

LET'S CLEAN UP FASHION

The state of pay behind the UK high street

2008 Update »

Let's Clean Up Fashion »

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INTRODUCTION

The fashion industry has always struggled to talk about the living wage in an open and consistent way. Two years ago, brands and retailers said it wasn't a problem, or that if it was, it was somebody else's. Last year they agreed that they ought to do something, but hadn't quite got round to it yet. This year they have begun to dabble, but most say that it will be years before they have anything workable.

Behind all these excuses lie two simple, appalling facts. The people who make our clothes – whoever and wherever they are – live in poverty, usually earning just half of what they need to meet their basic needs and those of their families. And, ten years since the bulk of the industry signed up to the principle that all workers should earn living wages, nothing has been done to make that principle a reality.

We accept that not all the responsibility for this situation lies with the fashion industry. Garment workers live in poverty because they are part of a global industry in an unequal global economy. They live in poverty because their governments don't stand up to powerful commercial interests when setting paltry minimum wage figures, because as women and migrants they face tremendous cultural disempowerment and discrimination, because they are not – and are prevented from becoming – members of trade unions. And yes, they live in poverty because they are taken advantage of by factory owners whose only concern is often to maximise their own profit.

But in the midst of all of this, garment workers are the linchpins of an industry worth £36 billion annually in the UK alone (to put that figure in perspective, if all that money just from the UK were distributed among the entire global garment workforce, it would mean around £1000 each). It is an industry that keeps tens of millions of us in the latest fashion, fills acres of pages in women's magazines, provides tens of thousands of us with work here in the UK, and tops up the fuel tank on at least one cigar-chomping billionaire's private jet every week. Fashion brands can't solve all the problems faced by garment workers, but they owe them more than the paltry wages they currently earn.

This is the third time that Labour Behind the Label has surveyed the state of pay behind the British fashion scene, and in three years we have seen definite progress, not only in rhetoric but in the beginnings of tangible work on the ground. The establishment of a multi-stakeholder working group at the Ethical Trading Initiative is one clear milestone (although a year in, its pilot projects have still not begun).

But the pace is still glacial. It is hard to imagine retail businesses moving so slowly if the problem were with the quality or design of their clothes.

As economic storm clouds gather, retailers should redouble their efforts, not slacken the pace: those same storm clouds bring with them major food price inflation for garment workers, who deserve better from the retailers whose profits they sustain. And as disposable income is squeezed and we become a bit more choosy about where we spend our money, consumers should expect more, too.

FOUR PILLARS OF A GOOD LIVING WAGES INITIATIVE

Paying garment workers a living wage will not be a piece of cake. It must be done in a sustainable and commercially viable manner - we recognise that companies must make a profit (we might, however, dispute how much). It must take account of the fact that retailers rarely have the luxury of complete influence over their suppliers - though garment manufacture remains a buyer's market, with terms and conditions largely dictated by the brands and retailers. This is why a sustainable approach to implementing living wages needs to be on a country-wide or industry-wide basis.

And no-one expects it to happen overnight. In fact, a common problem in our research work is explaining the concept of a living wage to garment workers, who find it hard enough to imagine a survival wage, never mind one that meets all their basic needs.

That's why Labour Behind the Label and our partners have been calling for urgent increases in wages – especially in this time of food crisis – as a stop-gap measure while more robust methodologies are developed. A framework to do this exists, called the wage ladder approach. This approach involves mapping the different wage levels – poverty lines, outcomes of collective bargaining agreements, floor wages, calculated figures, and so on – that can be used as benchmarks on the way towards a living wage. There is no need to let the minutiae of defining a living wage stall progress in increasing wages. Given the gulf between actual and living wages, it is certainly unlikely that stop-gap wage increases will exceed an eventual living wage value.

In 2008, companies seem to be hearing this argument, and have begun to experiment with projects that aim to increase wages, rather than getting hung up on definitions. But this can be dangerous, if it means that they lose sight of the ultimate goal of a living wage. A true living wage project must be exactly that, unambiguously and ambitiously.

LBL believes that all living wages initiatives should be built on four pillars:

1. A COLLABORATIVE, MULTI-STAKEHOLDER APPROACH

Sainsbury's feel the best way to progress this is through the multi stakeholder ETI, where other retailers, NGOs and Trade Unions can agree a common approach, and potentially have a more significant and meaningful impact. - Sainsbury's

We do not believe, however, that industry initiatives excuse us from carrying out our own research and action, when appropriate, especially when it is unclear when such initiatives will bear fruit. - Tesco

Collaboration **with other companies** is the only way that a project can be truly sustainable, except for wholly owned suppliers, of whom there are very few. This is not to say that projects can only take place where the participating company or companies represent 100% of a supplier's output: there are creative solutions where this is not the case.

More significantly, living wages cannot effectively be imposed from the top down: they must be designed from the bottom up, working with the workers they are supposed to benefit. And that requires institutionalised collaboration **with trade unions and labour rights groups**.

In 2008, the Ethical Trading Initiative is the only forum through which these two requirements can be effectively achieved by UK brands and retailers - although it is how a brand takes advantage of this framework, not the fact of its membership, that is the measure of its commitment.

Of the companies with some plans to work on living wages:

- **Sainsbury's** and **Tesco** were the only companies that did not have their own pilot projects to increase wages, but which were leaving the issue to the ETI project.
- **Primark**, **Next**, and **Asda** said that, in addition to their participation in the ETI project, they also had their own projects underway or planned: these projects were of variable quality (Tesco was doing research but had no project as such).
- **M&S**, **Monsoon**, **Gap** and **New Look** did not mention any involvement in the ETI project or any other multi-stakeholder living wages project, although all are ETI members. Monsoon and Gap are working from the ETI project's terms of reference, citing practical difficulties with the project's focus on Bangladesh.
- **Arcadia** is not an ETI member but is collaborating with Next.

2. WORKER ORGANISING AND PARTICIPATION

"We will establish relationships with appropriate stakeholder and work towards developing participatory approaches to ensure that workers are able to negotiate living wages through unfettered collective bargaining." - Monsoon Accessorize

"We believe that Freedom of Association is important as it gives workers the opportunity to voice their opinions and express their views." - M&S

Ensuring **meaningful worker representation** at factory level is a prerequisite. This is because:

- A bargained approach to the living wage is preferable to one that is calculated.
- Workers' representatives must be involved in the design and implementation of the project.
- An organised workforce represents the most effective way of ensuring that the benefits of increased productivity or higher prices are passed on to workers.
- Freedom of association and collective bargaining are in themselves fundamental rights.

Worker organisation and representation is not just about 'voicing opinions' or 'expressing concerns to management'. Its true significance lies in giving workers a means to do something about those concerns. This is no more evident than with wages, where workers bargaining collectively as a trade union are strong enough to negotiate a better wage.

Trade unions are the gold standard of worker representation, but cannot be imposed from above: workers should have all the options set out to them clearly by someone they can trust, including their legal rights and the benefits and drawbacks of each form of representation. They should be allowed to choose freely, and management must not only be educated but also be given a strong steer from clients that it has a responsibility to support, respect and engage with that choice.

Asda, **Arcadia**, **Primark** and **Next** made no mention of worker organising in connection with their wages projects.

New Look's project involved worker organising, but explicitly focused on workers' committees rather than trade unions.

M&S and **Gap's** projects involve worker organising.

Monsoon's project places a strong emphasis on collective bargaining.

3. EXAMINING COMMERCIAL FACTORS THROUGHOUT THE WHOLE SUPPLY CHAIN

"Why can't retailers pay factories more for their products, and in that way workers would be paid more? Unfortunately, the solution does not appear to be that simple." - Asda

"We accept the principle that increasing wages may require us to pay higher prices." - Tesco

"Monsoon Accessorize will negotiate a new price, inclusive of the Unit Labour Costs based on new wage scales." - Monsoon Accessorize

If wages can be raised by improving a factory's effectiveness and productivity, it is right and proper that companies examine this and make improvements, so that the factories they work with remain competitive at the end of the project. Productivity should not, however, be the sole or even the main focus of a living wage project. We examine the reasons why this is the case later on.

But brands must look at another set of commercial factors too: their own purchasing practices. In particular:

- Living wage projects must take place in the framework of a **long-term, secure purchasing arrangement**. Suppliers need to know that the client(s) who are interested in wages are not going to disappear within a few months, but are prepared to stay for the long haul to improve wages.
- They should include an examination of the **prices paid to suppliers**. Reaching a living wage should be a collaboration between buyer and supplier, and that means buyers must be prepared to do their bit where it becomes clear that this is necessary to achieve a living wage.

Gap, New Look and **Monsoon** specifically said they would examine prices paid to suppliers (New Look said "commercial terms" and Gap "price points")

M&S, Asda, Next, Primark and **Arcadia** did not make any commitments to consider increasing prices as part of their projects, and some appeared to rule it out.

4. A CLEAR ROUTE-MAP TO IMPLEMENTING THE LIVING WAGE FOR ALL WORKERS

It is not enough to increase wages without an end point in sight. In parallel with steps to increase wages, projects must explicitly set out to **arrive at and implement a living wage figure**. This could be through,

- national, regional or local bargaining between representatives of the garment workforce and industry
- factory-level bargaining
- research-based calculation of basic needs, in a multi-stakeholder context

Any project needs to develop effective, reliable ways of **monitoring the wages that workers receive**. A wealth of evidence indicates that wage slips, accounts sheets, and all but the most carefully executed worker interviews tend to over-report wage levels.

It should look at wages earned beyond the factory, by **homeworkers and other types of informal workers**. Projects need to accept that such work is a significant part of the garment industry, and can be a positive choice for the women and men who perform it. They should resist the temptation to ignore it or try to eliminate, simply because it creates an added layer of complexity.

All of this must be based on the **standard parameters of how a living wage is defined**:

- covers basic needs with a small amount for discretionary income
- based on regular working hours, not including overtime¹
- calculations should support workers' dependants
- starts from the lowest-paid workers
- must cover workers employed by subcontractors and those on a piece-rate, short-term contract, temporary or homework basis.

¹ A standard working week is 48 hours, with overtime not exceeding an additional 12 hours.

M&S, New Look, Asda, Next and **Arcadia** limited their ambition only to improving wages, not to attaining living wages as a stated end point . **Primark's** plans were not clear.

Only **Monsoon** and **Gap's** projects are designed to implement living wages as a clear goal.

WHY PRODUCTIVITY IS NOT ENOUGH

"We are very aware that productivity is part, but only part, of the answer." - New Look

Most of the pilot projects that companies told us about focused on improving productivity in factories. It's easy to see why this idea is attractive: if workers can produce more clothes in the same amount of time, the factory can take on more business, earn more money, and pay workers more, while reducing their overtime. The buyers don't need to adjust the prices they pay to suppliers, and they may even get their orders turned around more quickly, so it's a win-win situation.

Yet productivity is not quite the panacea that it seems to be viewed as in some industry circles. There are a number of reasons why this is the case.

STEPPING UP THE PRESSURE

Garment workers have a hard time, not only because of their long hours, but also because of the high pressure environment in which they work. Workers from all over the world report that this pressure is increasing year on year: we commonly hear stories of workers skipping lunch to meet production targets, not drinking any water so they don't need the toilet, and being subject to verbal and physical abuse if they fall short of targets.

Productivity improvements that correct this situation by making targets more realistic are welcome, but if instead targets are increased, the pressure may stay the same or even intensify. Indeed, a focus on productivity alone could turn so-called living wage projects into cost-cutting initiatives by the back door.

This danger is especially significant where workers are shifted to piece rate systems (paid per garment, not per hour) as part of the productivity programme: if the piece rate is too low, it only adds to the stress and pressure faced by workers. Piece rates need to be calculated based on realistic targets within a normal working week of 48 hours maximum.

NO GUARANTEE THAT WORKERS BENEFIT

Another concern is ensuring that any financial benefits from productivity improvements are passed on to workers. There is a real possibility that factory managers will keep on paying workers a pittance and pocket all or most of the difference. Yet there is no win-win situation if workers do not receive the lion's share of the benefits from productivity improvements.

That's why worker organising must be an integral part of designing a productivity programme. Workers need bargaining power and clear information to be sure that they are receiving the gains created by productivity improvements.

THE IMPACT OF RESTRUCTURING

Increased productivity may well lead to fewer jobs, or to different jobs. Campaigners would not automatically oppose such a move, if it led to a higher quality of employment. But there are some conditions that should be attached to any changes in the structure of the workforce or the terms of employment:

- Such changes should be **negotiated**, meaningfully, with workers' representatives. Negotiations should ensure that changes are justified and reasonable, that any job losses are distributed fairly, and that any workers who lose their jobs are properly compensated.
- They should be **gender sensitive**. Women often do the most precarious kinds of work and have most difficulty accessing their rights. They are most likely to be at the end of supply chains, on

short term contracts or taken on as 'trainees'. Women earn less than men and because in many countries men are still considered to be the main breadwinners, women tend to be the first to lose their jobs. Evidence shows that as jobs become more highly valued, both in terms of wages and status, the proportion of men in the workforce is likely to increase. It is vital that, if productivity gains lead to job losses, care is taken to ensure that women are not disproportionately disadvantaged.

- The impact of changes to the way factories work on **the informal sector must be considered**. An emphasis on productivity is likely to influence informal sector workers: either factories might decide that informal work is inefficient and bring it back in house, or they might increase their use of subcontracting and home work to make up for the loss in flexibility and reduced size of the workforce.
- The trend should be towards more **permanent employment**, not towards greater casualisation of the workforce. An holistic approach to the living wage should encompass more than just the salary figure: it also needs to include job security, social security, maternity pay, and other benefits to which workers are legally entitled. Any analysis that equates productivity with increased flexible working should be treated with severe scepticism.

LOSING SIGHT OF THE GOAL

Finally, and most importantly, the main reason for our scepticism of projects focused on productivity is that they set the bar too low. It is unlikely that improved productivity alone can deliver a living wage for workers. That's why we went back to some companies to ask them quite specifically what they would do if productivity improvements did not deliver living wages. Companies need to look at the terms of trade with suppliers – the prices they are paid and the length of contracts – at the same time as they look at productivity.

THE STATE OF PAY

No brand or retailer is paying its workers a living wage, or has even put in place a systematic approach to do so. But over half the retailers that responded to our survey were able to cite specific actual or planned projects that were aimed at raising workers' wages. Here is how the high street breaks down.

NOTHING TO SAY AT ALL

Alexon, Bhs, Ethel Austin, MK One, Peacocks, Stylo

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

NO WORK TO SPEAK OF ON LIVING WAGES

Burberry, Clarks, Debenhams, French Connection, House of Fraser, John Lewis, Laura Ashley, Levi Strauss & Co, Matalan, Mosaic Fashions, River Island

While some of these retailers accept the idea that workers should earn living wages and that they currently do not, none of them had any concrete plans to do anything about this. This is symptomatic of the fact that they and all seem to be further behind in ethical trading more generally. Levi Strauss is the exception, having made a policy decision not to support work on living wages. Not surprisingly, only two of these companies (Debenhams and River Island) are members of a multi-stakeholder initiative.

ONE CHEER: MENTION OF WORK ON LIVING WAGES, BUT UNCONVINCING SO FAR

Sainsbury's, Asda, Primark, Arcadia, Tesco

These retailers claim that they have plans for pilot projects, but do not give any substantial details. Asda has a clear plan for pilots in Bangladesh, but they will focus on productivity improvements only and do not appear very clearly developed. Primark only mentions plans for a "small project in India", and Sainsbury's says it is waiting for progress in the ETI wages group. Tesco only commits to research. All four of these are members of the ETI group, which after a year has yet to begin any on-the-ground work. Unlike other retailers in the same position, however, they did not describe any substantial projects of their own on living wages. Arcadia has two pilot projects, but in neither does it commit to raise wages.

TWO CHEERS: WORK TO INCREASE WAGES, BUT NOT ENOUGH YET

M&S, Gap, Monsoon Accessorize, New Look, Next

Monsoon and Gap are the only retailers so far to have publicly committed to a project that contains all four of our pillars of a good project. Monsoon expects to wrap up the pilot and start rolling it out within a year, a much more ambitious target than many others have set. The caveat is these retailers are reaping the benefits of the ETI project, whose terms of reference they are using, without the hassle of needing to agree a collaborative approach with other retailers before it can start. And of course they sent us plans, which are yet to be put into practice.

The other retailers in this group have genuinely interesting initiatives, but they lack a plan to pay living wages. The focus is on productivity improvements, although each goes beyond that to meet some of our criteria for a good project. For example, Next is investigating wages of home and migrant workers, and

New Look and M&S made clear mention of worker organising (though both were more ambiguous about trade unions). The projects vary in complexity, with the best appearing to be those at M&S and New Look, who also commit to roll out the learning from their projects to other suppliers within a specified timeframe.

What is a living wage?

Regardless of how it is arrived at, a living wage is one that enables workers and their dependents to meet their needs for nutritious food and clean water, shelter, clothes, education, health care and transport, as well as allowing for a discretionary income. Preferably, workers at a local level should be the ones to determine their own wages, through negotiation and collective bargaining with their managers. If this isn't possible – and to check that the negotiations have been fair – it's possible to calculate a value based on a set formula. More information on how to do this is set out in Let's Clean Up Fashion 2006 and 2007.

When governments set minimum wages, they balance the interests of poor workers with what they see as the need to remain competitive in the global market. As a result, minimum wage rates often bear no relation to the cost of living, and fall far short of what we would consider a living wage. Minimum wages often remain unchanged for years while the cost of living rises, which means that the real value of the workers' pay falls. For example, the government of Bangladesh did not adjust its minimum wage for 12 years until 2006, during which period the real value of wages halved. When the minimum was finally raised, it was still well below its 1994 value, in real terms.

UNDERSTANDING WHAT COMPANIES SAY

The profiles are based on information supplied by the companies themselves. Companies were given the option of submitting before the deadline to give us time to ask clarification questions, and a few did this.

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 responses they match up to our criteria. They are not intended as a ranking.

In 2008, we have also adjusted the list of companies to survey. We used market share information for the clothing and footwear industry to pick the top retailers and brands, but have excluded non-fashion companies such as Mothercare.

Because so many companies have begun pilot projects on wages this year, and because all pilot projects are not as good as each other, we have split the old Grade 3 into three separate grades, to help distinguish between them.

- **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 that they are responsible for ensuring that living wages are paid.
- **Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.**
Companies that refer to the living wage, but 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.**
These three grades refer to companies citing pilot projects that are designed specifically to address wages (wages need not be the only issue addressed by the pilot project, but must 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.
We have split grade three in this way to distinguish between the large number of retailers that have or are planning pilot projects: we have some outstanding concerns with some – frequently because they commit only to raising wages, not to implementing living wages – and others are interesting projects 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.

- **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 why we've homed in just this one issue. But it does mean you should bear in mind several things when reading the profiles.

Things change

These profiles are accurate as of September 2008. This presents one particular problem regarding companies that are taking part in the ETI living wages project. This project is likely to include all of the elements of our definition of a satisfactory project, but has yet to get the go-ahead from all its members to begin work on the ground. This means that companies that are putting all their eggs in the ETI basket are likely to score worse than those that have decided to go it alone, despite the fact that these latter companies' projects do not meet all our criteria. This is perhaps unfortunate, but at the same time it is important that companies do not settle for burying complicated issues like living wages in ETI pilot projects: project members must be held collectively responsible for the project's slow progress, and individually responsible for being transparent about their activities.

There are other issues to consider

In previous years, this report concentrated not just on living wages, but also on two other thorny issues:

1. What companies were doing to ensure workers really did have the right to defend themselves by forming and joining trade unions (referred to as freedom of association and collective bargaining)
2. How companies internally monitored and independently verified the claims they made about working conditions at their suppliers.

To be fair to companies that made significant progress in response to our criticisms in previous years, we have given a space in the profiles to "other significant information" to include any updates on these areas. But you will find much more information by looking at companies' submissions, their profiles in previous years, and their own websites.

And in addition to this, there are other things that make up the picture of how 'ethical' a company is, such as Fairtrade cotton, environmental sustainability, and animal rights.

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, Eastex, Dash, Anne Harvey, Kaliko, Minuet, Bay Trading Company)

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

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.

ARCADIA GROUP

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

Responded to survey: yes, updated summary based on comments

MSI involvement: no [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

Mentions two pilot projects, both of which have significant shortcomings, and there is no sense of a broader ambition on wages. Ticks some boxes, but it's a far cry from some of the other submissions.

Position on living wages

The Arcadia Group accepts that progress is needed on wages in some parts of the world, and supports the principle of a living wage. The difficulty is 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, or local industry benchmark standards.

Work so far on living wages

Through work with a supplier shared with Next in Mauritius, a piece rate system was introduced in January 2008. The initial findings for the first five months of this year compared with the same period last year show that this has had the effect of improving earnings for an average worker by at least 38%. No worker was penalised by this new payment method, since their time rate earnings were protected.

This factory also has a significant number of migrant workers from other countries. Arcadia noted that it had drawn up guidelines that required the supplier to pay the recruiting agent fees that had previously been paid by garment workers.

Plans on living wages

Arcadia mentions projects in two factories relevant to this study, both collaborations with Next:

- In Bangladesh, where its project will involve, "the gathering of detailed information on current wage rates, including benefits, and after deductions. We will consider all supply chain costs, including the level of automation in the selected factory, and opportunities to offset any increased labour costs in order to assure sustainability."
- In Mauritius, "we intend to have further engagement with manufacturers, industry bodies and government departments to conduct an investigation into the national minimum wage, the actual wage of workers in our factories - including benefits and after deductions - and the industry benchmark standard where applicable. As mentioned above, we hope to understand a living wage through reference to the 'basket of goods'."

Arcadia continued that, "Our next steps are dependent on the results of our three current projects, described above. These are expected to run for up to a year but we will review progress, and any developments from other sources, during the course of this period in order that we may accelerate it."

Other significant information

Arcadia described its work on Fairtrade cotton extensively. This work does not relate to clothing manufacture, and so was not considered in our analysis above.

Our comments

Although Arcadia's submission suggests two interesting projects, a closer reading indicates some significant concerns. We raised these in comments to Arcadia, but the amendments it made to its submission did not allay our fears.

The project in Bangladesh is described as a wage study, but appears to focus on information-gathering and opportunities to raise wages, not on actually raising wages. In the longer term, Arcadia does not make any commitments to rolling out learning across its suppliers, unlike some of its competitors. Instead it simply says that its future action depends on the outcome of this learning.

Evaluated against our four pillars, we note that:

1. Arcadia's projects involve collaboration with another company, and in Mauritius some local stakeholders are involved; we must of course note that the projects as described are not designed and governed in a multi-stakeholder manner, and therefore we continue to recommend membership of a multi-stakeholder initiative such as ETI to considerably improve the credibility and effectiveness of Arcadia's work.
2. The projects do not involve organising as we have described it.
3. They focus on productivity improvements, and while Arcadia does state that it, "will consider all supply chain costs, including the level of automation in the selected factory," it did not explain what this means and whether it will genuinely examine the prices it pays to suppliers.
4. There is no clear route map to a living wage or commitment to raising wages, but merely to 'examining' them.

ASDA/GEORGE

Responded to survey: yes

MSI involvement: yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

An unconvincing response. A pilot project in Bangladesh will look at productivity improvements only; meanwhile Asda wants to take credit for work done by collaborative groups without going into specifics.

Position on living wages

While workers in factories are not Asda's employees, we have an expectation that workers in those factories will be treated fairly. Clause 5 of the ETI Base Code makes the following expectations of suppliers and specifically of production sites: *Living wages are paid...*In the case of factories paying living wages to their workers, there are practical difficulties that the ETI has grappled with for a number of years.

Work so far on living wages

Asda's work on wages so far has been limited to minimum wages, and has consisted entirely of 'participation' in various collaborative bodies, with no indication of how active this participation was:

[I]n 2005, after long and hard lobbying by UK retailers (including Asda)...the UK government established the Gangmaster Licencing Authority (GLA), an NDPB with a remit to police the UK produce industry and regulate the activities of labour providers to that industry. This includes ensuring that workers are paid in accordance with the UK minimum wage...

In 2006, for example, the Bangladeshi government increased the minimum wage for garment workers from 960 Tk (a level that it had been at for the previous 12 years) to 1600 Tk, in part due to pressure from such organisations as the international MFA forum, of which Asda is a member. Is this enough? Some estimates suggest that the national minimum wage in Bangladesh would need to reach at least 3,000 Tk for it to become a living wage. There is certainly more lobbying, more work that needs to be done on the issue.

As we have noted in other profiles, Tk3000 is far from the highest estimate of a living wage in Bangladesh: it was by trade unions used as a figure for the national minimum wage negotiations in summer 2006 – the minimum wage at that point was set at Tk930 - not as a living wage figure. It was based on political feasibility, not on basic needs. At the time, the living wage in Bangladesh was usually estimated as significantly higher, around Tk4500-6000. With double digit inflation in Bangladesh over the 18 months between this point and December 2007 – not to mention since then – the living wage figure will undoubtedly have increased substantially. At the time of writing, rioting workers in Bangladesh are calling for a wage – the 2008 equivalent of that Tk3000 – of Tk4500.

Plans on living wages

The ETI is currently developing a project proposal to address some of the questions outlined above. That proposal is still in development, and so it wouldn't be appropriate for me to discuss it here. We have some concerns about the methodology proposed...

In addition, however, we are developing a project here in Asda intended to run for the next 18

months. Our project will focus on 6 factories in Bangladesh...It is our view that one of the mistakes in previous such projects (a mistake made in some current and proposed projects) has been to attempt to 'impose' requirements top-down, retailer to factory. Such an approach, in our view, has not been successful because ultimately it results in those factories becoming less competitive than their neighbors and, as a result, factories lose their customer base.

Our intention is to assist factories in becoming more efficient in their production techniques, and encourage them to align worker pay with these productivity improvements. In doing this, we believe that a more sustainable model will emerge, one that will take advantage of market forces and allow workers to receive greater levels of compensation while at the same time ensure that the factories themselves remain competitive.

Our comments

Although a project in six factories in Bangladesh is not to be sneezed at, it appears that it will look only at productivity. Indeed, compared to our four pillars:

- No collaboration with other brands or stakeholders is mentioned, and Asda says it has 'concerns' about the ETI project which have led it to strike out alone. It is surprising that Asda has given up on this project so easily, given its assertion that, "experience has taught us that we are far more successful in tackling these issues when we join with others than when we work in isolation."
- Trade unions and worker organising are not mentioned: although the project is described as 'bottom up', it will apparently be accomplished without worker participation in its design.
- Asda will not examine its own purchasing practices. It dismisses this approach rather tritely: "Unfortunately, the solution does not appear to be that simple...price increases paid by retailers to factories do not necessarily trickle down to workers." We note Asda's concern about factories that increase wages losing their customer base – yet as a customer itself, Asda is ideally positioned to prevent this happening by committing to stay with suppliers that pay a living wage!
- There is no concrete goal of reaching a living wage.

Asda can't have it both ways. If it believes collaborating through the ETI is the best way of working, it ought to be at the forefront of ETI's work on living wages, lobbying for a project that it thinks will be effective, and describing its own contribution to the other collaborative work for which it claims credit.

BHS

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

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.

BURBERRY

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark. [\[what's this?\]](#)

Summary

While its Ethical Trading Policy mentions living wages, Burberry does not mention any specific wages activities and therefore it is safe to assume that only the legal minimum is implemented.

Position on living wages

The Ethical Trading Policy on Burberry's website uses the same formulation as the ETI base code.

Work so far on living wages

None mentioned

Plans on living wages

None mentioned

Other significant information

Burberry's website lists a number of activities it has planned to implement its Ethical Trading Policy, indicating, for example, that in 2007/8 it, "[f]urther increased the Group's internal specialist team of compliance officers, responding to some concerns from stakeholders regarding third-party monitoring."

Our comments

No response to our request for a submission. Burberry's Ethical Trading Policy mentions living wages, but it does not appear to have considered the implications of this and is presumably auditing against the legal minimum.

CLARK'S

Responded to survey: yes

MSI involvement: no [\[what's this?\]](#)

Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark. [\[what's this?\]](#)

Summary

Clarks has obviously thought a little about living wages, but it is a long way behind in this thinking. It needs to learn from other companies whose work is more progressed.

Position on living wages

Code of conduct states that "wages must be sufficient to meet basic needs."

Work so far on living wages

None mentioned.

Plans on living wages

"Our current priority is to ensure that workers are paid at least the minimum wage and all benefits required by local law." Questions asked by auditors are "helping us to get a more informed view of 'basic needs'."

Other significant information

Says this about freedom of association:

As a Company we have over many years suggested that employees should consider joining the unions that have or have had representation within the business. We believe that where unions are not operating freely our suppliers should establish other ways of collaborating with their employees and we encourage them to do so.

Our comments

Clarks' code mentions wages meeting basic needs, but it clearly doesn't do anything to implement this. Its auditing system and position on freedom of association also seem to be very simplistic. Clarks needs to learn from others, and to do this it should join the Ethical Trading Initiative.

DEBENHAMS

Responded to survey: yes

MSI involvement: yes, ETI [\[what's this?\]](#)

Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage. [\[what's this?\]](#)

Summary

No activities planned, says it is waiting for ETI.

Position on living wages

We monitor our suppliers to ensure they are paying the minimum wage, we recognise the need for a living wage, but there is still a lack of clarity as to what it constitutes.

Work so far on living wages

None mentioned

Plans on living wages

The ETI have said that one of their priorities for 2008 is the Living Wage issue, so we hope that when more has been established towards a living wage amongst the tripartite groups, we will be in a position to work with clarity, on improvements, which we aim to target as soon as it is available.

From discussion with 3rd party monitors we have learnt that living wages are not generally assessed during audits, due to the issues still surrounding this topic. An accurate living wage method will be welcomed by all.

Our comments

As in 2007, a disappointing response from such a major retailer and longstanding ETI member. Still no impression of any kind of coherent plan to implement the living wage in its supply chain: it acknowledges the need for progress but seems to be sitting back and waiting.

ETHEL AUSTIN

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

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 [\[what's this?\]](#)

Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark. [\[what's this?\]](#)

Summary

Nothing of relevance to show; reasons for lack of action on this issue fail to convince.

Position on living wages

In 2008:

While we consider that our suppliers should pay their employees a fair wage and that we recognise that local statutory minimum wages do not necessarily represent a living wage, we believe that our ability to directly influence the management of the facilities which manufacture our garments is limited by the relative size of our business, by the limitations of our own resources, and by the local conditions.

In 2007:

Our policies include that our suppliers should pay their employees a fair wage and we recognise that local statutory minimum wages do not necessarily represent a living wage while also recognising that assessment of a "living wage" presents significant issues.

Work so far on living wages

None mentioned

Plans on living wages

None mentioned

Our comments

We suggested last year that French Connection might be "clutching at straws", a view that seems to have been confirmed by this year's response. No activity on living wages, and a different set of excuses from last year. All of these issues could be resolved by participating in a multi-stakeholder forum such as the Ethical Trade Initiative.

GAP

Responded to survey: yes, and sent replies to comments

MSI involvement: yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

Not a bad response from Gap, which is planning work in five countries that goes most of the way to meeting our five pillars of a good project.

Position on living wages

As a member of the Ethical Trading Initiative (ETI) and Social Accountability International (SAI), we are committed to the principle that wages for a standard working week should meet the basic needs of factory workers and provide them with discretionary income.

Work so far on living wages

None specifically mentioned

Plans on living wages

Gap mentioned a number of areas, of which the most substantive and relevant part appeared to be its planned wages project. Working with long-term suppliers in five countries, it will research wages and productivity in this factory relevant to the local area and basic needs, then form a working group with representatives of management and workers to,

develop quarterly plans to move the project forward. These plans will determine the best approach (or combination of approaches) to enhance wages through mechanisms that include the usage of the following: enhanced technology, innovation, increased productivity, better planning by brands, better planning by suppliers, appropriate price points, creative incentive systems, good industrial relations practices including freedom of association and collective bargaining, strategic operations, consolidated capacity utilization etc.

It intends to use a "credible third party" to conduct an impact assessment after this project (which it expects to last two years), produce a report, and then, "develop a strategy for phased roll out of the Wage Project to Gap Inc.'s strategic vendors on a global scale."

Other significant information

Gap mentioned a number of other activities, including education within the company on purchasing practices and work with governments and suppliers to look at ways to mitigate the impact of the global food crisis.

Our comments

Gap's submission, including the depth of different tools that it intends to use to potentially raise wages, demonstrates its well-developed understanding of labour rights issues. This is one of the larger-scale wages projects, with comprehensive terms of reference. While these terms, based on the ETI pilot, are

exactly what we'd want to see, the description of the project is not always as robust. Measured against our four pillars:

1. Trade unions and NGOs are involved in the design and implementation of the project. Other brands are not, but Gap will select factories where it buys more than 50% of the production.
2. Freedom of association, collective bargaining and worker participation are mentioned as ends and means of the project, with an explicit commitment to involving trade unions in the project.
3. Gap discusses its own purchasing practices in its response, and its wages project will consider "appropriate price points."
4. The project terms of reference explicitly aim to ensure that, "all workers in participating factories are paid wages sufficient to meet their basic needs and provide discretionary income," although the project description is mostly framed in terms of simply raising wages. Gap also says it will roll the project out to its "strategic vendors".

HOUSE OF FRASER

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

Summary

While there is some evidence of an ethical trading policy, it is not developed enough to have considered living wages.

Position on living wages

The Ethical Sourcing Policy on House of Fraser's website states:

Wages must be paid according to the national law or industry benchmark, whichever is the same, or greater than the minimum wage.

Work so far on living wages

None mentioned

Plans on living wages

None mentioned

Other significant information

House of Fraser does have an Ethical Sourcing Policy available on its website, including a code of conduct and a description of its monitoring and verification procedures.

Our comments

No response to our request for a submission. House of Fraser's Ethical Sourcing Policy made no mention of living wages: it works to the legal minimum.

JOHN LEWIS

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage. [\[what's this?\]](#)

Summary

No response received in 2008; apparently no activity on living wages

Position on living wages

John Lewis told us in 2006 that, “we recognise that our code sets an aspirational standard [on wages] and we are keen to work with our suppliers and other stakeholders to identify practical ways of implementing it in the future.”

Work so far on living wages

In 2006 John Lewis told us of some, “[p]reparatory work with local partners looking at wage levels” in India.

In 2007, it sent us a considerable amount of detail regarding this preparatory work, but in it made only a cursory reference to living wages. It appears therefore that the living wage remains aspirational for John Lewis.

Plans on living wages

No submission received

Our comments

John Lewis had a lot to say in previous years, but did not respond in 2008. We said in 2007 that, while it may be developing and improving an ethical trading programme, it hasn’t grasped the nature of our concerns and was throwing resources at an auditing model that is widely acknowledged to be failing.

LAURA ASHLEY

Responded to survey: yes

MSI involvement: no [\[what's this?\]](#)

Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark. [\[what's this?\]](#)

Summary

Its only activity on living wages has been a change of wording in its code of conduct, which will not make a jot of difference on the ground.

Position on living wages

"Laura Ashley believes and endorses the living wage ideal. Wage should meet basic needs and provide some discretionary income."

Work so far on living wages

None mentioned

Plans on living wages

None mentioned

Other significant information

"Work also continues on our factory audit programme. The technologists for fashion have completed audits in China, Romania, Portugal and Turkey during 2007 and 2008. The next target for us is Morocco. They have also attended an external training course on Ethical Audits. We will now need to update our audit forms to enable us to carry out additional checks."

Our comments

Laura Ashley has updated its code of conduct to include reference to living wages, but only as an ideal. It seems unlikely that this change of wording will make any difference on the ground, especially given how few ethical audits it performs, and the fact that these are not performed by ethical specialists.

Laura Ashley used the ETI base code to update its code of conduct, so why won't it join a multi-stakeholder initiative such as ETI?

LEVI STRAUSS & CO

Responded to survey: yes

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

Summary

The only company surveyed to explicitly say that it does not accept responsibility for workers' wages.

Position on living wages

Levi Strauss & Co. (LS&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.

Work so far on living wages

None mentioned

Plans on living wages

None mentioned

Other significant information

Gave detailed information about grantmaking by the Levi Strauss Foundation to fund labour rights groups including worker organising, about its monitoring and verification procedures, and about 'sustainable implementation'.

Our comments

Levi Strauss has a lot to say (although it is still using the same examples it used two years ago). It thinks markets and governments should set wage rates, denying its own responsibility, and as such performs poorly in this report. It should be noted, however, that this disappointing written position is no different in practice to that of retailers that give lip service to the living wage concept but do nothing to put it into practice.

M&S

Responded to survey: Yes. Made changes in response to initial comments.

MSI involvement: Yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

M&S' plans on workers' wages are impressive in breadth, but lacking in depth. Through its project it hopes to improve workers' wages, but only through improvements in productivity, and stops short of a clear commitment to securing a living wage for its workers.

Position on living wages

M&S has signed up to the ETI base code, and therefore accepts the living wage principle, adding that, "all workers in our supply chain should earn enough money to live on." It gave an example from its 'detailed wage analysis' in 'a number of key sourcing countries':

In Bangladesh we found that 60% of the workers in our supply base are paid on average 78% more than the legal minimum wage for a standard working week. This equates to TK2950, which is almost the living wage figure of TK3000 stated by a number of NGO's and Trade Unions at the beginning of the development of the project (end 2007).

Although M&S subsequently emphasised that this was just an example, it is important to clarify that the Tk3000 figure was used by trade unions as a figure for the national minimum wage negotiations in summer 2006 – the minimum wage at that point was set at Tk930 - not as a living wage figure. It was based on political feasibility, not on basic needs. At the time, the living wage in Bangladesh was usually estimated as significantly higher, around Tk4500-6000. With double digit inflation in Bangladesh over the 18 months between this point and December 2007 – not to mention since then – the living wage figure will undoubtedly have increased substantially. At the time of writing, rioting workers in Bangladesh are calling for a minimum wage of Tk4500.

M&S believes that, "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." Workers' rights training is included in its wages programme for this reason.

It notes that, "the issue of wages goes beyond the factories and applies to all workers involved in the production of our products, including homeworkers," although it does not cite any specific work on wages and homeworking.

Work so far on living wages

M&S' work so far has focused on Bangladesh, where it has included a suppliers' conference on 'how to sustainably increase workers' wages', a wage analysis and worker interviews.

Plans on living wages

M&S said that, "in 2008 we will establish a total of six Model Ethical Factories in our supply base - three in Bangladesh...two in UK and one in Sri Lanka." In 2009 it plans to, "develop this initiative in India and China," and, "share the learnings and best practice...with the rest of our supply base."

The brief for these ethical model factories focuses on three areas:

1. Productivity and efficiencies in manufacturing
2. Worker rights training and supervisor training
3. Industrial relations management systems.

M&S has appointed a consultancy in Bangladesh which, "will work with a well respected local women's workers' rights NGO," "carry-out supervisor training," and, "aims to work with an internationally-recognised NGO which has a centre for worker training and development."

"In Jan 09," M&S continues, "once the Ethical Model Factories have been established in Bangladesh, follow-up worker interviews will...enable us to: compare [workers'] views of their improved wages to a living wage; explore what a suitable living wage is at that point."

Then, "in collaboration with the ETI, NGOs and other informed bodies such as the MFA Forum, we will discuss what an acceptable and realistic living wage figure is considered to be for 2009."

Other significant information

M&S listed a number of other activities, including an expansion of its ethical trading team and improvements to its factory monitoring programme.

Our comments

There is no doubt that M&S' plans indicate a significant engagement with the issue of workers' wages, which is a new departure for M&S and to be welcomed. That this work is expected to extend into several countries within the next year marks this out as a piece of work that goes beyond the normal isolated pilot project. That said, M&S' work falls down on all four of our pillars of a good living wages project:

1. First, M&S has chosen to go it alone, rather than working with other brands and retailers. It does of course collaborate through various forums such as the ETI, but its project would be stronger and more sustainable if it were already collaborating on the design and implementation.
2. Second, though we are pleased that M&S recognises that freedom of association and living wages are connected, it appears to see this connection only in terms of, "giving workers the opportunity to voice their opinions and express their views." The role of trade unions in the living wage discussion is much deeper than this, because it must include collective bargaining, whether directly negotiating workers' wages within a factory, or negotiating local or national wage figures with workers' representatives.

Also to note is that it views workers' committees and trade unions as equivalent. Workers' committees are often controlled by factory management and don't provide the same forum for expressing and demanding improved conditions as trade unions do. Although they are a valuable alternative where there is no freedom of association (such as in China or some free trade zones), workers' committees should be viewed as second best to a recognised trade union.

3. Third, M&S' work on its own purchasing practices is limited to training for buyers, and does not examine the relationship between the prices it pays to suppliers and workers' wages.
4. Fourth, M&S has not committed to a sustained implementation of the living wage throughout its supply chain. Its commitments stop at 'improving' wages, and focus on productivity improvements; in 2009 M&S commits only to examining and discussing a living wage figure. By committing only to improving wages, M&S sets the bar too low. We were surprised by M&S' statement about wages in Bangladesh. From the worker interviews it has conducted, it should be aware that the Tk2950 figure it uses is nothing like a living wage, and was not even in 2006. It is also concerning that M&S frames the findings of that research in terms of the 60% of workers who earn this paltry amount, rather than the 40% - a sizeable proportion - that must be earning less.

MATALAN

Responded to survey: yes

MSI involvement: no [\[what's this?\]](#)

Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage. [\[what's this?\]](#)

Summary

The first time it has responded, Matalan has a very simplistic, superficial approach to ethics in general, although it promises more work on living wages.

Position on living wages

The previous report states that Matalan do not accept the principles of a living wage...I can categorically state that this is untrue...I am sure you will agree, for want of a better cliché, "actions speak louder than words."

Work so far on living wages

Matalan states three factors in its work with suppliers that can be seen as improving wages:

- Steps to improve efficiency at suppliers, especially where workers are earning piece rates.
- Although minimum wages may not be sufficient, it says, it will "provide the tools and support" for suppliers to train workers and help them move into higher-paying positions.
- "The Matalan Socially Responsible Trading Policy already covers the issue of our suppliers paying living wages. However, from the date of this submission, this will be included within both the supplier set up and Vendor appraisal processes. These processes are always discussed and agreed with any potential supplier prior to product being produced for sale in Matalan stores."

Plans on living wages

Over the next 12 months the Matalan auditing team will conduct further assessment of living wages. Once this information is gathered, we will be in a better position to take the necessary action to implement any changes needed across our entire supplier base. In addition to this, an investigation into the use of homeworkers will be conducted...This investigation will give definite foundations for an annual review into the patterns of home worker/casual labour use, against fashion trends.

Other significant information

The Matalan code of conduct still does not mention freedom of association and collective bargaining.

Our comments

Good to see Matalan finally participating in our survey, and integrating living wage considerations a bit more into its processes and plans. Despite this it is clear that Matalan is a long way behind, both in the living wage discussion and in its approach to ethics generally.

Its ethical checks are performed as part of quality control audits and appear to be very superficial. For example, in describing its procedures, it states that, "as soon as the factory reaches an acceptable level of

ethical, safety and quality standard then buyers will be given the go-ahead to place orders." If this were the case and its ethical checks were effective, Matalan would have a very small production base!

Because of this, it is hard to have much confidence in Matalan's planned study of living wages. One solution to this: Matalan should join a multi-stakeholder initiative so that it can learn from companies who have advanced a long way beyond this simplistic approach.

We also note that Matalan continues to omit freedom of association from its code of conduct, and has been accused more than once by suppliers' organisations of making unilateral cuts to its payments for products, which is likely to have a detrimental effect on workers' rights.

MK ONE

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

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.

MONSOON ACCESSORIZE

Responded to survey: yes

MSI involvement: yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

An excellent project plan based on one developed for the ETI project group; as members of that group move beyond Bangladesh it will be essential that Monsoon Accessorize collaborates with them.

Position on living wages

Supports the living wage as it has adopted the ETI base code; says it is a "priority area".

Work so far on living wages

None mentioned

Plans on living wages

Monsoon Accessorize said that it had been lobbying inside the ETI for greater guidance on living wages, and had been pleased that ETI "rose to the challenge". Because the ETI project is focused on Bangladesh,

a region where we do not source...we are pleased to report that we have taken on board much of the initial learning from the Bangladeshi work and have embarked our own living wage project. This project is bespoke to Monsoon Accessorize.

The resulting project specification is quite clearly based on an ETI group project plan (in numerous places it still refers to "ETI members"), with its methodology emphasising the following factors, among others:

- Collaboration with local stakeholders
- Negotiating a living wage figure at national or local level as well as calculating it
- "Negotiating a new price" with the supplier that demonstrably allows workers to earn a living wage.
- "Promoting a climate in which industrial relations can develop" by educating workers and management in their rights.

Monsoon Accessorize was keen to emphasise the role that collective bargaining will play within the project; stating that:

We will establish relationships with appropriate stakeholders and work towards developing participatory approaches to ensure that workers are able to negotiate living wages at a local level through unfettered collective bargaining.

Elsewhere we note that Monsoon has discovered a larger amount of homeworking in its supply chain than it expected, and the project seems to allow for this by including supply chain mapping and a requirement that the supplier pay the same wages at any subcontracting facilities.

It continued:

The first stage of our project has now commenced and it is our intention to have piloted the

approach with an appropriate supplier(s) within the next year and our intent is to roll out the procedure across all our business thereafter.

Other significant information

Monsoon was “delighted” with our focus on living wages, but took issue with the exclusion of other areas in which it had made progress. Monsoon was the only retailer to submit its entire ETI annual report (all 117 pages!).

Our comments

This is the only project description submitted to our survey that meets all four of our pillars of a good living wages project. Although it is not collaborating with other retailers, this is understandable when all other retailers are focusing on Bangladesh, and Monsoon Accessorize is collaborating with local stakeholders (although it doesn't mention which ones).

Perhaps most notable is that the pilot phase is envisaged to last just a year, after which it plans to publish a report and move on to roll-out. It will be essential that Monsoon Accessorize shares its learning with members of the ETI group, and with other retailers who are planning to diversify their projects beyond Bangladesh soon.

MOSAIC FASHIONS

(Coast, Karen Millen, Oasis, Odille, Principles, The Shoe Store, Warehouse)

Responded to survey: yes

MSI involvement: no [\[what's this?\]](#)

Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage. [\[what's this?\]](#)

Summary

A lack of substance on living wages, but progress in other areas from a year ago.

Position on living wages

Has adopted the same wording as the ETI base code.

Work so far on living wages

None mentioned

Plans on living wages

We are currently defining our methodology on living wages, which will involve incremental improvements through a step by step approach...we are also learning from the pilot projects and strategies of other retailers/organisations.

Other significant information

Mentioned various activities to do with the development of its ethical trading programme.

Our comments

As promised, a significant improvement on 2007's meagre effort, but Mosaic is still a long way behind other retailers. It would benefit from joining a multi-stakeholder initiative.

NEW LOOK

Responded to survey: yes, and replied to questions

MSI involvement: yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

An approach that is more ambitious in terms of scope and further advanced than most others, but lacks a clear plan to pay workers a living wage.

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. However, this objective seems more challenging than ever in the context of rapid food price inflation around the world.

Work so far on living wages

The project we launched last year in Bangladesh, with one of our top 5 suppliers who is responsible for around 8% of our production, to explore how far production efficiency and incentives for workers could increase wages towards a living wage has now almost concluded, with very positive results. Working with [consultancy firm] Impactt, the factory has worked hard to improve productivity has raised wages and reduced working hours, whilst also supporting the development of a more active Workers Committee and introducing better procedures for workers to take paid time off.

By May of this year, workers at the lowest wage grade (Grade 7) were earning 16% more than a year previously, for 27% fewer overtime hours. The average take-home pay of these workers had increased to Taka 2,924, a significant step towards a living wage. However, we are very aware that, against the background of rapid food inflation, the bar for what constitutes a living wage keeps on rising, and we continue to work hard with the factory to keep on improving.

We note that average take-home pay is a figure that includes overtime earnings, which are excluded from the definition of a living wage.

In response to a clarification question, New Look told us that the workers' committee, "is currently made up of nominated representatives. However, elections, to be scrutinised by members of the now disbanded ILO garment industry team in Bangladesh, are planned."

Plans on living wages

New Look is the only retailer to have reached the rolling-out stage following a pilot project:

We are currently selecting a group of suppliers in a range of countries, each of whom will nominate up to 5 factories in which to roll out this methodology. We are looking at Turkey, Moldova, Vietnam and India to establish where this model has most chance of being successful...We hope that this will result in a broad selection of case studies showing how this model works in a number of contexts, which we can then use to support a wider roll-out...We hope that in 12 months time, we will be able to report take-up and positive results across a

significant tranche of our supply base.

We asked about the project's focus on productivity, and whether it would also examine New Look's own buying practices:

We are very aware that productivity is part, but only part, of the answer. In order to be successful, we believe that any approach to increasing wages towards a living wage must include more responsible buying practices by the retailer and also a genuine commitment by factory management to pay a decent wage. In terms of responsible buying practices, specifically on the Bangladesh project, we have identified room for improvement in planning and forecasting to smooth the flow of orders. More generally we are participating in the ETI Purchasing Practices Project, working with our major Turkish supplier and the NGO WIEGO to identify where our purchasing practices are causing issues and work out how to improve them. We are also working on ways to incentivise our suppliers to provide better jobs for workers, so, for example, we are in the process of reviewing commercial terms with our Bangladesh supplier to provide an incentive for continued improvement.

Other significant information

On freedom of association, New Look said that,

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 are prioritising the roll out of our worker committee model to factories where there is no active trade union present. Whilst this is not ideal, we believe that an empowered workers' committee can go some way to supporting workers to be able to negotiate with managers on key workplace issues.

And it gave some detail on its monitoring and verification to answer the concerns we raised last year. In particular:

- the choice of auditors and worker interviewers,
- the fact that, "worker interviewers always leave their contact details with the workers they have spoken to and workers often telephone to add further information or updates."
- "We also regularly use unannounced assessments with offsite worker interviews in situations where we are suspicious about conditions at a particular site or where we have received intelligence about problems. We know that this approach uncovers issues in factories that have been 'passed' by other retailers and audit companies. "

Our comments

New Look is the furthest advanced in work to increase wages, with a project that appears to have genuinely improved wages and working conditions, involved worker organising, and encompassed a (limited) examination of purchasing practices, all along with a genuine plan to roll this learning out across its supply base. This is consistent with the broader approach on ethical trading provided by New Look. While far from perfect, it seems this is considerably more sophisticated than many others. We note, for example, New Look's recognition that the global food crisis compounds wage problems.

The existing project is not a living wages project by our definition, however. It lacks a multi-stakeholder and multi-retailer approach, but more importantly it remains focused on productivity improvements which, as New Look's own evidence demonstrates, have yet to deliver anything close to a living wage. New Look did acknowledge this:

We wouldn't claim that the project delivers a living wage within standard hours, but we do think it makes an interesting contribution to the debate on how better salaries can be achieved sustainably.

As well as rolling out the project, New Look should continue to develop it to incorporate multi-

stakeholder collaboration, favour trade unions over workers' committees wherever possible, and plot a route towards attaining a living wage, as opposed to simply raising wages.

NEXT

Responded to survey: yes

MSI involvement: yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

Doesn't quite live up to the promise that it outlined last year, and now seems only to have a set of disparate pilot and research projects: will need to pull them together into a coherent strategy with a clear path to implementing a living wage.

Position on living wages

As we have said previously, achieving compliance to the living wage is a major challenge but one to which we remain committed.

Work so far on living wages

During 2007 we initiated a series of country studies of the living wage in our key sourcing countries...The results of these studies confirmed a conclusion reached by many other organisations, NGO's and Trade Unions included, that the wide and varied factors within each factory and industry such as output, present technology, worker/management communication, staff retention and the business model a factory has adopted, all impact actual wages paid. The studies also confirmed that due to these and numerous other factors the achievement of the living wage provision is localised to each factory...The research highlighted again the complexity of implementing a sustainable living wage..

Plans on living wages

Next highlighted a number of pilot projects:

- China: A productivity project in 12 factories that includes "redesigning the wage structure for both supervisors and workers with a view to giving a greater degree of incentive for supervisors to help workers with low efficiency introducing a productivity concept which will reward workers with high productivity and perform a wage analysis at regular intervals."
- Sri Lanka: "an initiative to share the vast amount of expertise and experience we have within our own organisation to other factories in the area."
- Mauritius: "Working with one supplier we share [with Arcadia Group] in Mauritius we introduced in January 2008 a piece rate system. Reviews of the first five months of this year have shown that an average worker has seen their earnings improve by at least 38% compared to the same period last year."
- Migrant workers: a project examining the unfair treatment of migrant workers looking at factories and recruitment agencies.
- Homeworkers: "a wages study through 4 supply chains of embellished product.."
- Bangladesh: "Working together with Arcadia Group Ltd we have identified a shared factory in Bangladesh where we plan to carry out an extensive wage study." Next also mentioned the ETI project.

Our comments

Last year we were impressed by Next's ambitious plans. This year it appears that those plans have not been realised to the extent it expected, because, "the studies did not provide us with the hard and fast figures we envisaged." Instead it says that it will use the learning from and outcomes of each of the projects listed above to make more plans in the next six months. This is of course a little disappointing, and it is odd that Next has now been overtaken by some other retailers whose work seems to be more systematic and developed.

If we take Next's submission at face value, it is taking more time because it is first of all exploring how to adapt to the complexities created by, for example, migrant and home working. If this is the case, we should expect that when Next does move to the level of living wages project and strategy, it will be the most sophisticated we have seen.

There is of course an alternative possibility, which is that Next has faltered in its progress towards living wages. Time will tell.

PEACOCKS

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

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 [\[what's this?\]](#)

Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage. [\[what's this?\]](#)

Summary

Nothing really to show at this point; says was hoping to work on wages through the ETI pilot project and is now considering a small project of its own, but not in the same league as other retailers.

Position on living wages

The Primark code, in line with that of the ETI, does require wages to be paid at the legal minimum or industry accepted standard where a legal minimum does not exist, whichever is higher...we are very aware of the complexities of identifying a living wage which can be applicable to an industry and region, and have actively requested support from the ETI in doing so.

Work so far on living wages

None mentioned

Plans on living wages

Primark participates in the ETI project group, but this group has been "painfully slow". In the meantime, "We are actively looking for on the ground partners to enable us to run a small pilot in India, independent of the ETI."

Other significant information

Primark has embarked on training for workers, working with local labour rights groups and trade unions, in Bangladesh and potentially India. It has expanded its in-country teams to improve the effectiveness of its audits and its compliance work. It points out that it pays for all factory audits itself, in contrast to many retailers that expect suppliers to pay.

Our comments

As other retailers have demonstrated, the work already done on the ETI project can form the basis of a solid living wages project, preferably in collaboration with others. It is not clear what Primark means by a "small pilot in India", but as it surges to the top of the market share table, it should surely be as if not more ambitious than its competitors.

RIVER ISLAND

Responded to survey: no

MSI involvement: yes, ETI [\[what's this?\]](#)

Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark. [\[what's this?\]](#)

Summary

No discussion of living wages on its website, but River Island has just joined the ETI and so we hope to see improvements soon.

Position on living wages

Has adopted the ETI base code.

Work so far on living wages

None mentioned

Plans on living wages

None mentioned

Other significant information

Discusses some elements of its auditing online.

Our comments

Great that River Island has joined the ETI. This will be an important forum for it to engage more substantially with ethical trading issues. Apparently on living wages it has a lot of catching up to do!

SAINSBURY'S

Responded to survey: Yes. Made changes in response to initial comments.

MSI involvement: Yes, ETI [\[what's this?\]](#)

Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage. [\[what's this?\]](#)

Summary

Once again an infuriating response from Sainsbury's that failed to give us any useful information. It is "taking an active part in the ETI working group," but refuses to tell us what this entails.

Position on living wages

"This is a serious and complex issue. Sainsbury's feel the best way to progress this is through the multi stakeholder ETI, where other retailers, NGOs and Trade Unions can agree a common approach, and potentially have a more significant and meaningful impact."

Work so far on living wages

"We are taking an active part in the ETI working group on the living wage, with specific focus initially on Bangladesh. The progress so far has been encouraging, including overcoming the potential issues which UK and EU competition Law (actively monitored by the OFT) pose a collaborative project like this."

Though we asked how Sainsbury's was taking an active part in this group, it did not supply any further information.

Plans on living wages

"Sainsbury's will continue to work closely with the ETI and its members on this and other projects."

Though we asked how Sainsbury's intended to do this, it did not supply any further information.

Other significant information

None

Our comments

Every year Sainsbury's' submissions to this survey have insisted that it thinks living wages should be addressed, "through the ETI". We couldn't agree more. But many initiatives within the ETI move at a glacial pace of progress, while there are wide variety of levels of commitment from its member companies, and companies' progress reports are not disclosed publicly. This means that companies must tell us what specifically they are doing to take advantage of the opportunities created by the ETI's collaborative framework, otherwise we have to assume that they are riding on the coat tails of more active companies.

STYLO

(Barratts, Priceless, Shoetopia)

Responded to survey: no

MSI involvement: no [\[what's this?\]](#)

Grade 0: Does not accept the principle of a living wage [\[what's this?\]](#)

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.

TESCO

Responded to survey: yes

MSI involvement: yes, ETI [\[what's this?\]](#)

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. [\[what's this?\]](#)

Summary

A thoughtful position statement, but as yet Tesco has no concrete plans to implement a living wages initiative.

Position on living wages

We subscribe to, and require our suppliers to abide by, [the ETI base code definition of a living wage] for all workers in our supply chain...The lack of a commonly-understood definition means we don't find it practicable to use the term in day-to-day work.

Work so far on living wages

Tesco's work on wages, "has five broad themes and a number of specific initiatives." The themes are:

- supporting supplier productivity improvement programmes;
- developing long term plans with suppliers;
- developing Fairtrade [cotton] sources;
- increasing our trade with suppliers showing better ethical credentials and outcomes;
- training workers to improve the understanding of their rights and give them the opportunity to be involved in developing their wages, including through collective bargaining.

Plans on living wages

Tesco gave the example of Bangladesh:

We believe that wages are best and ideally addressed by national governments setting realistic minimum wage levels. So we sit on the Executive Committee of the influential MFA Forum.

The next way to address wage levels is cross-industry action. We play a key role in the ETI Wages Project, which is looking at mechanisms for improving wage rates in Bangladesh.

We do not believe, however, that industry initiatives excuse us from carrying out our own research and action...We are therefore undertaking a major piece of research to survey wages levels at our Bangladeshi supply sites...We intend to continue working through this data with a view to implementing findings on how best to raise wages next year. We accept the principle that increasing wages may require us to pay higher prices.

Other significant information

In a lengthy submission, Tesco listed a number of other activities. These included describing its approach to subcontracting and homeworking, and its 'A-list' suppliers programme, representing 20% of its clothing turnover.

The idea is that developing a core of strategic, incentivised long-term suppliers gives us a platform to drive innovation and product development in our supply chain, alongside ethical and community initiatives....To qualify as an A-list supplier, each company must show strong compliance with our ethical and technical standards....Members of the A-list are given several KPIs (Key Performance Indicators) to achieve, such as around timely delivery. In return, suppliers are given three-year business projections to enable them to plan their businesses effectively.

Alongside the development of an A-list supplier scheme, we have increasingly sought to balance out our production orders over the year....placing orders for core, non-fashion items 'out of season'. This helps suppliers plan their production, even out peaks and troughs in volumes and keep overtime within manageable levels.

Our comments

Tesco didn't describe any concrete initiatives to explore the implementation of living wages, with initiatives explicitly tackling wages limited to tightening up its auditing of wages and conducting 'a major piece of research' in Bangladesh. It is part of the ETI project group, but unlike other members of that project it has not embarked on its own pilot while it waits for the group to move ahead. Its submission was more lengthy and thoughtful than others in the same position, making an explicit acknowledgement that prices paid to suppliers and the stability of relationships are important factors, as well as name-checking freedom of association (though no practical work was mentioned on this).