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Corporate Commitments to Living Wages in the Garment Industry

Remi Edwards, Tom Hunt & Genevieve LeBaron

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About the Authors

Remi Edwards is a Researcher at SPERI. She holds an MA in Global Political Economy and is starting a PhD in Politics in September 2019 at the University of Sheffield investigating the effectiveness of corporate social responsibility.

Tom Hunt is Deputy Director and Policy Research Associate at SPERI. His research focuses on efforts by states, industry, workers, unions and civil society to improve labour standards.

Genevieve LeBaron is Director of SPERI and Professor of Politics at the University of Sheffield. Her research focuses on corporations and the global labour market, as well as the effectiveness of public and private efforts to govern them.

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About SPERI

Sheffield Political Economy Institute (SPERI) is an international research institute at the University of Sheffield committed to developing and promoting new analysis and understanding of contemporary capitalism, and of the major economic and political challenges arising from it.

Sheffield Political Economy Research Institute
The University of Sheffield
Interdisciplinary Centre of the Social Sciences
219 Portobello
Sheffield S1 4DP, UK

sheffield.ac.uk/speri

+44 (0)114 222 8399

speri@sheffield.ac.uk

@ SPERIshefuni

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Contents

Executive Summary

- Over the last decade, leading global corporations in the garment industry have begun to make commitments to deliver living wages to the workers that make their clothes.
- Under pressure from workers, unions and civil society organisations, who have documented widespread labour exploitation in global garment supply chains, corporations have made ambitious commitments to address these problems. Paying a living wage to workers in their supply chains is a key commitment made by corporations.
- This report asks: what commitments have garment corporations made to living wages, and to what extent are these commitments being realized through changes in practice and on the ground?
- The report investigates the commitments and actions that 20 garment companies have made to paying living wages across their supplier network. It uses primary data collected through a survey disseminated by the Clean Clothes Campaign to garment companies, as well as data collected by ourselves. The report also assesses commitments and progress made by a sample of leading non-garment companies.
- We find that living wage commitments and action taken by garment companies varies widely, with some taking more meaningful steps than others. There are signs of progress but we identify seven significant obstacles to the payment of living wages:
    1. Corporations have outsourced their living wage commitments to multiple external initiatives, which have unenforceable standards. Company policies are often out of step with these initiatives.
    2. There is widespread inconsistency and confusion amongst corporations over the definition of a living wage.
    3. Corporations lack living wage benchmarks and most lack a 'roadmap' for achieving their living wage commitments.
    4. Corporations are reliant on social auditing for compliance and enforcement of living wage commitments, a tool known to be flawed and to produce misleading depictions of labour standards in supply chains.
    5. There is lacking transparency among corporations about the wages that are actually paid to workers throughout their supplier networks.
    6. There is weak enforcement of freedom of association rights which may disempower workers from raising concerns about unmet wage commitments.
    7. Commitment and progress towards living wages in non-garment industry global supply chains is extremely limited.
- We conclude that whilst garment companies have made ambitious commitments to pay living wages in their global supply chains they are falling short when it comes to meaningful action to implementing these commitments.
- The report makes a series of recommendations for how to achieve more meaningful progress towards living wages in global supply chains.

Introduction

Over the last decade, leading global corporations in the garment industry have begun to make commitments to deliver living wages to the workers that make their clothes. For instance, in 2013 the Swedish multinational fashion retailer H&M published its Fair Living Wage Roadmap which set public goals for the payment of a 'fair living wage' in its supply chains.[1] PVH, the global apparel company, worth US $9.7 billion, that owns brands like Tommy Hilfiger and Calvin Klein, has 'a goal of paying all workers no less than a living wage.'[2] Primark's supplier code of conduct now requires that 'living wages are paid'.[3] Major multinational corporations (MNCs) are also increasingly signing up to participate in and co-operate with external initiatives that aim to achieve living wages for workers through a variety of means. These include, for example, schemes, agreements and wage commitments promoted by organisations such as the International Labour Organisation (ILO) and multi-stakeholder initiatives (MSIs) such as ACT (Action, Collaboration, Transformation) and the Fair Labor Association's Fair Compensation strategy.[4]

These commitments have occurred in the context of a broader set of corporate social responsibility (CSR) initiatives from corporations. In the face of pressure from workers, unions and civil society organisations, who have documented widespread labour exploitation, including wage related abuses, gender-based violence, and violent repression of workers' freedom of association in global garment supply chains, garment corporations have adopted and publicized ambitious social and environmental commitments to address these problems.[5] One of these commitments is the payment of a living wage, which workers and workers' rights organizations see as a key protective factor to promote decent work and minimize garment workers' vulnerability to exploitation, including its most severe forms like forced labour. The links between living wages and decent work have been confirmed by academic research.[6]

This report investigates the commitments that 20 garment companies have made to paying living wages across their supplier network and analyses the actions they have taken to meet those commitments. It does so using primary data collected through a survey disseminated by the Clean Clothes Campaign to garment companies. As well, it draws on additional data collected by ourselves on garment companies as well as on a sample of 23 non-garment FTSE100 companies (see Section 1.3 Methodology).

Our research finds that while some corporations have made commitments to living wages, these commitments have mostly not yet translated into meaningful action or results. There is little evidence that corporations have effectively defined, benchmarked, or enforced the payment of living wages to the workers in their global supply chains. It also finds that discrepancy in the usage of the term 'living wage' and loose interpretations of what this constitutes, the framing of various pilot schemes as 'living wage projects' and membership of relatively low-stringency external initiatives is allowing corporations to use the rhetoric of living wages in ways that could improve perceptions of their social sustainability and labour practices, whilst allowing the reality of low-wage work to persist on the ground.

As we document below, corporate commitment to living wages and action towards this has varied widely, with some corporations taking much more meaningful steps than others. There are signs of progress but looking across our data, seven key problems currently pose significant obstacles to living wages being paid within the global garment industry:

1. **Outsourcing living wage commitments to MSIs:** Rather than modifying their core purchasing practices to make it possible for suppliers to pay living wages and to reduce the commercial drivers of exploitation, most corporations are outsourcing their living wage commitments to MSIs and external initiatives. This creates a number of difficulties, including that: a) some corporations are part of multiple MSIs and external initiatives, with divergent definitions and approaches to living wages, causing their commitments to lack clarity; b) corporate supplier codes of conduct are often out of step with the requirements of the MSIs they are involved in; and c) MSI standards tend to be unenforceable.

2. **Confusion about living wage definition:** Relatedly, there is widespread inconsistency and confusion over the definition and key components of a living wage.

3. **No clear roadmap or benchmarks:** Corporations lack a clear roadmap towards the paying of living wages complete with specific benchmarks that are essential for achieving and monitoring progress.

4. **Reliance on flawed social auditing:** Corporations rely on social auditors to monitor their suppliers for compliance with their self-defined labour standards, including wage payments; but this mechanism is widely known to be ineffective and open to abuse.

5. **Lack of transparency about wage data:** There is a severe lack of transparency among corporations when it comes to the wages that are actually paid to workers throughout their supplier network, which compounds the challenges of monitoring the outcomes of living wage commitments.

6. **Freedom of association rights not enforced:** There is a lack of robust enforcement and promotion of freedom of association rights in global garment supply chains, which limits workers' ability to report problems, such as the discrepancy between corporate commitments around living wages and actual practices.

7. **Minimal progress in non-garment sectors:** Outside of the garment industry, in our sample of FTSE 100 companies, corporate commitment and progress towards living wages in global supply chains is almost non-existent.

The report unfolds as follows: Section One provides a background to the research, considering key trends related to labour standards in the global garment industry and a brief discussion of the living wage debates in the garment industry and beyond. It also lays out the methodology for this study. Section Two sets out our research findings. Section Three concludes. Section Four provides recommendations for achieving more meaningful progress towards living wages in global supply chains.

1. Background

1.1 Workers in Global Garment Supply Chains

According to the ILO, there are an estimated 60 million garment workers globally, and around 80 per cent of garment workers are women.[7] Garment production takes place on all five continents, with around 60 per cent concentrated in Asia.[8] Minimum wage rates in Asia are often set by governments below official poverty lines.[9] This is due to concern that multinational corporations (MNCs) sourcing from local suppliers will relocate their business if wage levels are raised.

In the garment industry, as in other industries, the production of goods has become global over recent decades as firms in industrialised countries in the Global North have shifted manufacturing to countries in the Global South to access lower-waged labour and greater organisational flexibility.[10] This has led to the growth of long and complex supply chains that comprise multiple firms, often spread across several countries. A large academic literature is focused on understanding the significance of this restructuring of production for global power and wealth distribution, as global supply chains have become 'important determinants of who get what, when and how in the global economy'[11] This literature highlights that MNCs at the top of the supply chain tend to control the highest value-added parts of the process, while reducing their direct ownership of manufacturing[12] as well as their legal liability for labour standards, by outsourcing production to suppliers who are contracted to produce goods at various stages of completion.

A key dynamic within global garment supply chains is what economist Stephen Roach has called 'global labour arbitrage'.[13] Roach is referring to the intense competition amongst MNCs to accrue sizable profit through monopolistic control over the global labour market, which reinforces and seeks to profit from countries' 'comparative advantage' of low wages and minimal labour rights.

This business model is highly profitable for MNCs. For instance, luxury fashion retailer Christian Dior had sales of US$49 billion in 2018. Inditex, the Spanish retailer that owns brands like Zara, had sales of US $29 billion in 2017; according to Forbes, its founder Amancio Ortega is now the sixth richest person in the world with a net worth of US $71 billion. Nike, the world's largest athletic retailer, had sales of US$35 billion in 2018.[14] In 2017, the gross domestic product of Cambodia, where garment production is the country's largest industry, was $22.2 billion.[15]

However, this business model has not been as good for workers over recent decades. As MNCs have sourced from around the world in search of low prices and governments have sought to instill conditions that preserve corporate profitability, the global economy has become characterised by an 'escalating job crisis' in which low wages, coupled with wage theft and underpayment (when workers do not receive legal or contractually promised wages), have become 'an endemic feature of global supply chains'.[16] In 2018 several of the countries with the largest garment industries including Bangladesh, Cambodia, the Philippines and Turkey were all named in the International Trade Union Confederation's Global Rights Index as being in the 10 worst countries for working people.[17]

Growing public and policy concerns about the social costs of global supply chains have been coupled with increased pressure from civil society groups, unions, and consumers for corporations and governments to tackle bad working conditions and low wages within global production. This has led to the rise of CSR strategies that companies have initiated to address these issues, including voluntary codes of conduct, social auditing and ethical certification schemes and signing up to MSIs. By pioneering CSR initiatives to address labour standards, corporations effectively said to states 'we can fix these problems by ourselves, without state involvement'. The rise of CSR as the key means of

addressing poor labour standards in global supply chains has represented a 'key shift in economic governance: from public to private regulation and enforcement'.[18]

Over the last five years, the proliferation of CSR initiatives has been especially prominent in the global garment industry. This has occurred in the wake of a number of disasters and scandals that have drawn attention to the poor conditions faced by workers, including the collapse of the Rana Plaza garment factory in 2013 that claimed the lives of over 1132 Bangladeshi workers and injured 2500 workers.[19] The collapse drew attention to poor wages and conditions, as well as the shrinking space for freedom of association. Demands to increase wages and for the payment of a living wage on an industry-wide basis have been amplified and gained traction. Several garment corporations have made commitments to ensuring the wages paid to workers in their global supply chains are enough to live on. This report assesses these commitments, the action taken towards achieving them and outcomes thus far.

1.2 Defining a Living Wage

Before presenting our research findings, it is important to first clarify the definition of 'living wage.' There is no internationally agreed definition of 'living wage'; indeed, the definition of the term is contested, with corporations, civil society organisations, international organisations including the United Nations Human Rights Office of the High Commissioner's Committee on Economic, Social and Cultural Rights, and other stakeholders offering competing definitions.

Whilst a minimum wage is a legal floor under which wages cannot fall, a living wage is defined by various necessities such as food, housing, medical care, clothing, and transportation that people need to live.

A key starting point for defining living wage in the context of the garment industry is the distinction between a living wage and legal minimum wages which are set by local, regional, and national governments. Whilst a minimum wage is a legal floor under which wages cannot fall, a living wage is defined by various necessities such as food, housing, medical care, clothing, and transportation that people need to live.

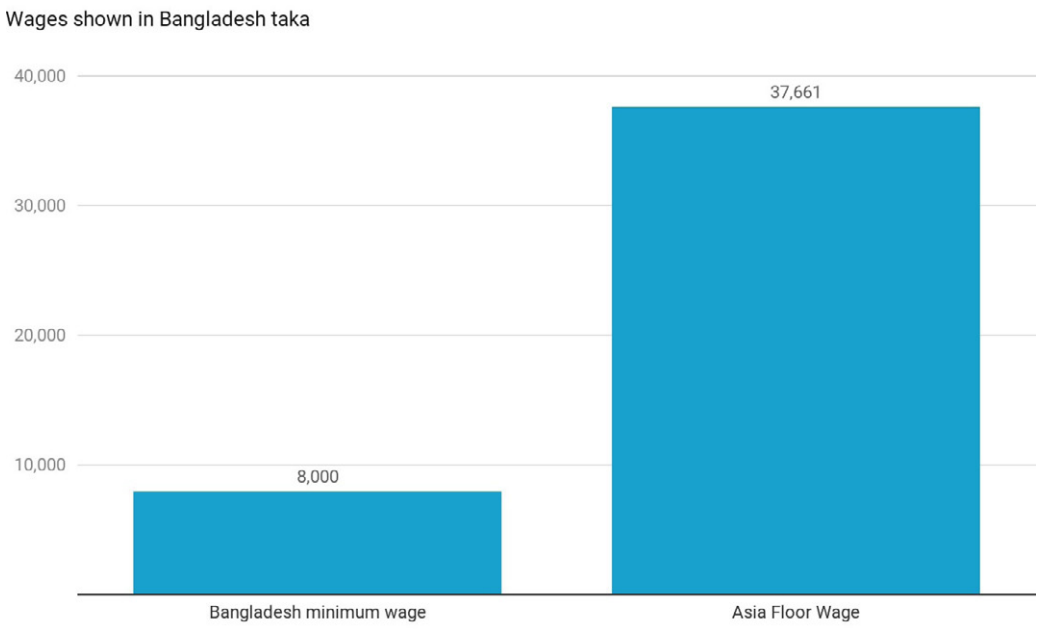
There are several methods for calculating a living wage, including the Anker methodology[20] and metrics developed by various organizations. While there are advantages and disadvantages to the various metrics used to calculate living wages, within this report, we have decided to adopt a frequently cited definition of living wage, which comes from the Clean Clothes Campaign (CCC), a coalition of trade unions and non-governmental organisations (NGOs) campaigning for the rights of garment workers. They define a living wage as a wage 'earned in a standard working week (no more than 48 hours) [that allows] a garment worker to be able to buy food for herself and her family, pay the rent, pay for healthcare, clothing, transportation and education and have a small about of savings for when something unexpected happens'.[21] We see this definition as easily operational and as calculable across varied national contexts and scales, which makes it suitable for our study.

In the context of the garment industry, one of the most important metrics has been developed by the Asia Floor Wage Alliance (AFWA) who work closely with CCC. AFWA's Asia Floor Wage operationalized the living wage approach taken by CCC and uses a market-based methodology to calculate a living wage in key garment producing countries in Asia. The Asia Floor Wage detailed by AFWA is a living wage calculated to support not only a worker, but also their family, defined as either (1) two adult dependents; (2) one adult dependent and two children; or (3) four children. These calculations

are country-specific and include: food (based upon an allocation of 3000 calories per adult/day), housing, travel costs, education, health costs, and discretionary income. AFWA held People's Tribunals on Living Wages to lay the groundwork for consensus on these issues.[22] To maintain updated wage floor figures that account for inflation, AFWA conducts market food basket research in each country. The wage is expressed in World Bank 'Purchasing Power Parity' (PPP$) and is then converted into each national currency to give country-specific living wage benchmarks which should serve as a wage floor. This means that, if such wages can be negotiated and enforced across the region, MNC buyers would pay very similar labour costs regardless of which country in Asia they are sourcing from. Effective implementation of the Asia Floor Wage could establish 'a floor on the race to the bottom' by 'preventing wage competition between Asian garment-exporting countries'.[23]

Figure 1 shows how in countries that are major areas of production within the global garment industry there can be significant discrepancies between the legal minimum wage and what a living wage ought to be in that country (as defined by the Asia Floor Wage Alliance).[24] Annex 4 shows similar significant discrepancies in Cambodia, China, India and Indonesia.

Figure 1. Bangladesh: minimum wage compared to Asia Floor Wage calculation



Another example of a living wage metric within the garment industry is provided by the Worker Rights Consortium (WRC) who have calculated a living wage figure and verified its payment for garment workers in the Alta Gracia garment factory in the Dominican Republic. WRC use a market-based methodology that builds on and extends the AFW methodology.[25] WRC calculate the necessary wage paid to garment workers in this factory, the only garment factory in the Global South paying a living wage, based on a calculation using local market basket prices for goods and services for a worker and two dependents.[26]

1.3 Methodology

Our research question for this study is: What commitments have garment corporations made to living wages, and to what extent are these commitments being realized through changes in practice and on the ground?

We analyse, triangulate, and draw lessons across three datasets to shed light into our research question.

In the first case, we analyse the results of a survey disseminated by the Clean Clothes Campaign (CCC) to 20 garment corporations (see Table 1 and Annex 2). The survey asked companies to detail their living wage commitments and the mechanisms they are employing to ensure living wages are paid to all workers in their supply chains. Annex 1 provides the full list of survey questions. The garment companies who received the survey were selected on the basis of their global reach and influence across sourcing and retail markets, and include companies who specialize in sportswear, fast fashion, luxury fashion, and online retailers. Companies were approached in December 2018 and asked to complete the survey supplying information about their policies on living wages and the outcomes of actions to improve wages in their supplier networks. All 20 companies acknowledged receipt of the survey. 14 provided answers to all or most of the questions in the survey, with some also providing additional supporting documentation and evidence. The remaining six companies did not reply to survey questions, however all but Hugo Boss provided some information via email including links to online sources. These six companies were assessed based on these sources and other publicly available information.

Table 1 shows which garment companies responded and did not respond to the CCC survey. This survey data was shared with us on a confidential basis by the CCC in January and February 2019. It sheds light upon company commitments to living wages and steps taken towards implementation and enforcement of these commitments.

Table 1. Company responses to the CCC survey

Responded to survey questions	Did not respond to survey questions
Adidas	Amazon
C&A	Fruit of the Loom
Decathlon	GAP
G-Star RAW	Hugo Boss
Gucci	Levi Strauss
H&M	Zalando
Inditex	
Nike	
Primark	
Puma	
PVH	
Tchibo	
Under Armour	
Fast Retailing/Uniqlo	

In the second case, we compiled our own dataset on garment company policies, practices, and activity related to living wages for the same twenty companies who received the CCC survey. This was comprised of publicly available documents from company websites, such as supplier codes of conduct and sustainability reports, as well as data available through industry bodies and MSIs that companies have signed up to. This body of data further allows us to gauge company commitments to living wages, and steps taken towards implementation and enforcement of these commitments, where they did not answer survey questions. It also allows us to explore degrees of alignment between living wage commitments and overall company practices, such as wage commitments and requirements stated in their supplier codes of conduct.

Finally, to explore how garment industry living wage commitments compare to living wage commitments in other industries, we compiled data on a sample of companies from outside of the garment industry. We replicated an established sample of FTSE100 stock exchange companies[27] first used by LeBaron and Rühmkorf and later by LeBaron and Fransen[28], which affords analysis of a range of firms from primary, secondary and tertiary sectors and therefore offers the potential to identify cross-sectoral patterns. The original sample contained 25 companies, but as two of these were garment companies, we removed these and were left with 23 companies (see Annex 3 for the full list). For each of the 23 companies within our modified sample, we collected publicly available documentation that would shed light into companies' living wage commitments, policies, and practices, such as primarily supplier codes of conduct, annual reports and sustainability reports. This data enables us to analyse whether and to what extent garment sector trends regarding living wages are illustrative of broader corporate trends relating to CSR and wages.

Data analysis was conducted by one member of our research team to ensure consistency. It was comprised of six main steps. Step one consisted of reading garment company survey answers to obtain a broad overview of the key areas of interest, convergence and difference between companies. Step two involved creating a coding frame, comprised of key indicators that could be directly compared between garment companies. The indicators were 1) participation in external initiatives; 2) living wage definitions; 3) living wage strategies and benchmarks; 4) how living wages are monitored and enforced; 5) transparency and 6) freedom of association protections. Step three

involved coding the garment company survey responses. Step four involved, where possible, checking survey responses against other information available online, particularly in company supplier codes of conduct to assess the extent to which survey responses aligned with broader company policy and practices.[29] In this step, documentation for companies who did not respond to the survey questions was also considered, and every effort was made to obtain information on these companies' living wage commitments and practices through publicly available information, as listed above. As well, we reviewed documentation on the multi-stakeholder initiatives that companies mentioned in their responses. Step five involved collating and triangulating across this analysis to identify and evaluate good and bad practices. Step six entailed analyzing the same key indicators for the 23 non-garment companies, to examine whether non-garment companies have made commitments to living wages or mechanisms for achieving payment of minimum or living wages throughout their global supply chain.

Importantly, this report is not a 'name-and-shame' exercise. Representative statistics are used and companies are not often singled out. Our analysis of the efforts and commitments of companies to pay living wages is predominantly based on information that companies have provided themselves. It is of course worth stating that some companies did not complete the CCC survey; the commitment of those non-responding companies to paying living wages are less clear than for those who did complete the survey. We recognize that the companies who did respond to the survey are opening their efforts to pay living wages up to greater scrutiny compared to those companies who did not offer a response. This report seeks to assess those efforts, highlight good practice and make recommendations to achieve more meaningful progress towards living wages in global supply chains.

2. Findings

Overall, as noted in the Introduction, our research finds that while some garment corporations have made important commitments to living wages, it is questionable to what extent such commitments have translated into meaningful action or changes on the ground. As we document, corporate commitment and activity towards living wages varies between companies. But looking across our data, seven key problems emerge as limiting progress towards living wages in global supply chains. We will discuss each problem in the sections that now follow.

2.1 Corporations have outsourced their living wage commitments to multiple external initiatives, which have unenforceable standards. Their own company policies are often out of step with these initiatives.

In their survey responses and publicly available documents, garment companies made frequent references to schemes, agreements and wage commitments promoted by external organisations, such as the International Labour Organisation (ILO) and IndustriALL Global Union federation, and MSIs such as ACT. Companies place great emphasis upon the importance of such external initiatives in helping them to realize living wage commitments, so it is important to consider their role within the garment sector.

Most external initiatives referred to by companies are voluntary MSIs. MSIs are voluntary associations of various stakeholders that can include corporations, unions and civil society groups which attempt to set out and enforce certain labour standards, including wages, through agreements and monitoring. Each is different but it is important to state that all are non-binding in law, and therefore, commitments made through MSIs tend to be unenforceable.

BOX 1: Prominent External Initiatives Relevant to Living Wages in the Garment Industry Referenced by Companies in their Survey Responses.

ACT (Action, Collaboration, Transformation): ACT is an agreement between global corporations and IndustriALL global union. It aims to implement industry-level national collective bargaining agreements[27] (efforts are currently focused in Cambodia and Turkey) in an effort to secure a wage that companies will take into account in their purchasing practices.[28]

Fair Labor Association Fair Compensation Programme: This programme offers companies a Workplace Code of Conduct to be drawn upon and also a Wage Data Collection Toolkit that enables corporations to benchmark suppliers' wage payment and progress based a number of wage indicators such as the Asia Floor Wage, World Bank gross national income per capita and prevailing industry wages.[29] It increases visibility of wage benchmarks but does not offer a broad strategy for living wage payment.

German-Dutch Sustainable Textiles Cooperation Agreement: These initiatives are German and Dutch state initiatives that aim to harmonise sustainability requirements and assist companies in implementing due diligence.[30] Companies may opt into both simultaneously. The German initiative announced a 2018 Partnership Initiative on Living Wages in Cambodia and Indonesia, aiming to raise wages above the minimum wage, defining a living wage as one that allows 'a worker to have a dignified existence'.[31]

Fair Wage Approach: This tool, offered by the Fair Wage Network, enables corporations to monitor '12 dimensions of a fair wage', of which a living wage is just one dimension. A fair wage is defined as covering the minimum acceptable standards of living[32] and the tool provides advice for how companies can assess wage payments through worker and management surveys and remediation plans.[33]

Ethical Trading Initiative (ETI): The ETI is a multisector tripartite alliance of companies, unions and NGOs that promotes ethical trade.[34] Their 'Base Code' of minimum labour standards is based on ILO core conventions and includes a provision for the payment of a living wage, but this does not account for workers' family's needs.[35]

IndustriALL Global Framework Agreements: IndustriALL is a global confederation of unions from many national and industrial contexts. Their Global Framework Agreements are negotiated at a global level by unions and MNCs with the primary objective of promoting union rights and safe working conditions.[36]

ILO Better Work programme: The ILO along with the International Finance Corporation has launched the Better Work programme bringing together governments, corporations, factory owners, unions and workers.[37] It aims to improve working conditions and aid companies with implementing ILO Core Conventions and national legal compliance, and to boost industry competitiveness.[38]

As shown in the table below, many companies have made commitments to multiple external initiatives. Notably, for instance, Tchibo is party to four and H&M to six different collaborative initiatives. Over half of the garment companies in this study have made commitments to more than one initiative.

Table 2. Corporate Involvement in Collaborative Initiatives Relevant to Living Wages

		ACT (Action, Collaboration, Transformation)	German Textile Initiative and Dutch Textile Covenant	Fair Labor Association	Fair Wage Network's Fair Wage Method	Ethical Trading Initiative	ILO Better Work	IndustriALL Global Framework Agreements
Survey respondents	Adidas		x	x	x			
	C&A	x	x			x		
	Decathlon							
	G-Star RAW				x			
	Gucci				x			
	H&M	x	x		x	x	x	x
	Inditex	x				x	x	x
	Nike			x			x	
	Primark	x	x			x	x	
	Puma		x	x	x		x	
	PVH	x		x			x	
	Tchibo	x	x			x		x
	Under Armour			x				
	Uniqlo			x			x	
Non-respondents	Amazon							
	Fruit of the Loom			x				
	GAP					x	x	
	Hugo Boss		x	x				
	Levi Strauss						x	
	Zalando	x					x	

At first glance, being part of several collaborative initiatives relevant to living wages might appear to be a positive thing. However, each initiative takes a different approach to achieving improvements to wages in global supply chains. As such, being part of multiple initiatives can muddy the waters with respect to what companies are actually committing to in terms of living wages, and how they intend to deliver this.

In spite of their ambitious goals, we found little evidence that MSIs are increasing the payment of living wages to workers in global garment supply chains. As we document further in Section 2.3, MSIs do not employ clear living wage benchmarks and do not offer robust roadmaps for corporations to enforce them. This restricts the ability for the progress of companies to be monitored. As we summarize in Table 3, initiatives often do not employ a comprehensive living wage definition with

respect to the CCC definition of a living wage that we referred to in Section 1. Further, most MSIs lack effective enforcement mechanisms, complaint mechanisms, and transparency measures, including around names and locations of suppliers and the details of actual wages being paid to workers within supply chains that are covered by the initiative.

Our research suggests a lack of alignment between companies' policies and practices and the standards set by MSIs and other external initiatives. We found that company codes of conduct among ACT brands are often out of step with the requirements of the initiative that they are citing as evidence of their commitment to pay living wages. This issue is discussed further in the following section.

All of this suggests that some companies are seeking to outsource their living wage commitments to external initiatives, rather than modifying their core purchasing practices. This is a strategy that is very unlikely to result in meaningful change since some of the key practices that drive low wage payments, such as irresponsible sourcing practices (including the price and production window squeeze) and uneven value distribution remain in place. It is questionable to what extent MSIs and other initiatives will be able to achieve meaningful change if companies do not alter commercial practices that are fundamentally causing a demand for labour exploitation amongst their suppliers.

In addition to citing their involvement in external initiatives, some companies also stated in their survey responses that they have engaged in pilot schemes to improve wages in certain sections of their supplier network. Nine companies claim to have been or continue to be involved in some kind of scheme that could improve wages, usually at the factory level. Nike collaborated with academics in one factory to research altered compensation schemes between 2015 and 2017; a collaboration which saw a small improvement in wages (although it is not being currently rolled out more widely).[39] Since 2015, Decathlon have been participating in a worker upskilling project in 4 supplier factories that has seen a 10 per cent wage increase in a Bangladesh factory, but it is not clear whether this will be rolled out more widely. G-Star RAW worked with the Fair Wage Network (FWN) and Solidaridad between 2015 and 2017 at a Chinese supplier as part of FWN's Fair Wage Methodology, but implementation took longer than expected and the project was deemed unscalable. Other projects such as Primark's collaboration with NGO SAVE and Tchibo's 'WE' focus on training workers regarding their rights and wages. Whilst the pilot projects listed here are small in scale it is encouraging to see companies taking steps to engage with the problems of low wages. However, it is worth noting that small improvements in wages, whilst welcome, are unlikely to be sufficient to see workers being paid living wages. Where applicable companies should seek to roll out good practice from those pilots.

To summarize, outsourcing living wage commitments to MSIs is problematic for three key reasons. First, because some companies are part of multiple MSIs and external initiatives, with divergent definitions and approaches to living wages and no clear plan to reconcile these, causing their commitments to lack clarity. Second, because companies are not modifying core purchasing practices and supplier codes of conduct to reflect their living wage commitments, corporate policies are often out of step with the requirements of the MSIs they are involved in. Finally, MSI standards tend to be unenforceable, which means they are no guarantees that they will yield concrete changes on the ground.

2.2 There is widespread inconsistency and confusion amongst corporations over the definition of a living wage.

In the survey, garment companies were asked about their public commitments to living wage payment across their entire supplier network, and were asked to provide evidence for this in their supplier codes of conduct and other documentation. 13 of the 14 companies that responded to the survey

stated they are committed to living wage payment for all workers in their supply chain. At first glance, this would seem to suggest a high degree of consistency across the corporations' commitments and practice. However, in our analysis of company survey responses and of relevant documentation, we found considerable inconsistency and confusion amongst companies regarding what they view to be a living wage. We also found discrepancies between companies' definition of 'living wage' and the definitions used by the MSIs they are party to. Finally, we found a lack of consistency between some companies' survey responses and information contained within their supplier codes of conduct. Our analysis of the company survey responses and their supplier codes of conduct shows that the expectations and requirements they place upon their suppliers regarding wage payment are often out of step with the living wage definitions of external initiatives that companies are involved with. We recognize that this could be an issue of timing since supplier codes are only updated periodically and so they may not reflect a company's current thinking or practice. However, overall, we found that corporate commitments are characterized by a lack of clarity and inconsistency about what a living wage should consist of.

Table 3 summarizes and compares company survey responses and their supplier code of conduct wage commitments with the definitions promoted by the external initiatives they are party to.

Table 3: Components of Company Wage Commitments

Table 3 Key: The living wage definition is broken down into four required components. The wage must: **1** - cover the basic needs of the worker; **2** - provide discretionary income; **3** –cover the needs of the worker's family; **4** – be earned in a standard working week.

The external initiatives referred to by companies require supplier codes of conducts to pay wages that the following components:

ACT:1, 2, 3 & 4 **FLA:**1& 2 **FWN:**1 **ETI:**1 & 2 **ILO:**1 & 3

	Survey response	Supplier Code of Conduct expectation	External initiative that the company is party to	Does the wage expectation in the Supplier Code of Conduct meet or exceed the living wage definition of respective external initiatives?
Adidas	1,2	1,2,4 *	FLA, FWN	yes, yes
C&A	1,2,3,4	1,2,3,4	ACT, ETI	yes, yes
Decathlon	1	1	-	-
G-Star RAW	1,2,3,4	1,2	FWN	yes
Gucci	1,2,4	1,2,4	FWN	yes
H&M	1,2,3,4	1,2,3,4	ACT, FWN, ETI	yes, yes, yes
Inditex	1,2,3	1,2,3	ACT, ETI	no, yes
Nike	1,2	1,2,4 *	FLA	yes
Primark	1,2,3	1,2	ACT, ETI	no, yes
Puma	1,2,4	1,2,4 *	FLA, FWN	yes, yes
PVH	1,2,4	1,2,4 *	ACT, FLA	no, yes
Tchibo	1,2,3	1,2,3 *	ACT, ETI	no, yes
Under Armour	1,2,4	1,2,4 *	FLA	yes
Fast Retailing/ Uniqlo	1,2	1,2 *	FLA	yes
Amazon	Did not reply	-	-	-
Fruit of the Loom	Did not reply	1,2,4	FLA	yes
GAP	Did not reply	1,2 *	ETI	yes
Hugo Boss	Did not reply	1,2,4 *	FLA	yes
Levi Strauss	Did not reply	-	-	-
Zalando	Did not reply	-	ACT	no

It is important to note that nine companies (indicated in the table by an asterisk next to their supplier code of conduct expectation) refer to various components of a living wage in their supplier codes of conduct, yet the wording regarding what is exactly required of suppliers is very vague. The payment of a wage that covers, for example, the basic needs of workers and provides for some discretionary income is framed in the codes of conduct as something to be worked towards. They suggest that if such needs are not met by the current wage paid then suppliers should seek to progressively realise a wage that does. These additional expectations are therefore more akin to aspirations than concrete requirements of suppliers, the violation of which would constitute a noncompliance with the code of conduct. The bottom line wage requirement in this instance is therefore the local minimum wage, which as shown earlier is likely to be well below a living wage. If companies merely expect suppliers to seek to pay higher wages this may rhetorically form part of their longer term commitment to the payment of higher wages, but without definitive requirements placed upon suppliers (and a change in commercial practices to ensure suppliers can actually afford to meet these labour standards), core company policies for supplier compliance are not in line with this broader aspiration. However, these future expectations are still of high relevance as they reveal what companies deem to be an adequate wage for workers in their supply chain, and whether they define them explicitly as a 'living wage' or not.

2.2.1 Leaving Out Workers' Families

One problem with many corporate definitions of living wage is that they account for the needs of individual workers, leaving out the needs of workers' families. In survey responses and publicly available documents, 17 companies said wages should cover the basic needs of the individual worker being paid the wage. 16 of these also specified that a wage should allow for some discretionary income for that worker. But of these 16 companies, only six specified in their survey responses that a wage should also cover the basic needs of a workers' family, and only four of these six companies had a code of conduct that corresponded with this commitment.

The three companies whose code of conduct does not specify a commitment to wages being paid that meet a workers' basic needs (Amazon, Levi Strauss and Zalando) did not respond to the survey. All had supplier codes of conduct that rested entirely on minimum wages set by governments in supplier countries, which, as discussed above, are often set below living wage rates as calculated using the AFW methodology, and below the poverty line.

H&M and C&A were the only companies whose codes of conduct included an expectation that suppliers strive to pay a wage that covers the basic needs of workers and their families, provides some discretionary income and specifies that this wage should be earned within a normal working week (i.e. is not only possible through working overtime). These requirements, though simplified, fit broadly with the CCC definition of a living wage. While G-Star RAW's code of conduct does not cover all necessary aspects of a living wage using the CCC definition, they provided in their survey response an extensive explanatory document for suppliers setting out how to achieve the terms in their code of conduct. This contained a comprehensive living wage definition in line with H&M and C&A. This evidence is encouraging but it is only being shown, to date, by a small number of companies in this study.

2.2.2. Disjuncture Between Company Wage Requirements and External Definitions

Another common problem we uncovered is that there is often a disjuncture between a company's definition of living wage and the definition used by the MSIs they are a part of, with the MSI definition typically being the more robust of the two. This is a particular problem among ACT member companies. Whilst seven garment companies in our study are members of ACT, again H&M and C&A were the only ones whose supplier codes of conduct reflected ACT's definition of a living wage in their compensation expectations. For other companies, there were misalignment issues. For instance, Inditex, a member of ACT, do not include a requirement that wages are earned within a regular working week. Zalando, also a member of ACT, contain no wage provision in their code of conduct beyond minimum wage compliance and as such have a code of conduct that is not meeting the requirements of ACT.

Similarly, 14 companies referred to ILO core conventions as forming the basis for their codes of conduct and approach to wages, both in survey responses and publicly available documents. However, the ILO doesn't actually have an operational definition of the term 'living wage.' It has no clear method of calculating a living wage beyond their Minimum Wage Fixing Convention 131 (1970)[40] which provides guidance to governments setting a minimum wage that is sufficient to cover the needs of workers and their families with reference to the national economic and social context. No further requirements (such as discretionary income or that the workers should be able to earn the wage in a standard working week) have yet been specified. Therefore, for companies to cite their adherence to ILO core conventions as a basis for sourcing requirements and practices is thin evidence of their commitment to payment of living wages.

Overall, there is sizable confusion and disparity among companies and external initiatives over what constitutes a living wage. As shown above, many companies are party to various external initiatives whose living wage definitions and aims differ from one another and from their supplier codes of conduct. Only three of 20 companies (H&M, C&A and G-Star RAW) committed to wage payment that includes all of the key components in the CCC definition of a living wage. Yet, all survey respondents apart from Nike claim a commitment to living wages, and 17/20 brands in the study are members of initiatives that profess a commitment to living wage payment. The willingness by companies and initiatives to adopt the term 'living wage', along with the huge disparity between how companies define and commit to wage payments, suggests rhetorical misuse of the term. Many companies' use of the term clouds its meaning and allows for vagueness of commitment. Further, misalignment between company codes of conduct and the standards of external initiatives raises questions about companies' commitments to, and general coherence and viability of, the initiatives.

2.3 Most corporations lack living wage benchmarks and a 'roadmap' for achieving their living wage commitments.

Corporations were asked if they had a public roadmap or strategy for how they will achieve the payment of living wages across their supplier networks, including a timeline for achieving living wages across Tier One suppliers (suppliers that hold the contract with companies, and tend to provide finished products to brands and retailers) and other suppliers. None of the companies provided a clear timeline for achieving the payment of living wages, and most lacked a clear roadmap with specific benchmarks, which are important for monitoring their progress.

In their survey responses, companies tended to refer to their supplier codes of conduct or membership

of MSIs as evidence of their strategy to achieve living wage payment. However, our research found most MSIs to be lacking in detail with regards to benchmarking, concrete action plans, and specifying a timeline for achieving higher payments for workers.

In terms of institutional design and strategy to improve wages, the most promising MSI ought to be ACT, which was referred to by six ACT members in various survey questions.[41] Within the ACT initiative, when a wage has been negotiated, ACT companies are expected to adjust purchasing and monitoring practices to ensure this wage is then accounted for and enforced. However, because ACT lacks a benchmark of key components that need to be included in the living wage, there is no guarantee that the wages negotiated through ACT will necessarily comprise living wages that are in line with the full CCC definition. Unfortunately, ACT appears to be falling short in achieving its aims; to date there is no data to suggest that any workers are yet earning any higher wages as a result of the initiative.[42]

The lack of a benchmark also compromises otherwise promising efforts to alter purchasing practices with suppliers to promote a living wage. For instance, of the 14 companies that responded to the survey, nine stated that they have a policy of ring-fencing or itemising labour costs in their negotiations with suppliers to determine the price paid per item. Six of these nine companies are involved in ACT and are waiting to implement wage agreements negotiated through ACT. However, the lack of living wage benchmarking makes it impossible to adequately account for the living wage when purchasing garments from suppliers.

FLA-affiliated companies have access to and are encouraged to use their data collection tool.[43] The tool is designed to enable the companies to get a better picture of wages being paid at supplier factories so that they can be compared with various wage benchmarks provided by the FLA. AFW is one benchmark among many in this tool. While this helps to improve visibility of various wage indicators, the practical assistance that the tool provides to help companies meet those indicators is questionable. It includes multiple wage indicators but living wage payment is not central to the tool.

Methodologies for producing living wage benchmarks exist, and could be meaningfully incorporated into industry initiatives, but we found no evidence that this has yet taken place. Several companies seem to have fallen back on the notion that minimum or negotiated wages are living wages; yet, without a credible and comprehensive definition of what constitutes a living wage and how to operationalize this definition, living wages are unlikely to be achieved. Similarly, we found concrete roadmaps and timelines to be lacking entirely. As such, it remains unclear how companies intend to actually meet their commitments to living wages, by when, and what exactly these living wages will amount to for workers.

2.4 Corporations are reliant on social auditing for compliance and enforcement of living wage commitments, a tool known to be flawed and to produce misleading depictions of labour standards in supply chains.

The garment companies were asked how they monitor compliance with their living wage commitments from Tier One suppliers, as well as those suppliers further down the chain who are involved in earlier parts of the production process. Recognizing that social auditing is the prevailing enforcement mechanism for compliance with labour standards, companies were also asked to provide details of their auditing methodology, such as who conducts audits, whether audits are announced in advance and how noncompliance is remedied. Based on survey responses and publicly available information,

all 20 companies engage in social auditing to enforce compliance with their code of conduct.

Company audit methodologies varied, with some more robust than others. One key problem across companies was a lack of clarity about what auditors should be checking in relation to living wage commitments. Because company codes of conduct do not clearly define living wage commitments, and because auditors typically are checking that codes of conduct are enforced, it wasn't clear how auditors could be looking for and detecting potential wage violations and enforcing living wage payments.

BOX 2: Well-Known Problems with Social Auditing.

Central to the CSR programme of MNCs over the last few decades has been the adoption of ethical auditing practices that purport to identify, correct and ultimately solve environmental and social problems in supply chains. Most MNCs hire 'independent' (but often for-profit) auditors to monitor factories and assess compliance by suppliers with the MNC code of conduct.

Research has shown that the auditing process can be easily manipulated to present a picture favourable to suppliers as well as buyers, and therefore does not give an accurate picture of working conditions and wages. Whilst third-party auditors may be independent, many are beholden by financial conflict of interest since they are hired by companies who could decide not to continue to hire them if they identify too many problems. Indeed, the 'burgeoning social auditing industry'[44] means that there is a CSR marketplace within which companies operate; if one auditing firm seems too rigorous in their approach to monitoring and enforcement, companies have the ability to choose to go elsewhere.[45]

Manipulation of audits has been well-documented. This can include the training of workers to answer questions in a particular way (if even asked), and the fact that factory managers very often know in advance if an audit is going to take place and can therefore falsify records and ensure exploited or unauthorised workers are not on site. In addition, auditing tends to focus on Tier 1 suppliers, leaving much of the supply chain entirely unmonitored.[46]

Only one of the 20 companies provided auditors with clear criteria for monitoring a benchmarked wage. Gucci stated that they monitor for 'fair wage' payment amongst suppliers, based on a nationwide collective bargaining agreement that has secured an industry wage for garment workers in Italy, where 95 per cent of Gucci's production takes place. Gucci refer to the Anker methodology as an internal part of their benchmarking process, but it requires further research on the ground to discern how this relates to the negotiated wage being paid currently, or to poverty lines in Italy.[47] However, Italy is a different context to most global garment production which predominantly takes place in the Global South. Inditex also state that they monitor for a living wage, but as yet they have no benchmark against which to judge this.

Companies also varied with respect to the types of auditors they use. 14 companies stated that they use a combination of internal and third-party auditors to monitor compliance, three stated that they exclusively use third-party auditors and one only use internal auditors.

Company approaches to auditing suppliers also vary. Most undertake an 'on-boarding' pre-assessment for new suppliers, followed by a 'full audit' once the supplier has been approved. Following this, the timing and regularity of audits varies across companies, often according to the determined 'risk' of the supplier and history of compliance (seven companies clearly stated this), with noncompliant firms being assessed more regularly. For some companies, compliant suppliers are visited only every two years, or are even not visited at all, but rather asked to complete self-assessments. Only nine of 20 companies clearly state that their audit process will or *may* include interviews with workers - a crucial source of information when seeking to determine whether living wages are being paid and received, and for detecting potential wage violations, such as deductions and the withholding of wages. Companies use a combination of announced, unannounced and semi-announced visits.

Most companies focus their audits only on Tier One suppliers and only five companies state that they have some provision for auditing suppliers beyond Tier One, with three of these stating that they only monitor some Tier Two suppliers. Focusing on Tier One suppliers diminishes the possibility of accurately reflecting wage conditions in more high-risk portions of the supply chain where workers are highly vulnerable to exploitation.

In the event of a noncompliance of any labour standard being identified, the prevailing remediation mechanism for the majority of companies in the study is the formation of a corrective action plan that is, in some cases, devised by the offending supplier themselves, with a follow-up audit to determine if the action plan has been effective. Remediation plans deal with noncompliance on an individual supplier basis and so it is important to situate their effectiveness in the context of industry-wide low wages. 11 companies also stated that they rank suppliers by compliance which could affect the extent to which each supplier continues to receive orders, and at what volume.

Company reliance on social auditing as the key mechanism to assess compliance and address non-compliance with their living wage commitments is worrying. The data suggests that most companies are not auditing in significant enough depth to assess whether or not workers are actually receiving living wages, and furthermore, most auditors lack an operational definition of living wages to measure against and verify across the supply base. Furthermore, even if these issues were addressed, reliance on social auditing as the key tool to verify compliance would still be insufficient insofar as this mechanism is widely known to be ineffective and open to abuse.

2.5 There is lacking transparency among corporations about the wages that are actually paid to workers throughout their supplier networks.

Garment companies were asked if they publish supplier lists, as well as whether they publish wage data for workers in supplier factories. 15 companies publish clear supplier lists, including factory addresses, which is encouraging, but none was able to provide corresponding data on the wages being paid within these supplier factories. Seven of the 15 companies publish supplier details beyond Tier 1 (although it is not clear how comprehensive this is). Nike demonstrated best practice here, with a supplier map and downloadable data that displays information relating to individual factories and aspects of their worker demographic, but without wage data.

The overall picture on transparency is mixed with most companies falling short with respect to providing wage data. Only three companies offered any data on payment of wages in their supply chain. One of these companies, Inditex, was only able to show this as a percentage of wage-compliant suppliers aggregated to geographical region. Puma and H&M also publish some wage data comparing the wages paid to average minimum wages, aggregated by country; it is encouraging to see companies publishing this level of wage data. To move forward, it would be beneficial to see this wage payment

data be broken down further to supplier level and for the data to be compared with living wage benchmarks to allow for more effective monitoring of companies' progress on wages. All companies in the industry should strive for this level of transparency.

Far more detailed analysis and a greater amount of transparent data published by companies will both be needed to fully understand the wages that are being officially paid to workers (bearing in mind that workers may still be experiencing underpayment, such as through fraudulent or unauthorized deductions), and what kind of progression is needed to reach living wage payment.

2.6 There is weak enforcement of freedom of association rights which may disempower workers from raising concerns about unmet wage commitments.

Garment companies were asked how they protect and promote freedom of association (FoA) rights in their supplier factories, including about how these rights are communicated to workers, whether they require suppliers to sign union access agreements, and provide space and paid time for union activities. They were also asked whether they have a robust grievance procedure for FoA rights violations and if they favour contractual relationships with suppliers that support functioning unions and terminate contracts with those who do not. These dynamics are important because if they are not in place, workers who organize or engage in action to draw attention to illegal practices with respect to their pay can face retaliation such as losing their jobs or being fined.[48]

Indeed, while FoA rights may at first seem disconnected from living wages, these are inextricably linked. The protection and promotion of workers' rights to organise freely and bargain collectively are essential to securing decent labour standards in general, and unions can be a key resource in delivering living wages. As well as explicit protections of FoA, related conditions such as extended involuntary overtime hours can undermine opportunities for freedom of association.

All 20 companies had a commitment in their supplier codes of conduct to observe freedom of association rights. However, this bright picture is clouded by a lack of evidence that these rights are meaningfully enforced or considered in relation to sourcing practices. For instance, 14 companies have a commitment to communicating FoA rights to workers, mainly through a requirement that suppliers display educational posters or copies of the code of conduct in factories. 12 companies also say they require suppliers to train workers about their FoA rights, although this is done with varying degrees of intensity and reach. For example, Nike's Code Leadership Standards (a document that articulates the steps necessary for suppliers to meet code of conduct standards) outlines that suppliers must train workers on their rights to freedom of association and collective bargaining. It should be noted that commitments of this nature are subject to social compliance and auditing programmes that, as previously discussed, are notably lacking. Conversely, Inditex have signed a Global Framework Agreement with IndustriALL that covers the whole of its supply chain and includes within it the training of suppliers and union representatives collaboratively on a national basis. Others in survey responses cite their participation in smaller scale factory- or country-level projects that provide training to certain groups of workers, although not across the whole supply chain.

Disappointingly, of the 11 companies that had a ratings system for monitoring supplier compliance with their code of conduct, of which FoA protection is invariably a part, only three stated a system of preferential sourcing from suppliers that support the establishment and functioning of unions, although one company, C&A, could provide no further detail or evidence. H&M and Inditex utilise the rating system to monitor supplier compliance with FoA rights and inform procurement, and

Inditex operate buyer training programmes to assist with purchasing decisions. However, this general lack of preferential sourcing from suppliers that support worker organisations casts doubt on the effectiveness of a rating system if buyers are not taking FoA rights seriously. Four other companies that stated no rating system for general supplier compliance also stated preferential sourcing. Primark operate a 'scorecard system' for supplier compliance, but the other three simply monitor FoA compliance as part of their general auditing and compliance programme.

The patchiness shown with respect to freedom of association rights enforcement is concerning, particularly due to the supposed weight given by companies and some MSIs to the process of negotiation in the quest for living wages. If employers do not support workers to organise collectively then those workers are unlikely to be effectively represented in negotiations in a way that adequately captures their needs and demands. Once again, this raises questions about the credibility of MSIs that companies are relying on to deliver living wages. For instance, ACT rests fundamentally on the idea that negotiation will deliver living wages that would then be accounted for and adhered to by companies when making purchases from suppliers. The lack of coherent commitment to functioning independent unions invokes questions about the commitment of member companies within ACT and others to achieving the aims they set for themselves through their membership of ACT.

2.7 Commitment and progress towards living wages in non-garment industry global supply chains is extremely limited.

As described in Section 1.3, we conducted research on companies from outside the garment industry, including mining, air travel and pharmaceuticals companies, to gauge the extent to which patterns identified among garment companies are illustrative of living wage efforts more broadly across other sectors. The full list of the non-garment companies is provided in Annex 3. We did not directly survey these companies so it is possible that some are engaged in living wage efforts not yet discernable in their public documentation. That said, our research suggests that companies outside of the garment sector may be further behind the garment industry with respect to living wage commitments and actions.

Of the 23 companies in our sample, only nine mention the term 'living wage' in the reviewed documents. Unilever and AstraZeneca are both members of FWN, and AstraZeneca state that their work with FWN will come to inform future strategy with suppliers, not just their direct employees. Eight of these companies are accredited UK Living Wage employers according to the Living Wage Foundation.[49] Tesco and Unilever are both engaged in the Oxfam Malawi Tea 2020 project that aims to achieve living wages for Malawian tea workers, and Tesco is also engaged in a project to raise wages for workers in their banana supply chain. However, no company had made a commitment to the payment of living wages across their supplier network.

In terms of wage transparency, none of the 23 companies published wage data across their supplier network. However, several reported on total direct employee remuneration and indicated whether UK employees are paid either the National Living Wage or the 'real' Living Wage as defined by the Living Wage Foundation.

Significantly, despite this lack of published wage data workers in their supply chains, the most recent annual reports of the 23 companies considered contained an average of 22 pages dedicated purely to discussions of directors' remuneration and how it is calculated. This relates to UK company law, which requires FTSE 100 companies to publish director remuneration with a view to understanding the ratio between director and employee earnings. UK companies are also required by law to disclose their efforts to prevent bribery and corruption. This is interesting since it shows that companies are

already publishing data relating to levels of compensation within their businesses, and that companies are complying with transparency regulation mandating them to disclose specific details around wages and how they are calculated. This points towards the possibility of governments requiring companies to gather and publish data on the wages earned by workers in their supply chains, and evidence of the effectiveness of their efforts to deliver living wage commitments.

None of the 22 companies' supplier codes of conduct that are publicly available include wage requirements that constitute a living wage.[50] Five codes of conduct mention 'fair' in relation to wages, remuneration or employment, but do not provide definitions or benchmarks. Only one company, BHP, mentioned wage provision to cover workers' needs in their supplier code, and even then this was to be pursued only in the absence of a national minimum wage. Five company supplier codes did not mention the word 'wage', simply requiring suppliers to comply with any national laws. As such, this is arguably an area where garment companies seem to be demonstrating better practice than in other sectors, albeit based on a comparison of a small but representative sample of leading firms.

This is not to suggest that garment companies are delivering on the commitments they are making towards living wages; as we've documented above, the reality is far from it. However, it does appear that significantly more discussion is taking place in the garment sector about wages compared to other sectors.

Conclusion

Our research suggests that while some garment companies are making ambitious commitments to pay living wages in their global supply chains – indeed, far more ambitious commitments than are apparent in other sectors—they are currently falling short when it comes to meaningful action to implement these commitments.

Many corporations are involved in MSIs. But most of these do little to tackle the irresponsible purchasing practices that have been documented within the scholarly literature to create pressure towards low wages, such as buying at prices that are not high enough to cover the cost of living wages or the imposition of harsh penalties and tight production windows onto suppliers.[51] Among companies committed to MSIs, we found low compliance with their requirements, and that internal policies are sometimes out of step with the requirements of the MSIs they are involved in. Further, corporate involvement with MSIs is making it difficult to pinpoint what exactly they are committing to with respect to action to improve wages, particularly given that several companies are involved in multiple MSIs with divergent definitions and approaches to living wages. Just as is the case with MSIs more generally, these MSIs lack binding commitments, robust enforcement mechanisms, complaints procedures, and in-depth monitoring by investigators independent of the industry that incorporate substantial and confidential offsite interviews with workers.

Consumers are purchasing products they believe are made by workers earning a living wage, when in reality, low-wages continue to be the status quo across the global garment industry.

The majority of corporations within our study lacked a robust definition of a 'living wage' that incorporated all of the key dimensions identified in prevailing benchmarks and metrics. We found evidence of divergence between the definitions that companies use in their own documentation and those used by the MSIs they are relying on to help realize their living wage commitments. Lacking clarity around the definition of a 'living wage' limits the meaningfulness of corporate activity towards it. It also suggests that companies may be using the social capital of 'living wage' language and commitments to improve reputational standing, while falling short in terms of taking meaningful action to achieve serious improvements to worker wages.

One of the most troubling findings of our study is that most corporations lack a clear roadmap that includes living wage benchmarks and timelines for realizing these benchmarks. In survey responses to questions on these topics, many corporations pointed towards MSIs, but further examination of those MSIs found them to be lacking when it comes to having concrete, measureable action plans for achieving a living wage in global supply chains. It is therefore unsurprising that we found lacking transparency among corporations when it came to disclosing the wages that workers in their supply chains are actually receiving. While a small minority of companies provided some indicative statistics at a regional or national level focusing on Tier One suppliers, most offered no information about the wages that workers receive in their supply chains. As such, without this it will be extremely difficult to evaluate their progress towards living wage commitments.

In addition to these problems with definitions and institutional design of living wage initiatives, we also found issues with the implementation of living wage commitments. Namely, that corporations are heavily dependent on social auditing to 'monitor' and 'enforce' living wage commitments, but

this tool is widely known to be ineffective and open to abuse. While the robustness of social auditing methodology varied across companies, the data overall suggests that companies are doing little to overcome the traditional limitations of social auditing with respect to their deployment of the tool to monitor and enforce living wages. Finally, we found a lack of robust enforcement and promotion of freedom of association rights, which are essential if workers are to report problems and complaints around wages (as well as other issues like forced labour and health and safety concerns).

While some individual companies are no doubt doing better than others and should be acknowledged for their efforts, overall, there is scant evidence across the garment industry that corporate living wage commitments are actually translating into workers receiving living wages on the ground. Our research therefore underscores the concern that CSR tends to fail to lead to meaningful change across the most important indicators of labour standards, such as wages, freedom of association, and the presence of forced labour. This is problematic since CSR efforts around living wages may be leading to benefits for companies as consumers become convinced that they are making more ethical purchasing decisions, unaware of the serious problems limiting such efforts. Consumers are purchasing products they believe are made by workers earning a living wage, when in reality, low-wages continue to be the status quo across the global garment industry.

How can garment companies move beyond these problems and realize their commitments to living wages? They can start by addressing the seven core findings we document above and by carefully analyzing success stories within the industry where living wages are verified to be paid. For instance, an important example is the Alta Gracia factory in the Dominican Republic that produces college apparel and has been verified by Worker Rights Consortium to be paying a living wage based on their market-based calculation methodology.[52] The factory has been open since 2010 and is deemed to be the only garment factory in the global South paying a living wage.[53] This case shows that a successful garment-producing business can pay a living wage to its workers.

More broadly, the garment industry may wish to consider an alternative model to CSR, which is gaining traction among worker and activist communities, called 'worker-driven social responsibility', or WSR. Unlike traditional CSR programs, WSR initiatives are worker-driven and enforced, involve binding commitments with commercial weight behind them, and provide financial support to suppliers so that they can afford living wage commitments.[54] In a WSR model, initiatives to protect and enhance the rights of workers in supply chains are based on binding agreements between corporations and worker organizations, with a central role for unions. Adopting a WSR model would help the industry to overcome the problems that currently limit progress towards the industry's living wage commitments.

WSR has been documented to improve wages and labour standards in other sectors. For instance, one successful flagship case of WSR has been seen in the Florida tomato farming industry, where the Coalition of Immokalee Workers organized consumers nationally to demand legally binding agreements with fourteen major corporate buyers of US tomatoes, from Florida to New Jersey. The resulting Fair Food Program sets out various labour standards and mechanisms to ensure better wages, including a small price premium paid by buyers that is passed down to workers in the form of a weekly bonus, a requirement to install time clocks in the fields to keep accurate time records and pay all compensable hours, and a prohibition against the forced overfilling of picking buckets which workers report has significantly increased their wages. The comprehensive workplace standards are monitored by an independent third-party organization, the Fair Food Standards Council. Large buyers party to the scheme include Walmart, McDonald's and Subway. Nearly all tomato growers in Florida participate in the scheme which has further plans for expansion. The programme is widely recognized to have improved wages; significantly reduced wage theft, health and safety violations, and sexual harassment; and eliminated the presence of forced labour and sexual assault.

A step change in approach will be necessary for garment companies to achieve living wages in their supply chains. The first step will be to adopt existing benchmarks and living wage calculation methodologies and to clearly map out how they will achieve living wages for different tiers of suppliers and by when. Until companies can take such steps, living wage commitments are likely to remain in the realm of rhetoric rather than leading to substantial changes that address low-wages for workers in the global garment supply chain.

4. Recommendations

Definition of a living wage

- The garment industry should collectively address the significant confusion about what constitutes a living wage and the sizable gap that exists between the rhetoric and reality of corporate commitments to ensuring that workers in their supply chains are paid a living wage.
- MSIs falling short on delivering their promise of living wages should disclose this and explain the key obstacles that stand in the way of realizing this goal.
- Individual companies should ensure consistency across their approach to living wages, including that their supplier code of conduct, MSI commitments, and other documentation align with respect to the definition of living wage and action plans towards this.
- A globally agreed definition of what constitutes a living wage would provide much-needed clarity. It would provide workers, governments and companies with a clear framework upon which wages could be assessed and would provide the basis for wage and contract negotiations.
- We recommend that the ILO establish a minimum living wage sufficient to provide the basic living standard and meet the basic needs of workers and their families. This would build on the preamble to the ILO's Constitution and the ILO's Declaration of Philadelphia.

The business model

- Companies should acknowledge the role that business models and sourcing practices can play in creating the conditions where workers are paid low wages within their supply chains, and explain how they will address these pressures in their efforts to deliver living wages.
- Practices such as buying at the lowest cost and unfair or inadequate payment arrangements exert a powerful downward pressure on suppliers, who then rely on the exploitation and coercion of workers to fulfil contracts and produce high-volume goods at a low cost.
- If companies are serious about their commitment to paying a living wage they should implement responsible purchasing practices and redistribute value across the supply chain such that suppliers can afford to pay living wages.
- This can be achieved by top-down proactive action from companies including the payment of higher prices to suppliers, signing multi-year long-term contracts with suppliers, and agreeing contracts with longer lead times, as well as by supporting bottom-up approaches such as upholding, promoting, and expanding the rights of workers in their supply chains. This could be achieved by recognising and working with trade unions and other worker-led organisations and by engaging in collective bargaining agreements.

Transparency

- Companies should increase transparency about the payment of living wages in their supplier payment. They should report annually on wages paid within their supply chains and state clearly how this corresponds to national legislation and living wage benchmarks.
- They should publish clear roadmaps and timescales for when and how they will fully achieve their commitments to pay living wage to workers in their supply chains. Consumers, NGOs and workers will then be able to clearly hold companies to account.
- Companies should report in full on the results of pilot living wage programmes and roll out new initiatives and practices that prove successful. They should work with academic researchers and workers' organizations to analyse pilots.
- Whilst maintaining commercial confidentiality, companies should publish details of the specifications they place upon suppliers. Such specifications can be a significant source of pressure that undermine living wage commitments. This could include: average contract lengths, quantities, lead time, and any requests that diverge from their code of conduct.
- Companies should recognise the deficiencies of ethical auditing and move towards new enforcement strategies to improve pay and conditions for workers in their supply chains. This must mean engaging with workers and unions and involving them in the design and enforcement of standards. There is much for companies to learn from worker-driven social responsibility models.

Collective bargaining

- Companies should recognise the essential role of unions and worker organisations in securing a living wage for workers in their supply chains.
- They must uphold workers' fundamental rights to freedom of association and collective bargaining, both within Tier 1 suppliers and beyond.
- They should support and promote sector-based and multi-country collective bargaining agreements, which will help to flatten the uneven playing field and tackle anti-competitive pressures.

Governments

- Governments should recognise the weak effectiveness of industry-led CSR initiatives to address low wages.
- Policymakers must recognise their role in tackling the problem of low pay which should include strengthening labour inspectorates to increase state oversight of workplaces. The ILO recommends one labour inspector per 10,000 workers in industrial market economies. The condition of all workers in the global garment industry would be enhanced if this ratio was achieved in all countries.
- Governments should introduce joint and several liability in their supply chains. This would make companies legally responsible for the conditions of people employed by sub-contractors, labour agencies, supplier and all other intermediaries in their supply chains.

5. Annexes

Annex 1: Clean Clothes Campaign Living Wage Survey Questions

Section 1. Living wage commitment

1.1 Has your company published a clear commitment to ensure a living wage is paid across your supplier network?

If yes, please describe how your company defines a living wage and provide a link to where this commitment is publicly available.

1.2 How do you monitor supplier compliance with the living wage commitment, both for tier 1 suppliers and across your supplier network?

Please supply details about your approach to auditing for a living wage. Does your company hire auditors from auditing firms? Are these announced or unannounced visits? Does your company use any external certifiers? How do you remedy non-compliances?

Section 2. Benchmarks for a living wage

2.1 Does your company have internal or public figures that it uses to benchmark living wages for each sourcing country or region?

If yes, provide details.

2.2 Please supply living wage benchmarks for the countries from which you source or alternatively provide a link to a living wage methodology that your company uses to provide specific living wage benchmarks for production countries.

2.3 Please provide details of the number of your suppliers (both tier 1 and across your supplier network) that are currently paying your stated living wage benchmark to all workers in their factory. Do supply evidence for this where possible.

Section 3. Purchasing practices that make living wages possible

3.1 Does your company articulate whether FOB prices paid per piece are sufficient to allow for compliance with the living wage standard your company has committed to deliver?

If yes, please supply evidence. If no, does you company ensure that the FOB prices paid to suppliers are sufficient to allow for compliance with your company's living wage standard?

3.2 Does you company make long-term sourcing commitments at a specific volume to suppliers?

If so, how long are these commitments, and at what volume?

3.3 Is your company doing work to limit the use of subcontractors in your supply chain, and consolidate your supplier factory list?

If so, can you provide concrete evidence over time that shows how this is working?

3.4 Is your company doing work to limit the use of labour contractors?

If so, can you provide concrete evidence over time that shows this is working?

Section 4. Transparency

4.1 Does your company publish a public list of suppliers, including address, parent company, products and number of workers, for tier 1 and your wider supplier network/

If yes, please supply a link.

4.2 Does your company publish information on wages currently paid to workers at your suppliers?

If yes, please supply a link or further information.

Section 5. A clear roadmap for implementing a living wage for all workers

5.1 Does your company have a public roadmap/strategy for how it will achieve a living wage for all workers across your supplier network?

If yes, please supply a link to where this is published.

5.2 By what date does your strategy anticipate that a living wage will be paid to all workers at 100per cent of your suppliers (both tier 1 and across your supplier network)?

Section 6. Living wage projects

6.1 What living wage projects are you participating in currently? How do these projects calculate a living wage and how will they achieve this level?

By what date will this project achieve a living wage across your supplier network?

[Option to add an additional project]

6.2 In the past 5 years, as a result of pilot projects to deliver a living wage that you have participated in, by how much have wages increased across your supplier network? Please state increases by country and number of supplier impacted.

Section 7. Advocacy for an increase in the minimum wage

7.1 Has your company issued and sent any public statements supporting specific demands for increased minimum wages to governments and employers in countries where you suppliers are located, assuring country governments that production will not be relocated as a result of increases?

If yes, please supply link to where this/these can be found.

Section 8. Freedom of Association

8.1 How has the right to Freedom of Association and Collective Bargaining been clearly communicated to employers and workers in your supplier factories and subcontractors?

8.2 Do you require suppliers to sign union access agreements?

If yes, please provide details and a copy of any agreement that your suppliers have signed, either by a web link or file upload.

8.3 Do your suppliers provide workers with paid time off for union activities?

If yes, please state how many suppliers this impacts.

8.4 Do your suppliers provide a dedicated space in the workplace for workers to meet and discuss union issues?

If yes, please state how many suppliers this impacts.

8.5 Do you require your suppliers to meet and bargain with duly constituted unions?

If yes, how do you verify that they are doing so?

8.6 Do your buyers favour suppliers that support the establishment and functioning of genuine trade unions?

If yes, please explain how these suppliers are determined and how preference is given.

8.7 Does your company have an accessible, independent, confidential means by which workers at supplier factories can file and follow up on complaints about violations of freedom of association and collective bargaining rights?

If yes, how do you monitor that this can be accessed freely by workers? How do you ensure that workers do not face retaliation when filing complaints? How many complaints have you received in the past year? What is the process for investigating these complaints/ How many of those complaints have been resolved?

8.8 Do you have a policy of terminating relationships with suppliers that fail to proactively support freedom of association through measures such as the above?

Please clarify your answer.

Section 9. Dialogue and negotiation with labour rights organisations

9.1 Can your company demonstrate the existence of CBAs negotiated with independent trade unions in your supplier factories, which include agreement on paying above the legal minimum?

If yes, how many such CBAs exist within your supplier network and in which countries? Please provide a link to where the text can be viewed or upload an example.

9.2 Has your company signed any legally binding agreements with workers in garment exporting countries, concerning prices paid to suppliers, wages above the legal minimum and other conditions?

If yes, please give details and provide a link to the public text.

Section 10. Further information on supplier network

Annex 2: Garment Companies Included in Study

Amazon
Adidas
C&A
Decathlon
Fruit of the Loom
GAP
G-Star RAW
Gucci
H&M
Hugo Boss
Inditex
Levi Strauss
Nike
Primark
Puma
PVH
Tchibo
Under Armour
Fast Retailing/Uniqlo
Zalando

Annex 3: Non-Garment Companies Included in Study

Anglo America
AstraZeneca
BAE Systems
Barrick Gold
BHP
British American Tobacco
Bunzl
BP
BT
Diageo
Easyjet
GlaxoSmithKline
Imperial Brands
Intercontinental Hotels
International Airlines Group
Reckitt Benckiser
Rio Tinto
Rolls Royce
Royal Bank of Scotland Group
Royal Dutch Shell
Tesco
Unilever
Vodafone

Annex 4: Comparisons between legal minimum wages and Asia Floor Wage Alliance calculations

Figure 2. Cambodia: minimum wage compared to Asia Floor Wage calculation

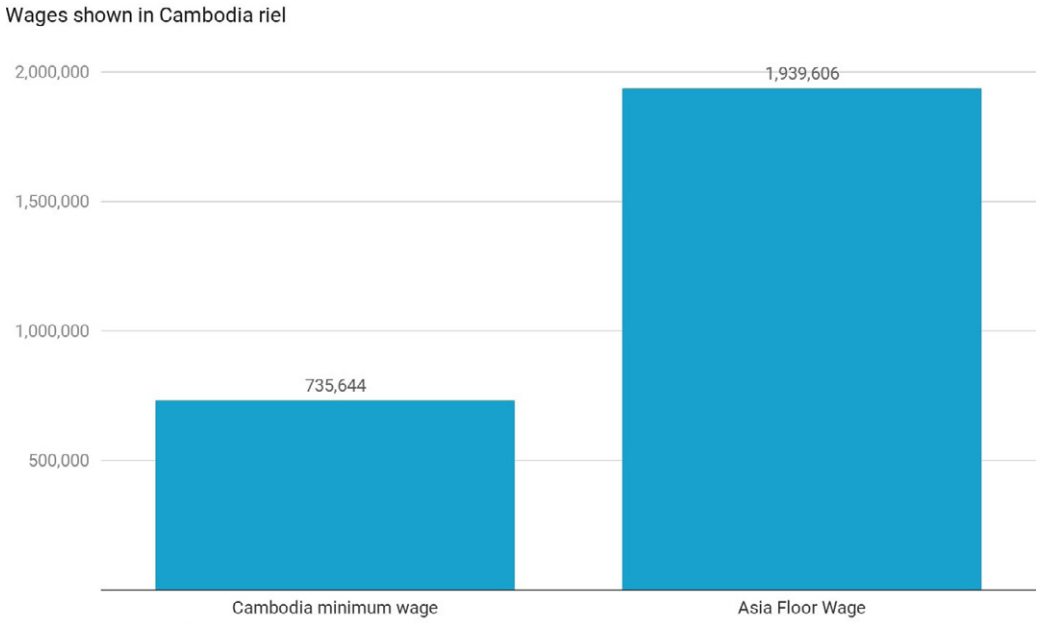


Figure 3. China: Guangdong province minimum wage compared to Asia Floor Wage calculation

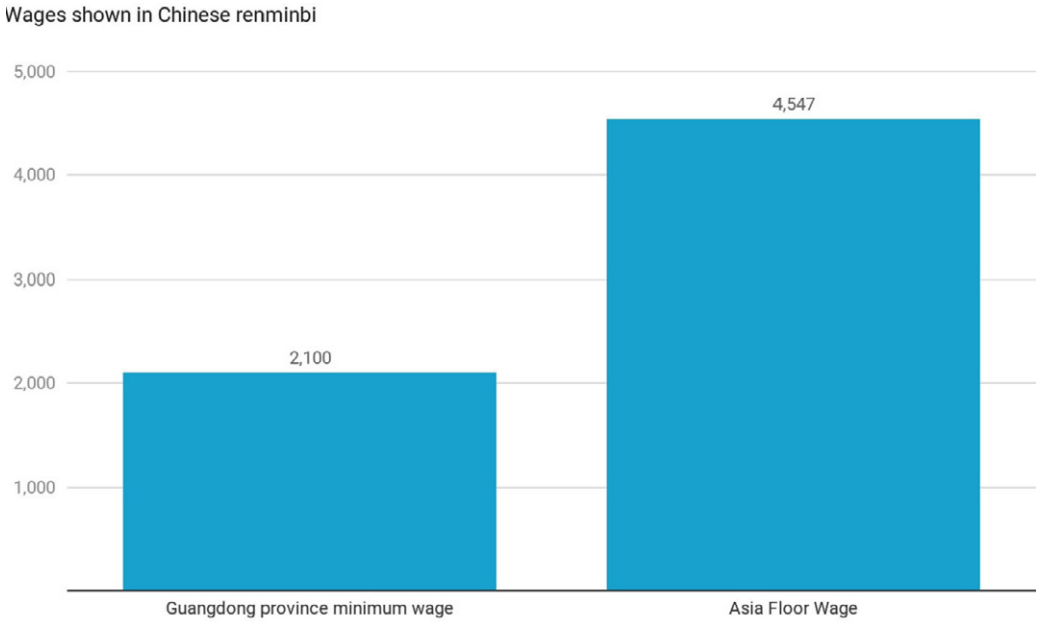


Figure 4. India: Tamil Nadu state minimum wage compared to Asia Floor Wage calculation

Wages shown in Indian rupees

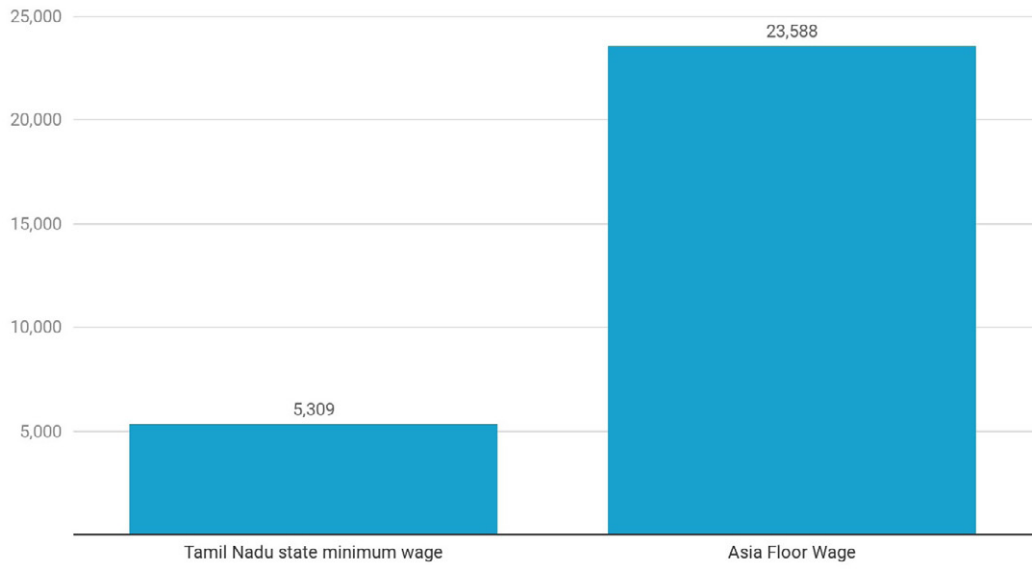
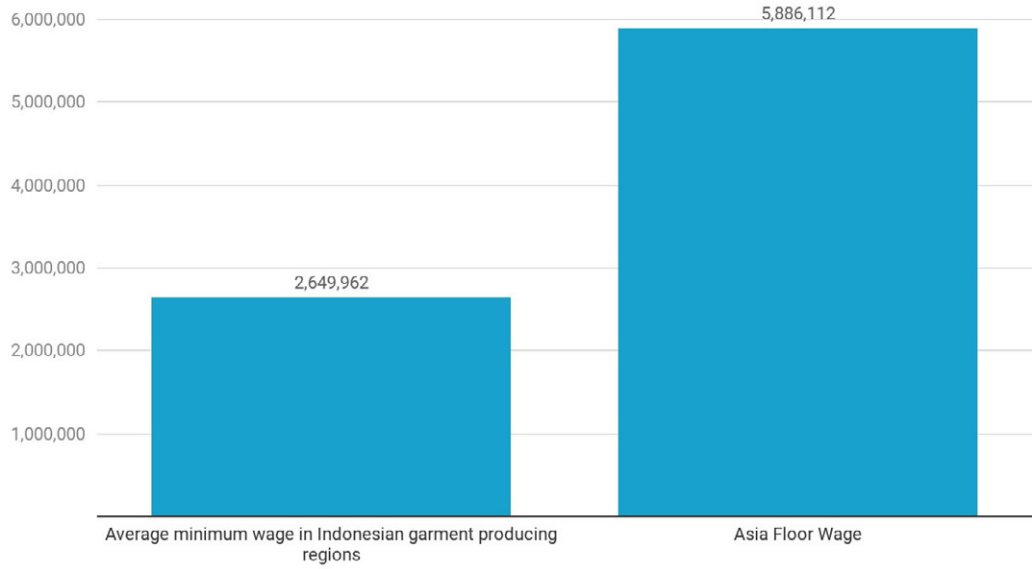


Figure 5. Indonesia: Average minimum wage compared to Asia Floor Wage calculation

Wages shown in Indonesian rupiah



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The University Of Sheffield.

speri.
Sheffield Political Economy Research Institute.

Sheffield Political Economy Research Institute
The University of Sheffield
Interdisciplinary Centre of the Social Sciences
219 Portobello
Sheffield S1 4DP, UK

sheffield.ac.uk/speri

+44 (0)114 222 8399

speri@sheffield.ac.uk

@ SPERIshefuni