the sweatshop scene, then bear in mind the thousands of postcards and emails from ordinary consumers like you that persuaded it to do what it has done so far. Gap still has a long way to go, as does every company.

This report has shown what each brand is doing and what it needs to do. Now it's up to you to use that information to pressure the companies to do more. This isn't an 'ethical shopping guide'. The way to help workers is not to boycott one company in favour of another; it's to shift from being a passive consumer to an active one. Each time you buy clothes, get in touch with the company you bought them from, ask them what they are doing about the recommendations in this report. You can keep up to date and get advice online at www.cleanupfashion.co.uk.

As our dialogue has shown, it takes the second or third letter before companies admit what things are really like. A large proportion of each response was hot air, rather than real engagement with what are, after all, complex issues. Except that they're not all that complex for the millions of people sewing garments around the world, earning poverty wages and working in terrible conditions. The solutions are out there, not in theory, but in the reality of thousands of workers' struggles. What is needed from the brands is nothing more than greater commitment.

Together, we can - and we will - clean up fashion.

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LET'S CLEAN UP FASHION

The state of pay behind the UK high street

For over a decade, consumers, workers and campaigners have been calling on fashion brands to make sure the workers who produce the clothes they sell are paid a living wage. At the start of 2006, Labour Behind the Label decided it was time to check in with the fashion industry, to see what progress has been made. This report presents the results of our investigation, revealing who is - and isn't - doing what.

www.cleanupfashion.co.uk

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