

Monsoon Accessorize

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Labour Behind the Label
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FAO Anna McMullen, Campaigns Coordinator

Dear Anna

Thank you for your invitation to submit an update of our progress for your Let's Clean up Fashion report 2009 and as requested we forward you information which supports our commitment and progress to improving working conditions in our supply chain and in particular the living wage.

Your focus on living wages is commendable and we share your view that this is a priority area. As explained last year we have evolved a strategy and this has been further developed since our report of 2008 in that our approach is now multifaceted. This has required the devotion of significant resources and we forward our report on progress to date.

1. Supplier Assessments

As you may be aware we have a process of monitoring and assessment of our suppliers against our Ethical Code to effect continual improvement and it is pleasing to report that we have made significant progress with increasing wages through the application of legal minimums and statutory entitlements. A more robust approach has been adopted with clear commitment to deliver corrective action plans which are time bound to ensure that wages are driven towards meeting the statutory minimums as the first step and then progressing to ensure that they are "enough to meet basic needs and provide some discretionary income (i.e. the Living Wage).

In 2008 we implemented 275 improvement actions under the Living Wage Provision, and are driving this rate of improvement higher for 2009 and beyond.

2. Worker empowerment

We recognise the limitations of the audit process which is particularly weak in delivering sustainable change and as reported last year; we have developed a strategy (to run in parallel with our auditing system) which is based on a negotiated approach. Essentially we are seeking to empower workers by taking cognisance of participatory approaches to affect free and unfettered collective bargaining. In doing so we are working to establish suitable mechanisms to ensure the provision of Decent Work which is underpinned by payment of a Living Wage and are working with our suppliers with NGO and trade union support. We are essentially tackling these issues on two fronts in our major sourcing regions in China and India.

• China

Our strategy for China is focussed on a Decent Work (ETI collaborative) project which commenced early this year and we have selected a Monsoon factory to test new approaches, which are essentially participatory in nature. The details of this project are confidential and we have given assurances (i.e. signed a confidentiality agreement) not to disclose the detail without the full agreement of all the tripartite members within, but it suffices to say that the modus operandi will focus on much of the aforementioned, in that its aim is to improve the bargaining

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rights of employees in their quest to obtain better wages. The project is a medium to long term project, but we have made significant progress already. Working with an NGO partner and a trade union, the factory has undergone a "needs assessment" and the first facilitation committee meeting was convened to review the training programme of the workers. Training will take place in September and election of worker representatives are expected soon after. The learning from this and the improved industrial relations that ensue, will be used to benchmark other suppliers who will be challenged to follow this lead.

- **India**

Our strategy for India was referred to in our last report and we have included this in the appendix for your reference and we table our progress to date for your consideration.

Essentially, our strategy remains on track. We have selected a number of suppliers to participate in the pilot project and we have carried out an independent basket survey (carried out by ASK an NGO - see appendix) to ascertain the cost of living in regions where workers live. The latter findings are significant and have revealed a complex problem in that the situation cannot be resolved purely by direct intervention on wages alone. Consideration must be given to the sustainability of the operation and the impact that increased wages have on the stability of the factory (in what is a highly competitive and economically challenging market). There are justified concerns that such intervention could have adverse and unintended consequences.

We acknowledge our part in negotiating a fair price to assure the living wage is paid, but in so doing, the supply chain has to be transparent to allow proper value chain analysis to ensure that all the actors involved are adding value to the process. This aspect is ongoing across our entire supply base. Garment costings are being determined using an accepted work study methodology which is free from spurious interpretation. Within all this there is general consensus that the increased costs provision will primarily have to be driven by productivity improvements and therefore a system must be in place to ensure that workers have a share in the cost benefits.

We are currently working on the development of a standard methodology for calculating wage rates in a manner fully consistent with ETI Base Code provisions to enable wage rates to be monitored and compared. We anticipate this to be complete within the next 6 months. An NGO partner to assist us with improving communications between workers and managers in participating factories has been chosen and we have selected a productivity expert who will work with us in the selected factories to improve productivity in a sustainable way. Supplier workshops on this are scheduled in September and work on implementing productivity improvements will start thereafter.

We recognise that a key element in the success of this work will be the involvement of key stakeholders. The productivity consultant we have chosen and our NGO partners will work in a collaborative manner working with worker representatives to ensure that the process is participatory throughout and fully transparent. We will keep you informed of developments.

Bareilly Homeworkers

Homeworking in India has a significant role to play in our sourcing activities and we are also engaged in a homeworking project to raise wages for homeworkers in India. We have initially focused our attention on a region in Uttar Pradesh in India known as Bareilly. Bareilly is an important homeworking region for us due to the unique skills of its artisans which carry out hand embellishment work.

During our visit in March this year, we met representatives of the Bareilly Homeworkers Group (BHG) and it was pleasing to note that wages and benefits had risen significantly during the past year due primarily to the work and commitment of Monsoon who are now the only ETI member left sourcing from this region and participating with the BHG. We attach copy of the notes of the March BHG meeting which acknowledges the dramatic improvements that have taken place

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since this region became a focus of attention and goes on to detail the next steps to achieve the implementation of the minimum wage and then the living wage. The strategy is clearly a stepwise approach, through which steady and progressive improvement is achieved.

Given the different nature of this type of work there will be less focus on productivity, but will entail a detailed value chain analysis, and examination of our purchasing practices. The latter will monitor the development process through to delivery of final product to establish how the price is negotiated and will lead to a broader purchasing practices study within our business. We will of course be applying the new work study methodology in the price calculations and negotiations to establish that the piece rates paid by the Exporters, Contractors and Sub-contractors are sufficient to meet the living wage provision. The learning from this will be rolled out across our homeworking supply base in due course.

Whilst some progress has been made, we recognise that there is still much work to do in delivery of acceptable wages across all our supply chain and in particular those engaged in the lower tiers of supply. Despite the difficulties we remain undaunted by the challenges that lie ahead and are confident of reporting significant improvements next year. We forward our thanks for the interest shown in Monsoon Accessorize Ltd and if we can be of further assistance, please do not hesitate to contact me.

Yours sincerely



Derek Jackson

Global Ethical Trading Manager
Monsoon Accessorize Ltd

Appendix

Monsoon Accessorize Ltd: Strategy for the application of Living Wages (India)

Strategy Objectives

- Ensure all workers in the participating factory are paid wages sufficient to meet their basic needs and provide discretionary income.
- Develop replicable methods of calculating wage rates in a manner fully consistent with ETI Base Code provisions and in which their implementation can be monitored.
- Develop means by which Monsoon Accessorize can ensure they are paying a price which is inclusive of wage rates that are consistent with the ETI Base Code provisions on wages.
- To establish effective communications between workers and managers in participating factory.
- To improve industrial relations in the participating factory by ensuring workers are able to choose their own form of representation and that sufficient management capacity exists to negotiate with workers organisations.
- To identify how productivity can be improved in ways that are sustainable and in ways that workers understand that they are benefiting from and are motivated to implement.

1. Project approach

The following steps and measures are envisaged.

1. Ensure compliance with all relevant competition laws and jurisdictions.
2. Identify suitable supplier(s) and establish protocols for implementation. We will use the following criteria in identifying appropriate supplier(s) :-
 - Capacity of supplier to participate in the project
 - Willingness of the supplier to participate in the project.
 - Supplier management have demonstrated a sufficient degree of commitment to implement the Base Code.
 - Monsoon Accessorize envisages sourcing from the supplier for a sufficient period and at sufficient volumes to anticipate reasonable influence over the supplier in the course of commercial engagement.
 - Monsoon Accessorize believes, on the basis of knowledge available in its normal commercial dealings that it will be in a position to exercise significant influence over the relevant supplier through conducting ordinary commercial negotiations in line with the purpose of the project.
 - The supplier will make its own decision as to whether it wishes to commit to moving towards paying wages in accordance with the Base Code (5.1). It is unlikely that a supplier would be willing to do so unless it obtained some assurances from Monsoon Accessorize that they would pay uplifted prices and/or would continue to trade with the supplier for a specified minimum time period and/or give volume or other commercial assurances. However, Monsoon Accessorize will continue to negotiate its own terms of trade with the supplier.
 - Any assurances which Monsoon Accessorize chooses to give to a supplier in order to induce that supplier to agree to pay wages in accordance with the Base Code (5.1) will remain, on normal commercial principles, strictly between Monsoon Accessorize and that supplier.

2. Establishing relationships and expectations with key stakeholder organisations.

Key organisations will be identified at the outset of the project. These include relevant government departments, employers associations, worker organisations and non-government organizations as well as the International Labour Organization, clear lines of communication will be developed.

3. Revise project design in the light of stakeholder views and capacity

A stakeholder consultation exercise will be carried out. Identified stakeholders will be asked to comment on the agreed terms of reference and the capacity of different organisations to implement it will be assessed. The purpose of this exercise will be to:-

- Improve the project implementation plan by identifying further risks and adapting to specific local circumstances.
- Identify the organisations capable of implementing different aspects of the project.
- Establish stronger ownership over the project with those organizations that will be involved.
- Seek clarity on any issues of Indian law that Monsoon Accessorize may need to be aware of.
- Success criteria for the implementation of the project will be agreed. This will include a methodology to measure the impact of the project activities on wage rates in participating factories.
- Benchmark calculations will be made before and towards the end of the implementation phase.
- The methodology will include interviewing workers off-site and in a confidential environment.

4. Calculate wage rates

Monsoon Accessorize will consider a number of options for calculating each of the wage levels defined in the Base Code (5.1). These methods may include the following.

- Research to calculate the current wage rates being paid to workers on different grades and the numbers of workers on each grade in the participating factories. Data could also be gathered for the sector as a whole. It is anticipated that this data can be established from information already available. This data can then be benchmarked on a "Wages Ladder" against national minimums and other relevant benchmarks for example, the SAI formulae, Collective Bargaining Agreements and the recognised demands of worker organisations. This information will act as a benchmark at the outset of the project and may be useful information in negotiations.
- Research to calculate the basic needs of workers. This could include any recent calculations. This information could also inform any negotiations and/or provide a comparator to a negotiated approach (below).
- Representatives of employers' associations in India could be invited to negotiate an agreed "living wage" based on available research and what they believe is affordable. This could include proposals about how to index link wages. A respected national organisation would be asked to facilitate these discussions.
- Should national level negotiations not be possible or take too long, individual employers will be asked to bargain a "Living Wage" with their workers based on available research about the costs of living and what the business can afford.
- There is a risk that any negotiated route may prove too difficult or take too long. In which case employers could be asked to cost and implement a new wage structure

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based primarily on the research and informed by separate consultations with workers and employers about what is commercially viable.

5. New wage structures will be set and implemented at the factory level.

Monsoon Accessorize will, in separate normal commercial engagement with each participating retailer to negotiate new wage structures with their workforce based on a new agreed wage level for the lowest grade. This will involve making decisions on a number of key issues including

- Establishing the new differentials between each grade.
- Clarity on how workers on the temporary trainee grade will be effected by the implementation of new wage structures

Once the impacts of the new wage costs on each grade have been determined, the total wage costs on each supplier site can be calculated. It is assumed that each retailer re-negotiates prices inclusive of the new wage costs. However in those circumstances where the total number of customers supporting the new wage structure are less than the total factory volume throughout the year, a solution to addressing the shortfall will need to be found. Different solutions could be more appropriate to different facilities and this is a matter for local negotiation but options could include the following scenarios.

- The supplier increases wages in the factory proportionate to the volume of customers that support the wage structure. For example, if 60% of volume is traded with supporting customers then the wage rates in the factory would increase by 60% towards the new wage level.
- Workers who are working on those lines producing garments for brands supporting the scheme are paid according to the new structure.
- The supplier decides to meet the shortfall by implementing the new wage structure in full funding it through productivity improvements.
- The supplier decides they can fund the new wage structure in full by implementing a new productivity programme.

Agreement will be sought by Monsoon Accessorize with the supplier(s) to ensure that the costs of implementing the wage rate are not avoided through subcontracting. The suggested approach will be to map the supply chain at the outset of the process and require the supplier to apply the same wage structure to facilities where any production is transferred.

**“LIVING WAGE” STUDY REPORT
FOR WORKERS FROM CLOTHING AND
ACCESSORIES SECTOR BASED IN NCR
FOR
MONSOON
ACCESSORIZE**



**Prepared By
ASSOCIATION FOR STIMULATING KNOW HOW
www.askindia.org**

ACKNOWLEDGEMENTS

The subject of living wage has been in discussion at International and National conferences for almost a decade or more. It is credible that Monsoon Accessorize has taken a leadership role in the Garment Industry to undertake this study to practically calculate the living wage in a National Capital Region (NCR). We would like to thank Monsoon Accessorize to partner with ASK in this endeavour. Without any doubt, implementing this wage will be a challenging process needing participation of many stakeholders. Undertaking this study on the ground is surely the first step forward.

We would like to thank Ms. Farah Khan and Mr. Deepak Sharma from Monsoon Accessorize in taking so much interest in this study and engaging with us at different stages of the study. Their questions and comments have helped us in going deeper and added value to this study.

We are grateful to all the factory workers and their families who met with us at odd hours after and before their work hours and at their leisure time. Their unconditional support and cooperation has helped us in understanding this complex subject in real terms. Each of the workers and groups we met with, were candid about the expenses they made and also did not hesitate to tell us openly about their personal preferences and expenses in detail. Their enthusiastic participation and contribution to the study motivated us to make a deeper engagement with the issue at hand and kept us focused. We specially acknowledge the following individuals who played a central role in mobilizing other workers and sparing their time for this cause.

All the community members and workers gave us their time without any expectations in return. We surely like to highlight their contribution.

These are some of the workers and community persons who went out of their way to facilitate our process of information gathering.

1. Deepak Kr. Singh - Dundahera, Gurgaon
2. Inder Kumar - Dundahera, Gurgaon
3. Rehan Khan - Dundahera, Gurgaon
4. Kamran Ahmed Warsi - Kapasera, Delhi

5. Rajesh Kumar - Kapasera, Delhi
6. Santosh Kumar - Kapasera, Delhi
7. Prakash Kumar - Khandsa, Gurgaon
8. Virendra Yadav, Harinagar, Gurgaon
9. Aevind Kumar, Sangam Vihar, Okhla
10. Mohd. Rafeeq, Sangam Vihar, Delhi
11. Mohd. Saleem, Sangam Vihar, Delhi
12. Mohd. Amil, Tughlaqabad Extn., Delhi
13. Sameem Akhtar, Tughlaqabad, Delhi
14. Shakir Raja - Harola, Noida
15. Sonu Ali, Khora, Noida
16. Mohd. Ayub, Khora, Noida
17. Onkar Singh, Harola, Noida

EXECUTIVE SUMMARY

India is ranked 5th in the global clothing trade and the Apparel Industry has been growing and contributing significantly to the Indian economy. Are the workers engaged in this sector included in this growth process? Are they able to meet with their basic requirements to lead a decent living with their present wages? These are some questions; this living wage study is probing into. Monsoon Accessorize, a well known clothing and accessories brand based in UK has taken up the leadership role to undertake this living wage study in the clothing and accessories subsector under the aegis of the textiles sector. Being a founder member of ETI and a commitment towards ethical trading practices, Monsoon has initiated this effort to understand what wage will be required by the workers in the NCR region to meet with their basic essential requirements.

Association for Stimulating Knowhow (ASK), a national level, not for profit organization working extensively on the issue of Corporate Social Accountability has partnered with Monsoon Accessorize to undertake this study on the ground. The area of coverage of this study was National Capital Region which comprises of Gurgaon, Okhla and Noida areas. The sub areas within these areas were mapped out based on the operation of the Monsoon Accessorize supply chain.

For the purpose of this study, we have referred to **Ethical Trading Initiative (ETI) Code**¹ which defines the Living wage as the “wage rate which is required to support an employee, meet the financial obligations of the employee towards his/her dependants, and provide some discretionary income”. **Discretionary income** would mean the amount of income that would be left for spending after an individual’s basic requirements of food, clothing and shelter have been met.

¹ Ethical Trading Initiative(ETI) is a UK based alliance of companies, NGOs and Trade Union Organizations committed to working together to identify and promote good practice in the implementation of codes of labour practice in global supply chains, including the monitoring and independent verification of the observance of core provisions

The primary objective of the study was assessment of the “Living wage” of the workers employed in clothing and accessories sector in NCR. In addition, the secondary objectives of the study were to understand their present working conditions in terms of hours of work, wage and benefits received by the workers and their present living conditions.

Based on our preliminary discussions with Monsoon Accessorize and desk review, it was decided to use the formula approach to compute living wage using the market basket survey method. Reaching out the workers in the NCR to understand their perspective on living wage, the content of living wage basket and their present market prices were key points of query.

Mapping of the area where workers reside was a pre study exercise which was helpful in assessing the area and the market and also establishing rapport with the key community persons. Stratified random sampling was used in this study which was helpful in reaching out to the varied subgroups. The sampling included the following workers working in the clothing and accessory manufacturing Industry: male and female workers proportionate to their current employment levels, nature of employment (permanent, contract, casual), skill level (unskilled, semi skilled and semi skilled), years of experience and workers living alone or with their family.

The worker’s profile revealed that most of them have migrated from Bihar, UP, West Bengal and Nepal aged between 18 to 40 years predominantly living alone and working as contract, casual and piece rate basis. Most of the workers started from scratch from the unskilled level and have reached semi skilled and skilled level based on their capacity. Decision to bring their family depends upon their circumstances and income levels as cost of living is high. High job mobility and 15 - 30 days annual visit to their home is a regular phenomenon. Women workers were few and primarily in unskilled jobs and some of them are working to provide support for meeting their every day expenses.

The selected sample of workers was informed about the purpose of the study and their cooperation was sought. After initial sessions of rapport formation,

the workers started participating in engaging discussions about their “basic requirements” for leading a decent standard of living. The workers along with the facilitators ensured that they are modest in calculating bare minimum expenses excluding all luxuries.

For calculating living wage, we have used the 1998 Living wage summit formula and the SA 8000 Basic needs formula. Two baskets of living wage were calculated, one for the worker living alone and the second one for the worker living with family as the expenses varied significantly. The average size of the family was 4 – 6 members including 2 -4 children.

Overall, the average living wage for NCR for a worker living alone was computed to be **Rs 6882.73** and a worker living with his family was computed to **Rs 9701.39**.

In the **Gurgaon** region, the assessed “Living Wage” is Rs 6273 for a person living alone and Rs 9273 for an individual living with the family. The “legal minimum wage varied from Rs 3586 to Rs 4286 depending upon the skill level. Thus, the gap between the two was observed to be Rs 2687 to Rs 4987.

For the **Okhla** region, the computed “Living Wage” is 6807 for a worker living alone and Rs 9197 for a worker living with his family. The “Legal Minimum Wage” for this region ranges between Rs 3683 to Rs 4017. Thus, the disparity between the two was calculated to be ranging from Rs 3124 to Rs 5180.

In the **Noida** region, the “Living Wage” is Rs 6792 for a worker living alone and Rs 9873 for a worker living with the family. The “legal minimum wage” for this region ranges from Rs 3073 to 3889. The disparity between the two ranged from Rs 3719 to Rs 5984.

It was observed, that the gap between calculated “Living Wage” and legal minimum wage ranges between Rs 2687 to Rs 5984. The disparity was observed in all three regions of the study, irrespective of their location and other factors. However it can be noted that Noida area has the lowest legal minimum wage and the highest living wage amongst the three areas.

In addition to the living wage, dialogue with the workers provided us with insights into their present working condition in terms of their insecure nature

of job as a contract worker, 12 to 15 hours of work and absence of functional and user friendly mechanism for social security and medical insurance. The state of their current living conditions was deplorable and unhygienic and the decision for four to seven workers to live in one 8 by 10 feet room to save additional cost of their house rent was another reality which surfaced.

The realization that such a huge gap exists between the current legal minimum wage and the living wage is one of the main outcome of this study. To revisit the norms for calculating legal minimum wage based on the current inflation levels and understanding the hidden migration costs among other costs is the need of the hour. The Ministry of Labour and Ministry of Commerce need to review this along with the key Apparel Industry stakeholders. Lobbying by civil society and trade unions on this issue of revision of the minimum wage is necessary. The global consumer also needs to be sensitized and become more aware to be ready to pay a higher price for an ethical product.

For finding ways to bridge this huge gap in the wage levels, the Government, Industry National and Global, Civil Society, Trade Unions and the Consumers all need to take a collective responsibility.

Appendix to NHG meeting minutes – BHG Meeting, Bareilly, 30/3/09

Items discussed:

- A. Benefits and achievements of BHG**
- B. Wages – what are the next steps to be implemented to increase minimum wage in Bareilly**

A. Benefits and achievements of BHG

The contractor members of the BHG have underlined that by working in BHG they have experienced a number of benefits including:

- Quality of work that people are doing has increased (because of training)
- Rate of alterations has gone down
- Productivity increased
- More timely delivery from HWs

Homeworkers have also experienced advantages (this was highlighted also during the sessions with Homeworkers):

- Health of workers improved due to the ownership of artisan cards
- Increase awareness about working conditions
- Ability to discuss community issues and find solutions

It is important to note that the workers working for BHG members have also experienced wages increase in the last year. There are various reasons given for that: better transparency and reduced length of supply chain, increased awareness amongst workers of their rights, and competition with the domestic market. However it is also important to note that workers and contractors have underlined the fact that there has been an increase in cost of living which might have offset partially the increase in wages.

B. Wages – what are the next steps to be implemented to increase minimum wage in the Bareilly area for the HMWs BHG members

There have been already progresses on the wages in Bareilly due to increased transparency and commitment by contractors to the work for BHG. However MW has not being paid yet and further improvements need to be achieved.

Ruth Beargan asked subcontractors what they would think about a system where the rate to go to the HW was stamped on the fabric, and they seemed enthusiastic about it, they even said it would help them. This would mean that retailers/ exporters are responsible for a time and motion study for the homemaker (need to check it includes setting up time and breaks etc.), and would work out the piece rate, the exporter or whoever buys in the material would ensure this is stamped on the pieces. NGOs/ TUs would be responsible for checking that homeworkers were aware of what the number meant and were paid the rate in practice.

The group discussed how wages improvement can be achieved and the conclusive suggested actions/process for members is in line with what discussed at the NGH – UK HMWs meeting of the 27th of March.

| Action | By whom | By when |
|--|---------|--------------|
| Ensure issue of non-productive (e.g. fixing the loom) time is included in the time and motion sub-group study in NHG | AS | Next meeting |

| | | |
|---|--|----------|
| Identify if cost saving are possible from improving efficiency and changing purchasing practices and how to transfer this to HMWs | Exporters rep, contractors, retailer compliance staff and buyers | ON going |
| Identify cost impact of raising HMWs salary in Bareilly to minimum wage, if no cost savings can be made | Exporters rep, contractors, retailer compliance staff and buyers | On going |
| Ensure tracking systems are in place to trace payments to individual homeworkers | Exporters rep, contractors, retailer compliance staff | On going |
| Ensure HMW receive information on how much should they be paid and have a system to report | Local NGO and TU | On going |
| Report back to NHG and UK group members | Exporters rep, retailer compliance staff and buyers/ AS to coordinate and include in NHG agenda item | On going |