Jan:
22p per hour sewing for Topshop in Mauritius

Kate Moss:
£3 million to endorse a Topshop collection

LET'S CLEAN UP FASHION
2007 Update »

Ruby:
£20 a month sewing for M&S in Sri Lanka

Stuart Rose:
M&S chief exec earned £3.9 million in 2006-7

Mohua:
£300 per year sewing for Asda George in Bangladesh

Coleen:
The face of Asda George, spent £3000 on a handbag

Labour Behind the Label

WAR ON WANT
FIGHTING GLOBAL POVERTY

Let's Clean Up Fashion »

2007 Update

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For copies of this report, detailed company responses, updates and background, please contact Labour Behind the Label: email info@labourbehindthelabel.org or visit www.cleanupfashion.co.uk.

Foreword »

Last year, Labour Behind the Label and our partners interrogated the biggest fashion brands and retailers on the high street to find out what they were doing to improve wages for the workers in their supply chains. For the most part, the responses we got back were a combination of procrastination, stalling, and fairly transparent excuses. Only a few companies admitted that there was a problem, and even fewer that they had a responsibility to fix it.

We have returned to each of the companies profiled, one year later, giving them the chance to update us on the progress they had made. A number requested face-to-face meetings, so in July and August we met with 11 high street companies to talk over the written submissions they had sent us. As we will see in this update, very little has changed for workers over the past twelve months, although there are signs that some in the industry may now be starting to at least consider taking more significant action.

In this update, we focus on living wages. A major issue for workers, it is also a key sticking point in ethical trade, and the most stark injustice of the fashion industry. While executives and spokesmodels live in excess on seven-figure salaries, the garment workers who generate their profits remain – systematically, across the world – mired in a poverty trap.

Garment workers are not making unreasonable demands: they are asking for decent work and a living wage that will give them a fighting chance to escape poverty. It is not enough for UK retailers to provide poor jobs for people in developing countries: they must be decent jobs based on conditions of freedom, equality, security and dignity that will make a real difference to people's livelihoods.[1]

In complex global supply chains, often several parties - including suppliers, buyers and governments - contribute to the poor working conditions experienced by workers. Of these, it is the fashion brands and retailers who take the most profit and have the most power in the supply chain, and who therefore bear the primary responsibility for working conditions.

Binding regulation, set down and enforced by governments in the UK and in other countries where garments are made, should create the framework in which fashion brands work together to eliminate violations of workers' rights. Yet at present, such regulation is weak and poorly enforced; nowhere is this more evident than in the quest to secure a living wage.

Introduction »

> Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection. - Universal Declaration of Human Rights, Article 23.3

Nadia works in a factory supplying a well-known fashion brand in Morocco. She earns the minimum wage of 70p per hour, and distributes her £31 weekly earnings as follows: "First, I give some to my parents, who don't work. Next come my sisters [two of whom are studying]. Then I keep whatever is left for myself." At 35, Nadia still shares a 3-room house with nine members of her family. She would have liked to be an Arabic teacher, and would love to marry and have children of her own. But her obligations to her family, coupled with her low wage, mean that these aspirations will remain unfulfilled.

"The wages I get are not enough to cover the cost of food, house rent and medicine," says Mohua, a worker in a Bangladeshi factory supplying two supermarket fashion giants. Her colleague Humayun agrees. "With my earnings it is difficult to meet living costs." Mohua and Humayun are amongst the better-paid sewing machine operators in their factory, earning in the region of £16 per month. Yet this is still well below any credible estimate of a living wage in Bangladesh, equivalent to just 5p an hour over the 80-hour week they regularly have to work.

Maria is a homeworker in Bulgaria, sewing shoes for another well-known UK retailer. She earns 120 leva a month, yet to support her family of four, homeworking organisations say she would need to earn 400 leva. Maria is paid piece rate – a fixed amount per garment produced, rather than per hour. If she wants to earn even the minimum wage, she has to work sixteen hours a day; to earn more, the whole family, including her children, has to help with the work. On top of this, Maria also has to cope with irregular payments and with knowing that she is being paid less than other homeworkers doing the same work in the nearby town. Maria sums up her situation like this: "nothing is secure. Life is much harder than it used to be. Instead of going forwards, we are going backwards".

These are everyday examples of life for the people who make our clothes, the world over. Time and time again we see that poverty wages, long working hours and bad working conditions are the rule, not the exception, no matter which high street retailers we buy from. This is not news: the fashion industry has been criticised for these problems for more than a decade, with little change made and companies still unwilling to ensure that workers earn a decent wage.

Yet in an industry worth billions of pounds, they can afford to. Philip Green is the owner of Topshop, Bhs, and a host of other high street brand names. Two years ago, he claimed a £1.2 billion dividend, enough to double the salaries of Cambodia's entire garment workforce for 8 years.[2] He paid Kate Moss a reported £3 million pounds to put her name to a Topshop line of clothing: a Mauritian worker in a factory that supplies Green's Arcadia group would have to work for almost 4,000 years to earn that much.[3]

Coleen McLoughlin, fiancée of footballer Wayne Rooney, earned £1.5 million pounds as a spokesmodel for George at Asda,[4] and it's unlikely that she had to work 80-hour weeks like Bangladeshi workers producing for George regularly do. Coleen's £3000 Hermes Birkin handbag[5] costs more than a Bangladeshi garment worker would earn in 16 years. The lowest-paid models at London Fashion Week will pocket £125 for just one hour's work,[6] more than four months' salary for a Vietnamese garment worker.[7]

Sir Terry Leahy, Chief Executive of Tesco, was paid £4.6 million in salary and share bonuses in 2007 - enough to pay the annual wages of more than 25,000 Bangladeshi garment workers who supply Tesco.[8] With his £2.3 million salary and bonuses in 2007, Stuart Rose, M&S' Chief Executive, could have doubled the annual wages of nearly 12,000 garment workers in Sri Lanka.[9]

The contrast between young women working at the bottom of the supply chain and the stars and chief executives at the other could not be starker: the industry fails to pay its poorest workers enough for them to cover their living costs or afford basic needs such as supporting a family, while paying vast sums to models and chief executives here in the UK.

When fashion companies speak about this issue in public, normal behaviour is complacency and misleading spin. If a brand makes a public commitment to a living wage, it must take that seriously, rather than implying that because it has endorsed the living wage standard, it is respected in its supply chain.

Only a couple of fashion brands will admit publicly that working conditions in their supply chains are significantly below what is desirable; the vast majority continue to hoodwink the public by telling them that everything is fine, and that examples cited in the media and by campaigners are just glitches. What makes this duplicity so breathtaking is that companies have ample evidence that poor working conditions are systematic throughout their supply chains: when people perpetuate the idea that most garment workers' rights are respected, that living wages are paid, that workers making their clothes have decent jobs, they are just plain wrong. Either they have been misled, or they must be doing the misleading themselves.

Part of the battle in researching Let's Clean Up Fashion has been persuading companies to admit this truth, a rhetorical shift for which we have commended those that conceded. With a couple of notable exceptions, those that do admit the problems have very little to show on the issues we raise: they tend to agree that something must be done on a sector-wide level, but then sit back and wait for it to happen. Most disappointingly, some brands who have more recently engaged with ethical trading, from whom we had hoped for significant progress this year, seem not to have grasped the gulf between what most companies do on labour rights and what needs to be done to have a serious impact on working conditions.

Fashion brands have the money and power to do the right thing by the people who enable them to profit. How many more stories of exploitation will we have to hear before the industry takes responsibility and cleans up?

The workers' perspective »

Another year, another raft of evidence that demonstrates the poverty in which the clothes we wear are produced. Britain's top three clothing retailers, Marks and Spencer (M&S), Tesco, and Primark, reported combined profits of £3.78 billion in the last year.[10] These profits are thanks in large part to the hard graft of tens of thousands of workers, mostly in developing countries, some of whom have been shown to make as little as four pence an hour for an 80-hour week.[11] Not every brand or every country has been subject to a media exposé in the last year, but the conditions shown up in media reports are not extreme cases: they are endemic throughout the industry, as retailers are beginning to admit.

Systematically underpaid

Much of the discussion has focused on **Bangladesh,** and with good reason: its workforce remains one of the lowest paid and most shockingly exploited. Rahela, working in a factory supplying UK supermarkets, told ActionAid, "sometimes we don't have enough to eat. My neighbours are too poor to give us anything. I cook what I can manage. Sometimes it's just rice."[12] Nazera, working in a factory supplying Asda and Tesco, earns just £8.33 per month. "We don't have any future by working in the garment factory," her colleague Abdul told researchers for War on Want in November 2006.[13]

With the minimum wage raised from £7 to £12 per month, factories have begun demoting workers, stifling protest, and searching for any way possible to reduce the wage bill. For example, as War on Want's researchers were told, unpaid overtime is a common way to reduce the wage bill:

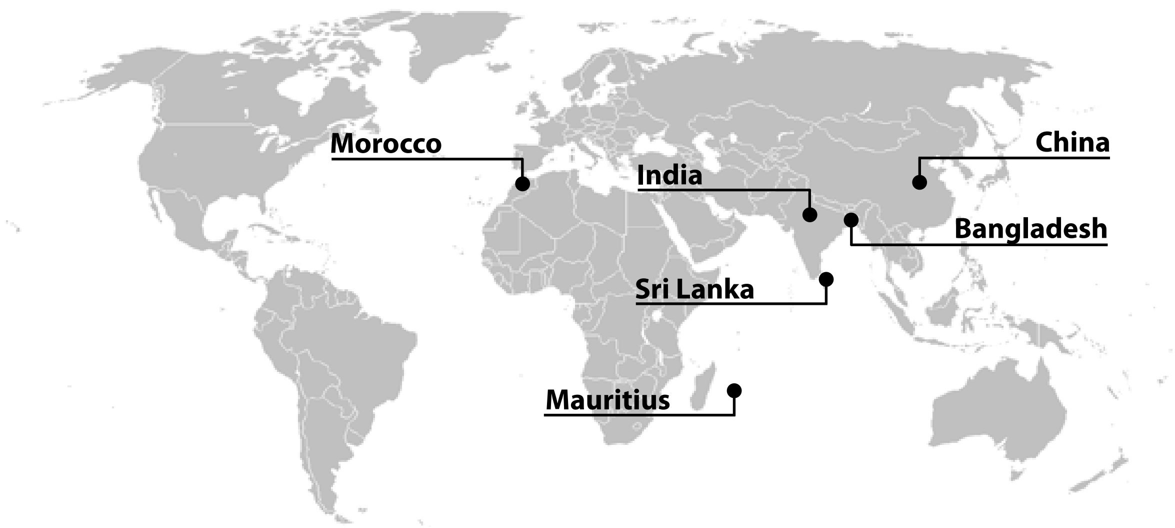
> Calculation of overtime is always considered fraudulent. Workers have to accept the overtime work hours as calculated by the factory management...when workers work until 10pm, completing five hours of extra work, the official record book shows that they have worked only two extra hours.

But it's not just Bangladesh. Few garment workers earn enough to live the meaningful life that is their right, whether they are in Cambodia, Morocco, Sri Lanka or China.

In late 2006, nearly 500 garment workers in a **Morocco** factory supplying M&S, the UK's biggest clothing brand, went on strike after their wages (a measly 70p per hour) were not paid on time. All of them lost their jobs.[14] In **Sri Lanka**, workers sewing school dresses for M&S gain just 10p of its £6 retail value. "Almost daily our living costs are increasing and our wages are not enough for us to have a decent life," said one in summer 2007. "We work all week and yet we can't afford the basic things that we need on our salaries."[15]

In **Mauritius** – another country like Morocco that brands see as 'low risk' for exploitation – the Sunday Times reported that migrant workers in factories supplying UK brands earn as little as 22p to 40p per hour, when the average local wage is 55p. One of them had supplied Sir Philip Green's Topshop for the past ten years.[16] "When I go to bed at the end of the day," one woman told the paper, "I lay down and weep." Another explained the conditions in which they work:

> We were put in dormitories – approximately 20ft-30ft, 40-50 workers huddled together in this room. There was no space to move around. For the 985 employees [in the factory] there were only 10 toilets and at least three of them did not work at any time. More often there was no water in the toilets. The food was so bad we could not consume it.



China, the world's biggest exporter of clothes, is busy producing merchandise for the 2008 Olympic Games. Here again, at a factory producing bags with the Olympic logo, researchers for the Playfair 08 campaign found that workers were earning only a third of the legal minimum, despite working over 350 hours per month.[17]

> "Our wages are calculated by using the piece rate method," explained one worker, "so we all have to work very hard to earn around 1,000 yuan a month. Many workers stay behind an extra 10 minutes just to do a few more pieces...There is no overtime pay rate. The rate per piece is the same as during normal working hours. The company said we'd get an extra 0.7 yuan per hour during the OT sessions, but in reality, the extra money goes to pay for our meals [which are provided during overtime hours]."

In September 2007, a Guardian journalist in **India** spoke to workers in factories supplying Gap, H&M, Marks & Spencer, Matalan, Mothercare and Primark.[18] "Wages barely covered their living expenses," she wrote, "leaving them in debt and relying on government food handouts after unexpected bills. Many of them said they were under 'intolerable' pressure." Workers were earning £1.13 for a 9-hour day, less than half the local trade union's estimate of a living wage.

These are not isolated cases. Gleaned from right across the globe, they are testimonies to the systematic underpaying of tens of millions of garment workers. Most workers expect nothing more than their legal rights, though they admit that this is often only half of what they really need for them and their families to live comfortably. Indeed, women's life decisions are shaped by their low incomes, and many go without marriage and children, which they dearly want, simply because they can't afford it.

Ruby, who works in a Bangladeshi factory supplying a UK supermarket, told ActionAid earlier this year, "we can live, but we don't have enough to save. In the future I want to buy land. In the future I want another child, but there is not enough money at the moment. I want to send my child to school, but I will have to earn enough money."[19]

Living wages: the facts

We used information from our local partners in-country to estimate the actual and living wages in some of the key countries supplying garments to the UK. Our local partners are either trade unions or non-governmental organisations: in all cases, they are in day-to-day contact with workers,

Chart 1: Actual versus living wages

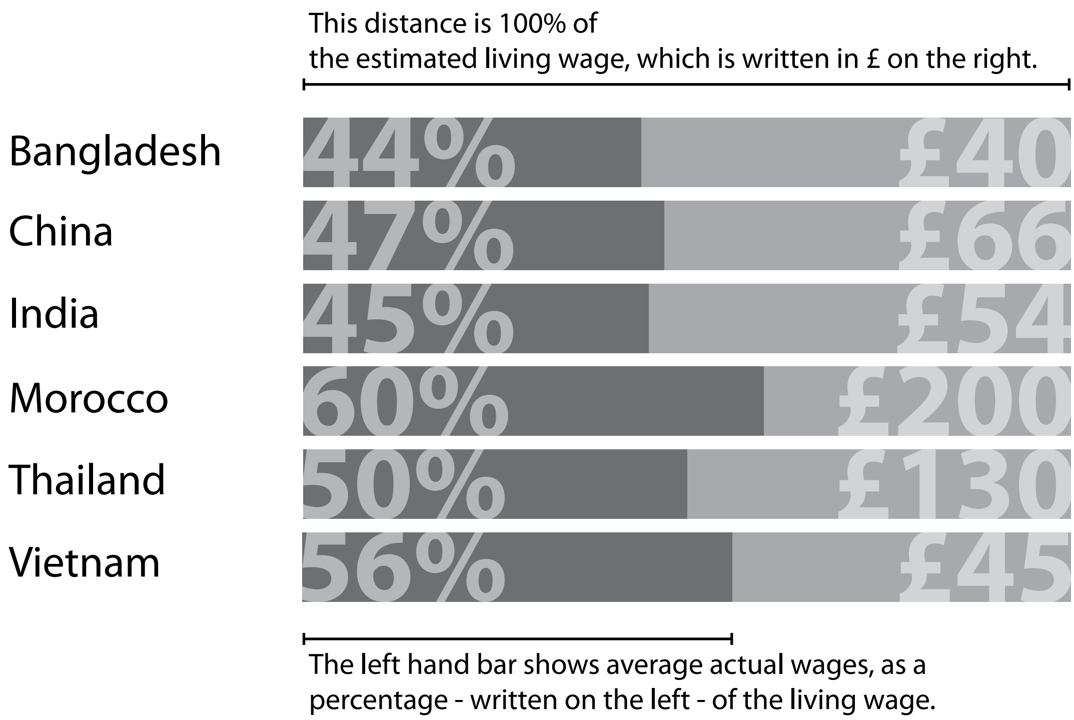
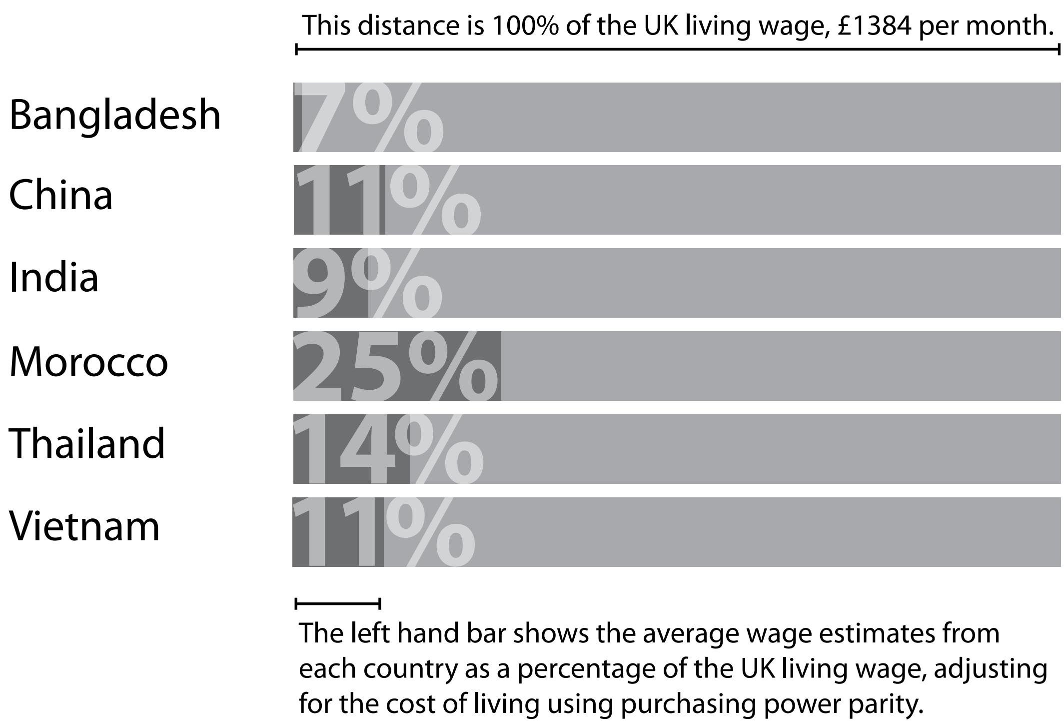


Chart 2: Average wages adjusted for cost of living



Source: Clean Up Fashion research

Minimum versus living wages

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.[20] When the minimum was finally raised, it was still well below its 1994 value, in real terms.

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 have many years' experience fighting for garment workers' rights. Many are former workers themselves. Their estimates are based on this intimate knowledge of the garment industry and local conditions.

Average actual wages in the garment sector generally hover just above the legal minimum wage. This means that most workers are earning more than the legal minimum, although it implies that some must actually be earning less. However, average wages are always significantly lower – generally around half – than the living wage estimates from workers themselves (see Chart 1). Of course living costs - and therefore salaries - are lower in developing countries than they are in the UK, but even in local terms, garment workers' salaries are unacceptable.

Having gathered these figures, we can work out what it would be like to earn an equivalent wage in the UK. Chart 2 uses a method called Purchasing Power Parity (PPP) to translate average wages in garment producing countries into UK salaries. PPP compares the cost of living in each country, so it takes account of the fact that things are cheaper in developing countries. It enables us to imagine that a family of four in the UK is living on the equivalent of a wage earned by, for example, a Bangladeshi garment worker. We have compared this to the UK living wage estimate of trade union Unison.[21] The PPP conversion rates are taken from the World Bank's World Development Indicators.[22]

Let's take Vietnam as an example. The prevailing wage for a garment worker in Vietnam is £25 per month, around 55% of a local living wage. If we use PPP to ask what £25 for a person in Vietnam is equivalent to in the UK, we get a figure of just £151 per month, a meagre 11% of the UK living wage for a family of four. Even the Vietnam living wage works out as just under £300, one-fifth of the UK living wage. This shows that garment workers are not asking for much: they do not expect the same quality of living or lifestyle as we have from their salary. They just want to be able to live decently.

As workers have said on more than one occasion: if the brands think that we're being paid a living wage, they should come here and try to live on it themselves.

Solutions

Workers' own analysis of the situation usually points to three sets of people causing the problems: governments, factory managers, and brands.

It is much easier for the brands to enforce the legally defined minimum wage than the living wage, for which no agreed legal standard exists. Yet governments in garment exporting countries systematically fix minimum wages that are much too low, because their main competitive edge in the global market is low wage costs. Low minimum wages are a result of pressure from multinational brands, whether the brands make this pressure explicit or not.

Phearak used to be a garment worker in Cambodia, but for the last two years she has worked as a labour rights activist, spending most of her waking hours helping her friends to defend their rights. "How can we survive when all we earn is £25 a month?" she asks. She is incensed by the huge chunk of the final retail price that is taken by the brands, and then again by the amount the factory owners. But as Cambodia braces itself for even greater competition from China and Vietnam , she says that workers must work harder just to stop their pay falling.

The global market is about to become even more competitive: in 2008, the temporary safeguard that allows World Trade Organisation members to restrict China's textile exports – the last thing shielding other countries from its formidable industry – will end. Brands will have even freer rein to source from wherever they want. They use this power, quite deliberately, to pressure governments and manufacturers into a race to the bottom in which none can feel confident to set decent standards for working conditions. Workers are well aware of this: the brands' protests that quantifying a living wage is 'oh so difficult' ring hollow to them.

As for factory managers and suppliers, just like the brands and retailers who control the supply chain, they are businesses seeking to maximise profits. Whether they are single-factory operations owned by local businessmen, or multinational conglomerates with turnovers exceeding those of the brands they supply, many factory owners manage to earn handsome incomes from garment manufacturing. Factory managers' claims that they genuinely want to pay their workers a living wage - if only the brands and retailers would pay them enough - therefore need to be treated with a pinch of salt.

Yet they do have a point: the brands don't factor a living wage into the prices they pay to suppliers, nor do they seek out suppliers who pay a living wage. Instead, many place pressure on suppliers to cut costs wherever possible, which can translate into falling wages and conditions for workers. "We've trimmed every cost that we can," one retailer told us.

"When we negotiate with the factory owners they say they can't increase salaries because they are getting a very low price from the buyers," says one union leader in Sri Lanka. "The workers then get pressurised to hit higher targets to make up the losses suffered by the factory owner."[23]

So securing a living wage for workers requires a number of things from the brands: make sure you factor a living wage into your purchasing decisions and practices, giving suppliers the means and the confidence to raise wages; make sure they pass the benefits on to the workers, through collective bargaining and by effective monitoring and verification against a living wage standard; give governments the space and incentive to set decent minimum wages.

What the companies say »

Living wages

This year's company responses saw a definite change in a significant number of companies' attitudes. Only one quarter (6 of 24) companies admitted that workers in their supply chains were not earning a living wage in 2006; in 2007, this figure is nearly two-thirds (14 of 23, but only four are actually doing anything concrete on the living wage). It is no longer the norm for companies to deny responsibility, to deny that there is a problem, or to hide behind the typical argument that they do not know how to define a living wage.

A few still cling to these excuses. **Sainsbury's**, for example, tells us that all workers in its Bangladeshi factory start on wages of Tk 1851. Apparently basing its figures on conversations with workers and local people, Sainsbury's continues,

> We believe that even at the bottom end of the wage structure then there is a level of discretionary spend and that this constitutes a living wage.

This is a pretty astonishing statement, flying in the face of a clear consensus that Bangladeshi wages are unacceptably low. Sainsbury's close rival **Tesco** told us last year that it uses a working figure of Tk3000 as a living wage (see box below).

Next, there is **Levi Strauss & Co**, who state this year:

> 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.

Of the brands that replied to us, it is the only one to explicitly turn its back on the living wage. The flaw in its position is that major brands play a huge role in determining the market rate – a role they could use for good, especially if they worked together. They also have a key influence on

How much is a living wage?

Bangladesh has had more attention paid to it than any other country over the past year, and the result is that more organisations have put a figure on a living wage than anywhere else. A quick comparison of these figures shows how differently the living wage is viewed by some brands and by workers' organisations:

- Sainsbury's says the minimum wage of Tk 1851 (£14) per month should constitute a living wage, and has calculations to back up its case.
- Tesco's work on the ground gives it a figure of Tk 3000 (although this is not implemented).
- During the 2006 minimum wage negotiations, Bangladeshi trade unions called for a minimum wage of Tk 3000, a low-end figure that they thought was politically palatable.
- Next is still calculating, but based on local estimates it says that the figure must be somewhere between Tk 3000 and 4000.
- Jakir Hossain of Bangladeshi think-tank Unnayan Onneshan estimated the figure to be around Tk 4300 in 2006.
- The Bangladesh Institute of Labour Studies has calculated that for food alone, a family of four needs Tk 4800.

governments, who fear that setting the minimum wage too high will cause the brands to move production to somewhere cheaper.

Other brands that seem content to keep their workers on minimum or prevailing wages included **Mosaic Fashions (Oasis etc)** and **Laura Ashley** and **Matalan**.

A number of brands continue to acknowledge that wages are rarely sufficient, without indicating that they plan to take any steps to correct this. **Pentland Group (Speedo etc)** said that while it did discuss with factories that it requires fair wages to be paid,

> We acknowledge that new worker wages will probably remain at minimum wage level for the forseeable future in many factories.

Arcadia Group (Topshop etc), takes a familiar stance:

> Until practical industry guidance is established we rely on solid benchmarks specified by ILO conventions, the prevailing industry wage and the minimum wage set by law in the country from which we source.

As we said last year, this is a somewhat academic argument: if we accept that workers are not earning a living wage, we should also accept our obligation to increase their wages. Other brands taking this stance include **French Connection**.

The problem is that everybody seems to be waiting for somebody else to make the first move. A significant number of companies claimed that they couldn't move forward because they were the only ones who wanted to, lamenting their peers' apathy. "We are the only ones," said one company representative to us, wistfully. This company, like most of those above, is not a member of the Ethical Trading Initiative (ETI) a forum that exists specifically to help companies collaborate with each other and with other stakeholders.

Most ETI member brands have developed a slightly more nuanced approach this year, and it seems fair to say that a consensus has been reached on the need for something to be done to get past this impasse. **George at Asda** exemplifies this change of tack the best. In 2006, it told us,

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

In 2007, it has changed its mind, stating instead that,

> Defining a living wage is not the issue, but Asda recognises that there are real practical difficulties in ensuring that a living wage is actually paid to the workforce rather than increasing producer margins...The only way we're going to solve this is in collaboration with other retailers.

Asda wasn't prepared to go into detail on what it plans to do to surmount these difficulties.

Many ETI members say that they had been applying pressure within ETI for the development of a living wage methodology. These include **Monsoon, Primark**, and **Sainsbury's**. Such a project would be great, but it should accompany and inform companies' individual work on a living wage, rather than allowing them to sit back and relax for another few years; otherwise, there is a danger that an ETI working group could provide an excuse for some to kick the living wage into the long grass.

A couple of companies seem to have begun to take matters into their own hands, whether or not they were waiting for the ETI to deliver. For example, **New Look** says that in Bangladesh it is "planning to build up the right context of living wage." It says it intends to "develop a quantitative figure" to be used by suppliers and factored into price negotiations.

Meanwhile **Next** has a unique project underway:

> As a step towards understanding and defining the living wage in different countries and regions we have initiated a series of country studies of the living wage in our key sourcing regions. We are undertaking these studies with our teams focusing on local regions, with reference to external bodies and experts and local research....With this exercise and information, we as a business will be better equipped to look at the broader picture of implementing this requirement.

Although Next assured us that this was a step towards an ultimate goal of paying workers a living wage, it said it was waiting for the results of this study before deciding how best to use it.

Freedom of association

For workers to have meaningful access to their right to freedom of association, they need to be made aware of their rights, and of the support available to them from local labour rights organisations – trade unions or NGOs who specialise in organising and defending workers. In Let's Clean Up Fashion 2006, we made the point that workers need to receive training from these very organisations if they are to overcome the anti-union atmosphere that prevails in most workplaces, often in subtle ways that are not easily picked up by auditors.

In 2007, we are disappointed that we have to make the same arguments all over again. A particular offender here is **Matalan**, which continues to exclude Freedom of Association altogether from its code of conduct. Many companies say they make it clear to their suppliers that they do not tolerate trade union suppression, but ignore the argument made above. These include **Asda, French Connection** and **Pentland**.

A familiar argument from companies is that they have begun to educate suppliers in this area, but because their suppliers are sceptical of trade unions they must move slowly, perhaps towards elected workers' committees rather than trade unions. **New Look** even applied this argument to a UK-based factory, where trade union rights are quite clearly protected in law. We find it hard to believe that the brands have as little power over their suppliers as this.

We are also shocked by many companies' trust in suppliers: an apparent belief that giving factory managers a day's training, or a stern talking to, would be enough to convince them of the value of trade unions. Workers make clear that factory managers will say whatever is necessary to meet companies' expectations, but will undermine this in the way they treat workers as soon as the company's back is turned.

Although a number of companies have admirable plans to set up supplier training, often with local organisations' involvement, no company plans to ensure the systematic training of workers for which we are calling. It is **Gap** that comes closest to this, with a global collaboration with garment workers' trade unions. A few companies were also able to give individual examples, such as this one from **Sainsbury's**,

> Our Indian factory have a local trade union named "Kamgar Ekta Sangathan" (which means Workers unity organization in English) which is recognized by Central and state government. This union is active all over India and works for workers welfare and rights. The union conducts training and seminars regularly every month, on site at the factory. Union members are democratically voted in by the workers on the site. In addition to the seminars and training, the factory, to promote the access for the Unions, has [to] provide the union their own premises on site which the workers are free to join, and use as the point of contact for any issues.

Monitoring and verification

We explained in Let's Clean Up Fashion 2006 how the 'social audits' used by most retailers to check up on working conditions in factories fail to pick up many problems with working conditions. The ETI subsequently published a document on "the growing crisis in social auditing."

The solution is not just more and better audits, although increasing the number of unannounced audits, and the emphasis placed on gender-sensitive, off-site worker interviews will help. What is needed is a system of monitoring and verification that involves local organisations – trade unions and labour rights NGOs whose day-to-day contact with workers gives them the ability to cast a knowing eye over audit results. Ideally a factory would be unionised, and the union able to explain what conditions are really like, but in the absence of a trade union in the factory, organisations 'on the ground' will at least be able to help calibrate the audit results.

Arcadia Group was able to give an example of an intervention that used a local organisation, at a UK factory. Self-assessment had shown up the use of homeworkers in the factory, which triggered an Arcadia visit. The factory was unionised, and so the visit involved discussions with the trade union representatives and members to ensure that they were aware of their rights, and to get an idea of actual conditions in the factory.

Most companies, for example **M&S** and **Primark**, say that getting a thorough auditing system in place is a necessary first step before the issues raised in our report are considered. We disagree. Why start auditing against the minimum wage if you will only confuse suppliers by raising the standard to a living wage? Why get suppliers used to audits and then suddenly place another demand on them in the form of worker education? Why start down the failing, top-down route when you could learn from all your competitors' mistakes and start with a bottom-up, worker-orientated approach that will really find out and solve the problems that concern workers themselves?

The Corporate Social Responsibility industry: setting the bar too low

Many companies, especially those whose CSR programmes are relatively new, rely heavily on consultants with many years' experience of ethical trading; others have long-serving CSR Managers. A lot of money is made and spent on CSR and ethical trading.

The credibility of CSR professionals rests on a long track record of experience developing and managing ethical trading programmes, and as such their ideas of what works are intimately bound up with the past decade of codes of conduct and ethical trading, a decade marked by poverty of ambition, procrastination, and desperately slow progress. These professionals may know well what works from a company's perspective, but this is very different from knowing what will actually benefit workers on the ground.

The most authoritative evaluation of ethical trading to date, the ETI impact assessment, lays out in explicit detail how, while there have been some gains for workers from ethical trading programmes, the millions of pounds invested in them by fashion companies have failed to deliver the significant improvement in wages and working conditions that they could and should have.[24]

When creating or overhauling an ethical trading programme, brands and retailers therefore have two choices: look at what others around them are doing and imitate, or adopt an ambitious and innovative plan that avoids dead-ends like over-reliance on social auditing in favour of real progress for workers. Broadly speaking, the first approach focuses on management systems, while the second is worker-orientated.

It is not surprising that retailers usually end up with the first approach: the people on whom most of them rely for advice on ethical trading, be they in-house managers or external consultants, are often stuck in the past decade's way of doing things: focused on management systems rather than workers themselves. Even when CSR professionals are genuinely committed and ambitious themselves, they are often constrained by priorities set higher up in their company. The result: companies continue along the same route of poverty of ambition and lack of creativity that has resulted in the current failing approach.

Of course, there is much to learn from the past ten years, and a role for 'experts' with experience in ethical trading. Yet the real experts on these issues, the workers themselves, are rarely properly consulted or involved in the development of any of these processes. It is they who are most acutely aware that the last ten years of CSR initiatives have largely failed to deliver substantial benefits.

When CSR professionals set out their idea of what a 'best practice' ethical trading programme looks like, they are peddling faulty goods, because from a worker-orientated perspective, such a thing has yet to be created.

Brands need to listen to workers, not suits in a London office, no matter how many years they have been working in this field.

Conclusion »

In compiling this update, we noticed that many companies were fixated by the grades we had awarded them last year. Indeed, it was clear that many of the representatives we met with had only read the company profiles from last year's report, and not the background sections that preceded them. This is a real shame, as it suggests that, although they claim to be interested in what we have to say, many companies are actually only interested in managing any criticism we might make of them.

The only measure that really matters is wages and working conditions on the ground, and on that count all companies are failing. But in this update we have looked at each company's direction of travel. Retailers that are relatively new to ethical trading, like Primark or Arcadia Group, have the opportunity to learn from others' past mistakes, but they can't be expected to have as sophisticated a programme in place within a year as a company that has been doing ethical trade for ten years. That's why we have reserved our strongest words of criticism not only for companies with no apparent engagement, but also for companies that have supposedly been committed to a living wage since they signed up to the ETI code of conduct in 1999, yet still have nothing to show for it.[25]

The worst offenders

These brands make no meaningful information available to suggest that they have engaged with the living wage or other labour rights issues, and continue not to respond to our inquiries about their policies and practices. They deserve the most severe criticism and consumer scepticism. They are: Bhs, Diesel, House of Fraser, Kookai, Matalan, MK One, Moss Bross, Mothercare, Peacocks/Bon Marche, River Island, Rohan Designs, Ted Baker.

Example: Matalan

Matalan did not respond to our enquiries in 2006 or 2007, despite repeated requests. Matalan's website displays a code of conduct that claims to be based on the ETI base code, yet it has omitted key provisions on freedom of association and collective bargaining. With no information on how the code is monitored and implemented, we have to assume that it isn't. LBL recently approached Matalan about one of its Indian suppliers, a factory which workers say has a long history of workers' rights violations. All Matalan did was tell us that it believed the company to "be a well run business" and that it, "didn't feel it appropriate to interfere with them."

Nothing to show

Unlike the previous group, these brands did respond to our enquiries, but their responses did not come close to dealing with the issues we raised. They are not members of any multi-stakeholder initiative, such as the ETI, and this shows from their lack of understanding of more advanced subjects such as the living wage. Their ethical trading programmes seem to be largely a paper exercise. They are: French Connection, Laura Ashley, Mosaic Fashions (Oasis etc).

Example: French Connection

For two years in a row, French Connection has responded, but failed to say what it was doing about a living wage, freedom of association, or monitoring and verification in any depth. In 2006, it excused itself by saying that it was planning to, "develop our monitoring policies and processes." In 2007 it had apparently made no progress whatsoever.

The new starters

These brands are relatively new to the ethical trading game (in itself a cause for criticism), and as such are playing catch-up. They accepted that they were not able to give us what we want this year, but there was very much a sense of 'come back to us next year and we will have something to show'. The important question is how ambitious they are: will they simply emulate the failed procedures of the bulk of the industry, or will they pull off something special? They are: Arcadia, Jigsaw, Primark.

Example: Jigsaw

The Jigsaw group was heavily criticised in our 2006 report, because it seemed to have little understanding of the problems faced by workers and the questions we had asked. This year, Jigsaw has taken the criticism on board, and told us of its plans to put together an ethical trading programme, which will include worker training in the bulk of its supplier base, as well as a living wage study with a commitment to implement it.

Disappointingly slow

These brands were the most frustrating. With a long experience of working on ethical trading, we would have expected them to be much further ahead, yet they didn't seem particularly concerned about the slow pace of progress, or else they seemed to think that things were going pretty OK in their supply chains. In some cases, they took exception to our criticism last year, but this only confirms our feeling that these brands were in denial. They need a reality check, and they need to move much faster. They are: Debenhams, George at Asda, H&M, John Lewis, Levi's, M&S, Monsoon, Pentland, Sainsbury's, Tesco, TK Maxx, Zara.

Example: Levi Strauss & Co

Levi's is the only company to move significantly backwards this year: it turned its back on the idea of a living wage, and as a result was suspended from - and then left - the ETI. Levi's makes much play of being the first fashion company to adopt a code of conduct, yet this is precisely why we are so disappointed: surely Levi's would be at the forefront of the next big challenge, implementing the living wage, not turning its back completely on the concept.

Going up a gear?

These brands are not new to ethical trading, and like the 'business as usual' crowd they should really have more to show by now than they do. But like the 'new starters', they admit that they need to do more: open about the problems in their supply chains, they acknowledge that they have not done as well as they could have done in the past. The proof of the pudding is of course in the eating, and with more resources going into their ethical trading efforts, we will wait to see whether this means more of the same, or something fresh and exciting next year. They are: Gap, New Look, Next.

Example: Next

Next is unique among all the companies we spoke in having what appears to be a genuine plan to implement the living wage in its supply chains. It has undertaken a study of living wages across the countries from which it sources, and appears to accept from this research that a significant increase in wages is needed. It admitted at the time of meeting that it didn't actually know how it would use the data once it was gathered, but the fact that it is gathering this data moves it much closer to implementation than most brands and retailers. Clearly we'll be more comfortable once Next has worked out its next steps, but we're pleased that it didn't hide behind any of the trite excuses made by other brands.

What we want »

We focus in this update, just as in the original report, on the individual progress being made by companies. One thing that should be clear, however, is that the industry is not moving as fast or as far as it needs to do to create decent work and to ensure that workers' internationally-recognised rights are respected. This demonstrates that we are missing something: a stronger, binding regulatory framework on supply chains ethics, in which companies should operate.

This does not mean that we should give up on existing multi-stakeholder approaches – far from it. In the absence of binding legislation, the brands and retailers have a responsibility to act to secure workers' rights. If and when regulation appears, it would only be a framework of obligations, not the details of how to implement it. The basis of that framework of obligations already exists, in ILO conventions, the UK companies act, supermarkets code of practice, and other tools. So far none of these has the teeth to enforce the standards it lays out. Added to this are the brands' cavalier attitude to their obligations, and the misleading way they communicate about them to the public.

What the industry should do

We have already set out in detail what companies need to do to guarantee workers their rights. It's repeated on the page opposite. Broadly speaking, it means getting on and implementing the living wage, ensuring that workers have meaningful access to their right to freedom of association, and involving local trade unions and NGOs in monitoring and verification

This year, our update focuses on the living wage, because it's the area with the most potential for change at this time. The fashion industry has the means to sort this out, but at present the brands seem too busy blaming each other and making excuses to actually achieve the living wage. If they work together, through the ETI or other credible initiatives, the brands can come up with a plan to:

» Develop working estimates of living wages in key sourcing countries
» Identify the factories where they have the combined leverage to influence wages
» Factor the living wage into the prices they pay to these factories
» Ensure the benefits are passed on to workers by involving local trade unions and NGOs, to facilitate collective bargaining or to check that information about working conditions is correct.
» Use their leverage with governments in key sourcing countries to ensure a minimum wage that more closely corresponds to a living wage.

We're not saying it can be solved overnight: of course there are complexities. But if the fashion brands are really committed to making the living wage work, they'll get past the talk and actually do something.

What the government should do

British companies behave overseas in a manner that would not be tolerated at home, despite many of them being signed up to voluntary ethical codes of conduct. Yet the UK government continues to support the Corporate Social Responsibility approach, which relies on companies acting voluntarily, despite ample evidence that it systematically fails to protect workers overseas. To rein in corporate power, the government must implement a framework of binding regulation that stops companies from abusing workers overseas. Specifically, it should:

» Introduce legislation to make sure UK companies enforce ethical labour standards throughout their supply chains.
» Because of the market power of supermarkets, appoint an independent supermarket regulator to oversee and enforce the existing supermarket code of practice, including in clothing supply chains overseas.

Let's Clean Up Fashion »

We continue to call on all companies to take the following steps.

Wages:

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

Freedom of Association:

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

Monitoring and verification:

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

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