

**LET'S CLEAN UP FASHION
2007 Update »**

COMPANY PROFILES

Let's Clean Up Fashion: 2007 Update

Company profiles

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

The survey

We wrote to companies in May 2007, enclosing the profile we had written in 2006 and a copy of the benchmarks (see below). We asked about three areas: living wages, freedom of association, and monitoring and verification. Companies were invited to respond, and most took up the opportunity. Some requested a face-to-face meeting to discuss their submission, and so we also offered this to all companies: 11 took up our invitation.

The profiles here do not reproduce company responses in their entirety, because there is not space. We have tried to represent the responses in good faith, giving credit where it is due and wherever possible using direct quotes. You can check for yourself by reading the original profiles and the whole responses online at www.cleanupfashion.co.uk.

Wot no table?

What you won't find here is a league table giving an easy representation of who are the 'good' and 'bad' companies. This is for three reasons. The first is that the issues under discussion are complex and at times subjective. Distilling responses down to a simple mark out of ten would not do justice to this complexity and the depth of some of the responses we received.

The second reason is that we have chosen in this report to focus on just three of the issues facing workers in garment supply chains. There are others, and so a company's performance in this report - while likely to be representative of its wider engagement - needs to be seen in the context of its whole social responsibility programme, and the way it responds to consumer pressure following this report.

A final reason is that problems in the garment industry are structural, not specific to individual companies. Our judgement here is based on what steps each company is taking to address these structural issues, wherever it buys from. It would be misleading to say that clothes bought from a retailer that comes off well in our survey are necessarily produced in better conditions than those from a company that comes off badly; in fact, they may even be produced in the same factory.

What we looked for

More background on each of the areas is contained in the body of Let's Clean Up Fashion 2006, and in the 2007 update report. In judging companies' responses, we assessed which of the following stages each had reached on the three areas of investigation. We were particularly interested in their direction of travel, and so triangular markers in each profile indicate whether a company's position has improved, declined, or stayed the same.

Wages

- » Grade 0: Does not accept the principle of a living wage
- » Grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- » Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » Grade 3: Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- » Grade 4: Sophisticated and serious engagement with a living wage, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- » Grade 5: Sustained implementation of an effective living wage policy across entire supply base.

Freedom of association (FoA)

- » Grade 0: Does not accept the principle of FoA and collective bargaining (CB).
- » Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » Grade 3: Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- » Grade 4: Sophisticated and serious engagement with FoA and CB, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- » Grade 5: Sustained implementation of an effective policy to promote and safeguard access to FoA and CB across entire supply base, including in countries where trade union rights are restricted by law.

Monitoring and verification (M&V)

- » Grade 0: Does not have an auditing system in line with accepted industry norms.
- » Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.
- » Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.
- » Grade 3: Can offer concrete examples of steps to involve local stakeholders in oversight of M&V, but only in a few pilot projects.
- » Grade 4: Sophisticated and serious engagement with multi-stakeholder M&V, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- » Grade 5: Sustained implementation of an effective and credible multi-stakeholder M&V programme across entire supply base.

Limitations

This report should not be read as a definitive guide to the good guys and the bad guys. We have only considered three areas related to one stage in the supply chain, not the full spectrum of workers' rights issues, nor wider ethical issues like the environment or animal rights.

Our dialogue with companies was once again a fascinating exercise in comparing their attitudes. It was certainly a chance to deconstruct the stock responses that consumers have been receiving from these companies for years. But these profiles are as much a measure of how much effort individuals within these companies put into their responses as they are of company policy and practice. This is not a bad thing: transparency and engagement with stakeholders is an important aspect of the steps companies should be taking.

Our profiles give a summary of our dialogue with the company, rather than the definitive take on working conditions in their suppliers. Further correspondence might have opened up new issues and answered some of our questions, but a cut-off point had to be drawn somewhere. The gradings are there to make it easier to see how responses correspond to our criteria, not as a ranking of companies.

Glossary

Much of the context for these profiles is contained in the main body of the 2006 and 2007 Let's Clean Up Fashion reports, but here are definitions of some terms that are used frequently throughout the profiles and reports.

Collective bargaining (CB). An arrangement whereby working conditions and wages are fixed by negotiation between workers' representatives (a trade union or other body) and their management.

Corporate Social Responsibility (CSR). Efforts made by companies voluntarily (or under pressure from NGOs and trade unions) to reduce their negative impact on society, or to create a positive impact. For example, compliance programmes.

Code of conduct. A statement, usually by a retailer or brand, of the way it expects suppliers to act, in particular regarding workers' rights. Also called Code of Practice, Terms of Engagement.

Compliance. A term used widely within the garment industry to refer to the implementation, monitoring and verification of a code of conduct (i.e., compliance with the standards set out in a code of conduct). It assumes that responsibility for the conditions that create poor working conditions rests solely with the supplier, who must 'comply' with the conditions set by the buyer.

Ethical Trading Initiative (ETI). A UK-based MSI. Corporate members commit to working towards the standards of the ETI's base code of practice, and annual reporting of their efforts on social compliance. Best practice is developed and shared through working groups.

Freedom of Association (FoA). The right of workers to form and join independent trade unions or other representative organisations of their own choosing.

Living wage. Where the earnings from a standard working week are sufficient to meet the basic needs of workers and their dependents, and to provide some discretionary income. Distinguished from both the minimum wage and prevailing industry wage. See the main report for more information on this.

Monitoring and verification (M&V). Monitoring is the internal process by which a company measures the actual working conditions at its suppliers against its code of conduct. Verification is the external process by which an independent third party checks working conditions.

Multi-stakeholder Initiative (MSI). An organisation bringing together companies, NGOs and trades unions. Some, like the European Fair Wear Foundation, act as independent verifiers of working conditions; others, like the ETI, function as forums for the exchange of best practice. For the purposes of this report, we have included only MSIs such as these two through which companies can work on living wages, freedom of association and monitoring and verification, and which have codes of conduct placing obligations on member companies.

Non-Governmental Organisation (NGO). At its most broad, any organisation independent of political institutions. In the field of labour rights, NGO typically refers to an organisation, other than a trade union or government agency, that is seeking to alleviate poverty, defend workers, and improve working conditions.

Piece rate: A method of paying workers by the number of items they produce, rather than the number of hours they work.

Purchasing practices. The manner in which a buying company does business with its suppliers, encompassing prices, lead times, size and frequency of orders, stability and security of the buying relationship, etc.

Social audit. Inspection of working conditions in a factory, usually against the criteria set out in a code of conduct.

Trade union. An organisation of workers offering mutual support and representation. In particular, trade unions negotiate with management on employment matters. Globally, fewer than 5% of garment workers are unionised.

Companies that did not respond

The following retailers have no information public on their websites, and once again did not respond to either of our letters in May and June 2007. We hope that this does not mean they have no substantive engagement with workers' rights issues at all, but there is no evidence to suggest that they do.

- » Bhs
- » Diesel
- » House of Fraser
- » Kookai (has asked us to point out that it did not receive our letters in 2007, as they were addressed to PAI Partners, which sold Vivarte group - the owners of the Kookai brand - in February 2007. Kookai's website does not give any information on labour rights, nor does it supply a contact address, and PAI did not respond to us in 2006.)
- » Matalan (did not respond, but is profiled on the basis of scant information from its website)
- » MK One
- » Moss Bros
- » Mothercare
- » Peacocks/Bon Marche
- » River Island
- » Rohan Designs (did acknowledge receipt but was unable to respond in time)
- » Ted Baker

Arcadia Group (Dorothy Perkins, Evans, Miss Selfridge, Topshop, Topman, Wallis)

In the year since Let's Clean Up Fashion 2006 was published, Arcadia has employed two consultants to help develop its ethical trading programme: one for Topshop and Topman, and one for the whole group. While this does seem to be leading to an improvement in its systems for managing ethical trading, there is nothing to suggest that it has engaged practically with the specific concerns we raised in our 2006 report.

- » Responded to our survey: yes
- » MSI involvement: no
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

▲ Wages

Arcadia told us that it,

continues to support the principle of a living wage. Until practical industry guidance is established we rely on solid benchmarks specified by ILO conventions, the prevailing industry wage and the minimum wage set by law in the country from which we source.

It further continued that,

the "living wage" is beyond the influence of one single Brand or Company...[Topshop and Topman] will also continue to support and participate in multi-stakeholder initiatives, which endeavour to find a solution to the sustainable implementation of the "living wage".

It didn't tell us which multi-stakeholder initiatives, or what it was doing itself to find a sustainable solution. We note once again that Arcadia is not part of the ETI.

► Freedom of Association

Arcadia reminded us that its code states,

Workers have the right to join or form unions of their choice and to bargain collectively. The employer should adopt an open attitude to unions.

It also told us that,

The Arcadia Group supports the implementation of parallel means of worker representation in countries where freedom of association is restricted by law.

It didn't mention worker training.

▲ Monitoring and verification

Arcadia said that,

The factory audit programme has been developed over the last twelve months and extended to bring it into line with current industry practice...At this stage in the audit programme, all audits are conducted on an announced basis. We recognise the value of unannounced audits and it is our intention to build into the programme a percentage of

audits on an unannounced basis. We reserve the right to visit any of our factories at any time on an unannounced basis.

Audits include worker interviews in a 'private place'. Arcadia continued that,

We understand the limitations of audits and as such we are investigating an alternative to audits, we are currently trialing factory assessments within two of our Brands....[This is] a new assessment, remediation and capacity building approach taking into account lessons learned from the vast experience residing within the industry and its stakeholders. As the pilot is in its earliest stages, it is too early to report the projected changes it will bring to those two Brands and the influence it will have on the rest of the Arcadia Group.

It is not clear which stakeholders' experience is being used to inform these assessments, and they do not seem to involve local trade unions and labour rights groups: essentially they seem like audits with a different name, all be it with a more 'sophisticated' approach.

In August 2007, the Sunday Times published allegations of 'slave labour' at two Mauritian factories supplying Arcadia's Topshop brand. It reported that migrant workers earn as little as 22p per hour, 40% of the average local wage. Arcadia's press statement at the time demonstrated why it needs a more robust system of monitoring and verification:

CMT [one factory] had an inspection in early May [2007] by an independent assessor accompanied by a member of the in-house technical team. STAR [the other factory] were independently audited on 6th April 06 and visited in March 07 by the in-house technical team...We are not aware based on our inspections that any code of conduct have been violated.

Our conclusion

In 2006, Arcadia said that,

[a]s circumstances change we adapt to them, and I outlined in my reply a number of areas which we want to develop further, in association with different stakeholders. Your latest proposals are interesting and will be included in our research.

We are disappointed that its interest into our proposals does not seem to have translated into any efforts to pay a living wage, train workers or involve local trade unions and labour rights groups in its monitoring and verification. Essentially, it seems to be embarking down the well-trodden path that other companies have followed and that has not benefited workers in the way it should have. Despite having largely ignored our recommendations in 2006, it stated again in 2007 that,

[w]e realise that our programme will need to continue to evolve and as such we welcome any further dialogue with you and other stakeholders on how our programme can be improved.

If Arcadia really took on board the views of stakeholders such as us, it would be building an ambitious ethical trading programme that avoids the wrong turns others have made, rather than simply emulating them with a weak auditing system. Our overriding recommendation must be that it join a multi-stakeholder initiative such as the ETI.

George at Asda/WalMart

Asda has been stung by a series of public reports of poor pay and conditions at its suppliers in Bangladesh over the last year. Its written response to us this year was combative, taking issue with our profile last year and suggesting that our 'editorial stance' was not based on evidence. Asda did accept our invitation to meet, however, and at this meeting admitted that it needed to be doing more.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

▲ Wages

Asda's public position on wages seems to have changed, in the face of significant criticism this year. In 2006, it told us that,

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

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

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

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

► Freedom of Association

In 2006, we criticised Asda's stance on freedom of association, giving examples of anti-union attitudes in its UK and US retail and distribution operations. Asda's written submission for 2007 took issue with this, stating that,

referencing historical cases of conflict between Asda/Wal-Mart and trades unions in the US and UK may be of rhetorical value to your cause but actually says nothing useful about the current situation in Bangladesh.

The written response does not mention the following example, also cited last year, from a Bangladeshi factory supplying Asda/WalMart:

Workers...are not allowed to form any union or organisation. The management has warned them that if any one tries to organise workers and form a union he or she would be handed over to the police.

To reinforce our point, here are a few more examples of Asda/WalMart's failure to uphold trade union rights:

- » Workers producing for Asda in Bangladesh, cited in War on Want's 'Fashion Victims' report, state that, "if anybody tries to form a union he will be dismissed from his job. We never tried to

organise a union due to fear of losing our jobs," and others who, "are afraid of losing their jobs if the employer knows that they are involved in trade union activities."

- » The illegal dismissal of 116 striking workers in a Filipino factory supplying Asda/WalMart in 2007. Workers have endured violent attacks by police and security guards at the request of factory management. WalMart does not seem to have intervened.
- » Another Bangladeshi worker in a different factory supplying Asda, cited in ActionAid's 'Who Pays' report. "There is a trade union but it is inactive," she says. "The managers won't let it work."
- » A Salvadorian factory that closed in 2005 soon after a trade union was formed; the owner transferred some workers and equipment to a second, non-unionised factory. The unionised workers did not receive severance pay, are denied social security, and believe they have been blacklisted from other factories. Asda/WalMart is still the only client of the factory not to respond to calls from campaigners.
- » When, in 2006, workers in a Cambodian factory supplying George at Asda tried to protest their low wages by exercising their legal right to form a union and strike, the factory began a major anti-union campaign. Some 19 union leaders and 120 union members were dismissed and replaced by new non-unionised workers, and 11 union activists were pursued into the courts. All clients except George at Asda and Arcadia Group were involved in efforts to resolve the case.

There is a clear conflict of interest, we said, in asking factory management to inform and educate workers and to 'facilitate' freedom of association as Asda claims it does, when they are under pressure to reduce costs and lead times. In its written submission this year, Asda challenged this position, stating that,

Apart from creating the conditions where trades unions can flourish it is not clear what further action we can take. Again, your observations on this practical point would be most welcome.

This is an odd statement, as an entire chapter of last year's report was devoted to explaining why programmes such as Asda's do not create conditions in which trade unions can flourish, and further setting out what it would need to do to achieve this. Neither in its written response nor at our meeting could Asda give examples of steps taken in line with our recommendations.

▲ **Monitoring and verification**

Last year we raised our concerns that Asda's approach relied too much on social audits, which, we argued, fail to pick up many problems. We quoted WalMart's website, which states that 13,600 audits were conducted last year. Asda's written submission this year states that,

We have nothing further to add to your comments in the monitoring and verification section except to say that more recent figures on audit numbers are now available. We would certainly accept that auditing alone cannot deliver the kind of changes in labour standards in Bangladesh that we all seek but it remains an important tool.

In our meeting, Asda explained that it was developing what it considered to be a more sophisticated approach, with greater emphasis on remediation when audits uncover problems, training factory managers, and pilot projects in Bangladesh to improve efficiency and therefore wages for piece-rate workers.

Asda said it was happy to commit to involving local NGOs and trade unions in the auditing process at some point in the future, but did not specify how or when. It agreed that, "any work on improving conditions for workers will have to involve collaboration with local organisations."

Our conclusion

Asda's response is certainly more thoughtful than last year's – not a difficult achievement, really – but it still has nothing to demonstrate on any of the areas we raised. It seems that Asda has not paid much attention to last year's analysis or recommendations, since its written submission says it would value our suggestions and input in several areas, all of which are amply discussed in the 80 pages of Let's Clean Up Fashion 2006.

Its written submission concludes,

If you would like examples of progressive measures we have delivered in the past twelve months we would be happy to share them with you but the current tone of the report suggests that their inclusion in future editions may be at odds with your current editorial stance.

Yes, we replied, please do send us these examples, as our 'editorial stance' is based on the evidence we receive. In fact, Asda did not follow through on this offer, and in our meeting its approach was more along the lines of, "come back to us in a year's time." We will, and we hope it will have more to show.

Debenhams

Debenhams is one of the top clothing retailers in Britain by value market share. As with last year, we felt that its responses to our questions were vague and aspirational, with little tangible to show. Debenhams told us that it was planning to expand its Corporate Social Responsibility team this year, and gave us the impression that it didn't expect to make any serious progress until this happened.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

▲ Wages

Debenhams told us that, "[p]ayment of living wage is proving to be very complex." In contrast to its 2006 response, it agreed that national minimum wages are often too low, but in our meeting told us that it does not have a strategic plan to tackle the living wage issue. It said it was only listening to the discussion on wages taking place within the ETI, but not participating actively.

"An added complication for Debenhams," it said, "is that we are typically one of the smaller retailers placing orders in a factory at any one time." This means it is not so easy for it to influence working conditions or wages independently, it said.

► Freedom of Association

In 2006, Debenhams told us that it was "in detailed discussions with a third party provider with the intention of holding workshops relating to freedom of association," working with Trade Unions "directly in countries such as Cambodia," and "members of the ETI Occupational Health and Safety project which will be empowering workers to represent themselves on this important subject in China." It didn't give us more information on any of these areas when we asked for it.

In 2007, Debenhams was not able to tell us of the outcomes of this work, and seems to have moved on from these projects, telling us instead that it has,

decided to focus its efforts on FOA through the ETI pilot project which has now developed in to the Decent Work project and through the Purchasing Practices project. Both of these projects are in their early stages.

We are not sure to what extent these projects will actually focus on freedom of association. Debenhams made no mention of worker training by local labour rights groups.

► **Monitoring and verification**

Debenhams told us that,

Since our last response Debenhams has joined SEDEX and we are actively encouraging our suppliers/factories to upload their audits on to the system. We have completed the social mapping exercise and have factory evaluations for all live factories. Debenhams has taken a strong stance within the ETI and beyond on the limitations of social audits and we are working jointly with other retailers to change this model together.

We asked what was meant by this 'strong stance,' and how Debenhams was working to change the model. Debenhams did not outline any concrete steps.

Our conclusion

Overall a disappointing response from such a major retailer and longstanding ETI member. We don't have the impression of any kind of coherent plan to improve labour rights in its supply chain: on wages and verification it acknowledges the need for progress but seems to be sitting back and waiting; on freedom of association it seems to be grasping at straws. We hope that the expansion of its CSR team will fix this.

French Connection

French Connection did not supply much information in 2006, because its supplier handbook was, “in the process of a complete review and update,” and therefore, “not yet ready for publication.” It also said that it was planning to “develop our monitoring policies and processes.” Judging from its response in 2007, however, it has made no progress at all.

- » Responded to our survey: yes
- » MSI involvement: no
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » M&V Grade 0: Does not have an auditing system in line with accepted industry norms.

▲ Wages

French Connection told us only that its,

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

It didn’t set out any detail on what standards it implements in practice.

► Freedom of Association

Although it said that, “[w]e consider that freedom of association and freedom from discrimination are basic rights which should be allowed for all workers,” French Connection didn’t set out what it does about this in practice.

► Monitoring and verification

Similarly to last year, French Connection told us that,

We monitor compliance through regular visits to the factories from our staff based in local offices around the world. These policies and requirements are included in our supplier handbook which is issued to all suppliers and to which they are required to confirm their compliance in writing.

Also as last year, it said it was planning to, “develop our monitoring policies and processes.”

Our conclusion

This response was essentially the same as last year’s disappointing one. There seems to have been no progress, and indeed everything seems to be under review exactly as last year. French Connection did tell us that, “[t]he work on the update has been delayed due to staff changes but work is continuing.” This doesn’t sound like commitment to ethical trading: it is tempting to conclude French Connection’s response is clutching at straws.

Gap

Gap received a more positive write-up than most in 2006, so we were eager to see what progress it would have made this year. Gap's strength has been in building positive relationships with trade unions and NGOs, dealing quickly and effectively with problems in factories when they emerge, and taking a lead on building cross-sector work. In terms of its individual efforts on the three areas discussed below, there is still room for improvement.

- » Responded to survey: yes, twice
- » MSI involvement: yes, ETI
- » Wages grade 3: Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- » FoA Grade 4: Sophisticated and serious engagement with FoA and CB, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- » M&V Grade 3: Can offer concrete examples of steps to involve local stakeholders in oversight of implementation, monitoring and verification (M&V), but only in a few pilot projects.

► Wages

For our 2006 report, Gap cited its active involvement in two initiatives: the Joint Initiative on Corporate Accountability and Worker's Rights (Jo-In) in Turkey, and the MFA Forum, primarily in Bangladesh, both of which are exploring ways of improving workers' wages. We agreed that, unlike some other brands that have put their names to initiatives such as these, Gap's participation has been active and it has been leading the sector in developing such collaboration.

In 2007, Gap seems still to focus its factory monitoring on implementing minimum wages, admitting that up to a quarter of its suppliers last year failed to meet this target. Its CSR report contains little discussion of living wages, and although it gave us practical examples related to improving wages, they do not extend to defining and implementing the living wage as such.

Gap makes two arguments about this: the first is to say that the living wage needs to be addressed by brands collaboratively, a statement that has more credibility coming from Gap than from others, for reasons discussed above. The second is that it has focused its work on purchasing practices – how its own supply chain management impacts on working conditions:

We believe that brands and retailers have significant influence over a variety of factors, including unreasonable expectations regarding cost and speed...

It continued that,

We're learning that wage issues are directly impacted by how factories and brands manage operations. Our integrated vendor scorecard approach is showing a correlation between producing higher quality goods and on-time delivery with better working conditions. This suggests that better managed factories provide improved working conditions for their workers - including wages.

Gap said that it wanted to ensure its sourcing decisions took this into account more.

► Freedom of Association

Gap was unique in 2006 in the breadth and depth of its involvement with trade unions. As Gap said at the time, "[w]e believe that a strong system of industrial relations can have a positive impact on both productivity and wages in the factory."

As well as a few concrete examples of worker training in particular countries, Gap has embarked on a global and national collaboration with trade unions through the International Textile, Garment

and Leather Workers' Federation (ITGLWF). This has involved making contact between Gap's in country ethical trading staff, the ITGLWF's trade union affiliates in these countries, and in some cases suppliers. Gap told us in 2007 that,

With help from stakeholders in the labor rights community, we have begun to develop a more integrated strategy to address this complex issue with the goal of creating a better space for improved industrial relations in our supply chain.

Gap didn't tell us whether or not it intends this collaboration to result in pro-active steps to educate workers and facilitate trade union organisation in its suppliers.

► **Monitoring and verification**

Gap responded to our concerns expressed in 2006 that it seemed too focused on social auditing and the SA8000 model (critiqued in the 2006 report):

We recognize that monitoring is not enough and that we must work with factories, local civil society organizations and governments to find solutions to systemic causes of poor working conditions in garment factories. As such, we piloted new guidelines to help our VCOs better analyze the root causes of recurring compliance issues.

It continued,

Our monitoring and verification strategy is informed by our partnerships with global and local organizations around the world. In addition to our ongoing monitoring efforts, we engage with trade unions, NGOs, and other members of civil society to surface potential compliance violations in our contract factories.

National-level collaboration with trade unions is a key part of this.

Our conclusion

Gap remains one of the most progressive fashion brands when it comes to labour rights, but, as the other profiles in this report show, the competition is not exactly tough. We stated in 2006 that, "[t]he test of Gap's commitment...will be whether it moves these projects from the pilot stage to roll them out across its supply chain." It doesn't seem that Gap has made much progress towards this in any of the three areas examined in this report, and in particular on moving from implementing minimum to living wages. That said, Gap's collaborative approach, both with trade unions and NGOs and with other brand and retailers, is just what is needed if working conditions across the sector are to improve.

H&M

The Swedish retailer is the world's biggest specialist clothing retailers, valued at £15 billion. It was among the pioneers of 'cheap chic', yet was also one of the first fashion retailers to begin pilot projects to improve respect for workers' rights. Its position seems to be essentially the same as last year.

- » Responded to survey: said it didn't receive our first letter, but did respond to the second
- » MSI involvement: yes, FLA
- » Wages grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- » FoA Grade 3: Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- » M&V Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

► Wages

H&M's code of conduct does not commit to a living wage, stating instead that, "[w]ages should be paid regularly, on time and be fair in respect of work performance. The legal minimum wages should be a minimum, but not a recommended, level." In 2006 we probed a little further, and were told that, "we presently focus our efforts on making certain that all employees at all supplier and subcontractor factories receive at least the legal minimum wage."

H&M therefore does not commit to a living wage in its code of conduct, although its acknowledgment that minimum wages are 'not recommended' does move it some way further than companies that consider minimum wages to be perfectly acceptable standards.

► Freedom of Association

In its 2007 response, H&M offered some more examples of worker and management training on freedom of association, in line with its statement that, "the right to freedom of association is meaningful only if both workers and management understand what the rights of workers are, and what benefits they offer." None of these examples apparently involved local trade unions, which is surprising given this clear and unequivocal statement.

► Monitoring and verification

As in 2006, H&M gave us the details of its audit programme, but not of collaboration with local stakeholders. As with many brands, H&M told us that,

[r]ecently, the methods for follow-up have been our main focus. Apart from checking how the improvement work is proceeding, one of the main purposes of the follow-up process is to motivate suppliers to assume ownership of labour and environment issues.

Our conclusion

Our conclusion is the same as last year. H&M's responses suggest that, while it may have made a good start, the lack of incorporation of local stakeholders into its processes leaves a lot to be desired. It is also concerning that it does not support a living wage.

Jigsaw / Kew

Jigsaw Group is the most interesting case we have followed this year. It “objected greatly” to our profile of it in 2006, which had been based on a letter from Jigsaw to an LBL a supporter, as we had not received any response to our own inquiries. Jigsaw said it never received these inquiries and, as if to prove the point, presented us with a telephone directory-sized dossier when we met with it. Jigsaw Group sources 90% of its products from just six factories with whom it has long term relationships, meaning that it should be able to improve quickly. We think Jigsaw needs to play catch-up, but it has made a good start.

- » Responded to survey: yes
- » MSI involvement: no
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

▲ Wages

Jigsaw told us in its written submission that it, “accepts the principle of a living wage and is seeking to ensure that its entire supply chain accepts and applies this principle without equivocation.”

In our meeting, we discussed the detail of how this might be implemented, and Jigsaw committed that within one year, it will work with LBL’s local partners to estimate a living wage in the countries of each of its six key suppliers and, if necessary, will have in place a plan to raise wages to this level.

▲ Freedom of Association

Jigsaw’s written submission tells us that it, “accepts the principles of freedom of association and collective bargaining and is seeking to ensure that its entire supply chain accepts and applies these same principles.”

It told us that workers at its factory in Wales have received training from the GMB union but chose not to organise, and that one factory in the Czech republic has a trade union and a collective bargaining agreement.

At our meeting Jigsaw committed that within one year, it will, “endeavour to ensure that workers in its six core factories have received training in their trade union rights from local trade unions or labour rights groups.”

▲ Monitoring and verification

Jigsaw does not at present have any systems in place for monitoring working conditions in its suppliers, having operated in an ‘innocent until proven guilty’ framework. At our meeting, it was open to our argument that poor working conditions are endemic, and that effective monitoring would be likely to pick up labour rights violations even at high quality manufacturers.

As a result, Jigsaw told us that it, “accepts that monitoring and verification are important parts of the process of applying the above principles and is considering how best to put in place appropriate systems.” Specifically, within one year, its Asian subsidiary Bonfine will have, “appointed a local person with responsibility (and independence) for local labour rights.”

Our conclusion

In 2006, we stated that, "Jigsaw's letter is full of good intentions, and we suspect that if it had specifically addressed the points we raised in our inquiries, it might have scored better." It appears we were right. Jigsaw surveyed its supplier base in order to present us with some initial findings, listened to our arguments, and made commitments to move forward within the next year.

Part of Jigsaw's difficulty up to now is also its major opportunity: by not participating in a multi-stakeholder initiative, it has missed out on a great deal of accumulated knowledge from ten years' work on labour rights; by joining one now, it can leap-frog that ten years of learning to start at the cutting edge. Jigsaw committed within one year to approach the ETI and/or Fair Wear Foundation about membership.

If it delivers on all these commitments, as it appears committed to doing, Jigsaw will be a long way towards ensuring a clean supply base, in its core factories at least.

John Lewis

As in 2006, we received a submission from John Lewis that, while detailed, did not seem to take into account any of the policy recommendations that we have set out. This is not surprising for a company that, by not participating in ETI, is not likely to be familiar with the cutting edge of policy discussion.

- » Responded to survey: yes
- » MSI involvement: no
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

► Wages

John Lewis told us in 2006 that, “we recognise that our code sets an aspirational standard [on wages] and we are keen to work with our suppliers and other stakeholders to identify practical ways of implementing it in the future.” It told us of some, “[p]reparatory work with local partners looking at wage levels” in India.

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

► Freedom of Association

Here John Lewis responded directly to us:

In last year’s report, we were criticised for not taking adequate steps to promote freedom of association in our supply chain. It is an extremely challenging area and we are working with suppliers on an ongoing basis to improve access for workers to management and improving lines of communication between the two. We have found that issues around freedom of association are, in many of the countries in which we work an inherent part of the local social context and for this reason this area is made even more difficult to tackle.

John Lewis’ approach this year has revolved around a ‘practical workbook’ for suppliers. This is curious, because our criticism last year was of :

Given that the interests of workers and management are often in conflict, written materials and worker representatives are not a sufficient substitute for training by local organisations and the presence of a genuine trade union.

▼ Monitoring and verification

In 2006, we criticised John Lewis for only auditing a portion of its supply base, for using audits from the same sourcing agent that supplies its business, and most importantly for relying on the social audit model without collaboration with local stakeholders. In 2007, John Lewis responded to the first two of these points, but only to justify itself rather than to give more information.

On the third point, it told us that it was involved with the Sedex Associate Auditors Group and a forthcoming working group within the British Retail Consortium. The former is largely a group of social auditing firms with only a couple of NGOs and no trade unions, and does not say that it aims

to involve local stakeholders in auditing oversight. The latter is a business, not a multi-stakeholder initiative. Last year's response implied that, as a Sedex member, John Lewis would be "engaging with key NGO and Trade Union stakeholders," but we didn't see any evidence that this had occurred.

Our conclusion

John Lewis has a lot to say, and seems pleased with its own progress. Our impression is that, while it may be developing and improving an ethical trading programme, it hasn't grasped the nature of our concerns in any of the areas that we raised. It seems to view the new British Retail Consortium group as a satisfactory alternative to ETI membership, but given its current progress we think it needs more serious involvement with stakeholders than this. Otherwise, it is throwing resources at an auditing model that is widely acknowledged to be failing.

Laura Ashley

Laura Ashley told us that its policy has not changed from 2006, but did send us some further 'clarification'. As in 2006, these responses suggest that - as with most companies that choose to go it alone rather than join a multistakeholder initiative - its engagement with workers' rights issues is very underdeveloped.

- » Responded to survey: yes
- » MSI involvement: no
- » Wages grade 0: Does not accept the principle of a living wage
- » FoA Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » M&V Grade 0: Does not have an auditing system in line with accepted industry norms.

► Wages

Laura Ashley's code commits suppliers to paying 'at least the minimum' wage or 'a reasonable sum' if none exists. We asked about a living wage, but the response we received did not address this issue at all, and in fact by not referring to prevailing or industry benchmarks, Laura Ashley sets a lower standard than most other retailers.

► Freedom of Association

Laura Ashley's code states that, "no worker should be discriminated against or prevented from joining a trade union or business association," and that in countries where this is not permitted, "suppliers should strive to foster parallel means of workers' representation." Again, we asked about promoting access to this right, but the response we received did not address this.

► Monitoring and verification

Laura Ashley's website states that, "[t]he company has met with various suppliers over the year and reinforced our commitment to Ethical Supply Chains...This work will continue and will be monitored as site visits take place." The company sent us a copy of the guidelines for its representatives inspecting factory premises, which made no mention of checking rates of pay, freedom of association, or interviewing workers. From this limited information, Laura Ashley seems to be a long way behind even the weak social auditing model used by most companies.

Its 2007 clarification set out that,

We currently have 2 internal technologists who carry out factory audits for fashion. Most recently they have carried out audits in Turkey - during December 2006.

Clearly, therefore, audits are not carried out by workers' rights specialists and are very infrequent.

Our conclusion

Unchanged from 2006. We hope it was only our questions that Laura Ashley did not take very seriously, and not the issues about which we asked. The responses we received indicated a lack of real engagement on Laura Ashley's part. A company with a £200 million turnover can and should have a lot more to say about its policies on workers' rights.

Levi Strauss & Co

Levi's is the only company to have moved significantly backwards this year. It withdrew from membership of the ETI over its policy on the living wage, signalling a more isolationist position and an unwillingness to commit to living wages, even aspirationally. It did take up our offer of a meeting, but subsequently asked us to disregard the contents of the discussion on living wages.

- » Responded to survey: yes
- » MSI involvement: no
- » Wages grade 0: Does not accept the principle of a living wage.
- » FoA Grade 3: Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- » M&V Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

▼ Wages

This has been a tumultuous year for Levi's, because of its policy on living wages, stated last year:

[W]e do not feel that we have all the information we need to be able to responsibly implement and enforce a living wage requirement in our Code of Conduct. As a matter of policy, we will not add provisions to our T[erms] O[f] E[ngagement] that we can not adequately enforce.

In January, Levi's was suspended from the ETI because it refused to support the living wage provision of the ETI's base code. This soon led to a full withdrawal from ETI by the company. Its response to us this year sets its policy in even starker terms:

Markets set wage rates. Where wages fail to keep workers above the poverty line, governments should set minimum wages consistent with the cost of living.

This is a step backwards: last year, Levi's suggested that it had some plans to experiment with implementing the living wage, but this year its position is to reject its own responsibility for the wages its workers earn.

▲ Freedom of Association

Levi's told us that,

We view freedom of association as a fundamental right of all workers, and consider violations of the freedom of association provisions of our TOE as "zero-tolerance violations."

It gave examples of how it has worked with local stakeholders in instances where this right is violated. In addition,

Cornell University's School of Industrial and Labor Relations provided training to our TOE managers. Based on that training, LS&CO. developed locally-tailored freedom of association training and educational presentations for internal management, TOE assessors, external monitors and suppliers around the world on our strengthened guidance and our expectations of suppliers in this area.

Levi's does not appear to have a systematic approach to facilitating worker education. It funds workers' rights organisations through the Levi Strauss Foundation (LSF), and sometimes "opens doors" for them to educate workers in factories supplying Levi's. For example, one project,

has educated more than 250,000 migrant women workers in China on their workplace rights, financial literacy and basic health care. With LSF funding, the Asia Foundation also

launched the first legal aid organization focused solely on migrant workers in the Pearl River Delta, where most of the manufacturing in China occurs.

We asked what proportion of workers manufacturing for Levi's at any one time had been educated through LSF-funded projects, but this information was not available.

► **Monitoring and verification**

Last year, Levi's told us that,

Each facility is formally assessed once a year. The formal assessment consists of: interviews with the facility management; a review of personnel, wage and working hour records; and a physical walk-through and inspection of health and safety conditions in the factory and dormitories if they exist. A critical part of each TOE assessment is the process of gathering information from workers, a random, confidential worker interview process developed by Verite and LS&CO. staff and to provide important, uncoloured information for the assessors and ensure protection for the participating workers.

This year, it added that, "Discussions with workers are conducted in the workers' language and are carried out both on factory premises and off site."

As we said last year, this sits Levi at the 'best practice' end of the failing commercial auditing spectrum, but it still does not move past this into collaboration with local stakeholders. Levi's also publishes a full list of all 700 its supplier factories, a positive step for encouraging transparency.

Our conclusion

It's impossible not to be disappointed with Levi Strauss & Co. It won't sign up to the living wage because it cannot be implemented, yet by withdrawing from the ETI it removes its participation from one of the few forums in which it might be able to work with other companies to overcome this very hurdle. At least it is being more honest than those companies who sign up to ETI and then ignore the living wage clause in its base code, aspirational or not.

Either way, Levi's could get round the implementation problems by taking a systematic approach to facilitating access to freedom of association: this way workers could negotiate a living wage through collective bargaining. Levi's has been a leader in ethical trading, and in other areas it has more to show than many of its peers, but its attitude to the living wage has dragged it behind the times.

Madison Hosiery

Madison is one of several clothing suppliers that, as ETI members, we included in the 2006 report. This year, it told us that, “[s]ince you last contacted us, Madison has continued moving forward under our membership of ETI and has again exceeded expectations, as shown in last year’s ETI annual report.”

- » Responded to survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 3: Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

▲ Wages

Madison told us in 2006 that it,

[A]lways identifies the legal minimum wage in the country/industry (prior to an audit) and determines the actual lowest wage being paid...Each worker’s circumstances and needs are different and armed with the above information; we can clearly determine the extent that wages are meeting a basic need.

In 2007 it explained that it had,

been working closely with the National Group of Homeworkers (NGH) in the use of homeworkers and ensuring that they are paid a living wage. We have performed several time and motion studies utilising an independent management consultant along with NGH to ensure rates of pay meet a living wage.

It didn’t explain what it was doing outside the UK on this issue.

► Freedom of Association

In 2006, Madison had said that,

[M]ost of our suppliers have some union representation and employee members...Where the law of the land discourages trade unions we have had significant success in helping to ensure factories set up worker councils.

We said that we were, “cautious about the extent to which this union representation translates into meaningful collective bargaining.” In 2007 Madison added simply that it was, “now focusing on Freedom of Association/Collective bargaining and finding out more information regarding these issues within our supply chain.”

► Monitoring and verification

We noted in 2006 that Madison’s monitoring and verification systems were in line with basic industry norms. It told us in 2007 that,

where there is a union representative in the factory they have been invited to the audit closing out meetings. We now have plans in place that during future audits we will include local TU and NGO’s to assist in the validation and monitoring of third party auditing.

Our conclusion

Madison’s work on living wages among UK homeworkers, and its plans to incorporate local stakeholders into its audits, are most welcome. We hope Madison continues to make progress over the next year, and that its work to find out more about freedom of association translates into real engagement with this issue.

Marks & Spencer

M&S' publicity this year has set out to establish its reputation as one of the high street's most ethical options. Its' Plan A project, which sets out public commitments with concrete targets, is a brave move, but on workers' rights the commitments in Plan A itself are vague. M&S does seem aware that workers' rights is an area where it needs to do more to back up its marketing, but it isn't there yet.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 3: Can offer concrete examples of steps to involve local stakeholders in oversight of M&V, but only in a few pilot projects.

▲ Wages

In 2006, and again in its initial submission for 2007, M&S appeared not to have any plans to move forward on a living wage. It participates in several collaborative projects, including ones in Sri Lanka and Turkey, that will include consideration of living wages; however, there are no targets and only a cursory mention within its Plan A for the living wage. Instead, it told us that its,

minimum standard for suppliers is that workers should be paid the minimum wage in their country/region of operation. It is important to note that many of our suppliers pay above the minimum wage and furthermore there are many suppliers who are investing in the welfare of their employees.

After we met to discuss M&S' submission, and expressed our disappointment with this, M&S sent us a revised submission that included the following new point:

We have now started an initiative to create a country by country "Living Wage Ladder" by benchmarking against current local Industry salaries. This is being done in conjunction with a Labour Rights Consultant.

M&S explained that this will involve comparing prevailing wages in different industries and countries.

► Freedom of Association

Again, there are no explicit commitments to worker training within Plan A. M&S told us that it is,

committed to enabling workers in our supply chain to effectively negotiate for their rights and improvements in worker conditions. Our aim is to encourage suppliers through corrective action plans, conferences and sharing of best practice to recognise the benefits of a workforce being able to effectively negotiate for improvements in their working conditions.

As regards worker education, it flagged up the following point:

As we think the [ETI's] worker education leaflet is a fantastic tool we have asked the ETI to translate it into local languages (specifically China, India, Sri Lanka and Bangladesh) which we will circulate to ALL our factories through our Regional Offices and during our yearly Supplier Conferences.

As we set out in 2006, written education tools are of course useful, but are not a substitute for face-to-face training. M&S also said that,

We have recently embarked on a project to look at best practice in relation to the ETI Code requirements on FOA throughout the UK and our international supply base. We will use this research to inform and update our ongoing programme.

► **Monitoring and verification**

M&S sent us a tremendous amount of information on this point, indicating that it has a detailed set of procedures to monitor and verify working conditions. It also told us that,

We recognise that to make effective sustainable change our suppliers often need to work with local organisations to increase their understanding of their workforces' needs and to effectively implement change. Currently there is a lack of knowledge of local organisations who have the necessary skills. A small number of NGOs are currently involved in the audits of M&S suppliers, however as part of our Plan A commitments we aim to bring more local (in-country) NGOs into our auditing process. We have started this with our Fairtrade cotton supply chain.

M&S also set out some examples of audits that have used these stakeholders for auditing or for triangulation of audit results. In the context of multi-stakeholder involvement in monitoring and verification, it did not mention trade unions at any point, although they are usually accepted as essential partners in a multi-stakeholder approach, and may have greater capacity than local NGOs to be involved in this work.

Our conclusion

There is no doubting that M&S is prepared to take bold steps as part of its ethical strategy, but we sense that it has not been as ambitious on workers' rights as it has on, for example, climate change and Fairtrade. We did not receive a submission from M&S in 2006, and so its write-up here is inevitably better: it sent us a comprehensive 13 pages.

There are things to welcome in M&S' submission, notably a first step towards understanding wages in its supply chain better, and a commitment to involving local NGOs in some supplier audits. M&S is certainly doing more than many retailers. In general, however, we'd like to see more ambition from the UK's biggest fashion retailer, a brand that so confidently invites us to 'look behind the label'.

It needs to take the information gleaned from its 'living wage ladder' research and move on to finding out what garment workers themselves view as a living wage; it needs better collaboration with local trade unions as well as NGOs, for worker training and for monitoring and verification. It should tighten up the workers' rights commitments within Plan A. Or maybe it does need a Plan B after all?

Matalan

We received no response from Matalan in 2007, or in 2006, so this profile remains the same. On workers' rights, Matalan fares the worst of every company profiled here.

- » Responded to survey: no
- » MSI involvement: no
- » Wages grade 0: Does not accept the principle of a living wage
- » FoA Grade 0: Does not accept the principle of freedom of association
- » M&V Grade 0: Does not have an auditing system in line with accepted industry norms.

► Wages

The policy on Matalan's website states that,

Wages and benefits paid for a standard working week must meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher.

No mention is made of living or "basic needs" wages.

► Freedom of Association

Matalan's published policy contains no mention of freedom of association at all.

► Monitoring and verification

Matalan's website states that,

Matalan will as far as is reasonably practicable ensure that its suppliers and their sub contractors comply with the stated policy requirements.

No mention is made of audits at all, let alone of what nature any audits might take.

Our conclusion

Based on the information it makes public, Matalan has no serious engagement with workers' rights issues at all. It does not commit to paying a decent wage, and it gives no information on any programmes to check working conditions. Worst of all, and possibly worse than those companies that do not publish any information at all, Matalan does have a policy on workers' rights, but this makes no reference to the internationally-recognised core human rights to freedom of association and collective bargaining.

Monsoon Accessorize

Last year, Monsoon didn't respond to us at all. This year it invited us to meet with it, keen to show that it deserved a decent write-up. Certainly Monsoon is taking steps in the right direction, but there was nothing to mark it out from the crowd

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 3: Can offer concrete examples of steps to involve local stakeholders in oversight of M&V, but only in a few pilot projects.

► Wages

Monsoon told us that,

Monsoon Accessorize makes it clear to suppliers that it expects workers to be paid a living wage...there is still uncertainty around what constitutes a "living wage" and we continue to encourage the ETI to establish a multi-stakeholder working group to address this.

When we met, we asked Monsoon what it specifically was doing. It mentioned participation in a couple of ETI projects - in Sri Lanka and China - that 'include living wages', although gave little detail on this, and added that,

[u]ntil we're ready and confident to roll it out, we can't. The lessons learned [from these pilots] will be used to benchmark our supplier base and to highlight the benefits of good practice and the learnings will be communicated throughout the ETI.

It is waiting for the ETI to establish a 'task force'.

► Freedom of Association

On this topic, Monsoon told us,

we recognise that successful implementation depends upon building understanding amongst suppliers and workers about the value of freedom of association. We are working to enhance this understanding through supplier workshops. We are also encouraging all Chinese suppliers to establish worker health and safety committees.

It mentioned a couple of ETI pilot projects in which it had been involved, in India and China, that covered this issue. It said it had no plans to roll out worker training outside of these projects, stating that "it's a question of how many projects we can take on at any one time."

► Monitoring and verification

Monsoon told us here that,

We have begun to collaborate with local NGOs where possible. In particular, we are establishing a partnership with China Labour Support Network (CLSN), a local NGO, to introduce local, independent verification of our auditing process.

It is also working with a British NGO that has an Indian office, Business Trading Ethically, although we are sceptical about how close this NGO is to workers.

Monsoon has doubled its resourcing in this area over the past year, and said it has, “seen significant change over the year.”

Our conclusion

Monsoon did cite a number of interesting examples and plans, but appeared surprised that, as a founding member of the ETI, we should be urging it to do more than it already is. What confused us about Monsoon is that it seemed to concede that it had been slow in the past and was only now catching up, but then cited examples of ETI pilot projects from this same past period, projects that cover a wide range of areas and which, while they might cover issues such as a living wage, cannot in themselves be read as a serious attempt to tackle these issues on the part of the companies concerned.

Monsoon said it had plans to roll out learning from these pilot projects, but there wasn’t as much concrete as we would have liked to explain what it expected to learn and how and when it would do this, especially on the living wage. While there is work to commend at Monsoon, we’re not sure that it always appreciates the magnitude of the gap between reality and a situation in which workers’ rights are respected, and we’re not sure how fast it is moving towards trying to achieve that situation.

Mosaic Group (Coast, Karen Millen, Oasis, Principles, The Shoe Studio, Warehouse and Whistles)

With the acquisition of Rubicon Group (including the Principles brand), Mosaic fashions is now one of the biggest retailers on the high street. It told us that it had begun the process of establishing a common code of conduct and system across its different brands for ensuring compliance with it, but that this would take some time. At present, then, little has changed from a year ago.

- » Responded to our survey: yes
- » MSI involvement: no
- » Wages grade 0: Does not accept the principle of a living wage
- » FoA Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » M&V Grade 0: Does not have an auditing system in line with accepted industry norms.

► Wages

Mosaic told us that,

Our policies consistently state that wages within our suppliers' factories must conform to the labour laws of the country of manufacture and must be set at the minimum wage or higher.

It made no mention of the living wage.

► Freedom of Association

As in 2006, Mosaic did not respond to our points about promoting access to freedom of association or facilitating alternative forms of organisation in countries and areas where free trade unions are illegal, and no mention is made of these issues in the information it sent us. It did tell us that,

Mosaic Fashions value the role of trade unions and NGOs. The policies across all of our brands adopt the right to freedom of association as a core principle and prohibit discrimination as a result of union membership or political affiliation. The majority of our brands further specify the right to collective bargaining as a core principle.

► Monitoring and verification

Mosaic's policy in this area has changed from 2006, when it said that, "we cannot visit all the factories for each order placed and as a result are reliant on the supplier adhering to the terms outlined within the Supplier Manual."

In 2007, it stated that it had,

undertaken a successful pilot programme of audits by external suppliers and corrective actions plans have been put in place where necessary. We are now expanding on this pilot by rolling out external third party audits across many of our major suppliers .

By this measure, it does not yet have an auditing system in line with current industry best practice.

Our conclusion

Mosaic is another retailer that needs to join a multi-stakeholder initiative such as the ETI. It told us that it is working with a consultancy that works "closely with the ETI", so it acknowledges the ETI's value. Why not then join? It told us that it has a number of plans for its CSR strategy that are, "likely to take a number of years. However, we will plan actions that will make a significant difference to the way we do business in the next six to twelve months." We hope so, because at present it does not seem to have ambitious plans. We hope especially that Mosaic will start to engage with the living wage.

New Look

New Look has been in the ETI since 1998, but gives the impression that it has only started seriously engaging in the last few years: it proudly told us that “we have just received feedback from the ETI on our annual report to them, and their Director Dan Rees commented that New Look was ‘the most improved company’ last year.” It certainly seems one of the companies most open to our concerns.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 3: Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 4: Sophisticated and serious engagement with multi-stakeholder M&V, beginning to move beyond pilot programmes, but still not systematic across supplier base.

► Wages

New Look told us about a project in Bangladesh to “provide decent jobs for workers”, which has begun with “community surveys on worker needs including household expenditure.” The aim is to “build up the right context of living wage” to include different elements, such as schooling costs. New Look said that it would “develop a quantitative figure” to be used by its suppliers, and crucially that this will be included in price negotiations. This project is in conjunction with the consultancy Impactt and the International Labour Organisation (ILO), but does not seem to involve local trade unions or labour rights groups as such.

► Freedom of Association

In 2006, we expressed concern about New Look’s activities in this area. It responded directly to this in 2007 by saying that,

This year we are working on three projects which involve improving the access for workers to management, and aim to improve the link between workers’ needs and management action.

None of these involve trade unions; all seem to focus around workers committees. For example in one UK factory,

We are launching a project with one of our key UK suppliers to develop a workers committee in their factory...The aims of this project are to give employees a way of communicating issues to management and therefore improve management understanding of workers’ needs and enable them to better respond to them...The development of this project will enable significant learnings for us about people’s attitudes to change and bringing about effective worker representation. It is our intention at the completion of this project to explore ways in which this may be rolled out to other suppliers.

We queried this approach in our meeting, asking why a workers’ committee was being formed rather than a trade union: the response seemed to be that it was a more pragmatic approach that managers would more readily accept.

▲ Monitoring and verification

New Look said it has doubled its investment in ethical trade, such that “our programme now covers our top 20 suppliers, who are responsible for more than 70% of our intake, up from the top 10 suppliers and 55% of our intake last year.” The target for next year is to reach 95% of the suppliers.

As for how it monitors factories, it told us that, “we always use appropriate local organisations to conduct worker interviews which have a proper understanding of the local situation and culture.” For example, it uses former garment workers in China. It continued,

we talk to workers in their homes and outside the factory, where there is no risk of intimidation. Worker testimony is used to challenge the testimony of managers and documents since we believe that it is often the workers who give us the best picture of what is really going on in the factory. Our worker interviewers always leave their contact details with the workers they have spoken to and workers often telephone to add further information or updates. We think that this demonstrates that our programme is beginning to provide an ongoing complaints mechanism which is actually used by workers.

Our conclusion

We are encouraged by New Look’s responses to our concerns in at least two areas. If its project in Bangladesh is successful, especially factoring a quantitative wage figure into its price negotiations, we hope it will roll out the learning elsewhere: transparency about the figure it arrives at and how it is implemented will be crucial if it is to implement it. On monitoring and verification, we are pleased that it has been using local organisations who are closer to workers than other auditing bodies would be: we have given it the benefit of the doubt although a clearer breakdown of the organisations it uses, the criteria for selecting them, and the coverage of local stakeholder involvement would be useful.

Our main concern is that it does not seem to involve trade unions in as much of its work as it could. It gave us a bewildering list of NGOs from several countries in explaining who is involved in its auditing, but not a single trade union was mentioned, despite the emphasis that we place on them. It did say that, “50% of the factories monitored over the last 18 months [were] unionised and union reps have been involved in the assessment.” We are surprised that it is developing a workers’ committee close to home in the UK, since trade union rights are well protected by law: a workers’ committee, however democratic, is very much a second best to a proper trade union and collective bargaining.

Next

Next received a more favourable write-up than most in 2006, because it could offer concrete examples in each area we raised. In the subsequent year, Next seems to have started to take up our challenge of moving beyond pilot projects to a more systematic approach, at least in terms of the living wage.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 4: Sophisticated and serious engagement with a living wage, beginning to move beyond pilot programmes, but still not systematic across supplier base.
- » FoA Grade 3: Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- » M&V Grade 3: Can offer concrete examples of steps to involve local stakeholders in oversight of M&V, but only in a few pilot projects.

▲ Wages

In its submission, Next set out that,

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

It explained that part of the purpose would be to compare figures from different sources, including trade unions and labour rights groups, and settle on a compromise value where these figures differed. For example, in Bangladesh it had heard estimates of Tk 3,000 from some sources, and Tk 4,000 from trade unions and NGOs, so it expected the value to be somewhere between the two (see box in the update report for a comparison of figures in Bangladesh).

Next said that this study was due to be complete in October, and that its international Code of Practice team would meet to decide how to move forward based on these figures. It said that it did intend to begin implementing them throughout its supply chain, although change was, “likely to be in small steps to ensure progress is sustainable.”

► Freedom of Association

Next is planning to train its suppliers in freedom of association, and build links with local trade unions:

We have scheduled freedom of association training for our global team in the autumn initially to further understand the working mechanisms of mature industrial relations systems and how to nurture these in our sourcing countries. This training will enable our team to begin to tackle this sensitive issue in country providing training to suppliers and building links between local unions and our supply base.

It explained when we met that its plan is three-stage: first, training for its global team, then for regional teams, then finally for suppliers. It further told us that, “the supplier training programme needs to be rolled out first and will lay the foundations for future worker training to follow.”

► **Monitoring and verification**

Next said that it prefers to keep its auditing in-house, and has increased its staff time on the ground to achieve this. Its submission said that,

[a] focus for us continues to be worker interviews: whilst these are a standard part of the audit process we continue to look at different and more effective ways to incorporate into our model. We are doing this through building relationships with NGOs and inviting them to take part in or conduct interviews on our behalf, strengthening local networks and contacts to use for local community interaction.

It went further in our meeting, saying that, “we need to keep exploring new ways, as worker interviews on site in factories are increasingly becoming ineffective.”

It continued,

At the moment we have no strategy to make [collaboration with NGOs and trade unions] a systematic part of the audit process. However, we do recognise that there is a lot we can learn from collaboration with NGOs in the local communities where our factories are located. Its all about building relationships with NGOs and trade unions in those communities.

Our conclusion

Next’s pragmatic approach to the living wage is unique, and encouraging. It makes us wonder what the other brands are waiting for. It will be important for Next to be transparent about its living wage estimates and how it has arrived at them, and of course the important question will be what it does with the estimates once they are arrived at. In the meantime, we must give Next credit for taking the lead while others wait on the sidelines.

On freedom of association, Next is one of the few retailers to take our point about worker training and the need for collaboration with local unions, and we hope that worker training genuinely will become the fourth stage of its plan in this area. As for monitoring and verification, we are again pleased to note Next’s honesty about worker interviews, and its incorporation of local NGOs into auditing, though we are disappointed that it has no plans to make this systematic yet. Greater collaboration with local trade unions should bring it closer to this.

We look forward to seeing whether Next’s optimistic and ambitious approach continues into 2008, and to see more flesh on the bones of the plans it set out in 2007.

Pentland Group (includes Lacoste, Red or Dead, Kickers, Berghaus, Speedo and Ted Baker)

As it had in 2006, Pentland took issue with our methodology in 2007, suggesting that we had twisted its previous response. It felt we had been unfair, and said that, “[w]e have reviewed our answers from last year and see no reason to change them.” It did give us some extra information, which we have added to the profile.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

► Wages

In 2006, Pentland said that, “the minimum wage is not a living wage in any country. However in many countries it is subject to a tri-partite negotiation between employers, trade unions and government and we need to respect this process.”

It told us it was, “very rarely in a dominant position in the factory and to negotiate higher than the general market rate for wages would be impossible without agreement from the other customers.” We noted that its new brochure, “Ethical Sourcing the Pentland Way”, said that, “our policy is only to do business with suppliers that adopt and implement our standards or have their own policies that reflect the same standards.” Taken together, we said, these two statements imply that payment of a living wage is not a criteria on which sourcing decisions are made.

In 2007, Pentland responded that,

We acknowledge that new worker wages will probably remain at minimum wage level for the foreseeable future in many factories. However we consistently discuss with management the following issues:

- cost of living (we visit if possible migrant workers housing units)
- the need to reward workers for staying around
- to establish criteria for promotion and training.

New workers are usually young and unskilled.

► Freedom of Association

In 2006, Pentland told us that many of its factories do have unions or workers committees, but that,

Frequently these do not work very well to serve the interests of workers and we encourage factories to hold elections, make the union more visible, clarify its constitution, hold regular meetings etc. In China, where the union is not independent, few factories have unions and we have held workshops in four factories to see if more effective channels of communication can be established. We have also conducted training with the ACFTU on Codes and CSR. In all factories we encourage the factory to inform workers by way of notices and staff handbook of their rights under the law.

It also pointed out that it was not in a position to educate workers itself, but that it sits on a large number of multi-stakeholder committees, and, “we are producing a series of booklets with the Guangdong Department of Labour for managers and worker on their rights and responsibilities. We participated in the Sri Lanka ETI project which produced booklets for workers.”

In 2007, it added that,

We worked with Next on the Sri Lanka ETI pilot and were the first to use a local NGO for worker interviewers - in fact within a year of our initial work the JCC was negotiating wages – collective bargaining!

We said in 2006 that Pentland's response suggested a misunderstanding of what constitutes a free trade union with real collective bargaining, as the ACFTU is not a free trade union. We noted that its brochure did not mention trade unions, even though it contained a section on worker representation. Furthermore, we said, its response leaned heavily on using written material to educate workers, rather than the face-to-face training that is really necessary.

Pentland responded in 2007 with much more information on the booklets, and added that,

We work with what we find. We strengthen what is there and encourage the establishment of representative structures if there is nothing. The ultimate choice has to be left to workers.

► **Monitoring and verification**

Pentland said in 2006 that,

[W]e do not use third party auditors...Ideally reviews are conducted in co-operation with local health and safety personnel, to ensure local standards are applied, that there is the possibility of follow up by qualified personnel and that training links are established...All reviews include some worker interviews, conducted by a range of contacts through the International Labour Office, local universities, local NGOs and local research institutions. Interviewers are often women experienced in talking to workers in a sensitive way. Where there are unions, worker representative groups and health and safety committees we include them in the process and at the final meeting.

We noted that Pentland's brochure implied a conscious choice to compromise in the auditing process:

We accept that off-site interviews [with workers] might yield more information but it could affect our relationship with management and therefore compromise our ability to find sustainable solutions.

We said that the representative nature of the local partners with which Pentland works is ambiguous, based on the list it supplied in its response on freedom of association. It was also not clear how much involvement representative organisations had in audits.

In 2007 it responded that,

We told you that we consistently include H&S committees, union committees, joint consultative committees in our reviews of suppliers. This is not just in the final meetings, we have separate meetings with all of these, conducted by worker interviewers from NGOs/ universities etc. [...]

In three projects where we have worked with others, our methodology has been proved. It is not perfect, we need more time with suppliers, we need a more consistent trading relationship, we need more worker interviewers, we need more customers to do this who are willing to work together.

Our conclusion

Pentland went some way on 2007 to giving us the information we were looking for, but we still have some concerns. It seems resigned to paying its workers below a living wage. While it obviously has had some success on freedom of association, it still seems to be focused on management training and booklets for workers, rather than worker training. We are still unconvinced about the effectiveness of its monitoring and verification, especially if it chooses to keep its interviews on site.

Primark

After a year or two of Primark frenzy, the retailer has come under fire in the media spotlight a lot this year, with a number of exposés of poor working conditions in its suppliers. In 2006, it was a new member of the Ethical Trading Initiative; in 2007, it has definitely improved on last year.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

▲ Wages

Primark audits its factories against minimum or prevailing wages, whichever is higher. It told us that, “[w]e are very aware of the complexities of identifying a living wage which can be applicable to an industry and region, and have actively requested support from the ETI in doing so.” It subsequently told us that, “we have been informed of two initiatives which will look at the topic of living wage in Bangladesh and in general. We have committed to be active in both groups.”

► Freedom of Association

Here, Primark said that,

With our audit programme now well underway we are building up a clear picture of relative levels of understanding and intend to direct specific actions using local NGO’s and Trade Unions to assist in awareness raising where required.

When we met, Primark said that it was looking at training on freedom of association in India and Bangladesh, but initially for factory managers, not workers. It was also planning to talk to a group of NGOs suggested by ETI in Bangladesh. It said that the next step will be to talk to the trade unions.

▲ Monitoring and verification

Primark gave us a lot of information about its fledgling auditing programme when we met. As a first phase, it has audited all its factories in Bangladesh, and is planning follow up visits three months after the audit. Primark thought it important to add that it will pay for both the audit and follow up visits. “Audit is our first step in,” it said. Primark explained that,

Whilst we agree that as a long term strategy auditing is not the most sustainable approach to the improvement of working conditions within our factories we do agree that it offers the best route to gain a good understanding of a supply base initially and remedy many of the Health and Safety issues commonly identified within factory environments. Audits have to link to rigorous and regular follow-up.

It said that it was recruiting local ethical trading managers to work on follow up issues emerging from the audits. Interestingly, Primark said it had also received several emails from workers in factories, including photographs, which Primark felt was an encouraging development.

Our conclusion

In 2006, we said that, “time will tell whether it will use its recent involvement with the ETI for active change or whether this is more of a cosmetic exercise.” Primark’s pledge to be active in work on the living wage, and its definite improvement on a year ago, is a sign that it is seeking active change. It is good to see that Primark has acknowledged the need not just to emulate others, but to go beyond what they are doing. As it builds its ethical trading programme, we will be watching to see whether it achieves this, and hope that it does not slip into the same tired methods that others follow.

Sainsbury's (Tu)

In 2006 we were critical of Sainsbury's, whose answers we found unconvincing. Its response this year began by saying that, "[y]ou know through our dialogue over the year since your last report that we have a comprehensive programme in place to manage the issues that you raise." Quite the opposite: this statement alone demonstrates from the start that Sainsbury's does not understand what we want.

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

► Wages

Sainsbury's response reiterated its emphasis on work being done within the ETI, while refusing to state what it was doing itself within ETI:

We know from your comments last year that you want to know what WE are doing on the issues you raise, but the point is that much of it we conduct through the ETI.

As we have stated before, the ETI is a tool, not a panacea, and Sainsbury's needs to be able to show what it is doing to make use of that tool. It did set out an example from a supplier in Bangladesh:

The wage structure at the supplier is related to the skill base of the worker and a yearly performance evaluation. The national minimum is Tk1663 a month but our minimum wage at the factory is Tk1851 and this increases between Tk250 to Tk300 after each grade increase. There are 6 grades. We have arrived at an understanding of what makes up a living wage...We believe that even at the bottom end of the wage structure then there is a level of discretionary spend and that this constitutes a living wage.

This is such an astonishing statement: the lowest living wage estimate from Bangladesh is Tk3000. This figure is accepted by Sainsbury's competitor Tesco, while Next say they think the figure is likely to be higher than this.

► Freedom of Association

In 2006, Sainsbury's told us,

we are conscious of the need to raise awareness...We are for example engaged on a number of fronts at the moment on a FoA issue in Central America....we have made a wide range of literature available both hard copy and electronically. We recognise that this is not enough though and are also committed to training. We fully support the ETI training that we have helped to develop, but we are also now running training for our Suppliers on a monthly basis.

We said that supplier training is an important part of the process, but that it is through training of workers by local labour rights organisations that workers can truly have access to these rights.

In 2007, it gave us an example:

Our Indian factory have a local trade union named "Kamgar Ekta Sangathan" (which

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

As with its references to the ETI, it didn't tell us what – if anything – Sainsbury's had done to make this happen.

► **Monitoring and verification**

Sainsbury's response in 2006 said that,

We have recognised the need to re-evaluate the approach to audits and last year were proactive in bringing together the major audit companies together to review this. Working collaboratively, we now have a revised framework for audits with an agreed set of standards.

In 2007 it gave us an example that it said showed how proud it was of its monitoring and verification:

our Bangladesh factory has been audited thoroughly by Intertek, BV and SGS [three auditing companies]. The factory is exceeding the standards of the ETI base code. No major issues have developed although a few minor health and safety issues were raised but were dealt with immediately...We visit this factory a minimum of 3 times a year, and have a good relationship with the team there. It is this depth of relationship that we believe underpins our monitoring and verification activity.

Sainsbury's once again did not respond to our points about involving local stakeholders in its monitoring and verification.

Our conclusion

Of all the ETI-member fashion companies, Sainsbury's is the most exasperating: either it is playing games with us, or it is in complete denial. Wages in the garment industry are systematically below living wages, and Tk1851 is certainly not a living wage in Bangladesh; without training and a chance to encounter local labour rights activists, most workers will not have meaningful access to their right to freedom of association; social audits by auditing firms do not pick up large numbers of labour rights violations. These points are widely accepted throughout the fashion industry, except, on the strength of its communications with us, at Sainsbury's, where everyone seems to believe that supply chains are ethical and workers are in full receipt of their rights. We are at a loss as to how we can persuade it otherwise.

Tesco

The UK's biggest retailer and one of its top three clothing retailers, Tesco has been hit more than anyone else in the last 12 months by evidence of poor working conditions, including child labour, poverty wages and trade union suppression, in Bangladesh. It did not take up our invitation of a meeting, but did send us a lengthy written submission.

- » Responded to survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 3: Can offer concrete examples of steps to develop and implement a living wage methodology in supplier base, but only in a few pilot projects.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

► Wages

As in 2006, Tesco's response concentrated on Bangladesh.

We continue to work with local unions, NGOs and consultants to achieve agreement on the methodology for defining the appropriate living wage by country, industry and region, in countries where there is dissent over whether the National Minimum Wage is a living wage. For example, we participate on the MFB (Local Multistakeholder Forum Bangladesh) which helped to raise the national minimum wage (NMW) for the garment industry in Bangladesh in November 2006.

The NMW was raised to Tk 1665, widely denounced by trade unions and NGOs as half the value needed. Tesco continued that it had reviewed wages across all its sites in Bangladesh and on average they were 32% above the NMW: this would mean Tk 2200. Tesco's survey is at odds with statements by workers interviewed since the minimum wage increase, for ActionAid's 'Who Pays?' report and a Guardian feature in July 2007: in these cases, workers cited wages of Tk 1350 and Tk 1200 respectively. In any event, 2200 is considerably below Tesco's own living wage estimate, given last year, of Tk3000.

It continued, "we will continue to work with the MFB to ensure that wage increases continue to be sustainable and work towards delivering a living wage," although it didn't give any more detail. It also said that, "[a]s part of the MFB we have begun a review of our purchasing practices and the effects on achieving potential improvements in labour standards in Bangladesh with the help of our local buyers and commercial directors."

Tesco also said that in China it was, "in year 2 of delivering training programmes to help our suppliers improve efficiency without impacting on wages." In several other countries it continued to "work with suppliers" in an unspecified way.

► Freedom of Association

Last year, we criticised Tesco for its emphasis on producing training materials rather than collaborating with local NGOs and trade unions to put in place face-to-face training. We said there was, "nothing in Tesco's response to indicate that it sees trade unions as positive partners, or freedom of association as more than an obligation."

This year, its written submission listed collaboration with trade unions in a range of countries and sectors. In garments, it stated that, "[w]e continue to work with Unions that want to engage with the MFB in Bangladesh." It didn't offer more detail.

It continued,

We will continue to seek and work with relevant trade unions and recognised organisations to facilitate understanding and improvement on any issues relating to freedom of association and collective bargaining within our supply chain where we find them.

► **Monitoring and verification**

Tesco gave quite a bit of information about its audit programme, including stating that some audits are unannounced, all involve worker interviews, and all are gender-sensitive. It stopped short of telling us how frequent they are. Last year it had told us that suppliers it identifies as “high risk...have a two-three day ethical assessment by a third party company every year.” Medium-risk suppliers were audited every two years, while for low-risk suppliers, Tesco relied on self-assessment.

Last year, Tesco indicated that its auditors involved local labour groups in the pre audit data and information gathering process. We stated that we were not sure how much influence they would actually have if this were the case. This year, Tesco added that,

We also accept audits conducted by local NGO auditors, where their capability and experience is recognised by independent organisations such as the ETI. Examples include HEBI and Africa Now in Kenya. Through the ETI, we have also extended a standing invitation to Trade Unions and NGOs (many of whom are members of ETI) to participate on our independent audits.

Our conclusion

Tesco earns some credit for citing a concrete estimate of wages in Bangladesh, and a target. Given the repeated evidence of low wages uncovered this year, we are disappointed that 12 months since we last asked, it does not seem to have progressed much further towards implementing it. It also seems to be have focused its efforts on Bangladesh: yet there is “dissent over whether the National Minimum Wage is a living wage” in every single garment producing country, so we would like to see this work deepened and broadened.

On freedom of association, Tesco’s statement of intent is welcome, but in garments it appears unable to offer concrete examples. Similarly with its monitoring and verification, its unclear how systematic Tesco’s monitoring and verification is. Given the number of abuses that seem to have slipped through the net this year only to become public, it cannot be all that effective. To ‘accept’ audits from local NGOs and make a ‘standing invitation’ to UK organisations is one thing, but the next step would be pro-actively to solicit the involvement of in-country trade unions and NGOs.

TK Maxx

TK Maxx told us that, “[t]he fundamentals of our program remain the same since our last response in May 2006.” Its profile therefore remains unchanged.

- » Responded to survey: yes, referring us to website.
- » MSI involvement: no
- » Wages Grade 0: Does not accept the principle of a living wage.
- » FoA Grade 1: Accepts the rights to FoA and CB in principle, but no examples of how enforced.
- » M&V Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

► Wages

TJX’s code states that its suppliers,

must abide with all applicable laws relating to wages and benefits, and must pay the legally prescribed minimum wage or the prevailing industry wage, whichever is higher.

Its website makes no reference to a living wage.

► Freedom of association

TJX’s code states that,

Our vendors must respect the rights of their workers to choose (or choose not) to freely associate and to bargain collectively where such rights are recognized by law.

As TJX’s website indicates that a lot of its private label brands are sourced from China, it is disappointing to note that its code implies that workers there will have no freedom of association, since trade union rights are not recognised by law. TJX does state that it has conducted supplier training, which is also limited to local labour laws.

► Monitoring and verification

Over 90% of products sold by TJX are produced by other brands, with their own codes of conduct and compliance procedures. Nevertheless, TJX states that,

our name brand vendors warrant that their goods have been manufactured and shipped in accordance with...among other things, human rights and labor rights standards.

For its private label lines, TJX has an auditing system in place:

On-site audits conducted by our independent monitors and principal buying agents generally include one to two full working days at each audited factory, and include the following components: Interview with factory management [...]; Payroll and documentation review; Health and safety inspection; Confidential worker interviews; Debrief with factory management [...].

It is not clear whether these audits are announced, nor the frequency with which they take place.

Our conclusion

We were disappointed that TJX only referred us to its website, since the website does not answer many of our points. It seems that, while TJX has developed a training and auditing programme, it still needs to move above the legal minima on both wages and freedom of association.

William Lamb

Another supplier included here because it is an ETI member, William Lamb supplies many high street clothing giants with footwear. It was upfront about the constraints placed on it by these clients, both to remain price competitive but also to audit its factories for working conditions

- » Responded to our survey: yes
- » MSI involvement: yes, ETI
- » Wages grade 2: Acknowledges that minimum and industry benchmark wages are not sufficient standards, but no real efforts to apply living wage.
- » FoA Grade 2: Acknowledges that access to FoA and CB requires worker and management training, but no real efforts to ensure workers have access.
- » M&V Grade 2: Acknowledges the limitations of social audits as tools for ensuring compliance, but no examples of how moving beyond them.

► Wages

William Lamb said it thought it was paying a living wage in its wholly owned factory in Laos, and gave us figures to suggest it was paying more than three times the minimum wage in Laos. As for its third-party suppliers:

We continue to work with factories to ensure compliance with local labour laws & payment rates. It is not within our jurisdiction to question why payment rates over & above these amounts are not made & one must also be mindful that our prices need to remain competitive. One practical way in which we have attempted to address this issue is by assisting a major supplier of ours to improve the efficiency of their labour utilisation.

► Freedom of Association

William Lamb said that most of its sourcing is from countries such as China and Vietnam where free trade unions are prohibited by law. It continued:

We have extended our work by assisting with the establishment of a workers committee within one of our major Chinese suppliers & have had several breakthroughs in getting workers rights & grievances highlighted.

It couldn't give us more information, such as whether these committees were democratically elected or not.

► Monitoring and verification

In this area, William Lamb said that,

[w]e are obliged to use nominated 3rd party auditors by certain customers & licensors who we then work with to correct non-compliant aspects. We are also working with several major high street customers who have adopted a more holistic approach...

At our meeting, it told us that it didn't believe audits in themselves were effective, but didn't have any plans to involve local trade unions and NGOs in the process.

Our conclusion

Suppliers often outline the twin constraints placed on them by their clients - to meet ethical criteria but also to keep their prices competitive - and although it is a multinational company, William Lamb is no exception. It is encouraging that its wholly-owned factory apparently pays so much more than the minimum wage, but a rationale to compare this to workers' needs is necessary to regard this as a living wage. William Lamb should have more influence over wages at its own suppliers than it makes out, but if price is as much an obstacle as it suggests, its clients - many of them profiled in this report - should also create the space to allow it to raise wages.

Zara/Inditex

Inditex did not respond to us in 2007, or 2006, and the information on its website – while detailed – does not seem to have been updated in the past year. Consequently this is largely the same profile as 2006.

- » Responded to our survey: no
- » MSI involvement: yes, ETI
- » Wages grade 1: Accepts the principle of a living wage, but applies legal minimum/industry benchmark.
- » FoA Grade 3: Can offer concrete examples of steps to facilitate access to FoA and CB in conjunction with local trade unions and labour rights groups, but only in a few pilot projects.
- » M&V Grade 1: Suppliers regularly audited and remediation measures taken, in line with basic industry norms only.

► Wages

Inditex's code only commits it to minimum wages, although as an ETI member it is committed to working towards a living wage.

The External Manufacturers and Workshops shall comply with the local legislation in force with regard to labour matters. They shall pay their employees at least the minimum wage established by Law for each professional category.

Inditex's annual report measures performance only against minimum, not living, wages.

► Freedom of Association

Zara's code states that,

The External Manufacturers and Workshops shall respect the rights of the employees to associate or organise themselves or to bargain collectively, in no case shall employees be subjected to any kind of sanction because of this.

Inditex's recent case history is promising. It has been pro-active in attempting to help resolve a number of cases of trade union oppression, and its annual report sets out steps it is taking to facilitate access in Morocco and Bangladesh. In the latter case it says that following two breaches of trade union rights, it set up a working group with aims including, In the long term:

to develop a professional and competent trade union fabric, capable of looking after the rights of workers and to establish mature relations of collaboration between the workers and the management of the factories.

The aims for these factories include training management and workers' representatives by 'external trade union agents'.

► Monitoring and verification

Inditex's Annual Report indicates that in 2005 it audited 1060 of 1686 production sites. Of these, 339 were 'rejected for breach'. Inditex follows the 'BSCI' model of social auditing, singled out for criticism by campaigners because it was developed without collaboration with trade unions and labour rights groups, and its consequent 'minimalist' approach.

Our conclusion

There are a number of areas in which Inditex is performing well. For example, when a factory supplying Inditex in Bangladesh collapsed in 2005, killing 64 workers, it was one of the first to contribute to the relief effort, and has invited other brands to contribute to a relief fund. We still have significant concerns based on the information made public by Inditex, above all in regard to its auditing processes.