

Written evidence submitted by IndustriALL Global Union to the UK parliament's Environmental Audit Committee

Executive summary

- Wages and working conditions in the global supply chains of UK garment brands and retailers are below international labour standards
- CSR efforts by UK companies have had little impact on addressing the systemic problems
- New solutions are being developed, but few UK companies are involved in them
- The best prospects for sustainable solutions are through working collaboratively at industry level, with trade unions

My name is Jenny Holdcroft and I am Assistant General Secretary at IndustriALL Global Union. IndustriALL represents 50 million workers in 140 countries in the mining, energy and manufacturing sectors. 152 national textile and garment unions are affiliated to IndustriALL. IndustriALL works to improve wages and working conditions for garment workers, and engagement with the brands and retailers whose supply chains employ these workers is vital to this effort.

Garment supply chains

In global garment supply chains, exploitative working conditions are standard. Workers work long hours, often far beyond legal limits, for poverty wages and in conditions that breach OHS standards. Continual downward price pressure by companies keeps wages low while their real value declines against inflationary increases.

The wages of most garment workers are no higher than the level of the minimum wage in their country, which in many cases is well below the level of subsistence.

Excessive working hours are a continuing and entrenched problem. Production peaks are managed by relying on excessive overtime. Workers are compelled to work extremely long hours in order to supplement their basic earnings towards a level where they can support themselves and their families.

Precarious employment conditions are rife, with temporary contracts, agency work and subcontracting the norm. Violations of the right to freedom of association are commonplace, unionization rates are extremely low and collective bargaining is rare.

The failure of CSR

Corporate Social Responsibility programs developed by garment companies rely largely on auditing and compliance to attempt to improve conditions in the factories that produce for

them. These unilateral, voluntary and nonbinding efforts have overwhelmingly failed to improve wages and working hours or to ensure respect for workers' right to join a union.

Not only have they proved to be ineffective, but, in giving reassurance that something is being done, have become obstacles to finding genuine solutions to the root causes of low pay and excessive working hours.

Where freedom of association is respected, and workers are allowed to organize unions and bargain collectively, workers are able to defend themselves from exploitation and obtain decent incomes and working conditions. Where these rights are denied, the CSR model is unable to fill the gap.

Clothing supply chains are complex and subject to frequent change. Most factories produce clothes for a number of brands, reducing the influence that any one brand can have on a particular factory. Outsourcing and sub-contracting further reduces the impact of CSR. No single factory can afford to increase its wages and working conditions in any significant way and still be able to compete for orders from multinational buyers. Efforts by companies that focus on this approach are bound to fail, yet for many companies, attempting to make modest, incremental improvements in individual factories is still the core of their CSR programs.

Better solutions need to be urgently found. Only strategies that take into account the nature of the industry and the way that sourcing decisions are made have any chance of success. Nothing less than a fundamental change to the way that production is organized in garment supply chains will provide relief to workers from poverty wages and crippling working hours.

Building new models of cooperation

Through its many years of experience working with garment workers, their trade unions, employers and the brands and retailers, IndustriALL has identified what works and what does not work. To make a sustainable difference to garment supply chain labour standards, efforts must be collaborative and involve buyers, factories, workers and their unions. They must address root causes, including purchasing practices, and address systemic barriers. They must include longer-term commitments from buyers to suppliers in order to provide an incentive for them to comply, as well as sanctions if they do not.

IndustriALL is currently working with garment brands through three different initiatives that take this approach: the Bangladesh Accord on Fire and Building Safety, the ACT initiative on living wages and Global Framework Agreements.

The collapse of the Rana Plaza building in 2013, killing more than 1,100 workers and injuring many more, was a defining moment for the way that companies approach supply chain compliance. It brought to a head the public debate on the ineffectiveness of auditing and made possible a groundbreaking new agreement between unions and companies to make garment factories in Bangladesh safe.

That agreement is the Bangladesh Accord on Fire and Building Safety. The Accord is a legally-binding agreement between global unions and almost 200 clothing companies. It marks the turning point away from the failed CSR auditing model and towards global supply chain industrial relations that deliver genuine change. In the negotiations that led to signing the Accord, companies and unions were able to work together to identify the underlying reasons why the factories had not been made safe despite years of auditing and CSR programs. These were addressed in the design of the Accord, which includes commitments by brands towards their supplier factories to maintain orders and to ensure that financing is available to factories to do the necessary renovations. If factories do not comply, signatory brands are required to end their business relationship.

Run by a joint steering committee of equal numbers of union and brand representatives, the Accord recognises and supports the vital role of workers in monitoring factory safety. The signatory companies commit to recognising workers' right to refuse unsafe work and to setting up joint health and safety committees in each factory. Unlike with voluntary codes of conduct, workers have the assurance that these commitments can be enforced through a legally-binding agreement.

The Accord also introduces a new level of transparency to the industry. All inspection reports and corrective action plans for each factory producing for Accord brands are publicly available on the Accord website.

Building on the experience of the Accord, a smaller number of garment companies joined forces with IndustriALL to apply a similar approach to living wages in the garment industry in the process known as ACT.

Identifying the root causes

Garment workers are currently under-represented by trade unions which face massive barriers to organizing from both employers and governments. In many garment producing countries, collective bargaining structures are weak or absent: over 90% of workers in the global garment industry have no possibility to negotiate on their wages and conditions and so are not able to claim their fair share of the value that they generate. A typical pair of jeans made in Bangladesh retails for anywhere between \$30 and \$50, or more for a prestige brand. But the worker who makes them only receives 10 cents. Garment sector wages in Bangladesh have just been increased to \$95 a month, but unions say that wages need to increase to at least \$188 for workers to be able to support themselves and their families adequately. In Cambodia, the minimum wage has risen to \$182, but this is still well below a living wage.

Wage bargaining at factory level is almost non-existent and places an enormous burden on unions to conduct negotiations one factory at a time - in Bangladesh alone there are more than 4,500 factories producing for the export industry. There are limits to how far an individual factory or business can step ahead of its competitors and still remain competitive:

unscrupulous MNCs will simply move to suppliers with lower standards and lower labour costs.

Even if a buyer decides to increase the prices it pays, without collective bargaining in place there is no guarantee that the increase will be passed on to workers. Furthermore, most suppliers have multiple buyers, all of whom negotiate prices with them individually.

Industry bargaining is key

Collective bargaining at industry level is the missing mechanism which will enable significant progress to be made towards living wages for garment workers. Its virtual absence from the garment industry today is the primary obstacle to achieving higher wage outcomes. There are only a handful of industry-wide wage agreements in the global garment industry, and none in Asia where workers are left to rely on ineffective minimum wage mechanisms for any wage increases. While minimum wage fixing at least establishes a common floor, the wages that result are well below the level of a living wage in most major garment producing countries.

Industry bargaining enables the particular features of the textile and garment industry to be taken into account in wage structures in a way that minimum wage fixing processes are unable to do. It enables comprehensive agreements to be reached that take into account all relevant issues including wages, overtime, working hours, production peaks and productivity and efficiency. Once there is a functioning mechanism for collective negotiation between employers and garment workers, other systemic problems such as the chronic under-valuation of women's work can be addressed through more appropriate compensation for skills.

Industry-wide agreements make it very difficult for employers to escape their obligations. They effectively take labour costs out of competition by creating a level playing field that enables conditions to improve for all workers in the industry, regardless of which company is sourcing from their factory. The incentive then is to compete on the basis of efficiency, process innovation, skills and upgrading rather than by undermining wages and working conditions. Factories have a collective interest in ensuring that they are not undercut by unscrupulous employers paying wages lower than the prevailing rate. Industry bargaining takes conflict out of the workplace and provides stability and predictability to buyers, factories and workers. By covering all workers in an industry, it also ensures the inclusion of the most vulnerable workers including the many migrant workers, contract workers and home workers found in the garment industry.

MoU on living wages in the garment industry

For the first time, IndustriALL and major clothing brands have committed to working together to create a system that, by addressing the structural barriers to living wages that prevent other approaches from succeeding, has a genuine chance of increasing garment

workers' wages and improving working conditions in a way that is scalable, sustainable and enforceable.

IndustriALL has signed a Memorandum of Understanding with each of the brands involved in the ACT process. The MoU is explicit in identifying the development of industry bargaining in garment producing countries as essential to achieving living wages, and the need for effective recognition of workers' rights to freedom of association and collective bargaining in order for this to be realized.

ACT aims to establish systems of industry agreements supported by brand purchasing practices as the primary means of wage-fixing in the global garment industry. By linking national industry-level collective bargaining between unions and employers to the purchasing practices of brands, this creates a framework for genuine supply chain industrial relations.

ACT is currently working in Cambodia, Myanmar, Turkey and Vietnam, with plans to include Bangladesh in 2019.

Purchasing practice commitments

In the Memorandum of Understanding signed with IndustriALL, ACT brands have committed to ensuring that their purchasing practices facilitate the payment of a living wage.

ACT brands have already agreed a set of commitments towards employers in Cambodia that are linked to the achievement of an industry collective agreement. These include:

- making Cambodia a preferred destination for sourcing
- only sourcing from factories that are part of the collective agreement and
- incorporating higher wage costs resulting from the industry agreement as a cost item in their purchasing price calculations.

Work is now being done to develop mechanisms to enable these commitments to be monitored once they are in place. It is anticipated that similar country level commitments will be negotiated between brands and suppliers in each country where ACT is implemented.

At the global level, work is being finalized on a set of concrete, collective commitments by ACT brands to reform those purchasing practices which have the greatest negative impact on wages and working conditions. These include specific commitments under the headings of:

- including negotiated wages as itemised costs in purchasing contracts
- fair terms of payment

- better planning and forecasting
- undertaking training on responsible sourcing and buying, and
- practicing responsible exit strategies.

The need for brands to reform their purchasing practices is increasingly recognized as essential to improving sustainability in the industry, but it is only through ACT that brands are making transparent and verifiable commitments, agreed with trade unions, to change the way they do business. Companies that claim to be working on living wages and changing their purchasing practices should be asked whether they are prepared to make the same commitments as those made by ACT brands.

The UK-based brand members of ACT are: ASOS, Tesco, Next, Debenhams, Arcadia, N Brown, New Look and Pentland. IndustriALL has not received any other expressions of interest from UK brands to sign the MoU and enter into the commitments made by other ACT brands. Marks and Spencer were involved in early discussions with other UK brands about developing joint work on living wages, but pulled out at the point when the other brands signed the MoU with IndustriALL in 2015. The company has made public statements about having been part of ACT, but this is not the case since it has not signed the MoU.

If companies are serious about wanting to end poverty wages in the global garment industry, they must join the collective effort, working with trade union to increase wages through proper wage fixing mechanisms and making transparent and verifiable commitments to reform their purchasing practices, including pricing. No other approach will have any lasting impact on living wages in the garment industry.

Global Framework Agreements

Global Framework Agreements are negotiated between global unions and multinational corporations. IndustriALL has signed more than 50 GFAs, including several in the garment industry. Through GFAs, companies commit to upholding the core labour standards of the ILO, including the right to freedom of association, in their own operations and in their supply chains. IndustriALL's GFAs in the garment industry are being used to put local unions in direct contact with the brands and build better industrial relations between those unions and the suppliers.

Engagement with workers is vital for creating and sustaining garment factories that are free from rights violations. Of the UK companies that report engaging with workers as part of their CSR programs, most do it through the factory management, rather than through independent trade unions. There is a preference instead for setting up worker-management committees in the factories. These may be beneficial for improving dialogue between management and workers on factory operations, but they are not negotiating bodies and cannot be a substitute for trade unions. They provide no independent voice for workers to

challenge management decisions and are no substitute for freedom of association, freely exercised by the workers themselves. There is a belief among companies that worker-management committees can be a step towards unionization, but this is no more than wishful thinking as there is no evidence of it happening. In fact, unions report that the reverse is true, with the existence of worker-management committees being used by factories to block unionization efforts.

In October 2017, ASOS signed a Global Framework Agreement with IndustriALL, the first, and so far only, UK garment retailer to do so. Under the GFA, ASOS recognises the role freedom of association collective bargaining plays in developing well-functioning industrial relations. Both parties commit to agreeing common strategies for ASOS production countries, assessing the impact of ASOS's purchasing practices on the supply chain and implementing confidential worker hotlines and joint training of workers and managers.

Transparency

Earlier this year, ASOS made its global factory list public, providing transparency on the 612 Tier 1 factories its uses across 25 countries. A growing number of UK brands publish their supplier lists, but many still fail to do so, including Sainsbury's, Boohoo, Matalan, Sports Direct, JD Sports, TK Maxx, Superdry, Fat Face, French Connection, Missguided, Kurt Geiger, All Saints, Peacock's, The White Stuff, Monsoon, Cath Kidston, Jigsaw, Reiss, Mothercare, Moss Bros, River Island and Ted Baker.

Transparency of a company's manufacturing supply chain better enables a company to identify adverse human rights impacts. Being transparent with information on production is important for workers and their unions as it enables them to identify the brands that are sourcing from their factory and use their leverage to ensure that rights violations are resolved and remedied. Transparency of the supply chain is a vital tool to ensure that global brands take responsibility for ensuring that their clothes are manufactured in an environment that is free of rights violations. With the knowledge of which brands are sourcing from their factory, workers and their unions can be active in the monitoring of their own workplace.

Conclusion

Garment companies in the UK need to get much more serious about reforming working conditions in their global supply chains. It is not sufficient to cite CSR projects or their membership of multistakeholder initiatives as evidence of doing something to change conditions on the ground. Genuine engagement with trade unions and participation in industry-wide efforts are the only approaches that can transform the industry and empower workers to negotiate better conditions for themselves. Government requirements can help to push companies in the right direction and development of legislation similar to the duty of vigilance law in France would be extremely useful in this regard.