

LET'S CLEAN UP FASHION 2009

The state of pay behind the UK high street



Labour Behind the Label

Clean Clothes Campaign



Who is this Report For?

Consumers and Media Professionals

The profiles in this report are a way to find out which high street brands are taking action to protect the right of workers to a decent standard of life, and which are lagging behind. This offers an insight into the behind the scenes world of clothing production.

Consumers may be interested in reading about their favourite brands and using these profiles to:

- ✂ Inform decisions on where to shop.
- ✂ Express their concerns by writing to brands and asking them to do more to ensure living wages are paid to workers.

Media professionals may want to contact certain companies if an opinion expressed by a brand in this report is of interest. They may also wish to find out more about Labour Behind the Label and ways we can help each other to highlight injustice in the garment industry.

Companies and Industry Professionals

The profiles listed give valuable insight into the different strategies currently being employed within the industry to ensure that workers achieve a decent standard of living.

Companies may be interested in comparing their work with that of other brands:

- ✂ Taking notes from high scoring projects and considering the issues raised in the introduction, such as pricing and the Asia Floor Wage concept.
- ✂ Considering collaborative work with other companies doing similar projects.

Fashioning an Ethical Industry is a project of Labour Behind the Label that works with students and educators on fashion-related courses.

Students and Educators

These case studies provide those in fashion education with a unique snap-shot of what different companies are, or are not doing, to address the hugely important issue of a living wage for workers.

Students may be interested in incorporating these case studies into their college or university projects in a variety of ways, such as:

- ✂ Taking into account the living wage of a worker when costing designs.
- ✂ Developing a marketing strategy for a brand that had committed to paying workers a living wage.
- ✂ Exploring how pressure from buyers on suppliers to cut prices undermines workers' rights.

Students wishing to bring these issues into their studies may be interested in ordering *Sense*, the Fashioning an Ethical Industry magazine covering everything from business ethics to sourcing fair trade fabrics.

<http://fashioninganethicalindustry.org/sense1/>

Educators may wish to use these case studies in their teaching. Ideas for exploring wages and the related issues of the impact of buying practices and initiatives for improving workers' rights such as promotion of freedom of association and social audits can be found in *Sustainable Fashion: A Handbook for Educators*. Teaching activities of particular interest would be:

- ✂ *Case Studies to Address Impacts of Purchasing Practices on Working Conditions* by the Ethical Trading Initiative.
- ✂ *What Price a Fairly Traded T-shirt?* by Doug Miller, University of Northumbria.
- ✂ *Garment Industry Initiatives to Address Working Conditions* by Fashioning an Ethical Industry.

<http://fashioninganethicalindustry.org/resources/teachingmaterials/>



Let's Clean Up Fashion 2009

The state of pay behind the UK high street.

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For further information about this report, it's background or any of the issues raised within it, please contact: info@labourbehindthelabel.org or go to www.cleanupfashion.co.uk.

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Introduction

Since 2006, when our first Clean Up Fashion Report was produced, the world has changed. Then, the consumer was king and the global economy was riding high. Now, the credit crunch has taken the sparkle from the high street – and led to some household names disappearing from UK towns and cities (and from this report).

Workers and consumers in the UK have been feeling the pinch and turning to the low cost retailers to help cut their monthly budgets. It's not just in the UK that workers are suffering the effects of the credit crunch: in countries from Cambodia to Turkey, Bangladesh to Honduras factories are closing and workers are losing even the paltry salaries afforded them by the garment industry. Those that have managed to keep their jobs are facing an increasingly insecure future as a result of economic and environmental crises.

The scandalous truth is that the majority of workers in the global fashion industry rarely earn more than two dollars a day in an industry worth over £36 billion a year in the UK alone. Many have to work excessive hours just to get this meagre amount and have no possibility to earn wages needed to properly feed, clothe, house and educate their families.

In the last four years many of the biggest brands and retailers on the UK high street have publicly accepted that garment workers' wages need to increase and claim to have started work to eliminate poverty wages from their supply chains. However, few of the projects and plans developed in corporate offices in Europe or North America have had a tangible impact on the wages and lives of the men and women producing our clothes. Why? Because most projects have ignored the fundamental issues of freedom of association, price and distribution of profit, and have focused instead on making factories or workers more 'productive'.

Wages aren't low simply because of inefficient factories,

The scandalous truth is that the majority of workers in the global fashion industry rarely earn more than two dollars a day, in an industry worth over 36 billion a year in the UK alone.

Wages are low because they are kept that way through a global competition that engages workers, factories and whole countries in a race to the bottom - A race where the winners are those that can produce as quickly, cheaply and flexibly as possible

poorly trained workers and bad production systems. Wages are low because they are kept that way through a global competition that engages workers, factories and whole countries in a race to the bottom. A race where the winners are those that can produce as quickly, cheaply and flexibly as possible. Workers who organise to oppose this system face dismissal, unemployment, arrest and harassment from employers and governments keen not to lose the fickle investment that the garment industry provides.

On October 7th 2009 a new and exciting initiative, the Asian Floor Wage, will be launched. This is an Asia-wide campaign with global resonance, which rejects the idea that governments, unions and workers in different countries should be forced to choose between unemployment or exploitation. Instead, trade unions, NGOs and activists from six garment producing countries have come together to negotiate and agree a way to calculate a figure for a 'floor wage' – a minimum amount below which no worker, regardless of nationality, gender or workplace, should be paid.

For ten years brands have been promising both workers and consumers that living wages will be paid, despite evidence to the contrary. Workers have been told to wait while brands work out what a living wage is and how to make sure they don't have to pay the cost. Consumers have been told not to worry – brands care and are doing the best they can. The problem is their best isn't good enough and workers can't wait any longer. The Asian Floor Wage combats the argument that there is no consensus on a living wage level. It places workers right back at the centre of the debate and it lays down the gauntlet to brands and retailers, governments and employers to make sure that the garment industry finally provides not just any work, but decent work to the millions of women and men producing the clothes we wear.

The State of Pay

No brand or retailer is paying its workers a living wage, or has yet put together a systematic programme of work that is likely to raise wages to acceptable levels in the near future. A number of brands have started working on projects that fulfil many, if not all of our recommendations while others have done nothing beyond vague paper commitments. Here is how this year's high street breaks down.

Nothing to Say

Alexon
BHS
Ethel Austin
House of Fraser
Peacock Group

These companies didn't reply, and made no information available on their websites.

No Work to Speak Of

Asda/George
Clarks
Debenhams
French Connection
John Lewis
Laura Ashley
Levi Strauss & Co
Matalan
River Island
Sainsbury's

While some of these retailers accept the idea that workers should earn living wages and that they currently do not, none of them had concrete plans to do much about this. In most cases this reflects a more general failure to engage with more complex ethical trade issues. Levi Strauss is the exception, having made a policy decision not to support work on living wages. Asda/George appear to have done nothing at all to build on last year's work and, based on its 2009 submission, has no plans to do so in the future.

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

Arcadia Group
Aurora Fashions
Burberry
Tesco

These retailers have done some work and have plans for pilot projects but do not give any substantial details.

Both Burberry and Tesco have plans to start productivity trials but Tesco seem to be waiting, again, for the ETI living wage project to restart, and Burberry's project, without the partnership of learning from other brands, lacks collaboration. Arcadia is working on two wage projects with Next, but it offers nothing like the same depth of engagement, and Aurora Fashions have committed to a living wage project in Turkey, but gave no details. All of these brands have started work on certain projects but none appear to have a coherent strategy for ensuring living wages.

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

Gap
Marks & Spencer (M&S)
Monsoon Accessorize
New Look
Next
Primark

Last year only Monsoon and Gap publicly committed to a project that contains all four of our pillars of a good project. This year we can add Next and New Look to that list, although all projects are still very much at the pilot stage. All of these companies put too much of a focus on productivity improvements, although each goes beyond that to meet some of our criteria for a good project. All of the companies in this group seem to have a more systematic approach to wage improvements. Gap, Next, Primark and Monsoon in particular have made some effort to include home workers. Next, Gap and New Look all mentioned the need to address some of their purchasing practices. Only Monsoon made an, albeit qualified, mention of the need to pay a fair price. None of these companies are convincing enough on the issue of freedom of association.

Next Steps:

Building On The Four Pillars of a Good Living Wage Initiative

Building On The Four Pillars of a Good Living Wage Initiative

In LCUF 2008 we laid out the four pillars that underlie a meaningful living wage initiative: using a collaborative approach by working with other companies, trade unions and labour rights groups; supporting worker organising and participation; addressing commercial factors throughout the supply chain and creating a clear road map to implementing the living wage for all workers.

It is clear from this year's responses that a number of brands and retailers have accepted this framework at least in terms of reporting on their work over the last year. However only a very small number of retailers (Next, Gap, Monsoon) appear to be conducting work that contributes to the strengthening of all four pillars, leading to inevitability uneven results.

1 A Collaborative Approach

On the subject of collaborative working, a number of companies raised concerns that we were unfairly prejudiced against those companies who had chosen not to join the Ethical Trading Initiative. We acknowledge that ETI membership in and of itself does not guarantee the quality of, or even commitment to, work aimed at improving wages. Asda, a long standing member of the ETI submitted one of the most disappointing responses and, given its size and influence should be doing a lot more. Tesco and Sainsbury's seem to still be content to rely on an ETI living wage project that has still not got off the ground. Debenhams and River Island have nothing of interest to say.

A review of general trends in the 2009 report, however, confirms our assertion that membership of a multi-stakeholder initiative is the most effective means of pursuing a collaborative approach. As projects have developed over 2009 it becomes more apparent that those brands and retailers developing the most interesting projects are also those who have been engaged in the ETI.

Not all of these brands (Gap, M&S, Monsoon, New Look) are carrying out living wage projects through the ETI, but all appear to be using learning gained in that forum.

Brands and retailers developing the most interesting projects are also those who have been engaged in the ETI.

It's clear that their understanding of the complexities involved is considerably more developed than those companies (Matalan, French Connection, Clarks) that have no multi-stakeholder experience.

Next and Arcadia report on projects in Bangladesh and Mauritius where collaborative work between their brands is being done and, as such, would probably expect to receive similar profiles and grades. However, it's clear that Next are developing a more systematic approach to the issue than Arcadia whose work, aside from that done with Next, offers no long term strategy and is somewhat limited to training of their UK staff. Indeed, Arcadia should learn from the fact that their best work is coming out of a collaborative project and consider how much this could improve through more institutionalised collaboration with other brands, NGOs and trade unions.

Finally, where a retailer decides to step up its game, membership of a multi-stakeholder initiative can help it to develop more convincing programmes. Last year, for example, Primark submitted an unconvincing and disappointing submission to this report that reflected its lack of engagement with the living wage issue. This year, we saw a significant improvement and, although they still have a long way to go, they should be commended for raising the standard so quickly.

2 Worker Organising and Freedom of Association

Freedom of association and collective bargaining are enabling rights. If workers in the garment industry were properly organised, we might not need corporate responsibility projects or consumer campaigns – workers themselves would be involved in setting wage levels that not only covered their basic needs but that reflected the real value of their work.

In every Clean Up Fashion report so far we have emphasised the need for brands and retailers to be engaged in work to promote and support the rights of freedom of association and collective bargaining within their supply chain. Last year we set out some examples of actions brands could take to support these rights. This year we set the grades in such a way that only those retailers properly engaging with freedom of association could move beyond a 3.5. No-one made the grade.

It's true that more responses this year did attempt to address this issue in their submission. A number of retailers stated their acceptance that freedom of association needed to be addressed and their preference for a negotiated living wage level. Some are even starting to talk to international trade union representatives as part of their projects (Gap, Next).

In most submissions worker involvement, if freedom of association work existed at all, was limited to interviewing workers about wages (Tesco, Arcadia) and setting up focus groups or workers committees (M&S, Aurora Fashions). For years we have been emphasising the difference between an independent trade union – an organisation that is set up by workers, with representatives elected by workers, mandated to bargain for demands defined by workers – and a workers' committee which is established by and often includes factory managers and which aims to provide a forum to 'consult' with workers rather than

What is Freedom of Association?

Freedom of association means that workers should be able to set up their own organisations, to discuss with each other about workplace and wider issues, to define their own demands and highlight the issues that most concern them. Collective bargaining ensures that workers can make these demands and negotiate with employers as a group rather than as individuals, allowing them to meet with employers on a more equal basis.

The presence of workers committees in a factory does not indicate freedom of association is being respected. In fact, the establishment of a worker committee can be used to deny freedom of association if it is used to replace trade unions in bargaining.

negotiate. Workers' committees cannot and should not replace trade unions in the workplace. The presence of a workers' committee in a factory does not indicate freedom of association is being respected. In fact, the establishment of a workers' committee can be used to deny freedom of association if it is used to replace trade unions in bargaining.

We recognise that freedom of association is a thorny issue. We know that employers are likely to resist the exercise of this right more than any other. We've seen the myriad ways in which this right can be denied to workers by employers and governments alike. We are aware of the challenges we face in removing the barriers of fear, misunderstanding and persecution that prevent the vast majority of workers from joining and participating in trade unions. But without this right improvements to wages and conditions will be at best patchy and difficult, if not impossible, to sustain.

3 Paying The Cost

Not all retailers were adversely hit by the credit crunch in 2008/9. Some, Tesco and Primark to name just two, took advantage of the economic crisis to promote their particular model of high volume low price fashion. As the competition struggled to survive, these fast fashion retailers saw a steady increase in profit.

The increase in profit doesn't just come from a higher demand for cheap fashion here in the UK. The garment industry has been through a drastic restructure which has intensified the race to the bottom. Prices paid to suppliers are decreasing fast. At the same time suppliers are faced with rising fixed costs, such as fabric, transport and energy, and are facing difficulties in obtaining the credit needed to bridge the gap between production and payment.

Brands and retailers themselves acknowledge the impossibility of producing and retailing cheap clothing in a way that is compatible with their commitment to pay a living wage, yet they continue to pressure suppliers to cut prices again and again. In Bangladesh, for example, where production costs are among the cheapest in the world, suppliers reported that buyers were demanding drastic decreases in price. In April 2009, M&S, Tesco and H&M were reportedly among 50 other brands and retailers calling on Bangladesh exporters to reduce their prices if they wished to stay competitive (Reuters, Dhaka, April 2009).

It is noticeable that this year we saw less brands willing to acknowledge the need to address pricing as part of a strategy to increase wages. In fact, more than ever there seems to be a desire to promote the idea that wage increases can be funded through productivity improvements alone (see below). Monsoon were one of

'We acknowledge our part in negotiating a fair price to assure the living wage is paid, but in so doing the supply chain has to be transparent to allow proper value chain analysis to ensure that all the actors involved are adding value to the process.'

- Monsoon

the only brands to acknowledge the role of fair pricing in ensuring living wages are paid, but then went on to add *'increased costs provision will primarily have to be driven by productivity improvements.'*

Of course its not just about price. Changes in productivity at the supplier end and other purchasing practices at the buyer end can all make a difference. But if brands and retailers are serious about improving workers rights they cannot continue to ignore the impact of price competition on wages and conditions.

4 Rolling It Out: Route-maps for sustaining a living wage

Last year we emphasised the importance of brands setting wage targets that corresponded to a living wage figure. Such targets could be developed through national or regional bargaining, factory-level bargaining or through research of a calculation of needs and would provide an end point against which success could be measured. A number of brands including Next, Monsoon, Gap and Arcadia did carry out wage surveys as part of their work. However, such surveys are taking too long and by the time workers see the benefits, any real gains have often disappeared with inflation.

For wage projects to be successful there needs to be a clear standard which everyone is working to, ideally based on negotiations with workers and one which is updated

Examining Price

The issue of price covers two critical areas:

1. Prices paid to suppliers: The majority of companies refuse to increase prices paid to suppliers as this eats into profit margins, but at the same time they insist that suppliers must pay workers more. As suppliers' profit margins are driven down, other production costs are squeezed, and naturally wages are one of these. Companies need to take a serious look at the prices they pay, and make adjustments to accommodate living wages.

2. Prices placed on items on the shop floor: Low prices on labels drives competition across the industry to produce things faster and cheaper, which in turn is placing huge pressures on workers further down the chain. The 'fast fashion' trend, set by low cost highstreet brands, needs urgent reconsideration, and its prices adjusted accordingly.

Wages represent only a small percentage of the retail price – normally 0.5 - 1.5 per cent. A small wage increase could easily be absorbed by global buyers paying higher prices to suppliers.

regularly to take inflation and other factors into account. Even though everyone agrees on the definition of what a living wage should cover, the benchmarks used by brands and retailers vary drastically.

Take Bangladesh as an example. New Look refer to a figure of 3,200 Bangladeshi Taka (Tk) - although its unclear if they take this to mean a living wage. Arcadia and Next decided to go with Tk5,333, a figure developed by War on Want for their Fashion Victims II report (2008). Trade unions broadly agree with this and are talking about figures of around 5500, although most admit that the need to call for a figure that seems 'realistic' plays a part in setting this amount. The Asia Floor Wage figure (see below), which constitutes a combination of negotiation and formula, is over 10,000tk, more than five times the value of a minimum wage and double anything that the brands are working towards.

We also emphasised that a route map must look at ways of including the most marginalised workers, including home workers, in plans to increase wages. Living wages must be provided to ALL workers and must be earned over a standard working week. Most retailers seem to have accepted this point, although too many are still using benchmarks that include overtime hours albeit within legally acceptable levels.

A number of brands and retailers (Matalan, Monsoon, Primark) made mention of home workers in particular in their living wage work. We are encouraged to see that the inclusion of this particularly vulnerable group of workers is now a priority for so many brands. It is clear, though, that this work still has a long way to go: even the most advanced work on improving home worker wages has yet to achieve legal minimum wages for these mainly women workers – a level nowhere near living wage levels.

Two companies, Arcadia and Next also mentioned work to increase wages for migrant workers, but again the focus was not on increasing wages as such but reducing illegal deductions for recruitment, levies or accommodation.

'As those of us working in the field are well aware, we do not have an internationally accepted definition of a living wage or of a methodology which has been specified for calculating one. We have come to believe that less emphasis should be placed on finding a universal formula and more on how to ensure workers and employers engage in dialogue to enable mature systems of industrial relations to develop.'

- Next

A Living Wage:

Top Down or Bottom Up?

The accepted definition of a living wage is one that enables workers and their families to meet their needs for nutritious food, water, shelter, clothing, education, healthcare and transport as well as providing for a discretionary income. Few if any garment workers in Asia enjoy such a wage, even when working excessive overtime hours.

The impact of excessive work and poverty wages on health, family life and communities cannot be overestimated which is why workers from China to Sri Lanka, Thailand to India, Cambodia to Bangladesh all tell us that increasing wages is their number one priority. A number of brands similarly praised LBL for our focus on wages and claimed to share our concerns.

Still, salaries in general remain low and wage levels are getting worse not better. Achieving a living wage for all workers is not an easy process. Defining what a living wage is and ensuring this wage actually gets to the workers are just two tricky issues involved in this process. Both could be addressed through union organising, but with union membership at below 1% in some countries this would be a slow process, even if trade unions weren't opposed and repressed by the vast majority of employers.

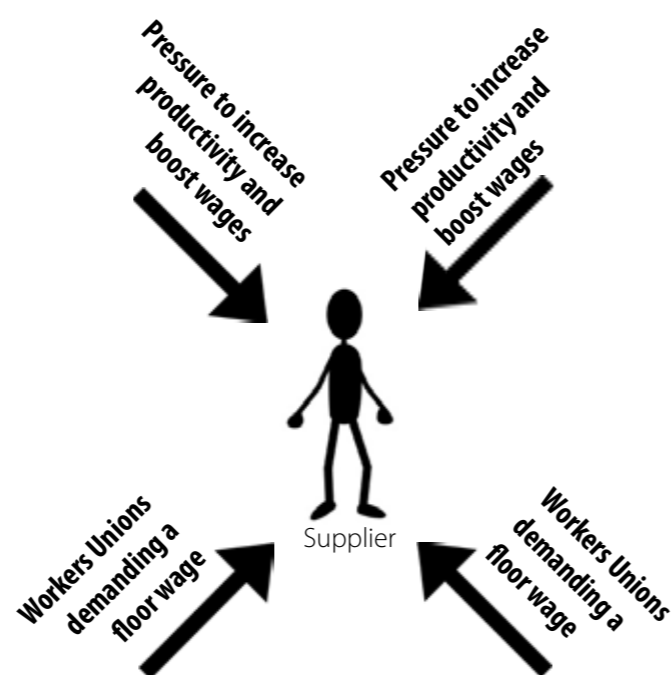
Two distinct approaches to these problems are now being developed.

Industry actors are focusing on improving the productivity of suppliers (whether factories, workshops or home workers). This means ensuring production is as efficient as possible, workers are well trained and production blockages and problems swiftly resolved. The idea is that by reducing waste and increasing the surplus value of the product itself, workers will be able to increase the wages they earn to levels commensurate with the cost of living.

The second approach comes from the workers' side in the form of a new coalition to demand a floor wage across Asia. This will be used in coming years as an organising tool to raise awareness of workers' issues, strengthen union demands, lobby governments and challenge the race to the bottom that has eroded the value of workers' wages over the last two decades (see overleaf).

Productivity: Can it be a triple win?

It's easy to see why a productivity approach is so attractive to brands and retailers struggling to match their ethical commitments to the demands of consumers, owners and shareholders. If workers can produce more goods in the same amount of time, then business can increase and more profit can be made. This can then be delivered back to workers in the form of higher pay or bonus/incentive schemes. The brands keep their price points, the employer maintains, or even increases, his profits and the worker earns higher wages. A triple win.



We remain sceptical that productivity will really deliver in this way. In the 2008 report we stated clearly that, although productivity programmes could have a place in supporting wage increases, they wouldn't ever on their own be enough. Yet this year productivity continues to be the central feature of projects that brands are defining as 'wage-focused' work. It's possible that some of these projects result in worker benefits, but we have seen no proof that this is necessarily the case and few submissions provided any concrete evidence to back up the claim that productivity and wages are interlinked.

Savings made through productivity improvements could be used to pay higher wages, but without proper union representation to demand that this is the case, savings could just as easily (and this is more likely) go into the employer's pocket. Productivity also risks actually worsening conditions by increasing the work-rate, and thereby the mental and physical stress experienced by workers, and could result in fewer or different jobs. A number of projects mentioned in this report talk about up-skilling, which sounds positive but could simply mean removing "helpers" from the workforce: a main entry point for millions of young women looking for employment.

The focus on productivity changes the emphasis and the nature of living wage projects. A living wage is a right guaranteed under human rights conventions and demanded by worker organisations. The priority is to ensure that living wages are being paid and that wage increases take place as soon as possible. Once these wages are being paid to workers it is up to the buyers and employers to work out how to cover the costs involved. If they can do this through productivity programmes, great! If not, buyers and employers should have to find another way to pay for it, and this includes increasing price.

The focus on productivity turns this logic on its head. By emphasising productivity as the key element of any wage programme, brands and retailers are signalling that they don't really see a living wage as a right for garment workers. Now it is the responsibility of workers to become more productive and employers to become more efficient first. The implication of this is that if savings can be made they could be used to cover wage increases, but this could take years to happen. If savings can't be made then wages can't improve.

Let's be clear. Wages in the garment industry are not low because of poor productivity. They are low because the structure of the industry creates intense competition between brands and retailers, governments, employers and workers. They are low because governments are failing to protect the poorest members of society through the implementation of labour law. They are low because workers have been prevented from organising and making these demands. These are the root causes of poverty wages and these are the issues that need to be addressed by all concerned with the implementation of a living wage.

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Asia Floor Wage:

Stitching a Decent Wage Across Borders.

It has become increasingly apparent that a **minimum living wage figure** is needed across Asia. The Asia Floor Wage Alliance are a large coalition of workers' labour organisations spread across Asia, supported by trade unions, labour NGOs, anti-sweatshop movements, and scholars from Europe and the USA. Together they have come up with a calculation of this figure to prevent wage competition between Asian garment-exporting countries and halt the race to the bottom.

What's it all about?

One of the root causes of poverty wages in the industry is the power of global buyers to constantly relocate production in search of ever lower prices and better terms of trade. This power is used to exert a downward pressure on wages and conditions – labour being one of the few 'production costs' or 'inputs' that can be squeezed. The basic idea of the Asia Floor Wage (AFW) is to put a 'floor' under this, thereby preventing this competition from forcing wages below poverty levels and making sure gains are more equitably shared along the supply chain.

The Asia Floor Wage coalition have formulated a unified, regional demand for a wage which is decent and fair

'Arcadia Group supports the principle of a living wage. As mentioned previously, the difficulty continues to be how to measure it. 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.'

- Arcadia Group (inc. Topshop, Miss Selfridge and Burton)

'There has long been contention about what this attempt to define a 'living wage' means in practice. The lack of a commonly-understood definition means we don't find it practicable to use the term in day-to-day work.'

- Tesco

and which can be standardised and compared between countries. This means that workers need no longer be in competition with each other to offer to work at lower pay rates in order to attract business.

This regional collective bargaining strategy will unite workers and their allies from different Asian countries behind this demand. The goal is to attain a standardised minimum living wage for workers across Asia through negotiations between garment industry employers and workers' representative organisations, and with the mediation and support of governments, inter-governmental organisations and social movements.

How is it calculated?

The process of calculation was based on a combination of negotiation and formula. The following 5 steps explain how we arrived at a floor wage figure for Asia as a region, and for each individual country, was agreed upon.

Step 1: Defining a floor wage

The first step was to agree what costs a living wage should be based on. It was agreed:

✂ That a basket of food is based on a standard calorific intake - 3000 calories per adult, 1500 per child.

✂ The ratio between food costs and other non-food

costs such as clothing; housing and utilities; healthcare (including reproductive care); social security; education and savings is 1:1 i.e. 50% of wages are spent on food costs and 50% on non-food costs.

✂ The wage should provide enough for a standard family of two adults and two children.

✂ The wage is earned during each country's legal maximum working week, though not above 48 hours.

Step 2: Calculating for each country

Research was carried out to establish the cost of a basket of goods that would meet the calorific figure agreed upon (see above). That was then multiplied by 3 (2 adults, 2 children) and then by 30 to give a monthly figure. This was then doubled to ensure non-food costs were covered. Each country then submitted a floor wage for their country (see box for example of a calculation).

Step 3: Comparing national floor wages across countries

Any calculation of a regional wage has to take into account the different costs of living in each country. For instance, in the boxed example, a Bangladeshi worker will pay 52 taka for a 3000 calorie meal. But when you convert this amount into pounds – giving 46p – it is obvious that this would fail to buy a 3000 calorie meal in any European market.

In order to address this problem each national figure was converted to purchasing power parity dollars (PPP\$). This gives us a figure equivalent to the amount needed for a US consumer to purchase an equivalent basket of goods in the US. The figures used have been developed by the World Bank in order to provide a comparison of earnings that takes into account differing costs of living in different countries. One US dollar, for instance, has a similar buying power to 22.64 taka, so a monthly figure for the floor wage based on the Bangladesh figure would be 417.4 PPP\$.

Step 4: A figure for a regional floor wage

Of course, not all countries came up with the same figure in PPP\$. In fact, results ranged from 417.4 PPP\$ in Bangladesh to 593.6 PPP\$ in Indonesia. The next step

Step 2: Calculating A Floor Wage for Bangladesh

Karmojibi Nari, a working women's solidarity group, took 11 main items that Bangladeshi workers consume daily, including rice, milk, flour, fish, and vegetables. In May 2008, this basket cost an individual worker 52.50 Bangladeshi taka (Tk). This was multiplied by three (two adults, two children). A family basket therefore costs Tk1575. This figure was multiplied by 30 to get a monthly amount for a basic basket of food, and finally, to include non food costs, the figure was doubled leading to a total floor wage figure of Tk9540 - the minimum required for a basic living wage.

was to decide a figure within this spectrum that would become the regional figure. There is no magic bullet approach to deciding which figure from this range should be taken as the Asia Floor Wage and such a decision inevitably has different consequences for different groups. If the AFW Campaign decided on a wage level at the lower end, perhaps 425 PPP\$, then organisations from a number of countries may have considered it too low to count as a living wage. By contrast, opting for an AFW at the higher end, say 575 PPP\$, may have meant that trade unions in some countries would have thought it too high to use in real negotiations with employers or government officials.

This discussion to agree a final figure was a culmination of debates within different countries and of wage survey data collected from various Asian countries. In October 2008 the Asia Floor Wage Alliance finally agreed on a figure of 475 PPP\$ which would be used by all as a regional wage demand.

AFW at 475 PPP\$ Converted into Local Currencies

Country	AFW - 2009	PPP\$ Conversion	AFW in local currencies	Current minimum wage in each
Bangladesh	475 PPP	x 22.64 =	10,754 taka	1,662
China	475 PPP	x 3.45 =	1,638.75 yuan	687
India	475 PPP	x 14.67 =	6,968.25 rupees	4,238
Indonesia	475 PPP	x 3934 =	1,868,650 rupiah	972,604
Sri Lanka	475 PPP	x 35.17 =	16,705.75 rupees	5,046
Thailand	475 PPP	x 15.93 =	7,566.75 baht	4,368

Step 5: Translating the Asia Floor Wage into national currencies

The final step was to translate this floor wage figure back into local currencies. This leaves us with a regional level wage and a national level wage for each country (see above table). The local wage figure provides a clear benchmark; one that is based on the provision of a living wage to workers. It can be used to compare with minimum, prevailing, negotiated and best-practice wages as well as other possible 'living wage' calculations. The AFW figure will be updated each year to take into account any increases in the costs of living.

Is it going to work?

The initiative aims to address a number of the barriers that have prevented any real progress towards payment of the living wage in the garment industry.

It has defined a figure, based on actual research into basic costs and a process of negotiation between worker organisations and unions, which took into account different economies and context. Labour Behind the Label, and its partners in the Clean Clothes Campaign network across the globe, will now be using this figure

as the basis for minimum living wage demands in our campaigns. The hope is that this will help the wage debate move on from arguments of definition and towards issues of implementation.

In this, and previous, reports we have emphasised the need for workers to be at the centre of any initiative to improve wages. Workers are not only at the centre of the Asia Floor Wage initiative; they developed it. Their unions and organisations will now use the floor wage concept to build a regional and global movement on the wages demand.

A number of brands have highlighted the need for governments to set minimum wages that meet living

'To achieve the kind of wage levels envisaged by the Asia Floor Wage calculation requires a sectoral transformation which we cannot achieve alone..'

-New Look.

wage levels. We agree. The AFW coalition aims to campaign on a national level for governments and industry to accept the floor wage figures and adjust minimum wage levels accordingly. If all governments do this at more or less the same time, wages can be increased without risk of relocation of production. Investment from the global garment industry can be distributed more equitably down the the chain and, in turn, the buying power of garment workers will be increased. It is hoped that such a move could contribute to the promotion of a more development-led growth. Such growth may enable the industry to match the economic development claims currently made in its favour.

The Asia Floor Wage campaign will go public on October 7th 2009; the same date we plan to launch this report. We have no idea yet how brands and retailers will respond to the campaign or its demands. If they choose to support the campaign, recognise the wage demands it makes as legitimate, and engage with trade unions, activists and campaigners involved in the alliance, we could stand to see huge improvements in the state of pay behind the UK high street.

What does the AFW want from brands and retailers?

1 Sign up to the AFW

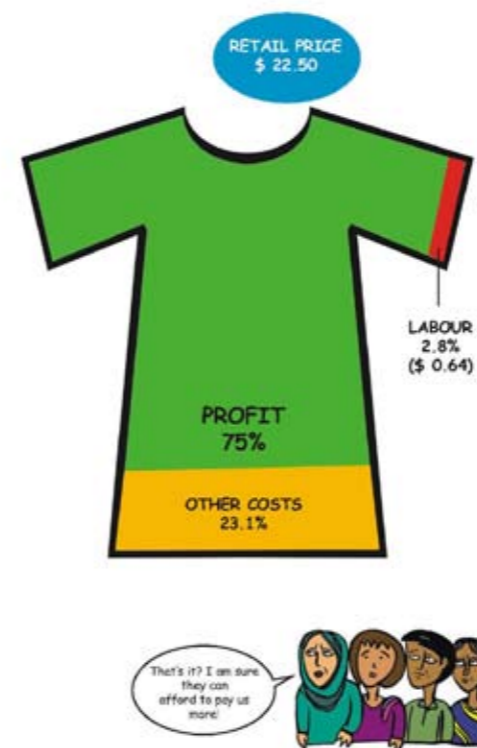
Brands and retailers should sign up to the AFW by committing to paying, as a minimum, the Asia Floor Wage. Companies can take the AFW of 475\$PPP as a concrete benchmark for a living wage in Bangladesh, Cambodia, China, India, Indonesia, Thailand and Sri-Lanka.

2 Enter into dialogue with the AFW alliance

The campaign asks companies (after they have committed to the AFW) to enter into dialogue with (local) AFW alliance partners in order to develop concrete steps towards implementing the AFW. The AFW secretariat will be able to direct global buyers towards local alliance members.

3 Adjust pricing policies

Brands and retailers exercise a lot of influence over the way that production is organised. They set prices and determine how production takes place. Global buyers need to absorb the cost of increased wages by paying higher prices to suppliers. Since wages represent only a small percentage of the retail price – normally 0.5 - 1.5 per cent – the AFW Alliance believes that the supply chain has the capacity to absorb such wage increases without too much difficulty.



Image©Asia Floor Wage Alliance.

Profile Key:


Understanding What Companies Say

The profiles in this report are based on information supplied to LBL by the companies themselves. Draft profiles were sent to each company prior to publication and they were invited to send any corrections of comments. Where appropriate, changes have been made to reflect this; although not always. Copies of the submissions and, where relevant, responses are available on our website or from the LBL office.


As in previous years, we have given companies a grade to help you follow how far along the route towards implementing a living wage they are. These grades are intended to make it easier to compare responses and see how their responses match up to our criteria. They are *not* intended to rank the companies.

For this year's report, 2009, we have used the same list of companies that were surveyed last year, although a few (Stylo and Mk One, for instance) have disappeared from the high street.

Most companies still haven't moved much beyond pilot projects so the grades this year have continued to fall largely between two and three. For this reason we've continued to award half grades. The only change we made to the grading was to state that we would consider explicit projects on freedom of association to count as 'living wage' projects.


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

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


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


Companies that refer to the living wage, but which use this interchangeably with legal minimum/ industry


benchmark wages, or which argue that minimum and/or prevailing wages constitute a living wage.

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

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

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


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

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

Grades 2.5 – 3.5 refer to companies citing pilot projects that are designed specifically to address wages. Wages didn't need to be the only issue addressed by the pilot project, but needed to be a concrete demonstrable

focus. We didn't consider pilot projects mentioned in any previous submissions unless there was clear evidence of progress made on wages in that project over the past year, or steps to implement the learning on wages from that project elsewhere.

Half grades have been awarded to distinguish between the large number of retailers that have or are planning pilot projects. We have outstanding concerns with some – frequently because they commit only to raising wages, not to implementing living wages; they fail to include workers in the design, planning and implementation of the project; or projects are interesting but the retailer does not appear committed to rolling the learning out across its supply base.

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

Companies that have made efforts to implement living wages beyond pilot projects, with a clear plan for how this will be accomplished for all workers and demonstrable progress towards that end. This year we added the need to be working systematically on freedom of association to this grade.

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

Companies that have a clear rationale and evidence that all workers in their supply chain earn a living wage.

Health Warning!

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

✂ Firstly, this information is based on a survey carried out in summer 2009. So these profiles are accurate as of October 2009, but things can and do change over time.

✂ Secondly, we saw last year that not enough companies were putting enough effort into addressing problems around freedom of association. We believe this to be a fatal flaw in any effort to improve wages so this year we included this in our criteria. We recognise that we could be accused here of changing the goalposts – we have, but hope that doing so will focus companies' minds on this important area of work.

✂ Finally, there are other things that make up the picture of how 'ethical' a company is, such as Fairtrade cotton, environmental sustainability, and animal rights. These are not included in this survey.

Our methodology is not perfect

Our profiles are as much a measure of how much effort individuals within the companies put into their responses to us as they are of company policy and practice. This is not a bad thing: transparency and engagement with stakeholders are important aspects of the steps companies should be taking.

Each profile is based on a limited (but, we think, sufficient) amount of opportunities for dialogue with the company over the last three years, rather than an exhaustive discussion. Further correspondence might have opened up new issues and answered some questions, but a cut-off point had to be drawn somewhere.

Alexon Group

(Alex & Co, Ann Harvey, Dash, Eastex, Kaliko, Minuet Petite)



Responded to Survey: No

MSI Involvement: No

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

Summary: This company did not respond to our request for information, and, although it mentions corporate responsibility in relation to the environment on its website, no information about workers' rights or wages is anywhere to be found. It is therefore safe to assume the worst – that it has no engagement with the issues at all.

Arcadia Group

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



Responded to Survey: Yes

MSI Involvement: No

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

Summary: Two wage projects from last year continue, but with little evidence of learning being used to change wages on a broader scale.

Position on living wages: *'Arcadia Group supports the principle of a living wage... The difficulty continues to be how to measure it. Until there is a universally agreed alternative, we rely on a solid benchmark specified by the ILO convention, and that is the minimum wage set by law in the appropriate country, or local industry benchmark standards.'*

Position on freedom of association: Arcadia's code includes the right to freedom of association. It has also worked in two factories where *'factory management agreed to adopt a 'Right to Organise' guarantee. In one instance this has led to workers joining a local trade union which the factory management has recognised.'*

Work so far on living wages: *'In the past twelve months Arcadia Group and Next plc have worked together on a living wages project focused on a shared factory in Bangladesh... Highlights were: On average, workers received 4,996 taka, or three times the minimum wage; 73% of workers received the War On Want living wage figure of 5,333 taka or above. In some cases this was only achieved by working overtime, however overtime was within legal limits.'*

Workers were also interviewed in their homes and food prices were obtained from a local NGO. Arcadia plan to *'extend the wage study to other Bangladesh factories' and 'continue our efforts over the long-term to achieve sustainable solutions to the findings from this study.'*

In Mauritius, Arcadia and Next had researched wages through meetings with Government Ministers and the Mauritius Employer's Federation (MEF). Other work included a piece rate study and the production of supplier guidelines addressing additional costs charged to migrant workers.

'Migrant Workers' Guidelines have been built into [a case study supplier's] HR policies. The employer now pays both the recruitment agents' fees and air fares to and from Mauritius. This has resulted in significant direct financial improvement for Migrant workers at their supplier.'

Arcadia Group

Continued

Asda/George



Plans on living wages: *'Arcadia recognises home workers in the supply chain and their vulnerability, and intends to improve our understanding of the needs and challenges that occur for this group. Our work will include mapping occasions when home workers are used, understanding wage levels for these workers, how the contractors are managed by the factory and how the contractors manage homeworkers.'*

Other significant information: *'Arcadia Group launched a Purchasing Practices project in 2008... The project is under way and has key milestones. Recommendations must be deliverable with positive solutions for all stakeholders.'*

Arcadia were keen to mention attendance of a number of bespoke seminars, one on purchasing practices, another on interviewing workers, and another run by Northumbria University addressing freedom of association. Various documentation was taken away to use with suppliers.

While reviewing this profile, Arcadia commented that we had not given enough consideration to these seminars. On the contrary, we are delighted that they took place. Nonetheless, we will wait to see if they have a positive impact for workers in next year's report.

Some work on code compliance monitoring was also mentioned including an alternative auditing programme to address gaps in factory policies and procedures, and ethical sourcing training for buying and merchandising staff.

Our Comments: Arcadia know all the right things to say but it is difficult to ascertain whether this is a result of learning gained from supply chain work or good PR. Arcadia appear to be working in all the right ways: close brand partnerships, collaborations with industry officials and government in Mauritius, willingness to attend ethical trade events and obvious attention paid to various NGO reports. Purchasing practices seem to be on the agenda, although what this entails was not specified, and mention of work in Mauritius leading to worker union membership is encouraging.

A large proportion of its work appears to focus on one supplier in Mauritius, which we assume is a factory featured in a Sunday Times exposé in 2007. We are glad to see that much needed improvements are being made there, that attempts are being made to tackle what were and are very difficult migrant worker issues and that Arcadia seems committed to staying with this factory and working with them for long term sustainable change.

However, the failure to develop policies beyond one or two factories is one of the most obvious gaps in the submission. Overall, it offers no clear strategy for implementation of a living wage across the supplier base. Both wage projects made little or no reference to learning being used to bring about change on a larger scale, and no details have been submitted indicating future plans for the pilots.

Compare this submission to that of Next, their partner in both projects, and its easy to see a clear difference in depth of engagement and willingness to implement learning on a larger scale, perhaps due to Next's experience of work with various ETI groups. If Arcadia joined this multi-stakeholder initiative it might have more chance of developing a strategic and systematic approach and suddenly find it has a lot more to say.

Responded to Survey: Yes

MSI Involvement: Yes; ETI.

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

Summary: A very disappointing submission which included no real information on living wages. Projects, all mentioned in last year's profile, include audits to monitor code compliance and a productivity project in Bangladesh. No mention was made of attempts to support freedom of association or plans to address the very real problem of wages.

Position on living wages: Asda failed to state its position on wages, but as a member of the ETI must have committed to living wages as part of their code. It is clear that Asda don't consider it to be their responsibility to address wages or other issues:

'Suppliers need to take ownership of compliance in their factories. They need to demonstrate that they are regularly and rigorously auditing their own factories... Our code addresses both wage and freedom of association considerations.'

Position on freedom of association: None stated and no work mentioned.

Work so far on living wages: Asda's work on wages so far is based on enforcement of their code through auditing programmes and a productivity project in Bangladesh.

1. Improved auditing system:

The only direct reference to Asda having a direct impact on workers wages was mentioned in regard to its auditing programme:

'Our audit programme, with its process of corrective action plans and follow-up audits, although not foolproof does allow us to engage at factory level in order to drive change. As an example, an audit carried out earlier this year at a factory in Bangladesh found issues with minimum wage payments. In discussions with the factory, we requested that the factory management address the pay shortfalls immediately, before we would continue to do business. The management and vendor agreed to pay out any backdated pay to their workers, and implemented a process to ensure the prompt and correct payment of workers.'

It is of course positive that Asda picked up the illegal levels of wages at this supplier. However the corrective plan only looked at ensuring wages met legal minimum and didn't look at addressing overall wage levels. With minimum wages falling well below

Asda/George

Continued

the poverty level in Bangladesh this doesn't give much optimism for the general level of pay in Asda supplier factories.

2. Productivity project in Bangladesh:

'Working with 6 Factories in Bangladesh, we have introduced a programme to retrain workers, improve and re-engineer production flow, and reduce product damages and down time. It is anticipated that this work will: empower the work force through improved skill levels, increase earning potential for workers such that they enter skilled pay band levels, reduce working hours to support a better work/life balance.'

Plans on living wages: No specific plans were outlined for the coming year on wages.

Other significant information: Asda are changing tack and trying to go beyond auditing by supporting suppliers through education projects and consultation. They supplied information on a critical path management project to address lead times in the hope of mitigating against poor labour practices in production sites. Through the ETI homeworkers group they are also developing tools to map their supply chain, enhance transparency, and monitor production times needed for handwork processes

Our Comments: It is extremely disappointing that a company as large as Asda/Wal-Mart is still failing to seriously address an issue as important as wages and judging by its submission is falling well behind its closest competitors in regard to the quality of its work in this area.

Although its good to see that Asda's audit programme picks up on shortfalls, the case study they supplied makes clear that Asda is applying minimum wage standards to its work in this area. In Bangladesh this equates to just under Tk 1700. This is well below a living wage. The Asia Floor Wage campaign sets this as over Tk10,000 in Bangladesh.

Their work on productivity also offers no guarantee of improving wages for workers. Although some workers may gain greater potential for increasing their earning through becoming more skilled it is unclear how the project intends to raise wages across the board.

The benefits of productivity projects can fall straight into the pockets of suppliers and result in additional stress on workers. Without worker involvement and input into the process, a key element of any credible project on wages which is not mentioned anywhere by Asda, it is unclear that workers themselves will see any benefit.

Aurora Fashions

(Oasis, Warehouse, Karen Millen, Coast, Odille and Anoushka G)



Aurora Fashions became the parent company of Oasis, Warehouse, Karen Millen, Coast, Odille and Anoushka G following the administration of Mosaic Fashions in March 2009. Ethical policies and functions were retained.

Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: An improvement on last year, although by a different parent company; Aurora are making an effort to match living wage levels to NGO research and implement freedom of association projects in China

Position on living wages: *'Policy is unchanged from last year. We support the right of all workers to receive a living wage...'*

Position on freedom of association: Code of conduct states *'Freedom of Association and the right to collective bargaining are respected.'*

Also, 'As part of our Ethical Trading conference [in Turkey and Hong Kong] we addressed this topic [Freedom of Association] with suppliers, explaining that workers have a right to join a trade union if they so wish and that management must not discourage workers from exercising this right.'

Aurora's work on this in China also included *'encouraging the formation of worker elected committees to provide a forum for workers to express their views and engage in dialogue with management.'* It further stated that it would be premature to describe this as a form of freedom of association but were returning to the factories shortly to continue work on this *'complex area.'*

Work so far on living wages: Aurora's main piece of work seems to be ensuring audits measure wages against recent estimates in ethical reports:

'In China – our largest sourcing country – the estimated living wage [according to Traidcraft and Impactt report 'Material Concerns] is RMB 855.64. According to this figure the minimum wage across China is close to a living wage, with some regions nearer than others... The minimum wage in Hangzhou – one of our biggest and growing sourcing regions – was estimated to be 99% of a living wage when the report was published. Since

Aurora Fashions

Continued

BHS



then, the minimum wage has been increased to RMB 960, taking it above this figure.'

It is unclear how Aurora intends to address wages in areas where the gap between minimum and living wages are significant

Plans on living wages: Aurora mentioned that there is 'now a plan to establish a living wage project in Turkey' but gave no indication as to what such a project would involve.

Our Comments: The wage figures that Aurora have used to calculate living wages in China were taken by Traidcraft researchers from LBL's Clean up Fashion report in 2007. Since then living wage levels have increased dramatically. The Asian Floor Wage figure for China is now RMB 1638.75 so it will be important for Aurora to move beyond minimum wage targets if it is too ensure living wages for all workers. It is good to note however that Aurora see the importance of using real figures, preferably negotiated, to match wage levels and we hope that they continue to take a similar approach in the future.

It is encouraging to see that Aurora are taking freedom of association seriously too, although its surprising that China (where it is prohibited) has been chosen for this piece of work. We look forward to seeing this work extended to other supplier countries where associational rights are protected to a greater extent by law.

The glaring omission from Aurora's submission is any attempt to work collaboratively. It will be difficult for Aurora to develop genuinely effective projects if it continues to work alone. Joining a multi stakeholder initiative would give it the chance to thrash out wage issues, learn from the work of others and add more depth to its plans.

Responded to Survey: No.

MSI Involvement: No.

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

Summary: BHS have been bought by Arcadia and we were informed that it will shortly become a member of the Arcadia Group. As BHS have never responded to our requests for information and have consistently received the lowest score, we hope that under new ownership we will start to see some progress.

Burberry



Responded to Survey: Yes

MSI Involvement: No

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

Summary: This is the first year that Burberry has responded to the Clean Up Fashion survey and we are pleased to see one of the more luxury brands are starting to engage on this issue. The submission shows Burberry have a long way to go, but it is not a bad start. Work mentioned includes productivity improvements, a worker hotline, and consultations with workers' rights groups.

Position on living wages: Supports a living wage and has adopted policies based on the ETI base code; says *'Living Wage is considered a critical issue – our highest level of concern.'*

Position on freedom of association: Based on the ETI base code. Implementation is being done through training programmes with local NGOs. Some work to resolve issues in partnership with a number of unions was also mentioned. Burberry also stated that *'65% of our vendors workforce in Turkey are unionised.'*

Work so far on living wages: **Capacity building programmes**

"Suppliers in Asia are taking part in Burberry nominated capacity building programmes that focus on addressing the root causes of non-compliances through trainings on productivity, enhancing communication, worker rights and improving management and HR systems... 3rd party consultants are working with factories to teach workers and management how to run more effective worker committees. Any productivity programme is partnered by non-profit organisations to ensure the workers are being respected."

Worker feedback

"Workers in 14 supplier factories have been trained in the Burberry Confidential Worker Hotline run by our non-profit partner since Nov 2007... Extra attention is paid to worker complaints regarding wages."

Consultation

Burberry *'regularly participate in meetings with other brands, CR practioners, NGOs, non-profit worker rights organisations, and CSR organisations'* to discuss monitoring, training and partnerships in relation to living wage issues. Meetings are held on a corporate level and *'in sourcing countries with local representatives'*.

Plans on living wages: 10 further worker trainings for the Burberry Confidential Worker Hotline.

Other Significant Information: It is an active member of three Business for Social Responsibility working groups. It says that it sources *'the vast majority'* of its garments from factories within Europe where *'the minimum wage of the country would be deemed to be a living wage.'*

Our Comments: Along with a number of other companies, Burberry have jumped on the productivity and capacity building band wagon to improve wages. Our main worry is that these projects offer no guarantee of improved pay for workers, and often lead to increased stress and time demands in the workplace. Burberry's mention of non-profit organisation partnership on the project is good, but we hope that continual monitoring of worker experience in this project will lead decisions.

We are yet to be convinced that a worker hotline is an effective method by which workers can feel able to report concerns, as these tend to focus on resolution of individual grievances rather than collective or systematic issues. A real attempt to support workers' unions, not just committees, through genuine promotion of the right to workers and local unions would give workers a collective voice to communicate with the company and the supplier.

Burberry make a number of mentions of consultations with NGOs and workers' rights groups – good. A significant step, however, would see them join a multi-stakeholder initiative and stop working on these issues in isolation.

Clarks



Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: Clarks has a basic auditing system and uses this to monitor wages but it has a long way to go to ensure living wages for its workers

Position on living wages: Clarks code of conduct states that *'wages must be sufficient to meet basic needs.'*

Position on freedom of association: *'We have confidence in our audit programme which covers compliance to our own standards as well as incorporating the key conventions of the International Labour Organisation – including freedom of association and collective bargaining.'*

Work so far on living wages: *'Our audit process is currently the prime driver in improving wages... Audits review both pay and payment systems to ensure all aspects of pay & benefits are compliant with legal minimum. Evidence shows us that many of our suppliers pay above these minimum levels.'*

Plans on living wages: None

Other Significant Information: Clarks appears to be considering the possibility of taking a more collaborative approach to labour rights in the future:

"We are currently reviewing membership of multi-stakeholder organisations with whom Clarks can work: to link with our competitors and make an even more persuasive case. I expect to see action in this area in 2009."

Our Comments: Clarks don't appear to have made any progress on living wages in the last year. Although their code promises wages to meet basic needs, legal minimums are far from this and no steps have been taken to research or implement the real deal. The Asian Floor Wage campaign could give them some pointers as to what a living wage really means but would require Clarks to develop a more coherent strategy for improving labour standards. A decision to join an MSI this year would help facilitate this.

Debenhams



Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

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

Summary: No action, waiting for ETI wage group to get under way.

Position on living wages: Adopted the ETI base code which states that *'wages should always be enough to meet basic needs and to provide some discretionary income.'*

Position on freedom of association: None stated, but their code states that, *'Freedom of association and the right to collective bargaining are respected.'*

Work so far on living wages: None mentioned

Plans on living wages: *'We hope this year to get involved in a specific project and once the ETI working group meetings happen again, which have been dormant for quite some time, then we will join and hope to set some targets.'*

Our Comments: Debenhams have used the ETI fig leaf for a number of years now and it doesn't really work. As a long standing ETI member, this company has an understanding of the issues and has talked with other companies taking good steps on the living wage ladder. It should stop waiting around and start to implement its wage policies.

Ethel Austin



Responded to Survey: No.

MSI Involvement: No.

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

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

French Connection



Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: Nothing to report. The same statements as last year were reiterated.

Position on living wages: *'French connection believes that all our suppliers should pay their employees (including piece rate workers, home workers and sub-contracted workers) a fair living wage. We reflect these standards in our Supplier Manual which we expect our suppliers to adhere to and in choosing our suppliers we take into account the standards at the facility and the approach of the local managers.... Our ability to influence our suppliers is limited by the size and scope of our business.'*

Position on freedom of association: *'Among other rights and freedoms that employers in our supply chain should allow their employees, we believe that workers should benefit from freedom of association.'*

Work so far on living wages: None mentioned

Plans on living wages: None mentioned

Our Comments: Its clear that French Connection continue to take little responsibility for labour rights in their supply chain. Simply issuing a manual and expecting suppliers to adhere to it without any engagement or strategy will do very little to tackle complex issues. Although French Connection says that it feels limited by its capacity, a number of things could be achieved if it showed any genuine concern for the conditions of workers in its supply chain. Not least of these would be joining a multi stakeholder initiative and becoming aware of the living wage debate.



Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

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

Summary: Gap's plans remain impressive in depth, with research completed and work now planned in seven countries. It is the one company to ensure that trade union rights are central to its plans, however, it has yet to start any real action on the ground to increase wages and needs to progress more quickly in this area.

Position on living wages: *'We are committed to the principle that wages for a standard working week should meet basic needs of factory workers and provide them with discretionary income.'*

Position on freedom of association: *'It is our on going belief that worker rights organizations are a strong and critical voice when it comes to any issue of labour rights including wages and any sustainable change in practices cannot happen without all the relevant stakeholders being involved in the process.'*

Work so far on living wages: Gap completed phase 1 of its wages proposal - research and strategy development - and chose to expand the scope of the research from five to seven countries in South and South East Asia. A *'credible 3rd party'* from a human rights background was involved from the outset to supervise the collection and analysis of the data.

'All of the research analysis will also be shared with the International Textile Garment & Leather Worker's Federation (ITGLWF) as the entire project is being developed in consultation with them and the project plan of the various phases are also being constructed accordingly.'

Plans on living wages: Gap is also planning the *'Living Wage Brands Consultation Workshop'* to be held jointly in partnership with the ITGLWF in the last quarter of this year *'in order to facilitate multiple brands and retailers to converge on this issue.'*

Gap states that *'phase 2 – 5 of the Living Wage Pilot will continue as stated earlier in the 2008 report'*, as follows:

✂ Phase 2 Establish a working group with worker, management and trade union representatives in the factory to produce quarterly plans and determine the best approach to enhance wages through a variety of mechanisms.

✂ Phase 3 Employ a credible third party to assess the impact of the wage project on the business and on the workers.

✂ Phase 4 Produce a draft report on key learnings and share findings in internal workshops. Publish the final report and share learning with external stakeholders.

✂ Phase 5 Develop a strategy to roll out the wage project on a global scale.

Other Significant Information: Gap have been working with the trade union SEWA in North India where *'nearly 500 women have been organized... and are now earning nearly 80% higher wages than before in a timely manner with transparent documentation being maintained. 'We continue to link more suppliers into such models that help the employer and employee have a more direct relationship with each other.'*

Our Comments: Although Gap are receiving one of the highest grades for their submission we note that their project, unlike many other brands, has yet to start work with actual factories and plans are remain very much under development.

We acknowledge that if and when these plans get under way the Gap project may be one of the strongest in terms of delivering on all four pillars of the living wage and the only one that has trade union rights as a central tenet.

In 2010 GAP does really need to push ahead with concrete actions to deliver real evidence that increased wages are being delivered to workers. We look forward to seeing evidence of this taking effect in the next stage.

House of Fraser



Responded to Survey: No.

MSI Involvement: No.

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

Summary: House of Fraser has an ethical sourcing policy, but it is not developed enough to have considered living wages

Position on living wages: From their ethical sourcing policy: *'Wages must be paid according to the national law or industry benchmark, whichever is the same, or greater than the minimum wage.'*

Position on freedom of association: Ethical standards policy states: *'Workers, without distinction, have the right to join or not to join trade unions, workers' associations and bargain collectively.'* The policy makes it clear however that neither the supplier nor the company are responsible for promoting this vital right.

Work so far on living wages: None mentioned.

Plans on living wages: None mentioned.

Our Comments: No response was made to our request for information. House of Fraser's code states that wages must be paid at a national or industry minimum - well below a living wage. The policy furthermore states that responsibility for compliance with the code is left with suppliers, so there is no guarantee that workers receive even this amount.

John Lewis



Responded to Survey: No.

MSI Involvement: No

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

Summary: No response received since 2007; no evidence of living wage activity on its website.

Position on living wages: John Lewis have recognised the concept of a living wage in its Responsible Sourcing Code. Given its lack of engagement or work in this area, however, wages are unlikely to meet living wage levels and it is unclear if there is any commitment to improvement.

Position on freedom of association: The code states, *'Suppliers shall recognise and respect the rights of workers to freely join associations (such as workers councils, trade unions and workers' associations) which can collectively represent their interests.'* It is very clear that John Lewis take no responsibility for encouraging these rights.

Work so far on living wages: None mentioned

Plans on living wages: None mentioned

Other Significant Information: John Lewis suppliers complete online self audits, and if there is cause for concern, the company send in independent auditors to sort out the problem. A supplier's handbook is available on the website outlining monitoring steps and suggestions for calculating and paying a living wage. Action plans and responsible sourcing check lists are similarly available.

Our Comments: John Lewis have adopted a classic hands off audit approach, which sadly takes little notice of the difficulties faced by many workers in supplier factories. Suppliers can essentially do as they choose and report what they like.

Without concrete steps to practically implement a living wage its responsible sourcing principles will remain aspirational. A level of depth could be gained if the company would work with others facing the same issues through a multi stakeholder initiative such as the ETI.

A very disappointing approach to workers' rights from a company that should be doing a lot more.

Laura Ashley



Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: No real activity beyond sparse auditing but some research activity into living wage disparities appears to be in the pipeline. It continues to use the minimum wage as a standard but seems to show some progress in recognising the insufficiency of this.

Position on living wages: *'Laura Ashley believes and endorses the living wage ideal. Wage should meet basic needs and provide some discretionary income.'*

Position on freedom of association: Supplier Manual states *'no worker should be discriminated against or prevented from joining a trade union or from bargaining collectively.'*

Work so far on living wages: None

Plans on living wages: *'Recent audits have shown us that workers earn more than the set minimum wage in many cases. We are now trying to determine what the gap between these earnings and the living wage should be, and what the implications to our business are.'*

Other Significant Information: It has launched a Fairtrade cotton range, which is of benefit to cotton farmers but has no effect on garment workers' wages.

Our Comments: Laura Ashley's research into the gaps between current and living wages for its workers sounds like a step in the right direction. We hope that its findings progress into the development of strategies for improving wages and real implementation of this work, ensuring living wages are paid into the pockets of workers. Joining a multi-stakeholder initiative would help with some ideas for ways to do this.

Levi Strauss & Co.



Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: Accepts no responsibility for workers' wages, but has made some effort to engage with governments to lobby for increases in minimum wages.

Position on living wages: *'Levi Strauss & Co. believes in the principle that wages and benefits for a standard work week should be sufficient to meet workers' basic needs and provide some discretionary income. Markets set wage rates. Where wages fail to keep workers above the poverty line, governments should set minimum wages consistent with the cost of living, in consultation with representatives of workers and employers.'*

Position on freedom of association: *'We understand that the right to freely associate and organize is an issue where there remains significant historical, social and legal obstacles. We are committed to working with our suppliers governments, other companies and interested stakeholders to uphold these rights for all workers.'*

Work so far on living wages: None mentioned.

Plans on living wages: None mentioned.

Other Significant Information: *'Our work in the public policy arena and at the government level enhances our overall responsible sourcing work in that it seeks to lay foundations for and improve upon local policies that directly affect workplace standards and workers' rights in countries where we source.'*

Detailed information was included on monitoring of its terms of engagement, involvement in an ILO/IFC Better Work Project, and its advocacy for worker rights provisions in trade agreements.

Our Comments: Levi Strauss takes no responsibility for living wages as it believes that responsibility lies with the market and with governments to set and enforce decent wage levels. It fails to recognise that companies have a role to play in setting market rates and prices. Its business model encourages governments to keep wages low and places suppliers and countries in competition.

It is of little use for Levi's to support the principle of a living wage if it takes no responsibility for the root causes of poverty wages. However, it is worth mentioning, that Levi's does engage in public policy lobbying in line with this wage position and can give examples of this work. It is unclear if its purchasing practices also support a move toward higher wages.

Marks & Spencer



Responded to Survey:	Yes.
MSI Involvement:	Yes; ETI.
Grade:	3.0 Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
Summary:	M&S' work on productivity is gaining in momentum, but the project in isolation offers no guarantee of living wages. M&S' failure to engage with freedom of association so far has held it back from attaining a higher grade.
Position on living wages:	<i>'We believe that all workers in our supply chains should earn enough money to meet their basic needs, whether they are paid on an hourly basis, piece rate basis or work in the informal sector, such as homeworkers. In addition, their earnings should provide some discretionary income, in line with our Global Sourcing Principles and the ETI base code.'</i>
Position on freedom of association:	M&S believes that, <i>'Freedom of Association is important as it gives workers the opportunity to voice their opinions and express their views. It can be achieved in a number of ways, including through trade unions or workers committees.'</i> NB: A 'workers' committee' and a 'trade union' are fundamentally different things. When workers' committees are instituted they often replace genuine worker organisation and the bargaining power vital to real freedom of association efforts is lost. Such an approach remains a fatal weakness in M&S' work.
Work so far on living wages:	A productivity scheme called Model Ethical Factories was completed in 3 factories in Bangladesh. ✂ The programme delivered: productivity training, worker rights training and supervisor/middle management training over the course of 1 year. ✂ Programme planning and the production of training materials happened in partnership with local organisations <i>'including an NGO/Social Development company and a business school'</i> and other consultants from overseas. ✂ <i>'An anonymous worker survey was carried out in each factory to gather views'</i> at the beginning of the project. This process was repeated in September 09 at the end of the project. ✂ Work was evaluated based on key performance indicators and an impact assessment was carried out for workers involved. <i>'Early measurement of the key performance indicators show that significant improvements can be seen in communication between workers and management and the training has created a more conducive environment for open dialogue.'</i>

Plans on living wages: *'We are implementing new wage structures in each factory to reflect the improvements, and incentive schemes are being developed to further motivate workers to receive additional financial benefits.'*

M&S said furthermore that it *'will be rolling the programme out to remaining factories in Bangladesh throughout the remainder of 2009 and into 2010.'* It also identified India as the next country in which the programme will be implemented, starting by the end of 2009.

M&S committed to share the learning and best practice with the ETI through the living wage project group, and to all ETI members in September.

Other Significant Information: M&S have developed a buyers' training course, in partnership with Traidcraft and the Chartered Institute of Purchasing and Supply, to help improve purchasing practices, which will be put in place from Autumn 2009.

In response to reading a draft of this profile, M&S also stated that *'We are now working with GTZ and the ITGLWF to develop an education programme for workers, senior management and factory owners in order to create environments to allow the right [of freedom of association] to be exercised if wished for by the workers, and to put mechanisms in place to allow it.'*

Our Comments: M&S have been working on this programme over several years and although limited to three factories at the moment the impacts of the project are starting to be fed back and it does now seem to have a plan for expansion.

Our concern remains that it is primarily a productivity project and we continue to question whether productivity alone can deliver a living wage. Increased pressure in the workplace, and the concern that most financial benefits bypass workers are just some of our worries regarding this approach.

Although worker interviews did play a part in the evaluation process of this project, worker input had no role in the programme planning. This top down approach to worker involvement seems systematic. All of our partner unions in Bangladesh are aware that M&S is running an Ethical Factories programme in Bangladesh, but none have been able to discover which of their suppliers are included in the programme. This is a vital missing step. The late submitted information on a proposed education programme around freedom of association sounds interesting, but we are unsure to what scale this will be rolled out so we reserve opinion until we've seen it implemented.

In a pilot project of three factories, done over a period of three years it may be possible for M&S to conduct workers' surveys and interviews and genuinely monitor whether productivity benefits get passed on to the work force. However, unless M&S take a more pro-active approach to involving workers and their trade unions in the project we question if this can be done on a large scale and whether such a programme will do anything to address workers' rights issues.

Matalan



Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: Matalan is clearly making more effort than before to respond to criticisms levelled against it in previous years, including ensuring freedom of association and collective bargaining are included in its supplier code. However, its submission shows it has a limited understanding of complex issues and Matalan has a long way to go to convince us that efforts are genuinely improving wages.

Position on living wages: *'Matalan fully agrees with and supports the need for workers to be paid a reasonable living wage and continuously monitors the progress made through an ethical audit process.'*

Position on freedom of association: *'An agreement with each factory is to be made to introduce and display the Matalan corporate and socially responsibility policy on all factory notice boards both in English and in local language. This includes the payment of living wages and freedom of association.'* It seems, though, that Matalan's audits are still mostly based on a tick box approach so it is unclear how simply displaying notices is expected to improve access to these important rights.

Work so far on living wages: *'A programme has started to introduce a wage structure with definite time scales for progression. At the bottom of the scale, the wages must always be at least equal to the local government minimum... At the top of the scale, it's not unusual for a production workers to earn in excess of 3 times the government minimum. This has benefits for all parties involved, not only does it give the worker sense of achievement whilst earning a living wage but also serves to provide a long standing skilled workforce.'*

Plans on living wages: *'Over the coming year a pilot bonus scheme will be implemented into 2 factories within each of our strategic hubs of Bangladesh, China and Turkey. If successful, we will be looking to roll it out into other countries within our supply base. This bonus scheme has to be linked to product output and its succession through the supply chain and is paid to the workers at all levels.'*

Matalan later corrected this saying *'The bonus scheme is based upon quality not output. I apologise if this was not made clear enough.'*

Matalan also added a further plan to *'place securely locked boxes for employee comments that can only be accessed by Matalan auditors within our Model factories in China, Bangladesh and India.'*

Other Significant information

Matalan's failure to engage adequately with complex issues can be seen in clearly in its approach to "outworkers" (or homeworkers). *'In most cases outworkers have now been moved into the factory environment where [wage structure] can be controlled in the same way.'* Trying to eliminate outworking from supply chains is not only damaging to the women who rely on home working as a vital source of income, but risks making such work even less visible. Matalan's approach to monitoring the outworking that does exist is inadequate.

Our Comments:

The proposed wage progression structure which Matalan is adopting starts far too low. A living wage in China according to the Asia Floor Wage calculation is RMB 1638, and the national minimum RMB 960. A Chinese garment worker under the Matalan scheme would have to work for two years before progressing to a level suitable to earn a living wage. Matalan offers no guarantee that it will retain suppliers for that amount of time, and it is quite possible that worker turnover would prevent workers ever reaching this level. Matalan's code states that *'living wages will be paid to all employees'* and this should apply from the start of their working life. As workers increase in skill and experience, of course, salaries should increase, but this is no excuse for poor wages for the young, unskilled women that make up a good proportion of Matalan's workforce (they estimate 10% but it could be more).

The proposed bonus project is of the kind that offers to pay workers more in return for working harder. This is the worst kind of productivity programme. Workers aren't in poverty because they don't work hard enough. They are in poverty because they don't get paid adequately for the work that they do. Bonus schemes often increase stress and pressure, and promise pay increases that they are unable to deliver. Matalan's later correction to their submission, stating that the scheme is based on quality not output, is not only a clear contradiction to what was submitted previously, but we're unsure how 'quality' could be linked to worker bonuses in an objective way.

With the wage structure changes and the proposed bonus project, the key point we must make is that a living wage is a basic right and shouldn't be awarded merely as a prize for hard work. If the pilot bonus project is to be a success then workers need to be involved in the design and planning of the concept from the beginning.

Matalan acknowledged in its submission that it is unable to do effective work on wages alone. We agree. If Matalan is serious about starting to address these issues then it needs to start engaging properly through credible multi stakeholder initiatives such as the ETI.

Monsoon Accessorize



Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

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

Summary: Monsoon's impressive project plan outlined last year is taking effect; including a wage study/productivity project in India, a homeworking study focusing on purchasing practices, and a project to improve bargaining rights for workers in China.

Position on living wages: Supports the living wage and has adopted the ETI base code; says it is a 'priority area.'

Position on freedom of association: *'We have developed a strategy (to run in parallel with our auditing system) which is based on a negotiated approach. Essentially, we are seeking to empower workers by taking cognisance of participatory approaches to affect free and unfettered collective bargaining.'* This is being implemented through work with suppliers with NGO and trade union support.

Work so far on living wages: Monsoon Accessorize submitted a project specification last year with a methodology emphasizing the following factors among others: collaboration with local stakeholders; calculation and negotiation of a living wage figure at national or local level; negotiation of new prices with suppliers that allow workers to earn a living wage and, promoting a climate in which industrial relations can develop by educating both workers and management in their rights. This year we were keen to hear what progress had been made in implementing the project.

The project plan has now been put into place initially in two countries. The first, a project run independently by Monsoon in India, the second an ETI collaborative project in China. In regard to the India project Monsoon outlined their progress over the last year:

'We have carried out an independent basket survey (carried out by ASK, an NGO) to ascertain the cost of living in regions where workers live. The latter findings are significant and have revealed a complex problem in that the situation cannot be resolved by direct intervention on wages alone...'

Monsoon were 'pleased to note that wages and benefits had risen significantly' for Indian home workers in Bareilly, where Monsoon is working as part of an ETI Homeworker project. However, the meeting notes that accompanied the submission also acknowledged that home workers' wages are still failing to meet the legal minimum.

The China project is covered by confidentiality clauses meaning limited details could be shared, but Monsoon was able to tell us that:

"[The project's] aim is to improve bargaining rights of employees in their quest to obtain better wages... The learning from this and the improved industrial relations that ensue, will be used to bench mark other supplier who will be challenged to follow this lead."

Plans on living wages: In India the proposed project focuses on productivity improvements, improving communications between management and workers, and supplier training. Monsoon was keen to emphasize that,

'...a key element in the success of this work will be the involvement of key stake holders. The productivity consultant we have chosen and our NGO partners will work in a collaborative manner working with worker representatives to ensure that the process is participatory throughout and fully transparent.'

In the home working wage project Monsoon are planning 'a detailed value chain analysis, and examination of our purchasing practises' in relation to homeworking. It will 'monitor the development process through to delivery of final production to establish how the price is negotiated and this will lead to a broader purchasing practices study within our business... The learning from this will be rolled out across our homeworking supply base in due course.'

Other Significant Information: Though Monsoon is one of the few retailers to acknowledge its part in 'negotiating a fair price so that a living wage can be paid,' it is however concerned to ensure that 'all actors involved are adding value to the process' and states that 'increased costs provision will primarily have to be driven by productivity improvements.' Therefore, the current focus is on determining garment costings and supply chain transparency.

Our Comments: Monsoon's project shows a clear engagement with the difficult issues around delivering a living wage to workers and covers all the four areas of a good living wage project. It is great to see worker involvement built into processes and a strategy being developed to support freedom of association.

It seems that the implementation of the project is moving somewhat slowly - the only concrete result appears to be the completion of its study into living wage calculations. We are pleased to see that the living wage amounts which its research calculates come in at a similar level to the Asia Floor Wage calculations - Rs 6882 for a worker living alone and Rs 9701 for a worker living with a family. This is a variation of between Rs 2687 to Rs 5984 from the national minimum. This gap will be difficult to fill with productivity improvements alone so it will be important for Monsoon to also examine pricing and costings, which it indicates it is planning to do. We would urge them to do this alongside productivity projects rather than waiting until after their completion.

It was good to read a number of references in support of freedom of association and bargaining rights and it will be interesting to hear ongoing reports in regard to Monsoon's support of bargaining rights in China.

Monsoon's work in ensuring wages are raised for home workers is also extremely welcome and we hope it will continue. The fact that home workers in Bareilly have seen an increase in wages is positive although Monsoon should learn the lesson of how quickly such increases can be wiped by inflation if progress is not timely. It is also important to note that even with such improvements most home workers in the project are still not earning the minimum wage, let alone the living wage. As such, it would be difficult to classify this project so far as a success.

New Look



Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

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

Summary: An impressive project with wide scope and a clear plan for improvement to pay, but productivity improvements are still not delivering living wages.

Position on living wages: *'As ETI members, we endorse the principle of living wages for all workers in our supply chain, including those on piece rate, sub-contracted workers, informal and home workers...'*

New Look noted that a key factor for workers and management when thinking about living wages this year was the economic crisis and uncertainty about the future. *'A key element which has gained importance for workers is access to social security or savings schemes (where these exist) as well as a desire for a greater degree of permanency in their employment.'*

New Look were keen to *'stress once again that we acknowledge that our approach is one of incremental improvement towards a living wage.'*

Position on freedom of association: *'As members of the ETI, we are committed to the principles of freedom of association and the right to collective bargaining. However, the penetration of trade unions in our supply base is relatively low.We believe that when workers are able to express their concerns to management, there is far less risk of significant labour rights abuses. For this reason, this year we prioritise the roll out of our worker committee model to factories where there is no active trade union present.'*

New Look does acknowledge that workers committees are not the same as trade unions and that a functioning trade unions is by far the preference. However, it seems in practice that it relies on workers committees even where trade unions are active and able to operate, for example in the UK.

Work so far on living wages: New Look have been working for three years on a project with two factories in Bangladesh aimed at exploring *'how far production efficiency and incentives for workers, together with better worker representation and better access to benefits, could increase wages towards a living wage.'* Outcomes included:

- ✂ Overtime limited to a maximum of two hours per day.
- ✂ Average take-home pay stabilised at 3,200 taka for Grade 7 workers (lowest paid) which is up 33% since the project began.
- ✂ Improved fringe benefits including a voluntary savings scheme sponsored by the factory where each premium is matched 1:1 for up to 8% of the basic wage.
- ✂ Worker committees established .

A pilot project started in Northern India found *'casual and contract workers working long hours, with few rest days, low pay, and very high levels of absenteeism and worker turnover.'* The project took on two objectives:

- ✂ *'Regularising employment terms':* It put in place a leave application system, held weekly worker clinics, transferred 320 tailors to formal contracts, and ensured payslips contained accurate information.

✂ *'Incentivising workers to improve productivity and cut absenteeism':* A trial line was set up with higher productivity targets, set time off and a Rs 500 bonus if target was met. This proved successful and was replicated across the factory.

Plans on living wages: Continual rolling out of the programme: *'We have kicked off projects with 2 factories in India, and 1 further factory in Bangladesh (working with suppliers responsible for around 4% of our volume), and will shortly start work with 1 factory in Cambodia and 1 in Vietnam (supplying our second largest supplier responsible for 8.6% of our volume) and 1 in China.'* New Look are also developing workbooks and training programmes to help transmit their learning.

Other Significant Information: On purchasing practices, New Look said that: *'Our team of 22 Ethical Champions, volunteers from Buying, Merchandising and Design are acting as increasingly effective advocates of ethical trade within our commercial department, and are active participants in our efforts to improve the impacts of our purchasing practices on workers in our supply chain.'*

It also noted that one of its key aims of 2009 was *'to communicate better with suppliers to provide more information in advance on order volumes.'*

Our Comments: New Look are carrying out very advanced work on increasing wages which is making genuine improvements to wages for workers on a large scale. It is starting to integrate purchasing practices improvements into all levels of the design and production process, and their projects are designed so that the improved package meets workers' expressed needs (New Look are the only brand who have managed this). Furthermore, there is an obvious plan in place to roll all this out across the supply base.

To reiterate what was said last year however, the project has little hope of reaching living wage levels using merely productivity as a mechanism. The Asia Floor Wage calculation outputs a living wage in Bangladesh at over 10,000 Taka and the productivity improvements managed are taking pay, including benefits (which should be excluded from living wage calculations), to just over 4,000 Taka for the lowest paid worker. New Look needs to take this seriously and put other projects in place to raise costs paid and ensure that this filters through to workers.

One area of serious concern for us is New Look's tendency to use workers' committees over trade union organising. Although we recognise that only a small number of the world's garment workers are members of unions it is important to note that this is in large part due to the considerable barriers workers face in choosing to organise. The establishment of workers' committees even in countries where unions are an acknowledged can show a brand's unwillingness to engage with union activity. We are unclear why New Look are using this approach in countries like the UK. In places where union organising is prohibited (e.g Vietnam and China), we agree, there is a role for workers' committees, but they must be properly representative. If, as is the case for New Look's Bangladesh factory, workers are appointed not elected, it is misleading to talk of them as 'worker representatives.'

With New Look's commitment to, and influence over, the factories in its project there is an opportunity to do interesting work around the promotion of freedom of association, working with unions on the ground to build respect for this important right.

Next



Responded to Survey: Yes.

MSI Involvement: Yes: ETI.

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

Summary: Some transfer of learning between pilot projects but still no clear plan towards implementing a living wage across the supply base. However Next are working on a project to draw together learning which shows hope.

Position on living wages: *'We at Next continue to communicate our commitment to a living wage in both our code of practice and as an ETI member.'*

Position on freedom of association: *'We have come to believe that less emphasis should be placed on finding a universal formula and more on how to ensure workers and employers engage in dialogue to enable mature systems of industrial relations to develop. Improvements in pay and working conditions have happened historically through collective bargaining between workers and employers and where fundamental rights such as freedom of association, are respected.'*

Work so far on living wages: Next gave the following updates on its pilot projects:

✂ China: On a productivity programme, now in 17 factories: *"To date, the factories engaged with this work have achieved between 10-20% reduction in total working hours and 20-30% increase in hourly wage rates over a 12 month period."*

✂ Sri Lanka: On a project to share expertise on productivity from Next's own factory with others in the region: *"We are now starting to add to these pilots the learning we have taken from our own work on purchasing practices."*

✂ Bangladesh: A wage study in a factory shared with Arcadia Group found *"73% of workers were earning the living wage as defined by War on Want. In some cases this was only being achieved by overtime, but within legal limits."*

✂ Mauritius: A piece rate study introduced in a factory shared with Arcadia found *'average earnings compared Jan-Dec 07 with Jan-Dec 08 have shown an increase of over 50% for all workers.'* Next have also been meeting with Government Ministers to discuss decent wage levels and have helped draw up guidelines for recruitment of migrant workers.

✂ Purchasing Practices: *'In 2008 we commissioned a substantial piece of independent research into our purchasing practices...This has also led to a reassessment of*

our supplier sourcing strategy and a consolidation of our supply base.'

✂ Homeworkers: *'We have completed initial wage studies [through ETI] for four selected supply chains of embellished product in India... We aim to build a sustainable mechanism which will transparently allow homeworkers to receive a fair rate for the work they do.'*

Plans on living wages: *'During the second half of 2008 we initiated a significant piece of work... called 'Auto Pilot' which is about promoting better workplaces and we are working on this with an international NGO and trade union... This includes collective bargaining on working conditions and wages... We have identified 2 factories to run the pilot programmes with, and these pilots are scheduled to start in October 2009.'*

In brief these pilots will:

- ✂ Enable workers and management to work together on issues
- ✂ Develop management systems
- ✂ Train workers at all levels in social compliance standards

Our Comments: The lessons learnt from Next's pilot projects are starting to build into a developed understanding of the issues. The pilot projects all seem to be researching different possibilities and strategies for moving forward which is positive, but we have yet to see any that are comprehensively working to increase wages for workers.

We also entirely agree with Next that freedom of association is a vital element to ensuring ongoing and sustainable wage increases but are disappointed that, so far, little seems to have been done to put this into practice, even in its own factories.

That said, it seems that the Auto Pilot scheme is intending to *'draw together'* learning from the above pilots and freedom of association considerations, and shows some hope of becoming a coherent strategy. It is in its early days, but if it can use the learning gained to encourage informed discussion of the issues between workers and management and deliver partnerships with trade unions, such a scheme could go a long way towards a robust living wage strategy.

We hope to see the Auto Pilot scheme develop into a project where workers are able bargain for their own rights and factory improvements are reached through genuine discussion.

We haven't yet seen a plan for the project's implementation on a wider scale and the details of the freedom of association measures being tested are unclear so we look forward to hearing more about this in the next stage.

The Peacock Group

(Peacocks, Bon Marche)



Responded to Survey: No.

MSI Involvement: No.

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

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

Primark



Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

Grade: 3.0 Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.

Summary: Significant progress: Evidence of in-depth work with the ETI and local partners is apparent, pilot wage projects in Bangladesh and China, and homeworking research in India is also under way. We are pleased to see that Primark has started to deal seriously with these issues, however it still fails to acknowledge the extent to which its pricing and purchasing practices play a role in keeping wages low.

Position on living wages: Primark stressed that the issue of living wages was a 'priority area.'

Position on freedom of association: It acknowledged that 'there have historically been difficulties in deciding how to calculate living wages' and noted that it had researched a number of different approaches to calculating and implementing them, concluding that 'the negotiated approach is the most practical and sustainable.'

To support this conclusion, Primark mentioned direct work with trade unions in Bangladesh and India, and an education project in Southern India in partnership with the NGO SAVE with the aim of increasing union membership.

Work so far on living wages: Primark has worked in Bangladesh to do a wage study and provide worker training in 16 factories, with NGO Nari Uddug Kendra in Dhaka. The programme aimed
'...to improve labour standards and compliance with Code provisions that take longer to address, such as wages and hours. The program specifically includes training for workers on their rights, including wages and associational rights.'

Primark also mentioned its membership of the ETI Homeworking Group, now focusing on wages, which 'helped us develop and roll-out clear guidelines for our suppliers who sub-contract to homeworking clusters.' A wages project based in Bareilly, India undertaken by the ETI group was also listed.

Primark

Continued

River Island



Plans on living wages: Primark has started two pilot projects with factories in Bangladesh and China to "find ways to increase wages for workers." Based on the strategy developed by the ETI Wages Group, the plan submitted included the following:

- ✂ Identification of local implementation partners including NGOs, and worker organisations.
- ✂ Consultation on 'the expectations, design and timeline for the project with all stakeholders.'
- ✂ Data collection and evaluation
- ✂ Intervention in factories to include: participatory workshops with managers supervisors and workers to help find "shared solutions", and training in HR, production planning and efficiency improvements.
- ✂ Development of best practice guidelines for supply base.

Elsewhere Primark are planning two pilot wage projects on homeworking; one in Delhi with other ETI homeworking group members, and another independently in Tirupur. These projects will assess piecework rates and survey workers.

Other Significant Information: Primark has appointed an ethical director and is making efforts to increase ethical trade staff, noting that 'the expected strength of the in-house ethical trade team by the end of 2009 will be 5 times what it was at the beginning of this year.'

Our Comments: Primark seem to have stepped up a gear over the last year as a result of media and campaign pressure. Their multi-stakeholder involvement is notable: members of six ETI groups and observers in a seventh, work with other brands on homeworking and evidence of a number of partnerships with NGOs and trade unions. We are happy to see that Primark are engaging on the issue of homeworking and developing work to improve conditions in this area.

It is clear, however, that these plans are still at the fairly early planning stages and there are some important omissions in the work outlined so far. For example, although an effort is being made to increase freedom of association through projects with SAVE and NUK, the living wage proposals for China and India have no clear plan to build in training on unions and encouragement of union building in the identified factories. In order to sustain the '*negotiated approach*' long term, this work must become a priority.

Little is said in the submission of Primark's purchasing practices, beyond mention of a reputation for paying suppliers promptly and some training for staff. Unless Primark is prepared to make some real changes to its buying practices and, more importantly, its pricing, sustained improvements are going to be difficult to obtain.

The wage projects indicate a plan to roll-out findings to the supply base but there is no clear indication of how this will be achieved and how it will ensure living wages. After years of little engagement, Primark will need to continue its hard work to catch up with competitors.

Responded to Survey: Yes.

MSI Involvement: No.

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

Summary: The first time it has responded to our survey; River Island have a long way to go if they are to make any real effort to engage with the issues.

Position on living wages: 'We fully support the principle of a living wage. Although we are not working on a specific project on this, as a member of the ETI we have adopted their base code and we are confident, but not complacent about, the standards and practices of our suppliers.'

Position on freedom of association: Has adopted the ETI base code which states: 'Freedom of association and the right to collective bargaining are respected.' However, no mention was made of work in this area.

Work so far on living wages: None mentioned.

Plans on living wages: 'We are considering various projects.'

Other Significant Information: River Island say that the majority of their suppliers are from China, Turkey and Europe where it believes standards are generally high and it does not source from Bangladesh, Pakistan or Sri Lanka.

Our Comments: Its good to see River Island taking part in our survey, and that they have appointed a new head of CSR, which will hopefully result in us seeing them start to take action on the issues. As a recent member of the ETI it is clear there is much work to do to catch up with some of its high street competitors.

River Island's current belief, that its choice of good suppliers and sourcing countries is enough to ensure their code of conduct is implemented, leaves space for improvement. Our experience shows that conditions in these production areas continue to give cause for concern in regard to both wage levels and associational rights. As it starts out on the ethical trade path we would encourage River Island to learn from others mistakes and work to develop and implement credible and meaningful strategies for addressing these issues.

Sainsbury's



Tesco



Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

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

Summary: As with last year, Sainsbury's have failed to supply any concrete information about their work.

Position on living wages: *'Sainsbury's and its suppliers are committed to the principle of a living wage, as defined by the ETI base code. We believe the most effective way to tackle this complex issue is through a collaborative, multi-stakeholder approach - we do this via our long standing support of the Ethical Trading Initiative.'*

Position on freedom of association: Sainsbury's Code of Conduct contains statements on freedom of association taken from ILO conventions.

Work so far on living wages: *'In addition to participation in ETI working groups, we are in active discussion with our suppliers about the best methods of approach. This engagement has helped us to understand the issues better, through a bottom up approach - for example, giving us transparency of worker lobbying and union activity.'*

We have also more effectively analysed our supplier audit data, pinpointing issues such as overtime and subcontracting in specific regions which would indicate the immediate need for wage re-evaluation, and create the focus and direction for our project work.'

Plans on living wages: *'With our offices recently opened in Hong Kong and Shanghai, we intend to use the data collated through our auditing process to pilot projects in China and Bangladesh.'*

Our Comments: Sainsbury's isn't giving much away. It's good to see that it is planning pilot projects in China and Bangladesh, but what this entails isn't clear. It cites involvement in ETI working groups also, but doesn't specify what its contribution to these groups has been.

Sainsbury's appear to have been doing some data analysis and consultation and have become aware of union activity which happens in their work force although, again, it is unclear what this means in practice. We hope that this will lead to some work on freedom of association through the coming pilot projects, but remain sceptical.

Responded to Survey: Yes.

MSI Involvement: Yes; ETI.

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

Summary: Some evidence of thoughtful purchasing practices but no clear progress towards payment of living wages. Aside from a wage study which proves that workers are being paid below living wage levels, its focus is primarily on productivity projects.

Position on living wages: *'As noted by the Clean Up Fashion campaign, among others, there has long been contention about what this attempt to define a 'living wage' means in practice... The lack of a commonly-understood definition means we don't find it practicable to use the term in day-to-day work. But we agree with the 'consensus' definition set out on the Clean Up Fashion website which states that a living wage should, cover basic needs, include a small amount of discretionary income, and cater for dependants.'*

Position on freedom of association: *'We expect all of our suppliers to meet the standards set out under the ETI Base Code and guarantee their workers the rights within it.'* This includes 'Freedom of Association and the right to collective bargaining.' Tesco however seem to take a hands off approach to this right, as no mention is made of it in the submission.

Work so far on living wages: Tesco said: *'We believe that sustainable improvements to wages are most often delivered through improved productivity, upskilling workers and working to ensure our purchasing practices support our suppliers' ability to invest in their workforce.'*

It lists 'specific wage and wage-related work' under the following headings:

- ✂ Ensuring we understand the scale and nature of the issue. Activities: Wage surveys and worker interviews in Bangladesh.
- ✂ Setting clear expectations. Activities: Lobbying government in Bangladesh to improve minimum wages, MFA Forum
- ✂ Supporting suppliers to improve productivity. Activities: Lengthening lead times, producing seasonal items out of season to help suppliers plan production, rewarding ethical suppliers, expanding in-country ethical experts.
- ✂ Building long-term relationships to enable investment in workers. Activities: Consolidating the supplier base, offering business support to 'A-list suppliers'

Tesco

Continued

Tesco accept that some minimum wage levels are unacceptably low and have conducted a wage survey with a supplier in Bangladesh. It found that:

'less than a quarter of our suppliers' workers are in the lowest-paid grade, known as Grade 7. Of workers in this grade in our supply chain, average wages including overtime are currently around 60% higher than [the minimum wage]. This is still short of figures campaigners and we would like to see, especially given that wages ought to be sufficient before, rather than after, overtime – but it does show some progress.'

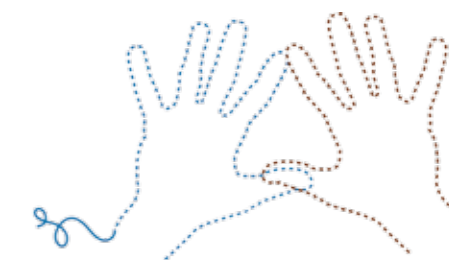
Plans on living wages: Tesco's main focus for wages work is to continue with the ETI wages project. It acknowledged that: *'This group has experienced some delays over the last year due to its focus on Bangladesh and that country's political and industrial instability.'* However, it stated that, *'useful work has been shared, including by us, in the areas of productivity, efficiency, worker engagement, work flow, and purchasing practices. Following the summer this group will re-convene to decide on how to move forward. Building on this work, we will review further initiatives of our own specifically in Bangladesh on productivity and wage improvements.'*

Our Comments: In a similar vein to last year, Tesco seem to have made little progress towards living wages. Surveys in Bangladesh, showing the 'training grade' for workers being manipulated by suppliers for extended periods of time, informed a small piece of work to improve wages but this merely brought pay packets up to the legal minimum standard and no more.

Tesco's belief that productivity is the best route to living wages seems to have ousted a number of other options, such as support for freedom of association and a proper examination of pricing. Its focus on upskilling workers as a part of these improvements may be helpful for individual groups but doesn't achieve an across the board rise in wages. It is also unclear how it plans to ensure more skilled and expensive workers are not replaced by new, lower paid, unskilled workers. Furthermore, Tesco makes no mention of any work to ensure worker involvement in any of its projects, which makes us even less convinced that its productivity plans are likely to lead to any real benefit to workers.

Tesco's work with suppliers on purchasing practices; offering longer lead times, producing out of season, ensuring long-term supplier relationships, and offering business advice could bring about some improvement. Last year it also acknowledged that price needed to be examined, but no progress seems to have been made in this area and no mention was made of plans to move this forward.

Let's hope Tesco's engagement in the ETI Wages Project over the coming year will see it start to output wage projects of its own, and give serious attention to delivering the living wages expected from a retailer of this size and influence.



Labour Behind the Label

Clean Clothes Campaign



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

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

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

This is the fourth annual 'Let's Clean Up Fashion' report produced by Labour Behind the Label.

For more information see www.labourbehindthelabel.org and www.cleanupfashion.co.uk

Fashioning an Ethical Industry (FEI) is an education project of Labour Behind the Label.

The project works with tutors and students of fashion-related courses to give an overview of how the fashion industry positively and negatively impacts on working conditions in garment manufacture and to inspire students - as the next generation of industry players - to raise standards for garment workers in the fashion industry of the future.

We run students workshops, organise tutor training events, provide teaching resources and work with educators to integrate ethical issues related to garment manufacture into their teaching. The ultimate aim of the project is to embed ethical issues into the curriculum of all fashion courses across the UK.

www.fashioninganethicalindustry.org



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