



A SEWING KIT FOR LIVING WAGES

**PATHWAYS TO LIVING WAGES IN
GLOBAL GARMENT SUPPLY CHAINS**



OXFAM
Australia

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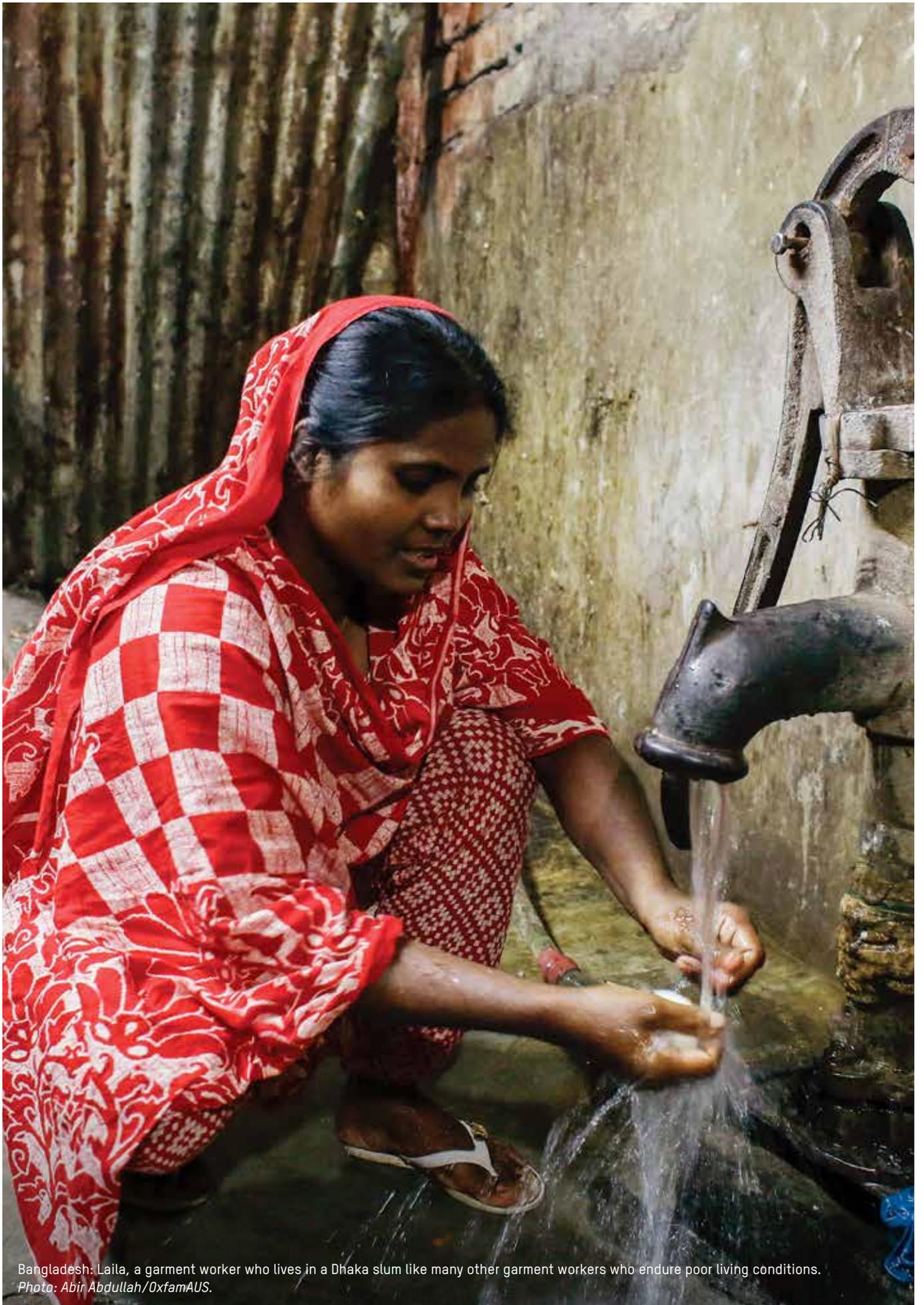
At Oxfam we believe all lives are equal and no-one should live in poverty. We join forces with people who share this belief, to empower communities to build better lives for themselves. That's why we are there on the ground, not only to save lives in times of crisis, but also to develop lasting solutions. Our work spans wide because there are many causes of poverty. That's why we're also in front of decision-makers, governments and corporations, and speak out on the big issues.



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Bangladesh: Laila, a garment worker who lives in a Dhaka slum like many other garment workers who endure poor living conditions.
Photo: Abir Abdullah/OxfamAUS.

INTRODUCTION



The turnover in the garment industry in Australia was \$27 billion in 2016.¹ Yet garment workers often earn too little to live in a space with their own bedroom, have enough to sustainably feed themselves and look after their needs. A recent report by the World Economic Forum suggested that wages to garment workers can make up as low as 0.6% of the average cost of a garment.² Recognising the need to even up the scales, ethically minded garment brands are examining how they can ensure that workers in their supply chains enjoy safe and fair working conditions, including fair wages.

This report builds on Oxfam's paper *Steps towards a living wage in global supply chains*,³ which outlines the reasons for responsible companies to raise wages. It unpacks the concept of "living wages" and sets out companies' human rights obligations to pay workers a living wage. This report details the steps multinational garment companies and garment manufacturers can take to ensure they are meeting those obligations by moving credibly towards paying workers a living wage and developing a roadmap to do so. At the end of most sections, the report identifies practical tools for companies to further investigate how they can develop their plans.

Australian garment brands and companies have led the way on issues such as a commitment to worker safety through joining the Bangladesh Accord and on globally transparent supply chains.

It is now time for brands to publicly commit to paying living wages in their global supply chains and to develop transparent, credible and time-bound roadmaps to set out how they will achieve that goal. We hope that with this report, companies will be better equipped to do this.

A handwritten signature in black ink, appearing to read 'Helen Szoke'.

Dr Helen Szoke
Chief Executive, Oxfam Australia

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- 1 IBISWorld, *Clothing retailing in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 12 July 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html> and IBISWorld, *Clothing wholesaling in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 12 July 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html>.
 - 2 World Economic Forum, *Beyond supply chains: empowering responsible value chains*, World Economic Forum, Geneva, January 2015, viewed 12 July 2017, http://www3.weforum.org/docs/WEFUSA_BeyondSupplyChains_Report2015.pdf.
 - 3 R Wilshaw, *Steps towards a living wage in global supply chains*, Oxfam International, Oxford, 10 December 2014, viewed 12 July 2017, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/ib-steps-towards-living-wage-global-supply-chains-101214-en.pdf.

GETTING TO A LIVING WAGE: RECOMMENDATIONS FOR BRANDS



The garment industry in Bangladesh is made up largely of women with 0.47 cents per hour minimum wage. *Photo: Nicola Bailey/ActionAid.*

GET THE BASICS RIGHT

RECOMMENDATION 1: Publicly disclose the factory list and update it regularly. Brands should also report on the volume/percentage of sourcing from each country.

RECOMMENDATION 2: Support factories to establish effective grievance mechanisms and provide for complaints and grievance processes through which workers can safely report violations of wages, entitlements, health and safety and other labour rights issues. Brands should also establish a reliable mechanism through which workers can report to brands directly if issues are not resolved at the factory level.

RECOMMENDATION 3: Adopt a positive and proactive freedom of association policy and communicate this to factories and workers, as well as ensure that factories respect the workers' rights to collective bargaining.

RECOMMENDATION 4: Where freedom of association and collective bargaining are restricted by law, brands should call on countries to formally ratify International Labour Organization (ILO) Conventions regarding freedom of association and collective bargaining⁴ and ensure that workers are able to have a representative say in their working conditions in all factories.

RECOMMENDATION 5: Adopt a positive and proactive gender policy and gender-sensitive targets, which are communicated to factories and workers.

⁴ Clean Clothes Campaign, *Road map to a living wage*, Clean Clothes Campaign, Amsterdam, 2 July 2013, viewed 12 July 2017, <https://cleanclothes.org/livingwage/road-map-to-a-living-wage>.

“AUSTRALIAN GARMENT BRANDS AND COMPANIES HAVE LED THE WAY ON ISSUES SUCH AS A COMMITMENT TO WORKER SAFETY THROUGH JOINING THE BANGLADESH ACCORD AND ON GLOBALLY TRANSPARENT SUPPLY CHAINS.

IT IS NOW TIME FOR BRANDS TO PUBLICLY COMMIT TO PAYING LIVING WAGES IN THEIR GLOBAL SUPPLY CHAINS AND TO DEVELOP TRANSPARENT, CREDIBLE AND TIME-BOUND ROADMAPS TO SET OUT HOW THEY WILL ACHIEVE THAT GOAL.” – OXFAM AUSTRALIA CHIEF EXECUTIVE, DR HELEN SZOKE

MAKE A COMMITMENT

RECOMMENDATION 6: Express publicly, for example in the code of conduct and on the website, a commitment to respecting the right to a living wage and a commitment to embedding the policy in the ways it does business. The commitment should clearly spell out that within 12 months a roadmap to living wages will be developed and publicly shared and the brand will continuously work towards implementing a living wage in the supply chain, ideally within three to six years.

DEVELOP A ROADMAP

RECOMMENDATION 7: Compile information on wage policies and practices of the supply chain to identify the wage gap between the current wage and living wage and risks to human rights in the chain.

RECOMMENDATION 8: Ensure, and if necessary facilitate, meaningful and transparent discussion and negotiation between workers and management to determine steps to living wages and agree on plans to achieve them.

RECOMMENDATION 9: Adopt an existing living wage benchmark or calculate a living wage using established methodologies. This calculation should be based on at least 3,000 calories of daily food intake and/or a low-cost nutritious diet that meets World Health Organization (WHO) recommendations on calories, macronutrients and micronutrients. Brands should be transparent about the living wage definition, methods and benchmarks.

RECOMMENDATION 10: Recognise that purchasing practices and pricing policies have an impact on wages (and working conditions) and commit time and resources to calculate the labour costs of merchandise to ensure that prices facilitate payment of a living wage at the very least. This means that the Freight on Board (FOB) price should cover a living wage labour cost.⁵

⁵ Clean Clothes Campaign, *Road map to a living wage*.

IMPLEMENT

RECOMMENDATION 11: Conduct living wage pilots as appropriate to the supply chain and adjust the living wage roadmap based on lessons learned. Pilots should be done in collaboration with other brands wherever possible.

RECOMMENDATION 12: Ensure that living wage payments are not tied to increasing productivity or meeting production targets.

RECOMMENDATION 13: Support systemic change to adopt living wages through collaboration, coordination and dialogue among brands, factories, employers' organisations, unions and governments.

RECOMMENDATION 14: Clearly indicate the commitment to stay in a sourcing country when wages increase and actively engage, advocate and support governments, industry associations and civil society to increase minimum wages to match living wages.

RECOMMENDATION 15: Supply regular public reports on the living wage programs, roadmap to a living wage and the progress being made (or lack thereof).

PART 1: WHY BRANDS NEED TO COMMIT TO LIVING WAGES NOW

THE PROBLEM OF POVERTY WAGES

Across a range of global supply chains, persistently low wages mean that no matter how hard many people work, they cannot work their way to a better life.⁶ In the garment sector, minimum wages are not adequate and therefore people can only make enough to get by through working excessive hours. Excessive overtime is also driven by fluctuations in demand, to the extent that workers may not have a choice but to work overtime even if they don't want to. Average work hours in Bangladesh apparel factories, for example, stand at 66 to 70 hours per week. However, during peak production periods, times when brands increase their purchase orders due to seasonal demands in their countries, working hours can increase to 80 to 90 hours weekly.⁷

Causes of overtime such as last-minute style changes, lack of security in future orders, fluctuations in demand, short lead times, falling prices, increased competition and supply chain delays in getting materials often originate from apparel brands and are rooted in buying practices. However, factory managers also have responsibility for overtime. For instance, overbooking regularly occurs in the garment industry. Factories solve this problem partly through unauthorised subcontracting and partly by arranging overtime, which can take working hours above legal limits. Moreover, a problem factory managers face is that they are not necessarily sure the order flows will be consistent, so they may hesitate to invest in developing their workers' skills or expanding capacity. This can be exacerbated by a lack of planning and cooperation between buying companies' auditing departments and their sourcing departments.⁸

Excessive overtime is also linked to wage levels. According to a paper prepared for the Better Work conference in 2011 on the clothing industry, workers must work overtime to earn wages that would sustain them and their families, and overtime is consistently paid below the legal requirements. At times, even the minimum wage is not paid in full. The study concluded that in 88% of factories, workers work more than 60 hours per week and in 66% of factories more than six days in a row.⁹ Often, workers cannot afford to turn down overtime work even when ill, when working conditions are dangerous or when the offered terms of employment are especially poor.¹⁰ Brands and factories take advantage of low wages that compel workers to work excessive overtime to meet the basic needs. This, in turn, allows brands and suppliers the flexibility to produce and deliver a product in a short time, particularly to compete in the fast fashion market. The problem is compounded by governments' lack of capacity to enforce labour laws in many garment-producing countries.

Excessive working hours combined with persistently low wages means garment workers in many countries across Asia do not get sufficient rest, nor do they have time to spend with or raise their children or enjoy their freedom for recreation. Workers are often unable to afford appropriate housing, food, health and education for themselves and their families and fail to save for shocks, such as becoming unexpectedly ill or losing employment. This also prevents a worker benefiting from freedom of association, as the worker does not have the time or energy to participate in trade union activities. Overall excessive hours and low wages impact on workers' health, wellbeing and workplace safety, and can cause unforeseen indirect costs for garment factories in the form of accidents, injuries, absenteeism, lower productivity and high worker turnover. Salaries that are too low make people vulnerable.

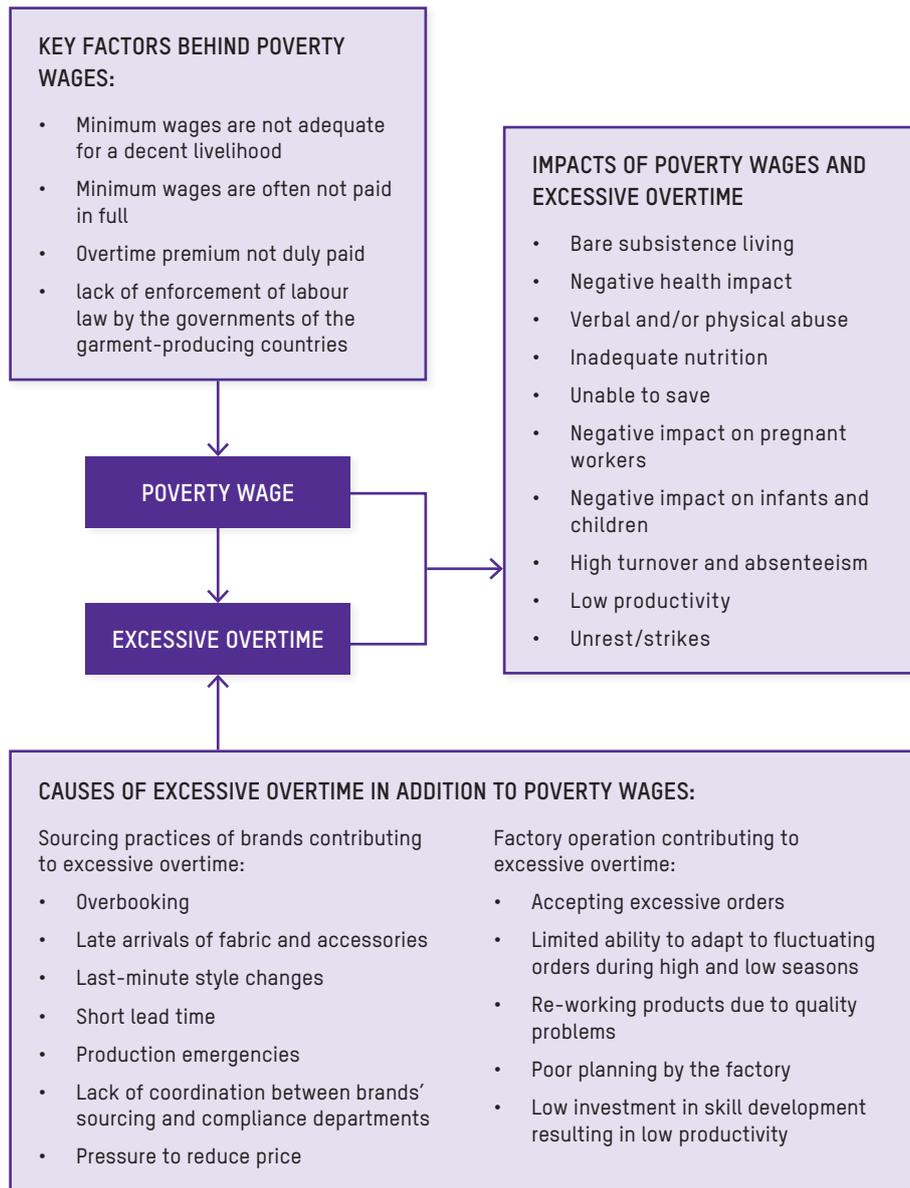
Wages and overtime are some of the most important issues raised by garment workers.¹¹ Transparent, incremental change towards living wages is needed to ensure these people are able to lift themselves and their families out of poverty.

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- 6 R Wilshaw, S Hamilton, J Thérout-Séguin & D Gardener, *In work but trapped in poverty: a summary of five studies conducted by Oxfam, with updates on progress along the road to a living wage*, Oxfam International, Oxford, September 2015, viewed 12 July 2017, <http://policy-practice.oxfam.org.uk/publications/in-work-but-trapped-in-poverty-a-summary-of-five-studies-conducted-by-oxfam-wit-578815>.
 - 7 L Vanegas, 'Time to put excessive apparel work hours to bed', *The Daily Star*, 13 November 2016, viewed 12 July 2017, <http://www.thedailystar.net/business/time-put-excessive-apparel-work-hours-bed-1313890>.
 - 8 JW Seo, *Excessive overtime, workers and productivity: experience and implication for better work*, *Better work discussion paper series: no. 2*, International Labour Organization and International Finance Corporation, Geneva, May 2011, viewed 12 July 2017, <http://betterwork.org/global/wp-content/uploads/Discussion-Paper-Series-No-2-Excessive-Overtime-Workers-and-Productivity-Evidence-and-Implications-for-Better-Work.pdf>.
 - 9 D Vaughan-Whitehead, 'How "fair" are wage practices along the supply chain? Global assessment in 2010-11', paper presented to the Better Work Conference, Washington DC, 26-28 October 2011, viewed 12 July 2017, <http://betterwork.org/global/wp-content/uploads/Session-3-How-%E2%80%98fair%E2%80%99-are-wage-practices-along-the-supply-chain.pdf>.
 - 10 H Telkki, *A living wage, a human right: a model for calculating a living wage and related recommendations*, Finnwatch, Helsinki, June 2015, viewed 12 July 2017, <https://www.finnwatch.org/images/pdf/LivingWage.pdf>.
 - 11 D Gardener & J Burnley, *Made in Myanmar: entrenched poverty or decent jobs for garment workers?*, Oxfam Briefing Paper, Oxfam International, Oxford, 9 December 2015, viewed 12 July 2017, <https://www.oxfam.org/en/research/made-myanmar>.

"I don't want to keep working at the factory because the base wage is so low and we are pressured to do long hours of overtime. If any of the workers say no to working Sunday overtime, then the next day they are called into the office and scolded. We are always being told to work faster.

They think that we are like animals. I know I have no rights to make a complaint, so I have to bear it. I have been working here so many years and we try our best to meet the production targets so that we won't be told off, but sometimes it [the shouting] is unbearable." — Ei Yin Mon, garment worker, Myanmar¹²

FIGURE 1: CAUSES AND IMPACTS OF POVERTY WAGES AND EXCESSIVE OVERTIME



12 D Gardener & J Burnley, *Made in Myanmar: entrenched poverty or decent jobs for garment workers?*

TIME FOR COMPANIES TO ACT

Emerging evidence from the United Kingdom (UK), United States (US) and a range of global brands shows that implementing living wages brings a number of benefits to companies, including brand and reputational recognition, interest from ethical investors and higher worker retention and morale.¹³

In the Australian consumer market, there is a growing trend of public interest in the “where, how and who” of clothing sold here. Increasingly, Australian consumers are engaging with the complexity of garment supply chains and demanding that clothing sold cheaply does not come at the cost of bad labour practices and exploitation. In December 2016 alone, more than 4,000 Australian consumers sent more than 29,000 emails asking seven major Australian retailers to publish their supplier and factory locations, in response to Oxfam’s transparency in garment supply chains campaign. And, of 1,000 Australians surveyed by Oxfam in 2016, more than 89% said they were willing to pay a little more for clothes to ensure garment workers had safe and decent working conditions.¹⁴ Similarly, a recent survey of 1,123 US consumers shows significant concern about ethical and responsible production, particularly in food and beverage, clothing, footwear and over-the-counter pharmaceuticals,¹⁵ and a recent study in the UK reveals that a third of UK consumers are very concerned about issues regarding the origin of products. Of those surveyed, 74% would pay an extra 5% for their clothes if there was a guarantee that workers were being paid fairly and working in safe conditions. Issues such as equal pay, environmentally conscious manufacturing processes, prevention of counterfeit goods, human trafficking, responsible farming practices and overproduction of goods are all at the forefront of consumers’ minds when making these choices.¹⁶

The other side of the coin, ignoring the need for action, conversely means higher brand and reputational risk, as well as a less content workforce that is more likely to strike or cause high turnover. In December 2016, a mass protest and walkout by garment workers in Bangladesh over poor pay and sub-standard working conditions resulted in 15 days’ work stoppage in 59 garment factories. This caused severe economic and reputational damage for the sector in Bangladesh. The affected units lost more than \$50 million in production and incurred a similar amount in discounts, air freights and lost business.¹⁷ While for many brands the garment factory workforce is a step removed along the supply chain, a more content and healthy workforce with high retention rates in supplier factories will still result in reputational benefits along with a range of other benefits.

13 A Coulson & J Bonner, *Living wage employers: evidence of UK business cases*, Citizens UK on behalf of the Living Wage Foundation, London, January 2015, viewed 12 July 2017, http://www.livingwage.org.uk/sites/default/files/BAR_LivingWageReport%20cropped%2021%2001.pdf and ShareAction, *The case for a living wage: why a living wage pays dividends*, ShareAction, London, November 2015, viewed 12 July 2017, <http://action.shareaction.org/page/-/TheCasefortheLivingWage-Nov2015.pdf>.

14 Oxfam Australia, *Still in the dark: lifting the cloak on the global garment trade*, Oxfam Australia, Melbourne, April 2016, viewed 12 July 2017, <https://www.oxfam.org.au/wp-content/uploads/2016/04/Labour-Rights-Still-in-the-Dark-Report.pdf>.

15 B Nella, ‘Consumer study: food, apparel, & pharmaceutical industries face uphill battle to ensure responsible overseas production’, blog post, GT Nexus, New York, 9 November 2015, viewed 12 July 2017, <http://www.gtnexus.com/resources/blog-posts/supply-chain-visibility-and-transparency>.

16 J Baker, ‘The rise of the conscious consumer: why businesses need to open up’, *The Guardian*, 2 April 2015, viewed 12 July 2017, <https://www.theguardian.com/women-in-leadership/2015/apr/02/the-rise-of-the-conscious-consumer-why-businesses-need-to-open-up>.

17 Bangladesh Garment Manufacturers and Exporters Association (BGMEA), *BGMEA’s statement on the Ashulia incidents & its aftermath*, BGMEA, Dhaka, December 2016, viewed 12 July 2017, http://www.bgmea.com.bd/home/activity/BGMEAs_Statement_on_the_Ashulia_Incidents__its_Aftermath.

WHY PAYING MINIMUM WAGES IS NOT ENOUGH

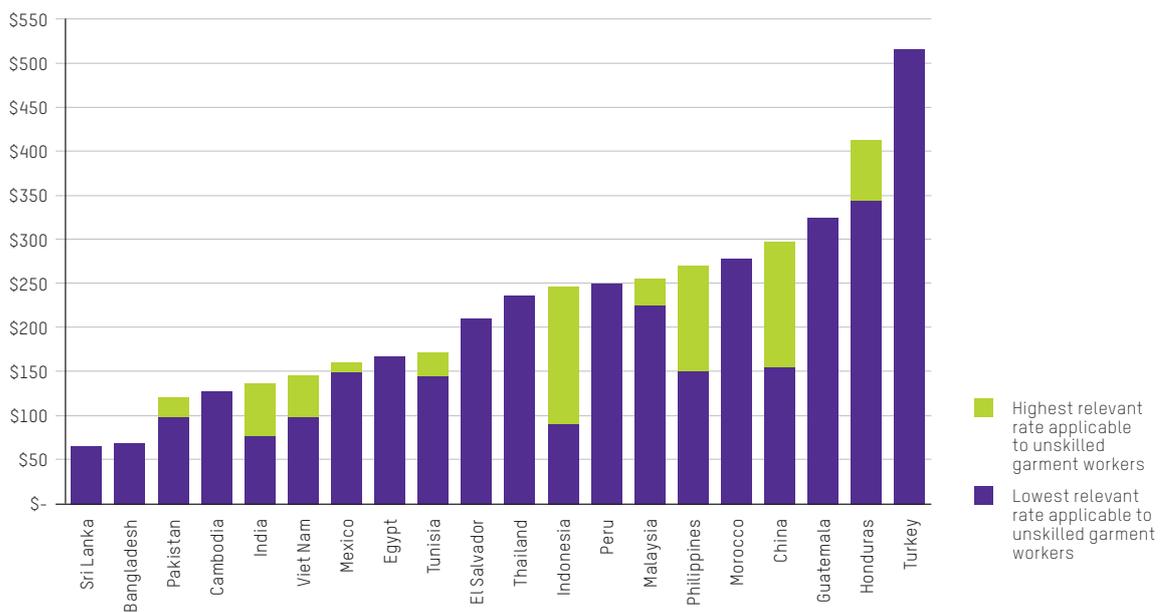
MINIMUM WAGE POLICIES

Around the turn of the 19th century, Australia and New Zealand were among the first countries to adopt minimum wage regulation to protect vulnerable groups of workers. It is the minimum amount of wages that an employer is legally obliged to pay a worker. Today, most countries in the world have followed. The ILO argues minimum wage policies constitute “one element in a policy designed to overcome poverty and to ensure the needs of all workers and their families”.¹⁸ In other words, the need for a minimum wage in international law derives from the need to eliminate poverty.¹⁹ This requires that minimum wages provide a satisfactory standard of living for workers and their families; one that enables workers to live above the poverty level, and be able to participate in social and cultural life.²⁰ Furthermore, minimum wage policies can be a major mechanism for establishing general equality in employment conditions and help to reduce gender pay gaps.²¹ It is also important that minimum wages are decided and monitored in collaboration with social partners, including unions and other civil society organisations. Where minimum wage policies fulfil their ILO-defined purpose, that is, provide workers and their families with protection and cover their basic needs, a minimum wage would equal a living wage.

MINIMUM WAGES SET TOO LOW

In practice, countries often set minimum wages with other objectives in mind, such as international competitiveness and their capacity to attract foreign investment. This is especially so for developing countries. They fear that a higher minimum wage would cause “global brands” to relocate their orders to cheaper sourcing areas. To protect their competitive position, governments are keenly aware of wage levels in competitor countries. The result is that minimum wages are set at a level that does not correspond to the cost of living. In key garment-producing countries, the minimum wage only covers a fraction (18% to 66%) of what is estimated to be a living wage.²²

FIGURE 2: MONTHLY MINIMUM WAGES FOR THE TOP 20 APPAREL-EXPORTING MIDDLE- AND LOW-INCOME COUNTRIES (US DOLLARS)



Note: All rates refer to the lowest skill grade.

Source: International Labour Organization, Minimum wages in the global garment industry: update for 2015, see <http://www.ilo.org>

18 International Labour Organization (ILO), ‘R135 - Minimum wage fixing recommendation, 1970 (No. 135)’, Adoption: Geneva, 54th ILC session, 22 June 1970, ILO, Geneva, viewed 12 July 2017, http://www.ilo.org/dyn/normlex/en/f?p=NORMLXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312473.

19 R Anker, *A new methodology for estimating internationally comparable poverty lines and living wage rates, working paper No. 72*, International Labour Organization, Geneva, July 2005, viewed 12 July 2017, http://www.ilo.int/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_079165.pdf.

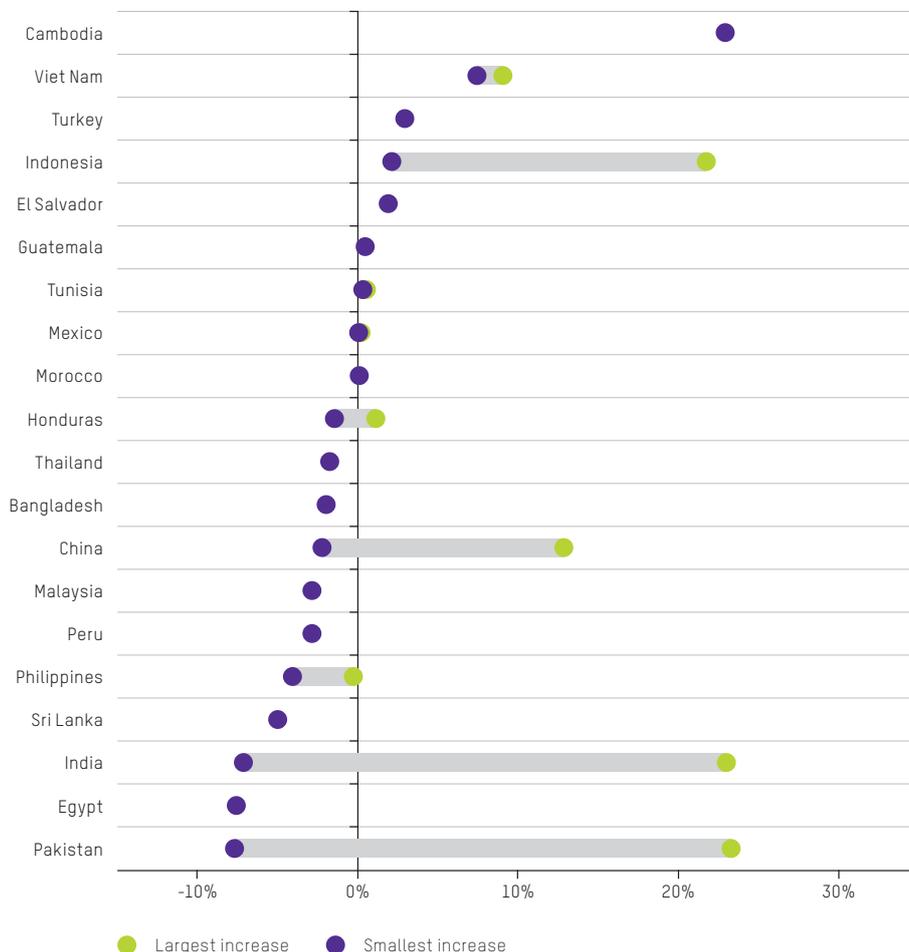
20 R Anker, *Estimating a living wage: a methodological review, conditions of work and employment series, no. 29*, International Labour Organization, Geneva, 2011, viewed 12 July 2017, http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_162117.pdf.

21 International Labour Organization (ILO), *Global wage report 2008/09: minimum wages and collective bargaining: towards policy coherence*, ILO, Geneva, 25 November 2008, viewed 12 July 2017, http://www.ilo.org/global/publications/WCMS_100786/lang-en/index.htm.

22 Asia Floor Wage Alliance (AFWA) calculated a formula for defining a figure for what a living wage should be across Asian garment-producing countries based on purchasing power. See <http://labourbehindthelabel.org/campaigns/living-wage/>.

Many governments also fail to regularly adjust minimum wages so that workers keep their purchasing power given the changing cost of living. Figure 3 shows the percentage difference between minimum wages for unskilled garment workers in the major exporters in 1 January 2014 and 1 January 2015, expressed in terms of local currency units and adjusted for inflation. In other words, the chart shows changes in real minimum wages. For countries with a number of minimum wages for unskilled garment workers, the largest and smallest increases are both shown.

FIGURE 3: CHANGE IN MINIMUM WAGE BETWEEN 1 JANUARY 2014 AND 1 JANUARY 2015, REAL TERMS



Note: All rates refer to the lowest skill grade.

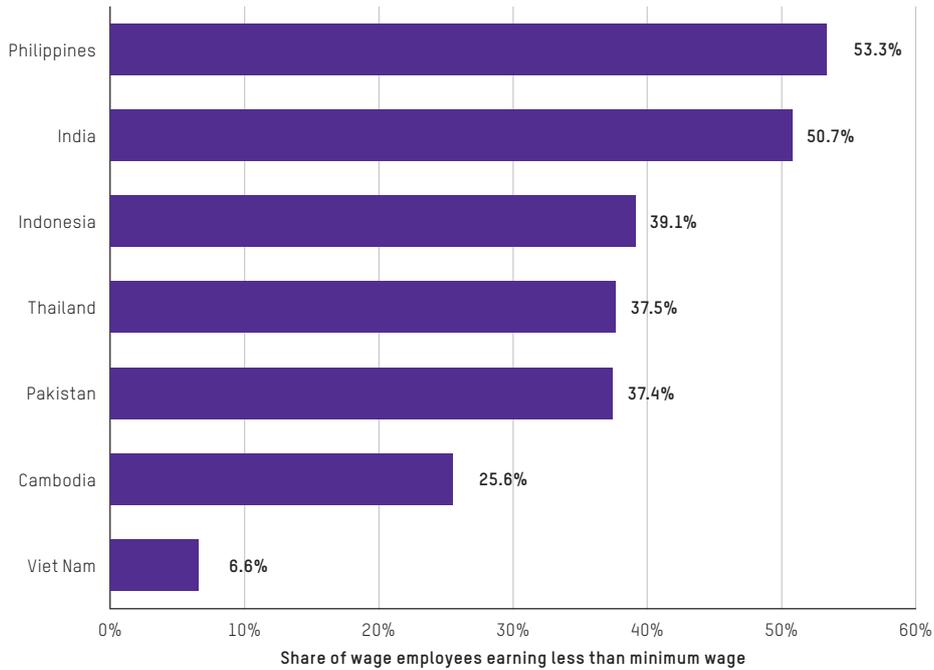
Source: International Labour Organization, Minimum wages in the global garment industry: update for 2015, see <http://www.ilo.org>

IRREGULAR WAGE PRACTICES (WAGE THEFT)

Minimum wages are not just set too low; many countries fail to implement and enforce their wage policies properly. This results in illegal wage practices, which deprive workers of their legal entitlements and further reduce take-home pay. These violations are widespread and well documented.

A recent publication by the ILO shows that a large proportion of workers in the garment, footwear and textiles sector in seven garment-exporting countries in Asia are paid below the minimum wage. Non-compliance rates in the sector range from 6.6% of workers in Vietnam to 53.3% in the Philippines. In each of the countries, women are more likely than men to be paid below the minimum wage. Workers with lower levels of education are also more likely to receive a wage below the minimum wage. In several countries, non-compliance is widespread, with a significant proportion of garment workers being paid less than 80% of the minimum wage.

FIGURE 4: NON-COMPLIANCE RATES WITH THE MINIMUM WAGE IN THE GARMENT SECTOR

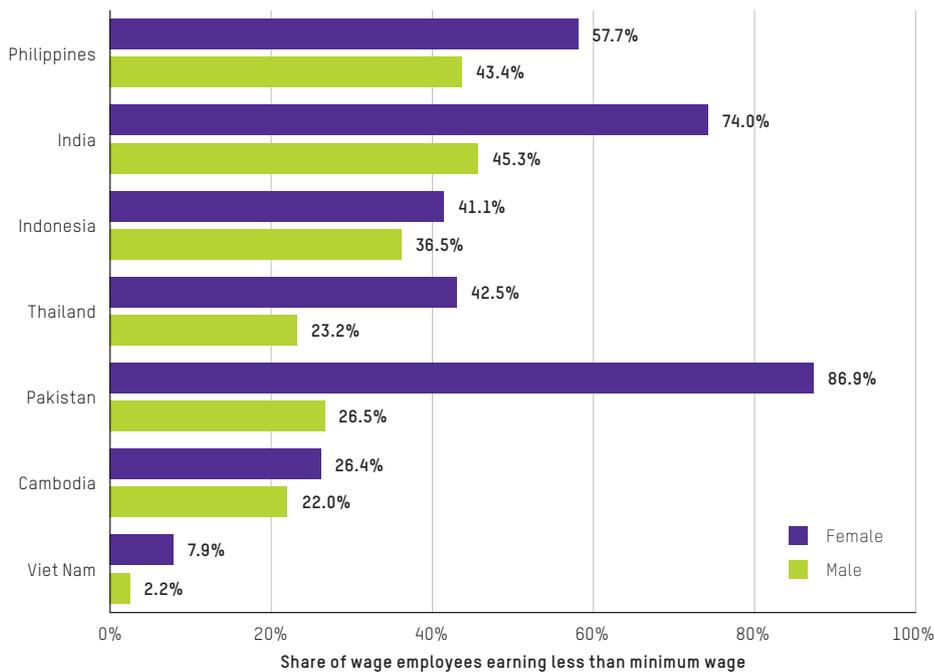


Note: these estimated non-compliance rates differ to those found by the Better Work Programme’s monitoring activities.

Source: International Labour Organization, Weak minimum wage compliance in Asia’s garment industry, see <http://www.ilo.org>

As noted above, the ILO also reported that women are more likely than men to be paid below the minimum wage in the garment sector. For example, in Pakistan, 86.9% of women in the garment sector are paid less than the minimum wage, while the figure for men is 26.5%, meaning there is a gender gap of 60.4 percentage points in compliance rates. India, the Philippines and Thailand also have double-digit gender compliance gaps, but these are much smaller than Pakistan’s disparity.

FIGURE 5: NON-COMPLIANCE RATES WITH THE MINIMUM WAGE IN THE GARMENT SECTOR BY GENDER



Note: these estimated non-compliance rates differ to those found by the Better Work Programme’s monitoring activities.

Source: International Labour Organization, Weak minimum wage compliance in Asia’s garment industry, see <http://www.ilo.org>

A 2011 survey of 122 suppliers by the Fair Labor Association (FLA), a monitoring initiative in which major brands such as Nike, Adidas and H&M participated, also found that 61% of their tier 1 suppliers cheated workers on overtime payments, while 20% reported a starting wage that was below the official national, province or city minimum wage. This figure, the researcher notes, is likely to be underreported due to double bookkeeping and other forms of deceptive social audit practices. The survey also points out that most of the enterprises have working hours that exceed 60 hours per week.²³

PAYING BELOW THE LEGAL MINIMUM IN VIETNAM: A CASE STUDY

Better Work, a program run by the ILO, releases aggregate industry-level compliance data once a year. The latest report covering 207 factories in Vietnam shows that factories struggle to comply with legal requirements pertaining to compensation. Though payment of minimum wages is an area of low non-compliance across Better Work factories in Vietnam, half of factories (50.2%) were found non-compliant in terms of wage information and deductions, mostly due to the persistent practice of keeping multiple or inaccurate payrolls. More than 60% of factories are non-compliant on at least one aspect of overtime pay. A key driver of non-compliance is the use of an inaccurate formula for calculating overtime pay, which ends up underpaying workers in certain months.²⁴

Here it is also relevant to note that, on average, wages in garment manufacturing are 35% lower than the average wage in manufacturing.²⁵ Since garment production is predominantly female, this also widens the gender pay gap.

Adding to the problem of wages often regularly falling below the legal minimum, manufacturers in developing countries often fervently lobby against attempts to increase the minimum wage or improve working conditions. For example, when the Vietnamese Government facilitated the labour code amendment process in 2016, factories proposed to increase the ceiling of overtime limit. They argued that the limit of overtime in the labour code 2012 was not feasible, given the purchasing practices of clients, which would make it impossible to deliver goods on time during peak seasons.²⁶ Similar strong resistance to increase wages has been observed in Bangladesh recently.²⁷

POLICY IMPLICATIONS

Many brands stress a commitment to operating within the laws of the countries from which they source garments, which of course makes sense and can help in having a “licence to operate” and do business. As a result, ethical sourcing policies regularly make a commitment to ensure that workers are being paid legal wages. However, apparel companies committed to ethical sourcing must do more than committing to abiding by local laws, particularly minimum wage laws, if they want to show that they are paying workers a fair wage. As we have shown, legal wages are often far too low, and even these low wages are regularly not enforced. Companies need to commit to paying living wages.

23 D Vaughan-Whitehead, ‘How “fair” are wage practices along the supply chain? Global assessment in 2010-11’.

24 International Finance Corporation (IFC) & International Labour Organization (ILO), *Better Work Vietnam: thematic synthesis report on compensation*, IFC and ILO, December 2015, viewed 12 July 2017, https://docs.google.com/viewerng/viewer?url=http://betterwork.org/vietnam/wp-content/uploads/Thematic-report-3rd-edition_Compensation.pdf&hl=en_US.

25 United Nations Industrial Development Organization (UNIDO), *Industrial development report 2013: sustaining employment growth: the role of manufacturing and structural change*, UNIDO, Vienna, 2013, viewed 12 July 2017, http://www.unido.org/fileadmin/user_media/Research_and_Statistics/UNIDO_IDR_2013_main_report.pdf.

26 Minh Thi, ‘Employers complain amended labour code is “heavy burden”’, *Viet Nam News*, 9 May 2013, viewed 12 July 2017, <http://vietnamnews.vn/society/239081/employers-complain-amended-labour-code-is-heavy-burden.html>.

27 New Nation, ‘55 garment units shut in Ashulia’, *New Nation*, 21 December 2016, viewed 12 July 2017, <http://thedailynewnation.com/news/117871/55-garment-units--shut-in-ashulia.html>.

WHAT ARE THE GLOBAL OBLIGATIONS FOR BUSINESS ON LIVING WAGES?

All organisations — businesses, governments and non-government organisations (NGOs) like Oxfam — have the responsibility to ensure that their practices and policies do not infringe on the human rights of any person. This may seem like an abstract idea, separate from the reality of supply chain practices and where poverty remains a daily experience for many people around the globe.

However, there are clear obligations for businesses set out in international human rights frameworks. These obligations exist no matter the political context and call on businesses to ensure rights are being upheld, even in countries where governments are failing to do so. Any business wanting to move towards ethical supply chain practices needs to be aware of these core obligations and what they call on businesses to do. Importantly, one of these obligations is to ensure the payment of realistically livable wages for workers. (See Annex B for additional information on businesses' responsibility for supply chains, due diligence and remediation processes.)

The notion of a living wage is well embedded in international human rights documents. In other words, receiving a living wage is a human right. The United Nations Universal Declaration of Human Rights, Article 23(3) states:

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family [sic] an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”²⁸

Other international human rights documents also recognise the need for workers to receive a living wage. This includes, among other documents, the United Nations International Covenant on Economic and Social Cultural Rights (1966). The International Labour Organization (ILO), the specialized UN body that deals with labour rights, has long promoted a living wage. In addition, the Conventions and Recommendations that the ILO has formulated concerning minimum wages are intended to lead to wages that provide at least the minimum purchasing power required to buy a “basket” of goods that meets “the needs of workers and their families”. The International Labour Conference (ILC) has adopted 12 specific wage Conventions and Recommendations, of which the following concern the Textiles, Clothing, Leather and Footwear Industries:

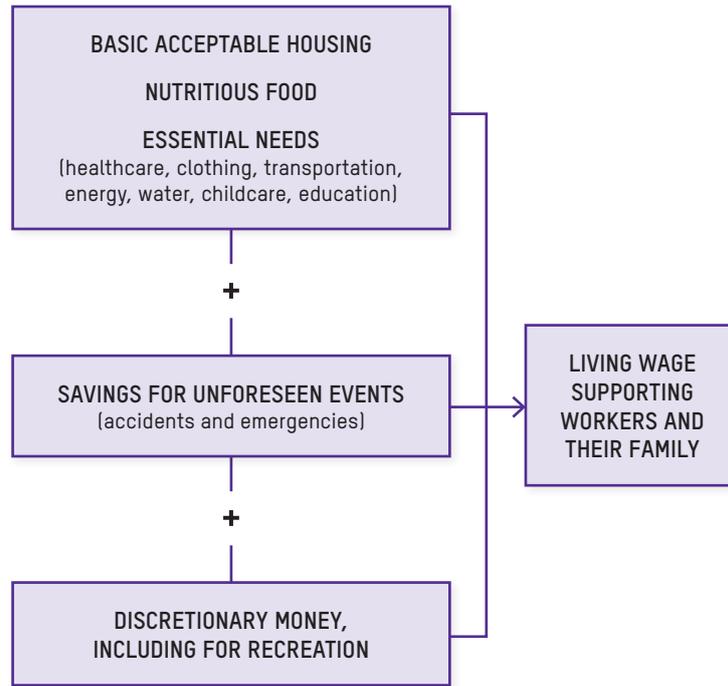
- Protection of Wages Convention, 1949 (No. 95) and Recommendation, 1949 (No. 85);
- Minimum Wage Fixing Convention, 1970 (No. 131) and Recommendation, 1970 (No. 135); and
- Protection of Workers' Claims (Employer's Insolvency) Convention, 1992 (No. 173) and Recommendation, 1992 (No. 180).²⁹

The bottom line is fairly simple: a living wage should be earned in a standard work week by a worker (no more than 48 hours) sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, housing, healthcare, clothing, transportation, energy, water, childcare, education, othe essential needs including some discretionary money and provision for unexpected events. Making a clear public commitment to transition the supply chain to the full payment of living wages will ensure businesses are meeting established global human rights obligations and standards, and are able to articulate their contribution to achieving important global targets, such as the Sustainable Development Goals.

²⁸ Office of the United Nations High Commissioner for Human Rights (OHCHR), *The Universal Declaration of Human Rights*, adopted by the UN General Assembly on 10 December 1948, OHCHR, Geneva, viewed 12 July 2017, http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf.

²⁹ International Labour Organization (ILO), *Wages and working hours in the textiles, clothing, leather and footwear industries*, ILO, Geneva, 2004, viewed 12 July 2017, http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/publication/wcms_300463.pdf.

FIGURE 6: WHAT A LIVING WAGE INCLUDES



LIVING WAGES AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGS)

Commitment by businesses to work towards living wages will also contribute to realising the Sustainable Development Goals (SDGs). These are a global set of goals agreed by all nations to be achieved by 2030. Many businesses have or are developing plans to show how they are contributing to achieving the SDGs. Living wages will directly impact on the achievement of:



SDG one: eradicating extreme poverty



SDG two: ending hunger and all forms of malnutrition



SDG five: achieving gender equality and empowering all women and girls; and



SDG eight: inclusive economic growth, including productive employment and decent work for all.³⁰

³⁰ United Nations Department of Economic and Social Affairs, Division for Sustainable Development (DSD), *Sustainable Development Goals*, DSD, New York, viewed 12 July 2017, <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>.



Photo: Young women who work in factories just outside of Phnom Penh, Cambodia, work long hours in harsh working conditions making clothes for some of Australia's biggest brands. They live in cramped living quarters such as these, with shared toilets. Photo: Bianca Wordley/OxfamAUS.

IN THE SEWING KIT: GLOBAL OBLIGATIONS FOR BUSINESS

-  **BUSINESS AND HUMAN RIGHTS RESOURCE CENTRE** has several key documents, including the *UN Guiding Principles on Business and Human Rights*, as well as explanatory videos, tools for companies to use, a searchable database of topics and an up-to-date newsfeed on the latest best practice examples. (<https://business-humanrights.org/en/un-guiding-principles>)
-  **THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD) RESPONSIBLE BUSINESS CONDUCT PORTAL** contains the *OECD Guidelines for Multinational Enterprises* (<http://mneguidelines.oecd.org/>) as well as a dedicated page on due diligence processes and the textile, garment and footwear sector. (<http://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm>)
-  **THE ETHICAL TRADING INITIATIVE (ETI) BASE CODE** covers a range of the essential human rights issues that multinational companies need to consider in their supply chain policies and practices (<http://www.ethicaltrade.org/eti-base-code>). ETI also has a range of toolkits, guidance notes and training programs.
-  **BUSINESS AND HUMAN RIGHTS: AN OXFAM PERSPECTIVE ON THE UN GUIDING PRINCIPLES** outlines the responsibility of businesses to respect human rights under the *UN Guiding Principles on Business and Human Rights* (UNGPs), also known as the Ruggie Framework. It provides an overview of the UNGPs and gives an Oxfam perspective, including case studies, on key issues for businesses. (<https://www.oxfam.org/sites/www.oxfam.org/files/tb-business-human-rights-oxfam-perspective-un-guiding-principles-130613-en.pdf>)

PART 2: STEPS TOWARDS A LIVING WAGE

GET THE BASICS RIGHT

Apparel brands and garment manufacturers need to understand and recognise what is expected of them when it comes to human rights. They also need to take a few basic steps to be ready and able to set out on a credible pathway to paying living wages in their supply chain.

SUPPLY CHAIN TRANSPARENCY: “KNOW AND SHOW”

Apparel brands and companies need to “know and show” their supply chain. That means knowing the locations where garments are made and publishing the names and locations of all the supplier factories across the supply chain. Published supplier factory lists should be searchable by country, regularly updated (at least every six months) and directly show the supplier factories where clothes are made. Brands should also report on the volume/percentage of sourcing from each country. This level of transparency is important for four reasons.

Firstly, it helps to protect workers’ rights. Transparency enables workers to know which clothing brands are purchasing from their factory. This enables them, or their union or other representatives, to approach the brand directly if problems are not being resolved at the factory level. It means the claims made by the manufacturers about working conditions, pay and safety can much more easily be checked — including through surprise and independent visits to factories. The transparency provided by the combination of publishing brands’ factory details and supply chain policies also allows workers or their representatives to check if factories are meeting the human rights expectations as set out in the standards, policies and codes.

Secondly, it is good for brands and customers. Brands that are transparent about their supply chains reassure consumers that they have nothing to hide and that they stand ready to proactively and positively resolve any disputes or problems that workers or rights-based organisations raise with them. Transparency provides confidence that supply chains are meeting company sourcing guidelines or that there will be remedial action when they don’t. The publication of factory details provides a short circuit for workers to approach brands directly when there is a problem in their factories. This means problems can be resolved more quickly, lowering risk for workers as well as potential costs and risks — including reputational risk — for the brands.

Thirdly, it will help enable better pay and greater compliance with at least current pay legislation for the people in the supply chain. Supply chain transparency means that working conditions and pay rates can be more easily checked — and problems solved. As companies embark on lifting workers’ wages across the supply chain, this level of transparency will help to ensure that the rates claimed to be paid by suppliers really are being paid. It will also help to highlight where there might be trends across factories that are systematically paying below an agreed rate.

Fourthly, it will allow the brands to transparently communicate that they are not moving away from sourcing destinations due to increases in wages, but rather that they are supporting the process by maintaining order volume or increasing the order volume over time.

Several Australian brands have already taken the step of publishing their supplier factories.³¹ Some of these brands have also started on the road to being transparent about other parts of their supply chains, including the sources of their cotton and other materials. Supply chain transparency is fast becoming the norm for any ethically minded Australian-based brand with overseas suppliers.

Some apparel brands have argued that they don’t need to publish their own list of suppliers and factories because they are part of other initiatives that report publicly on a large pool of factories (including some of the factories they use), or because other companies that they work with have published their supplier lists. While these initiatives may have merit, they do not draw a clear line between the factories where clothes are made and the company or brand that sells those clothes. This makes it impossible for workers or others to raise issues directly with the brands because there is no way of easily knowing which factories are in the supply chain.

Others have argued that it is too complex and time-consuming to map and publish their global garment supply chains. In early 2016,

31 Oxfam Australia, ‘End sweatshops now’, online petition, Oxfam Australia, Melbourne, 2017, viewed 12 July 2017, <https://actions.oxfam.org/australia/end-sweatshops-now/petition/en/>.

Australian surf brand Rip Curl faced public and media scrutiny³² because it was found that a supplier had been outsourcing the making of some Rip Curl apparel to a factory in North Korea. Focusing on supply chain transparency would have helped Rip Curl to avoid the risks that came with this public and media scrutiny. In other words, while mapping and publishing the full factory details for all suppliers might seem hard, it encourages brands to scrutinise the suppliers they use and to work with them to ensure that policies and standards have the best chance of being met.

RECOMMENDATION 1:

BRANDS SHOULD PUBLICLY DISCLOSE THE FACTORY LIST AND UPDATE IT REGULARLY. BRANDS SHOULD ALSO REPORT ON THE VOLUME/PERCENTAGE OF SOURCING FROM EACH COUNTRY.

As many large Australian-based garment brands and retailers have already publicly disclosed their supplier list, it is hard to see why any brand that wants to ensure their ethical credentials would ignore the need for supply chain transparency.

IN THE SEWING KIT: SUPPLY CHAIN TRANSPARENCY

 **ON SUPPLY CHAIN TRANSPARENCY** Wesfarmers Group companies Target Australia and Kmart were some of the first adopters in Australia by publishing their factory lists. Check out their websites for examples of supply chain transparency (Kmart: <http://www.kmart.com.au/ethical-factories> and Target: <https://www.target.com.au/company/about-us/ethical-sourcing/factory-list>). Both are easily searchable, clearly state the last date that the list was updated and are updated regularly.

EFFECTIVE GRIEVANCE MECHANISMS

In simple terms, a grievance mechanism is a complaints process: a predictable and structured way for a business's affected stakeholders to bring issues or concerns to the attention of the company and to have those complaints addressed and resolved. Grievance mechanisms provide clear processes that outline who can file complaints, through what means, about what issues, and with what actions in response from the company or the body that receives the complaint. Effective grievance mechanisms not only help companies to respect human rights but also make good business sense.

Effective grievance mechanisms bring several benefits:

- Benefit for workers — the workers have a clear, safe and credible process to raise workplace concerns and they can clarify workplace policies procedures and practices. Overall, they are respected and listened to and become an integral part of the workplace improvement process.
- Benefit for factory management — managers use grievance mechanisms to identify risks and mitigate them; improve productivity, morale and retention; establish clear and transparent communication channels; and gain a commercial advantage with global brands.
- Benefit for brands — brands have considered effective grievance mechanisms within the supply chain as an additional point of data on factory conditions and performance beyond social compliance audits and a safeguard against reputational risk as the issues are identified before they escalate.

In many cases, international brands do not want to take responsibility for issues that occur at the supplier level. Instead, they expect that the factories within their supply chains will manage their grievance mechanisms, often with support from the brands. A few brands

³² C Wahlquist, 'Rip Curl's use of North Korean factories leads to calls for industry transparency', *The Guardian*, 22 February 2016, viewed 12 July 2017, <https://www.theguardian.com/australia-news/2016/feb/22/rip-curls-use-of-north-korean-factories-leads-to-calls-for-industry-transparency> and N McKenzie & R Baker, 'Surf clothing label Rip Curl using "slave labour" to manufacture clothes in North Korea', *The Sydney Morning Herald*, 21 February, 2016, viewed 12 July 2017, <http://www.smh.com.au/business/surf-clothing-label-rip-curl-using-slave-labour-to-manufacture-clothes-in-north-korea-20160219-gmz375.html>.

or retailers have established their own grievance mechanisms for the workers in their supply chains. However, they expect these to be used only when factory-level mechanisms fail to resolve a problem. Brands are also aware of increasing evidence confirming that factories that perform better in managing social risks also perform better commercially.³³ Effective grievance mechanisms at the factory level are therefore increasingly considered by global brands as a proxy indicator of better-performing factories.

RECOMMENDATION 2:

BRANDS SHOULD SUPPORT FACTORIES TO ESTABLISH EFFECTIVE GRIEVANCE MECHANISMS AND PROVIDE FOR COMPLAINTS AND GRIEVANCE PROCESSES THROUGH WHICH WORKERS CAN SAFELY REPORT VIOLATIONS OF WAGES, ENTITLEMENTS, HEALTH AND SAFETY AND OTHER LABOUR RIGHTS ISSUES. BRANDS SHOULD ALSO ESTABLISH A RELIABLE MECHANISM THROUGH WHICH WORKERS CAN REPORT TO BRANDS DIRECTLY IF ISSUES ARE NOT RESOLVED AT THE FACTORY LEVEL.

For grievance mechanisms to be effective, they need to be customised according to the factory, national, cultural and labour relations contexts, workplace demographics and the types of issues that are likely to give rise to complaints. However, some basic criteria should always be taken into consideration:³⁴

LEGITIMATE: For a grievance mechanism to be legitimate, it needs to be trusted by the parties for whom it is intended. Workers feel confident to use the mechanism to raise their concerns rather than using other channels.

ACCESSIBLE: A grievance process needs to be accessible to the workers for whom it is intended. This means first ensuring that:

- a) workers know that the grievance process exists;
- b) workers understand how to use it;
- c) workers feel comfortable using the system without fear;
- d) the process maintains confidentiality; and
- e) the process has multiple options, for example, anonymously written complaints, a telephone hotline and raising complaints through a worker representative or supervisor. Independent organisations can be engaged so that workers can raise issue outside working hours to an independent body and maintain confidentiality if the worker chooses to do so.

PREDICTABLE: Workers need to have a clear understanding of the steps involved in a grievance process. The grievance mechanism should have clearly defined steps, with indicative timeframes for how long each grievance might take to be investigated and addressed, who is involved at what stages of the process, and how information will be treated in terms of confidentiality.

EQUITABLE: The nature of the relationship between workers and factory managers or supervisors by its very nature is hierarchical and unequal. Workers often do not have access to the same resources as factory management. If workers perceive that they are at a disadvantage and the process is unfair, then they will be hesitant to trust or use the system. An equitable best grievance mechanism aims to create opportunities for equal participation for management and workers.

TRANSPARENT: Grievance mechanisms need to find the right balance by reporting to the workers for whom the mechanism is intended about the number and types of complaints that have been filed, the issues raised, the types of outcomes that were reached, and the remedial actions taken by the company to ensure that problems that gave rise to complaints are corrected. This is important to build confidence in the mechanism.

RIGHTS-COMPATIBLE: Any outcome of the grievance process should not fall short of the basic human rights standards as recognised in international human rights law. This also means that workers should be free to raise their concerns through other channels such as national courts or trade unions, where these exist. Grievance mechanisms should not be used to restrict or limit the activities of trade unions or the rights of workers to organise collectively and exercise their right to freedom of association.

Based on dialogue and engagement: The grievance mechanism needs to be developed in consultation with the workers so that they also own the process. The complaints handling process should involve dialogue with the worker filing the complaint so that reasonable resolution is achieved.

33 International Finance Corporation (IFC) & International Labour Organization (ILO), *Progress and potential: how better work is improving garment workers' lives and boosting factory competitiveness, a summary of an independent assessment of the Better Work programme*, IFC and ILO, 2016, viewed 12 July 2017, <http://betterwork.org/blog/portfolio/impact-assessment/>.

34 Office of the United Nations High Commissioner for Human Rights (OHCHR), *Guiding principles on business and human rights: implementing the United Nations "protect, respect and remedy" framework*, OHCHR, New York and Geneva, 2011, viewed 12 July 2017, http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf.

SOURCE OF CONTINUOUS LEARNING: Grievance mechanisms solve problems and prevent problems from arising. The root causes of the complaints need to be identified and addressed so that they do not appear again. Periodically analysing the complaints can also be used to strengthen and improve the grievance mechanism process.

While not undermining the importance of the above criteria, recent research suggests they can be formally met while falling short on delivering effective redress or remedy for human rights violations committed in the context of business activities.³⁵

IN THE SEWING KIT: EFFECTIVE GRIEVANCE MECHANISMS

 **RIGHTS-COMPATIBLE GRIEVANCE MECHANISMS: A GUIDANCE TOOL FOR COMPANIES AND THEIR STAKEHOLDERS** provides a set of guidance points for designing rights-compatible, dialogue-based grievance mechanisms at the operation level (https://www.hks.harvard.edu/m-rcbg/CSRI/publications/Workingpaper_41_Rights-Compatible%20Grievance%20Mechanisms_May2008FNL.pdf)

 **THE NAVIGATIONAL TOOL** designed by ACCESS Facility, offers a way through the landscape of non-judicial grievance mechanisms and helps companies make an informed choice about the most appropriate mechanism for seeking resolution of a specific company-community dispute. ACCESS Facility is a global non-profit organisation that supports rights-compatible, interest-based problem-solving to prevent and resolve conflicts between companies and communities. (<http://www.accessfacility.org/>)

MEANINGFUL WORKER CONSULTATION

Brands need to demonstrate a willingness to engage in meaningful consultation with workers in their supply chain — including those employed through contracts with suppliers. We will go into ways to engage in meaningful consultation with workers around the specific issue of wages later in this paper and deal here with the basic policy settings and approaches companies should take to engage in meaningful consultation with workers.

Unfortunately, most corporate social responsibility (CSR) approaches marginalise the role of workers and their representatives in both workplace-level monitoring processes and governance structures of supply chain CSR (due diligence) initiatives.³⁶ This is true of both in-house auditing regimes or in cases where brands outsource the monitoring of factory conditions to third-party social audit companies. The current methodology of detecting and remediating violations has been widely criticised for failing to deliver results.³⁷ The monitoring systems invented are failing because they lack not only transparency, but also workers' involvement, complaints systems and strategies towards remediation. Beyond this, some brands commit to worker engagement and the principle of freedom of association in their policy statements but fail to follow through on these commitments.

Freedom of association, the right to bargain collectively with other workers and the right of workers' representatives not to be discriminated against for their union activities are fundamental human rights, protected by ILO Core Conventions 87, 98 and 135 as well as in the Universal Declaration of Human Rights (Article 23) and the International Covenant on Economic, Social and Cultural Rights (Article 8). In accordance with the United Nations Convention on the Elimination of All Forms of Discrimination against Women, these rights apply equally to men and women without discrimination. The UN Framework and its Guiding Principles state that a credible due diligence process requires meaningful consultation with potentially affected groups and other relevant stakeholders.³⁸

35 M Miller-Dawkins, K Macdonald & S Marshall, *Beyond effectiveness criteria - the possibilities and limits of transnational non-judicial redress mechanisms*, Non-judicial redress mechanisms report series 1, Corporate Accountability Research, Melbourne, 2016, viewed 12 July 2017, <http://corporateaccountabilityresearch.net/njm-report-i-beyond-the-uns-effectiveness-criteria> and Rights and Accountability in Development (RAID), 'Rethinking the UN guiding principles and company grievance mechanisms', blog post, RAID, London, 17 March 2015, viewed 12 July 2017, <http://www.raid-uk.org/blog/rethinking-un-guiding-principles-and-company-grievance-mechanisms>.

36 N E Zandén & J Merk, 'Private regulation and trade union rights: why codes of conduct have limited impact on trade union rights', *Journal of Business Ethics*, 9 August 2013, pp. 1–13, viewed 12 July 2017, https://www.researchgate.net/publication/258925540_Private_Regulation_and_Trade_Union_Rights_Why_Codes_of_Conduct_Have_Limited_Impact_on_Trade_Union_Rights.

37 S Barrientos & S Smith, *The ETI code of labour practice: do workers really benefit?*, Ethical Trading Initiative (ETI), London, January 2006, viewed 12 July 2017, [http://www.eldis.org/go/home\\$Id=11940&type=Document#.WKL8zLGr3q0](http://www.eldis.org/go/home$Id=11940&type=Document#.WKL8zLGr3q0); P Lund-Thomsen & A Lindgreen, 'Corporate social responsibility in global value chains: where are we now and where are we going?' *Journal of Business Ethics*, vol. 123, pp. 11–22, August 2014, viewed 12 July 2017, <http://link.springer.com/article/10.1007/s10551-013-1796-x>; and D Pruett, J Merk, I Zeldenrust & E de Haan, *Looking for a quick fix: how weak social auditing is keeping workers in sweatshops*, Clean Clothes Campaign, Amsterdam, November 2005, viewed 12 July 2017, <https://cleanclothes.org/resources/publications/05-quick-fix.pdf>.

38 Office of the United Nations High Commissioner for Human Rights, *Guiding principles on business and human rights: implementing the United Nations "protect, respect and remedy" framework*.

In workplaces with a functioning trade union, collective bargaining machinery and effective dispute and complaints mechanisms, workers can monitor working conditions and protect their rights. Trade union rights (freedom of association) thus give workers an opportunity to influence the establishment of workplace rules.

Various brands have taken steps to promote freedom of association in supplier factories. Some brands have worked with trade unions and other labour rights organisations to provide training to workers, union officials and factory managers. This is especially important in areas where trade unions are weak and lack institutional support. This work should be part of a long-term strategic outlook, which will ultimately produce a mature and effective industrial relations system in the countries and regions in which brands source.

Sound industrial relations have multiple benefits, including:

- better worker morale, motivation and working conditions;
- a lower likelihood of conflicts and strikes;
- better teamwork, innovation and productivity;
- the promotion of joint ownership of changes; and
- help workers to adjust to and accept changes in the factory.

There are several good examples of how brands have negotiated agreements with trade unions. For example, H&M and Inditex (best known for its brand Zara) have signed Global Framework Agreements with the global union IndustriALL.³⁹ Other than signing various agreements with global union federations, it is also recommended that brands and retailers create closer relationships with local unions that are daily involved in improving the working conditions in their factories. This is likely to help translate commitments on a global level to the national or even factory level. A good example of this is the Indonesia freedom of association protocol. In the years 2009 to 2011, sportswear companies such as Nike, Adidas and Puma entered negotiations with several Indonesian unions regarding a freedom of association protocol that details how this right should be respected at their Indonesian supplier factories.⁴⁰

Collective bargaining would be the high road towards a living wage. If workers can freely organise themselves in independent unions, they can directly negotiate a living wage. The great advantage of this approach is that it directly involves workers in a locally rooted process of negotiations. Empowered workers at the workplace can monitor and enforce other workplace standards. Unfortunately, the possibilities for workers to negotiate a living wage are limited for a whole range of reasons, including:

- a) no or inadequate legal protection for unions and their members;
- b) union bodies that are unduly influenced by the government or employers;
- c) widespread discriminatory and anti-union practices by employers, making it impossible for many workers to exercise their right to organise; and
- d) employers that refuse to enter into good-faith negotiations.

These practices have undermined, in some instances eliminated, collective bargaining processes at the factory level. However, it is not just local conditions that provide barriers to organising. The way the global supply chain is organised, with its huge concentration of power at the top of the chain, also negatively influences the capacity of workers to organise and protect their own rights.

RECOMMENDATION 3:

BRANDS SHOULD ADOPT A POSITIVE AND PROACTIVE FREEDOM OF ASSOCIATION POLICY AND COMMUNICATE THIS TO FACTORIES AND WORKERS, AS WELL AS ENSURE THAT FACTORIES RESPECT THE WORKERS' RIGHTS TO COLLECTIVE BARGAINING.

39 IndustriALL Global Union, 'Global Framework Agreements', IndustriALL Global Union, Geneva, viewed 12 July 2017, <http://www.industriall-union.org/issues/pages/global-framework-agreements-gfa>.

40 International Trade Union Confederation (ITUC), 'Freedom of Association protocol', ITUC, Geneva, viewed 12 July 2017, http://www.ituc-csi.org/IMG/pdf/F0A_Protocol_English_translation_May_2011.pdf.

RECOMMENDATION 4:

WHERE FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING ARE RESTRICTED BY LAW, BRANDS SHOULD CALL ON COUNTRIES TO FORMALLY RATIFY INTERNATIONAL LABOUR ORGANIZATION (ILO) CONVENTIONS REGARDING FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING⁴¹ AND ENSURE THAT WORKERS ARE ABLE TO HAVE A REPRESENTATIVE SAY IN THEIR WORKING CONDITIONS IN ALL FACTORIES.

⁴¹ Clean Clothes Campaign, Road Map to a Living Wage.

To facilitate freedom of association, brands should:

- ensure workers and trade unions have the resources, skills and training they need to play a meaningful role;
- take steps to ensure that workers are not subject to dismissal, discrimination, harassment, intimidation or retaliation when they join a trade union or participate in trade union activities;
- encourage suppliers to sign access agreements that would give unions access to production sites;
- consider signing the Indonesia freedom of association protocol to promote freedom of association (if sourcing from Indonesia);
- adopt measurable incentives — for example, preferential orders, long-term, stable supply contracts and measurable collective bargaining agreement premiums in unit prices — for factories that have a collective bargaining agreement with an independent trade union;⁴² and
- commit to not increase sourcing from trade zones where there is no freedom of association.

IN THE SEWING KIT: MEANINGFUL WORKER CONSULTATION

 **INTERNATIONAL LABOUR STANDARDS ON FREEDOM OF ASSOCIATION.** Freedom of association is at the core of the ILO's values: it is enshrined in the ILO Constitution (1919), the ILO Declaration of Philadelphia (1944) and the ILO Declaration on Fundamental Principles and Rights at Work (1998). It is also a right proclaimed in the Universal Declaration of Human Rights (1948). (<http://ilo.org/global/standards/subjects-covered-by-international-labour-standards/freedom-of-association/lang--en/index.htm>)

 **INTERNATIONAL LABOUR STANDARDS ON COLLECTIVE BARGAINING.** Collective bargaining allows employers and workers to negotiate a fair employment relationship and prevents costly labour disputes. Strong freedom of association and sound collective bargaining practices ensure that both sides have an equal voice in negotiations and that the outcome will be fair and equitable. (<http://ilo.org/global/standards/subjects-covered-by-international-labour-standards/collective-bargaining/lang--en/index.htm>)

 **ACTION, COLLABORATION, TRANSFORMATION (ACT)** is an initiative between international brands and retailers, manufacturers and trade unions to address the issue of living wages in the textile and garment supply chain. ACT brings together all relevant stakeholders, identifying what each stakeholder's role and responsibility is, and how, if taken together, this can support living wages in a scaled up, sustainable, industry-wide approach. (<http://www.ethicaltrade.org/act-initiative-living-wages>; <http://www.industrial-union.org/industry-bargaining-for-living-wages> and <https://actonlivingwages.com>)

⁴² *ibid.*

ADOPT A POSITIVE AND PROACTIVE GENDER POLICY

Almost universally it is women who make clothes under poor conditions. From Bangladesh to Vietnam, from Cambodia to China, it is mostly female workers who are stitching our garments; hence, most of the labour rights violations involve women workers. This means that respecting labour rights in the garment industry is equally about respecting women's rights and ensuring gender has been considered in the supply chain.

Gender-wage gap

Women workers are over-represented among low-paid workers, which is partly a result of the chronic undervaluation of women's labour more generally and specifically in global garment production. In terms of the hiring process, female and male workers are often hired for different positions. Males are typically hired for ironing, cutting, pressing, warehouse and security positions, but are seldom hired to do the sewing. Most of the supervisors are male, and women workers have less opportunity for promotion. Meanwhile, women are predominantly hired to do the sewing and have little opportunity to be considered for other functions in garment factories. This form of gender discrimination increases the wage gap at the factory level. In most cases, however, the "male" activities are better compensated since women's work is generally perceived as worth less than men's. In countries where collective bargaining on wages is weak, which counts for nearly all the main garment-producing countries, not only does the wage disparity increase, but also the gender pay gap. A living wage will decrease the gender pay gap by raising the "floor".

Health impacts

Long working hours exhaust workers, are hazardous to their health and make family life extremely hard. They can cause injuries from stress and overwork, illness as a result of lowered immune systems and longer recovery from injury or illness. This means that excessive overtime has a negative impact on the health of the workers and has been identified as one of the causes of mass fainting spells. At one H&M factory where 100 workers fainted in 2012, workers allegedly were working up to six hours' overtime a day.⁴³

Malnutrition

As a result of poverty wages, many workers are vulnerable to health concerns associated with malnutrition. A study by Better Factories Cambodia found that "18% of non-pregnant garment workers have moderate to severe anemia compared to around 6% of non-pregnant women in general population".⁴⁴ A report by the Vietnamese National Nutrition Agency found that 3 out of 10 workers in industrial parks in southern provinces were malnourished.⁴⁵ In Bangladesh, research showed similar figures of chronic energy deficiency.⁴⁶ Although addressing the health impact of malnourishment should concern employers from a human rights perspective, for business reasons companies should care as well, as poor nutrition is also associated with low productivity.

Disrupted family life

Long working days have a dramatic impact on female workers with young children. They are unable to survive on the basic minimum wage and are often forced to live apart from their children so they can work adequate overtime hours to survive. Long work days also prevent workers from adequate recovery from the previous work day. Moreover, the excessively long working days do not allow normal mother-child-family relationships to develop, which, of course, has obvious consequences for the children's education, growth and general health.⁴⁷

In many cases, women workers have no choice but to leave their children with relatives in their home villages, which often means that mothers are separated from their children for most of the year.

Low basic wages are not only inadequate to afford childcare, but leaves workers with little choice other than to take as much overtime as possible. In other words, an immediate consequence of wages that fail to meet living standards is a dysfunctional family life. This spatial separation between production and child-raising means that women workers have little choice but to sacrifice their family life.

43 T Nimol & V MacIsaac, 'Forced overtime' claim in H&M mass fainting', *The Phnom Penh Post*, 25 August 2011, viewed 12 July 2017, <http://betterfactories.org/?s=%22forced+overtime%22&lang=en>.

44 Better Factories Cambodia, French Development Agency & Angkor Research, *Garment workers' health and nutrition status, and food provision in factories: a study from selected enterprises in Cambodia*, International Labour Organization, Phnom Penh, May 2016, viewed 12 July 2017, <http://betterfactories.org/?p=11071>.

45 Phuoc Buu, 'Workers Need Proper Nourishment', *Viet Nam News*, 4 September 2012, viewed 12 July 2017, <http://vietnamnews.vn/society/229623/workers-need-proper-nourishment.html#08c0T0v8klX8q7gL.97>.

46 BSR & Global Alliance for Improved Nutrition (GAIN), *Current practices in food and childcare-service provision in Bangladesh's ready-made garment factories*, BSR & GAIN, October 2015, viewed 12 July 2017, https://www.bsr.org/reports/BSR_Current_Practices_Food_Childcare_Service_Provision_RMG_Factories_2015.pdf.

47 Permanent Peoples' Tribunal (PPT), 'Living wage as a fundamental right of Cambodian garment workers', PPT, public hearing, Phnom Penh, 5-8 February 2012, viewed 12 July 2017, http://permanentpeopletribunal.org/wp-content/uploads/2016/02/VerdictCambodiaLASTVERSION-28_febrario1-1.pdf.

Maternity leave

Without secure contracts, employers can easily dismiss women workers at the point they start to have a family. Claiming maternity leave is often difficult. Workers from M&V International, an H&M supplier, have used industrial action to ensure that management stop firing women who are pregnant and give them paid leave instead.⁴⁸ Factories often fail to comply with legal requirements regarding facilitating childcare centers, or providing facilities for breastfeeding women, at their workplaces. In some cases, women workers are even forced to undergo pregnancy tests.

RECOMMENDATION 5:

BRANDS SHOULD ADOPT A POSITIVE AND PROACTIVE GENDER POLICY AND GENDER-SENSITIVE TARGETS, WHICH ARE COMMUNICATED TO FACTORIES AND WORKERS.

Issues to consider include:

- incorporating gender equality as an element in factory assessments, including number of women in senior roles and compliance with fair maternity leave provisions;
- organising training to improve knowledge and awareness of gender-related issues among auditors, factory management and workers leading to better identification and response to issues such as sexual harassment, lack of enforcement of maternity provisions and better inclusion of women's voices;
- ensuring appropriate women's representation in all committees; and
- coordinating with other gender equality stakeholders such as NGOs, relevant ministries and UN Women.

⁴⁸ Aun Pheap, 'National Road 2 Blocked by 2,000 Protesters', *The Cambodia Daily*, 20 June 2013, viewed 12 July 2017 <http://www.cambodiadaily.com/business/national%E2%80%88road-2-blocked-by-2000-protesters-31364/>.

MAKE A COMMITMENT

WHAT IS A LIVING WAGE AND WHAT DOES IT LOOK LIKE?

A living wage is a wage that is high enough to enable workers and their families to meet their needs for nutritious food and clean water, shelter, clothes, education, healthcare, energy, childcare and transport, as well as allowing for some savings and discretionary income.

Decent work would enable garment workers to extricate themselves from the cycle of poverty, elevate their economic status and maintain their dignity. This requires a wage that would enable a worker to have adequate and nutritious food, safe shelter and allow for some savings to cover costs of such contingencies as sickness, childbirth and education. It would also cover workers' dependents and be based on a "normal" — maximum 48-hour — working week (excluding overtime). Several methodologies can be used to calculate a living wage and we go through these in detail later in the section on adopting a living wage benchmark.

However, the first step that brands are expected to take is to issue a statement of policy that defines their human rights responsibility regarding the payment of living wages. Most brands and retailers already have a code of conduct that reflects a set of labour standards. However, most brands' codes of conduct refer only to a minimum or prevailing industry wage, while the right to a living wage goes unaddressed. This is problematic as we have seen because legal minimum wages often fail to protect workers and their dependents in low-wage occupations.⁴⁹ The same can be said of prevailing wages, which, in the garment industry, may be higher than the legal minimum wage but usually still fall short of a living wage based on local standards. Companies committed to ethical sourcing must do more than committing to abiding by local laws, particularly minimum wage laws, if they want to show that they are paying workers a fair wage.

RECOMMENDATION 6:

BRANDS SHOULD EXPRESS PUBLICLY, FOR EXAMPLE IN THE CODE OF CONDUCT AND ON THE WEBSITE, A COMMITMENT TO RESPECTING THE RIGHT TO A LIVING WAGE AND A COMMITMENT TO EMBEDDING THE POLICY IN THE WAYS IT DOES BUSINESS. THE COMMITMENT SHOULD CLEARLY SPELL OUT THAT WITHIN 12 MONTHS A ROADMAP TO LIVING WAGES WILL BE DEVELOPED AND PUBLICLY SHARED AND THE BRAND WILL CONTINUOUSLY WORK TOWARDS IMPLEMENTING A LIVING WAGE IN THE SUPPLY CHAIN, IDEALLY WITHIN THREE TO SIX YEARS.

A credible policy commitment on living wages should include the following:

- A clear commitment to living wages with a timeline to develop and implement living wages within the organisation and across supply chain.
- A commitment to transparency in the supply chain.
- A commitment to freedom of association and working constructively and collaboratively with independent worker organisations and unions.
- The CEO and Board of Directors should publicly endorse the living wage policy commitment to show that the company is committed from top to bottom.
- The company's living wage policy commitment should be communicated to all personnel, suppliers, business associates and other parties directly linked to its operations.⁵⁰

However, adopting a policy commitment to work towards living wages is only a beginning. As the UN Guiding Principles point out, "good intentions" alone are not enough. The company is expected to develop practices that translate human rights principles into a plan that can be implemented. This requires a comprehensive road map to be established that eventually leads to a living wage within a reasonable period of time.

49 Fair Wear Foundation, *Study on wages in China*, Fair Wear Foundation, Amsterdam, August 2010, viewed 12 July 2017, http://www.fairwear.org/ul/cms/fck-uploaded/archive/2010-08/fwf_-_study_on_wages_in_china_en_-_2010.pdf and A McMullen, *Shop 'til they drop, fainting and malnutrition in garment workers in Cambodia*, Labour Behind the Label and Community Legal Education Centre, viewed 12 July 2017, <http://labourbehindthelabel.net/wp-content/uploads/2015/10/shoptiltheydrop.pdf>.

50 Office of the United Nations High Commissioner for Human Rights, *Guiding principles on business and human rights: implementing the United Nations "protect, respect and remedy" framework*.

“Business needs to demonstrate that it contributes to the common good. The living wage is one of the most powerful tools for business to contribute to their workers’ human rights.” — Phil Bloomer, Executive Director, Business & Human Rights Resource Centre⁵¹

DEVELOP A LIVING WAGE ROADMAP

Policies and a commitment to living wages are only the beginning. Brands need to manifest this commitment by agreeing to create and publish a company roadmap to achieving living wages. Roadmaps to living wages must be public and companies should make clear the timeframe in which they expect to have developed a roadmap at the point of committing to moving towards paying living wages in their supply chain.

IDENTIFY AND ASSESS CURRENT WAGE PRACTICES

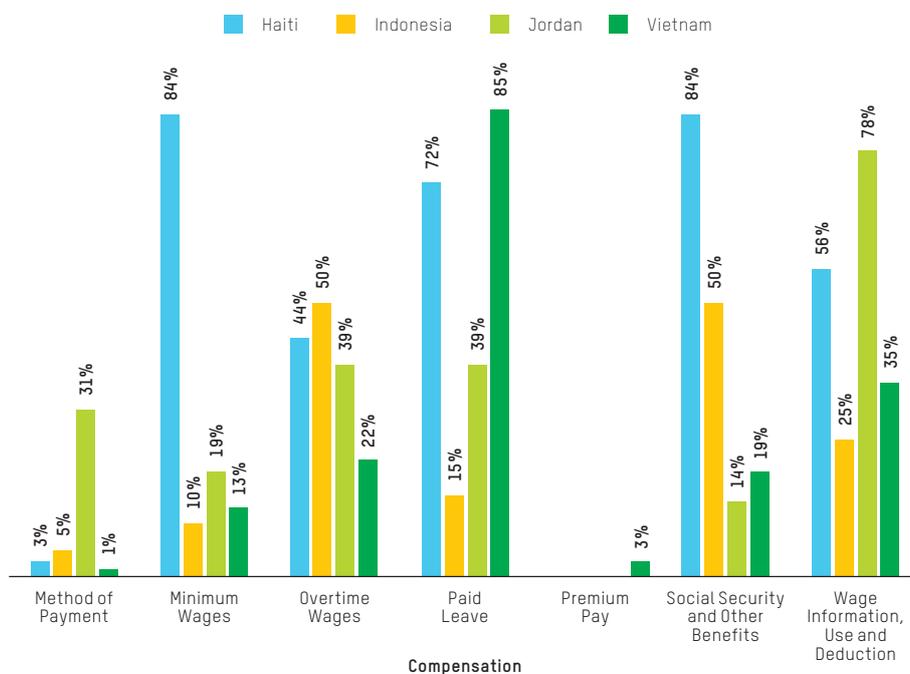
The **first step** in developing a living wage roadmap involves assessing actual or potential human rights impacts throughout a company’s operations. This requires not only learning what wages are currently being paid but also establishing whether there is a gap between wage levels and what a living wage would be in monetary terms.

This involves **mapping** a brand’s entire structure, including its supply chain and business relationships and the risks to human rights that may occur in this chain. It requires data to be collected, which will lead to a clear understanding of the severity of the risks of various human rights impacts. It should also clarify wages currently being paid in the supply chain and where these wages fall short of a living wage.

For brands operating in the fragmented garment industry — with multiple layers of overseas suppliers — mapping can become a complex process. However, human rights due diligence means that all parties involved in providing services and manufacturing goods be included in the process.

Fact-finding should be tailored to the various sourcing locations. This is important because the **cost of living** varies significantly from country to country as does the prevalence of certain types of wage violations. Some countries are characterised by a predominance of irregular wage practices (or “wage theft”), while other countries may exhibit a high propensity for wage discrimination.

FIGURE 7: NON-COMPLIANCE RELATED TO COMPENSATION



Source: Better Work: Stage II global compliance synthesis report 2009–2012, see <http://betterwork.org>

51 R Wilshaw, *Steps towards a living wage in global supply chains*.

RECOMMENDATION 7:

BRANDS SHOULD COMPILE INFORMATION ON WAGE POLICIES AND PRACTICES OF THE SUPPLY CHAIN TO IDENTIFY THE WAGE GAP BETWEEN THE CURRENT WAGE AND LIVING WAGE AND RISKS TO HUMAN RIGHTS IN THE CHAIN.

ENGAGE AND CONSULT WORKERS ON WAGES

Countries with poor wage practices are often also the same countries where freedom of association and collective bargaining go largely unprotected. Many governments restrict, undermine, obstruct or outlaw independent trade unions, while employers (manufacturers) can be hostile toward trade unions, often refusing to bargain in good faith. As a result, few workplaces are covered by collective bargaining agreements. At the same time, however, this should not distract from the immediate need to address current wage practices. In other words, the absence of trade unions should not be used as an excuse not to pay a living wage.

Even in workplaces where trade unions exist, they often lack the bargaining power to negotiate a living wage. Since manufacturers often operate on slender profit margins (given the downward pricing practices of brands), they believe that any wage increase will be detrimental to profit margins and may even lead to the factory's closure. This obviously limits the space where workers can negotiate for higher wages. It is also one reason why statutory minimum wages tend to act as a ceiling rather than a floor for most workers. That is why brands need to commit to raising wages significantly by adopting a living wage benchmark. This is also important because without a concrete monetary figure it remains impossible for companies to show that they are delivering on their living wage commitments.

A positive example of a coordinated approach is Action, Collaboration, Transformation (ACT).⁵² Seventeen brands — including Australian Company Kmart alongside Next, Pentland, C&A, H&M and New Look — have thus far entered into a partnership with IndustriALL Global Union by signing a Memorandum of Understanding. The initiative seeks to improve wages by promoting collective bargaining, including across the industry at the national level, improving productivity and addressing purchasing practices. The benefit of collective bargaining agreements is that they become legally binding and enforceable. This initiative also promotes industry-wide action.

RECOMMENDATION 8:

BRANDS SHOULD ENSURE, AND IF NECESSARY FACILITATE, MEANINGFUL AND TRANSPARENT DISCUSSION AND NEGOTIATION BETWEEN WORKERS AND MANAGEMENT TO DETERMINE STEPS TO LIVING WAGES AND AGREE ON PLANS TO ACHIEVE THEM.

Meaningful consultation with the workers includes the following:

- On the factory level, global brands should participate in — and, if necessary, help facilitate to set up — a democratic structure/ system for dialogue between worker representatives and management on the achievement of a living wage.
- Brands should actively collaborate with other brands and engage with national and international unions so that unions can get access to the factories to support workers to organise and facilitate freedom of association.
- On the national level, global brands independently or collectively should discuss the living wage roadmap with national living wage committees. This can be organised via roundtables or other forms of discussion.
- On the regional/national level, global brands independently or collectively can enter into discussions/agreements with appropriate alliances or bodies to implement a living wage.
- Brands should assure workers, their representatives and factory management that they will not relocate orders as a response to higher wage initiatives.
- Brands should be willing to pay more, enabling the factories to pay a living wage.
- Where possible, wage changes should be based on a collective bargaining agreement.⁵³

⁵² ACT: Action, Collaboration, Transformation, viewed 14 August 2017, <https://actonlivingwages.com>

⁵³ Clean Clothes Campaign, *Road map to a living wage*.

Engagement with workers is an ongoing process. Brands should ensure workers' views on wages and conditions are taken into account before a living wage benchmark is adopted. This is, of course, not the only time brands will need to ensure workers are consulted on implementing living wages. Getting to living wages will be a slow process, likely to stretch over years. That means brands will need to ensure workers are consulted at each stage throughout the process. Having the basics right, as outlined in the previous section, to ensure worker representation, strong grievance and complaints processes and so on will help in making this ongoing consultation with workers smoother and easier to achieve. Please refer to **Annex C** for a recommended step-by-step approach for consultation and negotiation.

IN THE SEWING KIT: ENGAGE AND CONSULT WORKERS ON WAGES

-  **NEGOTIATION GUIDE** prepared by Robert Heron and Caroline Vandenabeele explains what negotiation is and sets out, in simple language, the steps which can be followed to make negotiations more constructive and successful. (http://staging.ilo.org/public/libdoc/ilo/1997/97B09_161_engl.pdf)
-  **BEST PRACTICE GUIDE ON CONSULTATION AND COOPERATION IN THE WORKPLACE** developed by the Australian Government's Fair Work Ombudsman outlines how to develop and implement effective consultation mechanisms that encourage the cooperation and engagement of employees and management. (<https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/best-practice-guides/consultation-and-cooperation-in-the-workplace>)

ADOPT A LIVING WAGE METHODOLOGY, BENCHMARK AND TIMEFRAME

There are various ways to estimate a living wage.⁵⁴ In this section, we first discuss the different elements that make up a living wage. We then discuss two different methodologies. A living wage is a formula, based on the cost of living in each country. However, to calculate it, one needs to be specific about the following variables, which will impact the exact amount at which the living wage is set.

a. Basic needs

Basic needs can be divided into food items and non-food items. The various food items that constitute a nutritious diet are generally calculated in terms of number of calories per person it should contain. The Asia Floor Wage (AFW) draws on the Indonesian Government research and recommendations and uses 3,000 calories per day; other approaches set the threshold at 2,100 calories. The number of calories a person needs varies greatly depending on gender, age, height, weight and level of physical activity. However, calculation of a living wage should be based on at least 3,000 calories of daily food intake and/or a low-cost nutritious diet that meets WHO recommendations on calories, macronutrients and micronutrients.

The value of non-food items is calculated by establishing a list of items a worker would need. This includes items such as housing, clothes and footwear, healthcare including maternity care, childcare, education, fuel, transportation, savings, and so on. How much a worker spends on non-food items can be estimated as a certain percentage of how much is spent on food items. This means that non-food costs can be estimated by multiplying food costs by a non-food "multiplier". This method is known as the "extrapolated food basket approach". There is a well-established empirical relationship between income and the proportion of expenditure on food. This relationship is known as Engel's Law, which states that as people's income rises, they spend relatively less of the household's budget on food. To calculate a living wage then requires determining the ratio of food to non-food costs. It is important to note that a living wage is calculated as a basic net wage, that is, before bonuses and benefits. This is important because bonuses and benefits are typically not accessible for all workers.

b. Discretionary income

Most living wage approaches also include a small amount that would allow workers to save for unforeseen events like illnesses. This margin — often set at 5% or 10% — is called discretionary income.

⁵⁴ R Anker, *Estimating a living wage: a methodological review, conditions of work and employment series no. 29*, International Labour Office, Geneva, 2011, viewed 13 July 2017, http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_162117.pdf.

c. Average household size

A living wage is a family wage, as the ILO has established.⁵⁵ Living wage definitions, hence, normally include the notion that wages should support more people than just the individual worker. This requires a notion of the average number of a worker's dependents, which varies from one place to another.

d. Length of the working week

How many hours does a worker have to work to earn a living wage? Labour rights advocates agree that a living wage must be earned during each country's legal maximum working week, though not above 48 hours, in line with ILO standards.

e. Goods and/or services that are provided by employers or government

Some methodologies also account for the goods and/or services provided by employers or governments. This includes, for example, housing or meals provided by the employers, or government subsidies on transport, which counts as non-cash income.

EXAMPLE 1: ASIA FLOOR WAGE

The Asia Floor Wage Alliance⁵⁶ was formed in 2005 and includes more than 60 organisations, which constitute a network from more than 13 countries across Asia, Europe and North America, to represent the garment industry, trade unions, NGOs, consumer groups and research institutes. The alliance has defined its own formulae and methodology to calculate a living wage. It recognises that the way the apparel industry is organised places severe limits on the ability of workers to improve wages and working conditions in developing countries. In the light of these difficulties, the AFW campaign calculates a living wage — in terms of purchasing power parity dollars — for a range of Asian countries. Its mission is to campaign for a living wage across Asia because it realises that improving wages in a particular country makes it vulnerable to capital relocation. The purpose is, hence, to create a social floor, a level playing field, by taking wages out of the equation.

The Asia Floor Wage is defined as a living wage that “is based on income required for a single earner to support a family of four (two adults and two children) by working a legal maximum working week (but no longer than 48 hours), excluding any payment for overtime or other bonuses/allowances. [It also] accounts for the cost of a fair amount of food per day, plus other essential living costs such as healthcare, housing, clothing, childcare, transportation, fuel, education, etc.” Its methodology consists of five steps:⁵⁷

STEP 1: Each participating country carries out a basic food basket research. This is done by local stakeholders. The cost of food is calculated on the basis of 3,000 calories being consumed by one adult per day. It covers a basic but healthy food basket, collected from areas where workers shop.

The alliance argues that a living wage should meet the basic needs of three consumption units.⁵⁸

STEP 2: The daily cost is then multiplied by 30 to get the monthly food cost of an individual, and then again by three units of consumption to arrive at the monthly food cost of the family. This should be earned within a normal work week, but no greater than 48 hours per week and without overtime.

STEP 3: Calculate the non-food expenditure. As in most Asian countries workers spend approximately 50% of income on food, the alliance decided on a 50%-50% weightage between food and non-food items. Hence, by doubling the food cost figure, the alliance arrives at a living wage for each country.

STEP 4: Using the World Bank's Purchasing Power Parity (PPP) conversion factor, this national living wage is converted into a PPP dollar figure. The PPP is an imaginary World Bank currency built on the consumption of goods and services by people, allowing the standard of living between countries to be compared regardless of the national currency.

STEP 5: Once the PPP dollar figures for each country were gathered together, the AFW Alliance member organisations arrived at a consensus on the appropriate AFW PPP dollar figure for the region, which could be a simple average of the national PPP dollar figures. This PPP figure — the Asia Floor Wage — can then be converted back into local currencies to get the AFW for each country. As the AFW Alliance argues, a regional floor wage figure “necessarily falls within a spectrum of ideal wage demands in different countries”. It continues: “There is no magic spell with which to decide on a figure from this range ... this can only be decided through a political process of deliberation, discussion and consensus-building between different national alliances.”⁵⁹

55 *ibid.*

56 Asia Floor Wage Alliance, *Calculating a living wage*, Asia Floor Wage Alliance, New Delhi, October 2013, viewed 13 July 2017, <http://asia.floorwage.org/calculating-a-living-wage>.

57 J Merk, *Stitching a decent wage across borders, the Asia Floor Wage proposal*, Asia Floor Wage Alliance, New Delhi, 2009, viewed 13 July 2017, <<https://cleanclothes.org/resources/publications/afw.pdf>>.

58 An adult counts as one consumption unit; a child counts as a half consumption unit.

59 J. Merk, *Stitching a decent wage across borders, the Asia Floor Wage proposal*.

The AFW base year was 2009 when it was calculated for the first time. Naturally, the figure needs to be regularly updated to account for price increases or inflation. This is done yearly by using Consumer Price Indexes from the various countries. In addition, the AFW Alliance carries out food basket research every four or five years in the different countries to re-ground the figure using real costs once again. This is done by using market prices on areas where workers buy their foods. For 2015, the AFW was set at 1,021 PPP dollars. **Table 1** shows how this would translate into local currency.

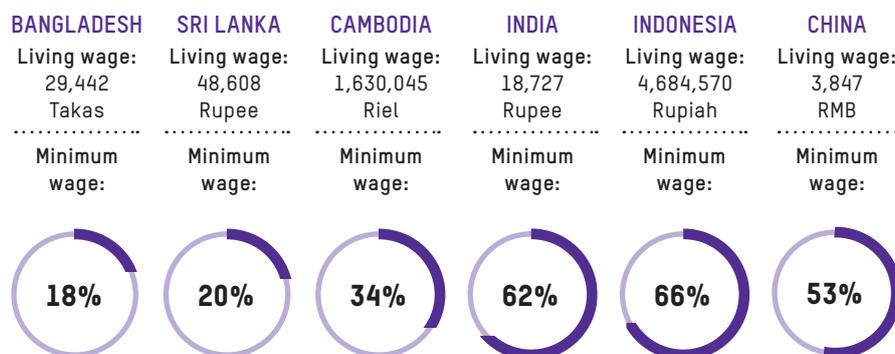
TABLE 1: ASIA FLOOR WAGE PER MONTH

COUNTRY	ASIA FLOOR WAGE IN LOCAL CURRENCY/MONTH	ASIA FLOOR WAGE IN AUD/MONTH AS OF MARCH 2017
Bangladesh	29,442 taka	\$488
Cambodia*	1,630,045 riel	\$537.72
China	3,847 yuan	\$740.18
India*	18,727 rupee (INR)	\$373.54
Indonesia*	4,684,570 rupiah	\$465.59
Malaysia	1,643 ringgit	\$490.21
Nepal	32,310 rupee (NPR)	\$402.69
Pakistan	31,197 rupee (PKR)	\$395.85
Philippines	20,247 peso	\$535.43
Sri Lanka*	48,608 rupee (LKR)	\$426.94
Thailand	13,359 baht	\$502.24
Vietnam	8,949,153 dong	\$521.88

Source: AFW website: <http://asia.floorwage.org/asia-floor-wage-in-local-currency>.

* Countries that used food basket research.

FIGURE 8: MINIMUM WAGE AS A PERCENTAGE OF LIVING WAGE ACCORDING TO ASIA FLOOR WAGE ALLIANCE CALCULATION



Source: AFW website: <http://labourbehindthelabel.org/campaigns/living-wage/>

EXAMPLE 2: ANKER’S APPROACH

Six sustainability standard organisations⁶⁰ committed to a living wage and united under the ISEAL Alliance use an approach developed by living wage experts Richard and Martha Anker to calculate a living wage. This is defined as follows:

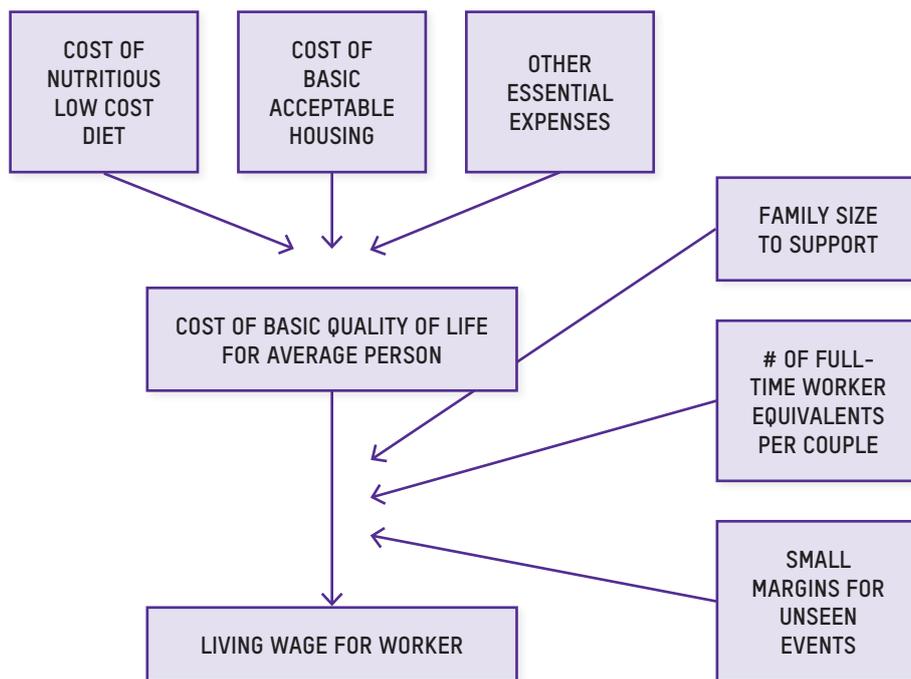
“Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.”

They commissioned living wage benchmarking studies in a few cities and provinces. Their living wage methodology consists of two main components.⁶¹ The first step establishes the cost of a basic but decent lifestyle for a worker and her or his family in a particular place. Living costs are calculated by looking into the local prices of food, housing and other essential needs, taking into consideration international standards on food and housing. Unlike other approaches, Anker separately calculates the cost of housing because of large differences between rural and urban areas. Other non-food essentials are calculated by using an extrapolation method based on secondary household expenditure data. Anker’s approach also determines the average size of a family for a location and its number of full-time equivalent workers.

The second component is to determine how workers are paid, which excludes overtime and productivity bonuses (unless they guaranteed); takes into account mandatory taxes as they can impact real income; and considers “fair and reasonable value for in-kind benefits” as they reduce the amount of cash income workers require for a decent living standard. Lastly, the methodology includes advice on how to deal with different types of labour relations such as standard employment, temporary or seasonal labour and piece rates.

Compared to the AFW methodology, Anker’s approach provides more precise data on actual non-food costs in different contexts. The disadvantage is that the market basket research requires more time and resources.

FIGURE 9: FLOW CHART OF ANKER’S METHODOLOGY FOR ESTIMATING A LIVING WAGE



Source: Global Living Wage Coalition, A shared approach to estimating living wages, see <http://www.isealalliance.org>

60 The Global Living Wage Coalition comprises ISEAL members Fairtrade International, Forest Stewardship Council, GoodWeave, Sustainable Agriculture Network/Rainforest Alliance, Social Accountability International and UTZ Certified. See: <http://www.isealalliance.org/our-work/improving-effectiveness/global-living-wage-coalition>.

61 R Anker & M Anker, A shared approach to estimating living wages, Global Living Wage Coalition, November 2014, viewed 13 July 2017, http://www.isealalliance.org/sites/default/files/Global_Living_Wage_Coalition_Anker_Methodology.pdf.

OXFAM AND LIVING WAGES

A living wage does more than keep people out of poverty. It allows them to participate in social and cultural life and afford a basic lifestyle considered acceptable by society at its current level of development.

Oxfam defines a living wage as one which for a full-time working week (without overtime) would be enough for a family to meet its basic needs and allow a small amount for discretionary spending. Workers should have right to participate in defining what is a living wage for them.

THE RIGHT TO A LIVING WAGE

A living wage is the remuneration received for a standard work week by a worker (no more than 48 hours) sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food housing, healthcare, clothing, transportation, energy, water, childcare, education, and some discretionary money and provision for unexpected events.

LIVING WAGE BENCHMARKS

Companies and brands should be transparent about the living wage benchmarks they are working towards. This could be done either by calculating a living wage employing Anker's methodology or adopting an existing living wage benchmark, for example, the one calculated by the Asia Floor Wage Alliance. Adopting a public benchmark would be useful in at least four important ways:

1. Without a living wage benchmark, it would be difficult to measure the gap between minimum and living wages. These assessments do not need to start from scratch because many countries have already established living wage benchmarks, like those of the Asia Floor Wage Alliance or the studies being undertaken by ISEAL. At the same time, companies should be transparent about the benchmarks they adopt. Otherwise, it would remain unclear what gap their wage policy seeks to bridge.
2. By adopting a living wage benchmark, brands can measure progress over time. Brands should let their suppliers know that implementation of a living wage within a transparent timeline will be a condition for future orders.
3. A living wage benchmark would also help to calculate labour costs. Furthermore, it should be embedded into the brand's purchasing practices to ensure that suppliers are properly compensated for the implementation of a living wage. We return to this issue in the following section where we discuss the need for **fair purchasing practices**.
4. Lastly, endorsing a credible living wage benchmark would make it easier for workers at supplier factories to negotiate a living wage. Without this kind of commitment, a factory owner can easily claim that the factory cannot afford higher wages because their margins are too small in relation to the prices they receive from the brands. The knowledge that brands have committed to a specified living wage figure provides workers with the space they need to negotiate a living wage.

RECOMMENDATION 9:

BRANDS SHOULD ADOPT AN EXISTING LIVING WAGE BENCHMARK OR CALCULATE A LIVING WAGE USING ESTABLISHED METHODOLOGIES. THIS CALCULATION SHOULD BE BASED ON AT LEAST 3,000 CALORIES OF DAILY FOOD INTAKE AND/OR A LOW-COST NUTRITIOUS DIET THAT MEETS WORLD HEALTH ORGANIZATION (WHO) RECOMMENDATIONS ON CALORIES, MACRONUTRIENTS AND MICRONUTRIENTS. BRANDS SHOULD BE TRANSPARENT ABOUT THE LIVING WAGE DEFINITION, METHODS AND BENCHMARKS.

IN THE SEWING KIT: ADOPT A LIVING WAGE BENCHMARK

 **THE ASIA FLOOR WAGE ALLIANCE** is a global coalition of trade unions, workers' rights and human rights organisations. The Asia Floor Wage is calculated in purchasing power parity, allowing standard of living between countries to be compared regardless of the national currency. (<http://asia.floorwage.org/> calculating-a-living-wage)

(Continued overleaf...)

IN THE SEWING KIT: ADOPT A LIVING WAGE BENCHMARK

 **THE GLOBAL LIVING WAGE COALITION** brings together six of the world's most influential sustainability standards to improve wage levels in certified supply chains. The coalition, in partnership with Richard and Martha Anker have developed a methodology for calculating living wage, developing a set of country-specific living wage estimates, and testing them in various sectors and countries. (https://www.isealalliance.org/sites/default/files/Global_Living_Wage_Coalition_Anker_Methodology.pdf)

 **FAIR WEAR FOUNDATION (FWF)** is a Dutch-based independent, non-profit organisation that works with companies and factories to improve labour conditions for garment workers. FWF's 80 member companies represent more than 120 brands. FWF has developed an easy-to-use online tool that helps brands compare current wages against a range of wage benchmarks per country, including minimum wages, prevailing industry wages, living wage estimates and differentials between the wages male and female workers receive. This methodology can be used to develop step-by-step implementation strategies on how to improve wages. Several companies, including Bestseller, G-Star, New Look, Puma, Switcher, Takko and Tchibo have all started using these wage ladders. (<http://www.fairwear.org/563/wage-ladder/>)

ADAPT SOURCING PRACTICES

If the first step of human rights due diligence is to assess and understand the extent of the human rights risks at a factory, the second step should be to assess the impact of a company's purchasing activities on (living) wages. A company should, according to UN Guiding Principle 13b, "seek to prevent or mitigate human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts".⁶² This is sometimes referred to as the "do no harm" principle. If a company contributes to the rise of adverse human rights impacts that were originally caused by other parties, the question of complicity arises. This is especially relevant when companies outsource production processes to third parties and thus may "benefit from an abuse committed by that party" (commentary from UN Guiding Principle 17).⁶³

A company is expected to integrate the findings of their impact assessment "across relevant internal functions and processes, and take appropriate action throughout it" via "internal decision making, budget allocation and oversight processes" (UN Guiding Principle 19), which would allow the company to effectively respond to such impacts.⁶⁴ If a company notices that its purchasing practices have a potentially adverse impact on human rights — or have the potential to do so — it should take appropriate steps to mitigate, prevent and remedy these practices.

This is very different from how supply chain monitoring generally takes place. Too many brands and retailers simply demand that their suppliers comply with ethical standards but fail to critically assess how their own practices contribute to human rights violations. For instance, suppliers cannot be expected to increase wages if their factory gate prices are decreasing significantly and/or brands are threatening to move to a lower cost destination. The circumstances under which factories produce are broadly based on the purchasing practices of their clients. Sourcing practices that are one-dimensionally designed to maximise profits and transfer risk down the supply chain to the manufacturers and subcontractors will simply contribute to a decline in wages, abuses by management, short-term contracts and excessive overtime practices.

For example, Ethical Trading Initiative (ETI) Norway's survey of purchasing practices found that 65% of responding suppliers said they accepted lower prices than total production costs per unit.⁶⁵ Suppliers accept these practices because they fear they may otherwise lose a brand. But these lowered prices will almost inevitably lead to irregular wage practices. Until companies recognise that their own sourcing and purchasing practices are one of the root causes of poor labour standards, they will not resolve the problems in their supply chains.⁶⁶ In other words, brands should adequately compensate suppliers to ensure that suppliers can pay a living wage.

62 Office of the United Nations High Commissioner for Human Rights, *Guiding principles on business and human rights: implementing the United Nations "protect, respect and remedy" framework*.

63 *ibid.*

64 *ibid.*

65 Ethical Trading Initiative Norway, *Suppliers speak up: how responsible purchasing practices can improve working conditions in global supply chains*, Ethical Trading Initiative Norway, Oslo, September 2014, viewed 13 July 2017, <http://etiskhandel.no/Artikler/11336.html>.

66 T Connor & K Dent, *Offside! Labour rights and sportswear production in Asia*, Oxfam International, Oxford, 2006, p.83, viewed 13 July 2017, <http://resources.oxfam.org.au/pages/view.php?ref=177>.

It is therefore necessary for brands to ensure that their purchasing practices do not contribute to adverse human rights impacts. This requires brands to factor in the compliance costs associated with decent working conditions when negotiating pricing structures with their suppliers. Without a living wage benchmark, it remains unclear how brands can ensure that their prices will cover the labour costs of a living wage.

Pricing is probably the single most important area where brands need to critically assess their current practices. But other unsustainable sourcing practices such as the frequent switching of suppliers or the sudden cancellation of orders can also undermine a manufacturer's ability to comply with ethical standards.⁶⁷ Shorter lead times to meet the demand of fast fashion also encourage brands and suppliers to keep the wage low so that workers are compelled to work excessive overtime to meet their basic needs.

Switcher is a medium-sized Swiss clothing brand that has pioneered a “**brand bonus**” approach, which involves setting aside 0.025 euros per garment for a portion of their collection, and to ensure that this is passed along to the workers in the form of increased wages.⁶⁸ Switcher also created a solidarity fund to which it donates an additional 1% of the factory price (or Freight on Board price) per order. This would double workers' wages if Switcher had a 100% share in a factory, but, Switcher only accounts for 6% of a factory's total turnover. Every year in June, workers receive a bonus, which is shared among all workers, not just production line employees working solely for Switcher (which would be unfair and impractical). Although the scale of this fund has been limited, the approach merits praise as it shows how brands can take concrete steps to improve wages. In the Switcher model, each brand sourcing from a factory must contribute its fair share based on a percentage of factory volume to close the gap between the prevailing wage and a living wage.

There is a significant amount of literature that shows how purchasing practices impact working conditions.⁶⁹ The Fair Wear Foundation, for example, has created a **brand performance check guide for affiliates**. This check guide is used as a tool to evaluate and report on how the managerial activities of its members support the implementation of ethical standards at their suppliers. It includes a number of useful indicators that reflect how the managerial practices of brands support (or constrain) ethical working conditions, which covers such practices as production planning and actions companies take to implement living wages. The advantage of this approach is that it is based on multi-stakeholder oversight and not just dependent on companies monitoring their own practices.

This is also important because “simply” ensuring that suppliers are adequately paid to make a living wage possible is not enough. It also requires a mechanism that will ensure that the money ends up being paid to workers in increased wages. It would be difficult to effectively monitor suppliers from the outside without stakeholder involvement to establish to what extent factories are honestly working toward the goal of a living wage for their employees.⁷⁰

When a brand commits to a living wage, it should adequately compensate its suppliers for instituting a living wage. **ActionAid** UK has developed a manual that outlines, in eight steps, how a costing model could help brands “**ring-fence**” a living wage during pricing negotiations. The UK retailer **Asda** has been using this approach to create what it calls a sustainable labour costing model, even if, as critics point out, it remains unclear what living wage benchmark it uses to calculate the separate labour costs. This costing model will only work if it also includes a mechanism that ensures the extra value provided by the brands — one that includes living wage costs — will be passed along to the workers. Although the mechanism may take a variety of forms, it should always be enacted via a trade union or democratically elected worker committee that can adequately monitor the entire process.

Looking at the share of the value of a T-shirt from Bangladesh sold in Germany exemplifies the degree of freedom companies have within margins. Garment workers receive around 0.6% of the T-shirt's retail price. A brand profits 12.5% from the per unit cost, compared to 4% for factories. Some brands have recognised their responsibility and acted on it with a number of initiatives aiming to improve wage levels.⁷¹

67 International Finance Corporation (IFC) & International Labour Organization (ILO), *Progress and potential: a focus on sourcing practices from a factory perspective*, the Better Work Programme, IFC and ILO, November 2016, viewed 13 July 2017, <http://betterwork.org/blog/portfolio/a-focus-on-sourcing-practices-from-a-factory-perspective/>.

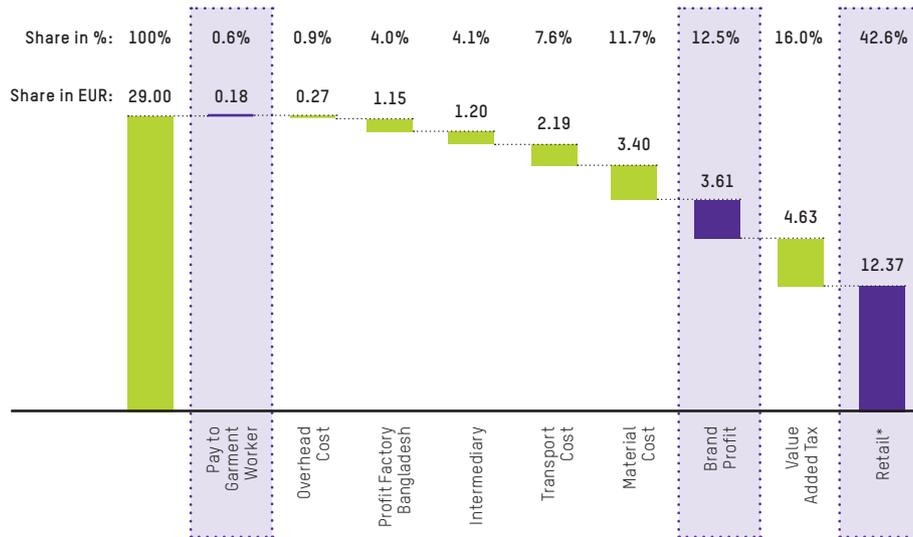
68 Fair Wear Foundation, *Brand performance check: Switcher SA*, Fair Wear Foundation, Amsterdam, July 2015, viewed 13 July 2017, <http://www.fairwear.org/ul/cms/fck-uploaded/documents/PerformanceChecks/2015/Switcher-SA-performance-check-2015.pdf>.

69 Ethical Trading Initiative (ETI), *Step-by-step guide to reviewing and improving purchasing practices: initial lessons from the ETI purchasing practices project*, ETI, London, May 2010, viewed 13 July 2017, http://wiego.org/sites/wiego.org/files/resources/files/ETI-Global-Trade-PP_step_by_step_guide.pdf.

70 A McMullen & S Majumder, *Do we buy it? A supply chain investigation into living wage commitments from M&S and H&M*, Labour Behind the Label, Bristol, February 2016, viewed 13 July 2017, <http://labourbehindthelabel.org/wp-content/uploads/2016/02/DoWeBuyIt-spreadsml.pdf>.

71 World Economic Forum, *Beyond supply chains: empowering responsible value chains*.

FIGURE 10: SHARE OF VALUE — T-SHIRT FROM BANGLADESH SOLD IN GERMANY



*Includes all costs at a retail level including staff, rent, store profit, etc

Source: World Economic Forum, *Beyond supply chains: empowering responsible value chains*, see http://www.weforum.org/docs/WEFUSA_BeyondSupplyChains_Report2015.pdf

H&M has developed a roadmap based on the vision that a fair living wage covering workers’ basic needs should be paid by the commercial goods suppliers. It should be enabled through the purchasing practices and based on a skilled workforce that has its wages negotiated and annually reviewed, involving democratically elected trade unions or worker representatives.⁷² H&M stated that “we are willing to pay more so that suppliers can pay higher wages. It is a collaboration between H&M and our suppliers. We believe that our purchasing practices will lead to better efficiency and productivity. Long term this will be beneficial for both us and our suppliers”. It also committed to transparently report on efforts towards achieving a fair living wage in its annual *Conscious Actions Sustainability Report*.⁷³ However, the progress made by H&M is under scrutiny and has been criticised by organisations like the Clean Clothes Campaign.⁷⁴

RECOMMENDATION 10:

BRANDS NEED TO RECOGNISE THAT PURCHASING PRACTICES AND PRICING POLICIES HAVE AN IMPACT ON WAGES (AND WORKING CONDITIONS) AND COMMIT TIME AND RESOURCES TO CALCULATE THE LABOUR COSTS OF MERCHANDISE TO ENSURE THAT PRICES FACILITATE PAYMENT OF A LIVING WAGE AT THE VERY LEAST. THIS MEANS THAT THE FREIGHT ON BOARD (FOB) PRICE SHOULD COVER A LIVING WAGE LABOUR COST.⁷⁵

⁷² H&M, *H&M’s roadmap towards a fair living wage in the textile industry*, H&M, Stockholm, viewed 13 July 2017, <http://sustainability.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/Other/HM-Roadmap-to-fair-living-wage.pdf>.

⁷³ H&M, ‘Fair living wage’, H&M, Stockholm, viewed 13 July 2017, <http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/fair-living-wage.html>.

⁷⁴ J Malik Chua, ‘H&M, M&S not fulfilling “living wage” promises, says new report’, *Ecouterre*, 18 February 2016, viewed 13 July 2017, <http://www.ecouterre.com/hm-ms-not-fulfilling-living-wage-promises-says-new-report/> and Clean Clothes Campaign, ‘H&M’s sustainability promises will not deliver a living wage’, press release, Clean Clothes Campaign, Amsterdam, April 2015, viewed 13 July 2017, <https://cleanclothes.org/news/press-releases/2015/04/09/h-ms-sustainability-promises-will-not-deliver-a-living-wage>.

⁷⁵ Clean Clothes Campaign, *Road map to a living wage*.

Brands should adjust their purchasing practices to pay a living wage by:

- evaluating how purchasing practices need to be adjusted to make the payment of a living wage possible;
- creating incentives for their purchasing department as well as for suppliers to achieve a living wage;
- making the payment of a living wage a key criterion when selecting suppliers along with the price, time and quality indicators;
- establishing stable, enduring relationships with suppliers; and
- rewarding suppliers that pay living wages by giving them preferential status over other suppliers.⁷⁶ Examples include preferential orders, long-term, stable supply contracts and premiums in unit prices for factories that pay a living wage.

These changes won't happen overnight, but a concrete and public plan with specific milestones and timeframes needs to be in place to adapt buying practices to factor in higher wages.

IN THE SEWING KIT: ADAPT SOURCING PRACTICES

 **FAIR WEAR FOUNDATION'S BRAND PERFORMANCE CHECK GUIDE** is a tool to evaluate and report on the activities of the foundation's member companies. The checks examine and publicly report on how the management practices of member companies support the foundation's Code of Labour Practices (CoLP) at apparel factories. (<http://www.fairwear.org/ul/cms/fck-uploaded/documents/forcompanies/2016EditionFWFBrandPerformanceCheckguide.pdf>)

 **EIGHT STEPS TOWARDS A LIVING WAGE: A COSTING MODEL FOR CLOTHING BRANDS AND RETAILERS** is a model for use by garment-buying companies to cost a living wage into the overall amount they pay to suppliers. (<https://www.actionaid.org.uk/actionaid-living-wage-model>)

 **TAILORED WAGES (CLEAN CLOTHES CAMPAIGN, 2014)** is an in-depth study of what the leading 50 clothing brands across Europe are doing to ensure that the workers who produce the clothes they sell are paid a living wage. (<https://cleanclothes.org/news/press-releases/2014/03/31/tailored-wages-2013-new-report-investigates-clothing-brands-work-on-living-wages>)

⁷⁶ *ibid.*

IMPLEMENT A LIVING WAGE ROADMAP

PILOT AND SCALE UP

Before attempting to implement living wages right across the supply chain, brands should conduct a pilot project in multiple countries to test the roadmap to a living wage and make necessary adjustments. This will also inform stakeholders of their commitment to a living wage. The pilot should include credible local labour organisations and relevant development partners in the design, execution and evaluation phases of the project. The pilot phase should be followed by the scale up phase of ideally three to six years within which a brand should implement living wages across the supply chain.

RECOMMENDATION 11:

BRANDS SHOULD CONDUCT LIVING WAGE PILOTS AS APPROPRIATE TO THE SUPPLY CHAIN AND ADJUST THE LIVING WAGE ROADMAP BASED ON LESSONS LEARNED. PILOTS SHOULD BE DONE IN COLLABORATION WITH OTHER BRANDS WHEREVER POSSIBLE.

PRODUCTIVITY IMPROVEMENTS

Some brands and retailers have suggested that funds for workplace improvements must come from productivity improvements that would allow factories to operate more efficiently, in effect, reducing the amount of time and resources wasted in the production phase.

The notion is that improved productivity will result in lower unit costs and that the resulting savings can be applied to improve working conditions, such as increased wages or reduced overtime. This option should certainly not be ignored in the initial phases. In fact, there is some evidence of promising results in terms of reduced labour turnover, fewer workers required to work overtime, and even increased wages.⁷⁷

Of course, there are many hidden costs in “low-road” production models, such as those related to high labour turnover, duplicate audits, poor quality, inefficient management and so on.

Also, from a business perspective, the basic lack of respect for human rights can result in reduced profits when abuses lead to strikes, litigation costs and damage to the company’s image or restricted access to equity capital when socially responsible investors pursue the human rights issue.⁷⁸

However, increased productivity does not necessarily translate to better working conditions. Hence, there are at least four caveats:

1. First, and foremost, the right to a living wage should never be made on conditions based on productivity goals. Workers should not be forced to attain productivity goals prior to gaining their rights. A living wage is not a reward, but a right.
2. Productivity efforts tend to leave the supplier solely responsible for addressing the issue, ignoring the role that purchasing practices play in depressing wage levels.
3. Methods to increase productivity may worsen working conditions — when, for example, it is based on a bonus system designed to compel workers to work even harder, thus increasing already stressful conditions among other health hazards. A basic living wage should be guaranteed without putting the health and wellbeing of workers at risk.
4. There is no guarantee that productivity increases will convert into increased wages. In many countries, wage increases have lagged behind productivity increases, a process known as declining wage share.⁷⁹ For example, in Cambodia’s garment sector, productivity increased 78% between 2000 and 2013 while real wages increased by only 16%.⁸⁰

Without the right to collective bargaining or other mechanisms that lead to the redistribution of productivity benefits towards workers, productivity increases may end up benefitting only corporations. In other words, a company that uses productivity schemes should be fully aware of these four hazards and make clear how they propose to address them.

77 Impactt, Benefits for business and workers; proving the business case for social investment in the supply chain, Impactt, London, November 2016, viewed 13 July 2017, <https://impacttlimited.com/benefits-for-business-and-workers-proving-the-business-case-for-social-investment-in-the-supply-chain/>.

78 Business and Human Rights Initiative, How to do business with respect for human rights: a guidance tool for companies, Global Compact Network, Netherlands, The Hague, 2010, pp. 30–32, viewed 13 July 2017, http://www.gcnetherlands.nl/docs/how_to_business_with_respect_for_human_rights_gcn_netherlands_june2010.pdf.

79 International Labour Organization (ILO), Global wage report 2014/15, wages and income equality, ILO, Geneva, 2015, viewed 13 July 2017, <http://www.ilo.org/global/research/global-reports/global-wage-report/2014/lang--en/>.

80 Ergon Associates, Living wages in global supply chains: a new agenda for business, Ethical Trading Initiative Denmark, Norway and UK, April 2015, viewed 13 July 2017, <http://www.ethicaltrade.org/resources/living-wages-in-global-supply-chains-new-agenda-business>.

RECOMMENDATION 12:

BRANDS NEED TO ENSURE THAT LIVING WAGE PAYMENTS ARE NOT TIED TO INCREASING PRODUCTIVITY OR MEETING PRODUCTION TARGETS.

COLLABORATE WITH RELEVANT STAKEHOLDERS

Some of the root causes behind poverty wages and sub-standard working conditions are systemic. Addressing poverty wages requires collaboration and coordination among brands, suppliers, employer organisations, unions and governments. No company can achieve a living wage by operating unilaterally. Ultimately, these efforts should constitute a sector-wide approach to ensure a living wage. This requires persuading the whole industry to work together to overcome the barriers to a living wage. The UN Guiding Principles recognise this as well:

“If the business enterprise has leverage to prevent or mitigate the adverse impact, it should exercise it. And if it lacks leverage there may be ways for the enterprise to increase it. Leverage may be increased by, for example, offering capacity-building or other incentives to the related entity, or collaborating with other actors.”⁸¹

Business coalitions are necessary to initiate a joint process. This also counts for factory-level work where cooperation with other brands is necessary to create leverage. In addition, such collaboration could also facilitate inter-firm learning processes. One way to foster collaboration and dialogue on wage issues among companies, manufacturers, NGOs and trade unions is by joining a multi-stakeholder initiative (MSI), which brings together companies, unions, manufacturers and NGOs that seek to develop an approach to improving working conditions in global supply chains. They might foster social dialogue among different stakeholders and promote a form of supply chain oversight through monitoring and verification of labour standards at supplier factories or farms. They embody new forms of social dialogue where different stakeholders regularly meet, exchange views or devise joint projects. The advantage of MSIs is that they raise the bar of corporate self-regulation and develop structures for civil society accountability. The most important MSIs in the garment industry are arguably the Ethical Trading Initiative, which includes the ACT project, and the Fair Wear Foundation. Both initiatives also work on living wages, even if much work remains to be done here.

RECOMMENDATION 13:

BRANDS SHOULD SUPPORT SYSTEMIC CHANGE TO ADOPT LIVING WAGES THROUGH COLLABORATION, COORDINATION AND DIALOGUE AMONG BRANDS, FACTORIES, EMPLOYERS’ ORGANISATIONS, UNIONS AND GOVERNMENTS.

ADVOCATE FOR HIGHER NATIONAL MINIMUM WAGES

Many governments and industry organisations (including suppliers) believe that a higher minimum wage, one that would meet the basic needs of workers and their families, will result in brands pulling out and relocating. Therefore, it is important that brands clearly indicate their commitment to stay in a sourcing country even when wages increase. Brands should refrain from lobbying governments or advocating for wages to be set below living wage standards, as well as watered-down labour laws more generally. Instead, they should actively engage, advocate and support governments and industry associations to increase the minimum wage to match the living wage.

A good example is how, in 2014, a group of eight large brands and retailers — including H&M, Inditex and Primark — met with the Cambodian Government after sending a joint letter expressing their support for increases in the national minimum wage.⁸² The letter explicitly states that their “purchasing practices will enable the payment of a fair living wage and increased wages will be reflected in our [factory or FOB] prices”.⁸³ Such statements are important because they create the political space for local trade unions to demand a living wage. In this case, the Cambodian Government raised the minimum wage by 28%.

In Myanmar, when garment manufacturers lobbied against the proposed minimum wage in 2015, members of the Ethical Trading Initiative and the Fair Labor Association wrote to the Myanmar Government, saying that setting a minimum wage that has been

81 Office of the United Nations High Commissioner for Human Rights, *Guiding principles on business and human rights: implementing the United Nations “protect, respect and remedy” framework*.

82 IndustriALL Global Union, ‘Brands say they will pay more for clothes made in Cambodia’, IndustriAll Global Union, Geneva, September 2014, viewed 13 July 2017, <http://www.industriall-union.org/brands-say-they-will-pay-more-for-clothes-made-in-cambodia>.

83 The letter is available at http://www.industriall-union.org/sites/default/files/uploads/documents/Cambodia/letter_to_dpm_cambodian_government_september_2014.pdf

negotiated by all parties will attract rather than deter international companies buying garments from Myanmar that have committed to paying living wages through their supply chains.^{84,85,86}

RECOMMENDATION 14:

BRANDS SHOULD CLEARLY INDICATE THE COMMITMENT TO STAY IN A SOURCING COUNTRY WHEN WAGES INCREASE AND ACTIVELY ENGAGE, ADVOCATE AND SUPPORT GOVERNMENTS, INDUSTRY ASSOCIATIONS AND CIVIL SOCIETY TO INCREASE MINIMUM WAGES TO MATCH LIVING WAGES.

84 L Barron, 'High-profile foreign brands back minimum wage for all', Myanmar Times, 23 July 2015, viewed 13 July 2017, <http://www.mmtimes.com/index.php/national-news/15629-high-profile-foreign-brands-back-minimum-wage-for-all.html>.

85 B Mathews, 'Myanmar wage could "cripple" garment sector' Ecotextile, 7 July 2015, viewed 13 July 2017, <http://www.ecotextile.com/2015070721583/materials-production-news/myanmar-wage-could-cripple-garment-sector.html>.

86 S Butler, 'Burma's minimum wage pledge welcomed by UK retailers', The Guardian, 31 August 2015, viewed 13 July 2017, <https://www.theguardian.com/business/2015/aug/31/burma-minimum-wage-uk-retailers>.

REPORT, REVIEW AND COMMUNICATE

The final step of the due diligence process is reporting. It is not enough for a brand to *claim* that it respects human rights; it must also show this to the public. “Showing” here means communication, transparency and accountability to relevant stakeholders, especially workers, and their representatives. The UN Guiding Principles add that this is particularly pertinent for companies “whose operation or operating contexts pose risks of severe human rights impacts” (Principle 21).⁸⁷

Government agencies, workers and their representatives, and consumers must be confident that the actions undertaken by corporate brands to prevent adverse human rights impacts are meaningful, identifiable and verifiable. Although many brands make corporate accountability claims on their company websites or in their CSR reports, the information provided is often minimal. Some CSR reports offer nothing concrete about their objectives, efforts, timelines and actual progress on the achievement of a living wage. It is especially important that companies are accountable to the workers and their representatives, who are impacted by their due diligence programs.

RECOMMENDATION 15:

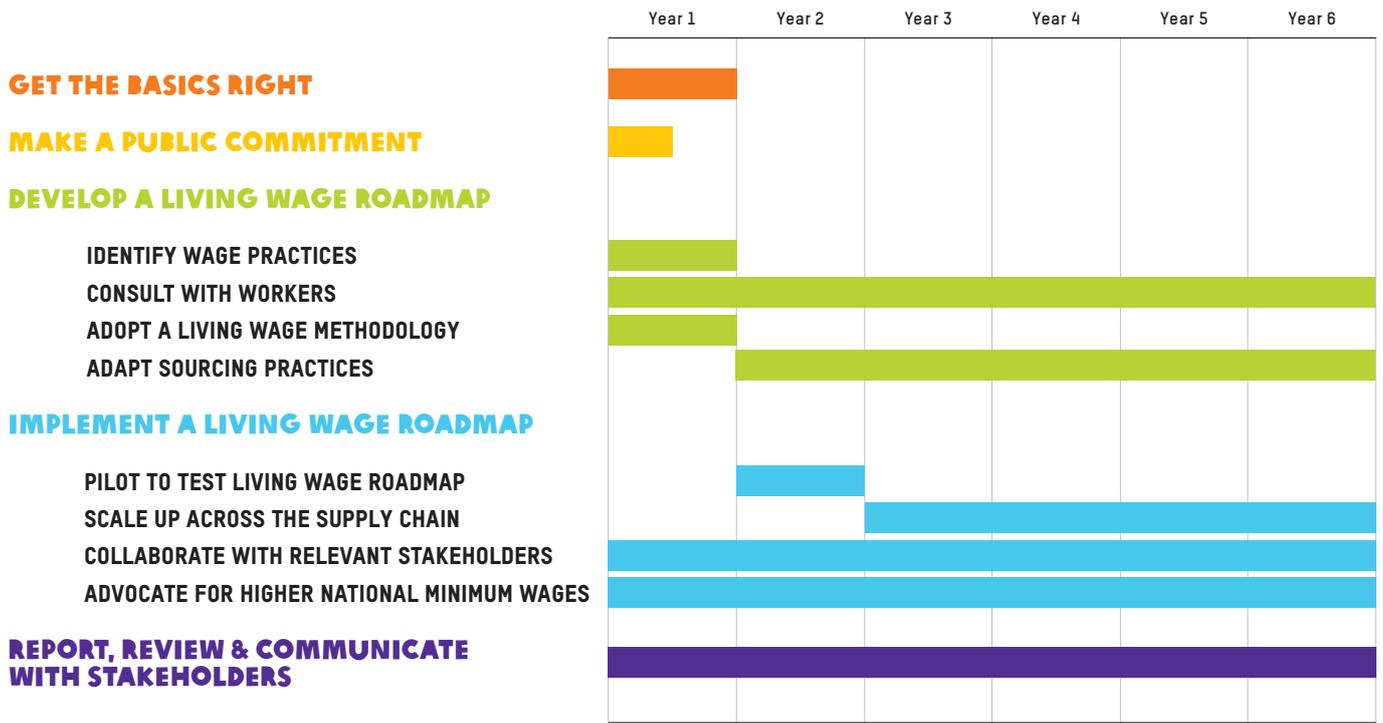
BRANDS SHOULD SUPPLY REGULAR PUBLIC REPORTS ON THE LIVING WAGE PROGRAMS, ROADMAP TO A LIVING WAGE AND THE PROGRESS BEING MADE (OR LACK THEREOF).

As part of their commitment to transparent reporting, brands should:

- disclose their supplier list and volume/percentage of order in each sourcing country and update these regularly;
- publicly share the grievance policy to support factories to establish an effective grievance mechanism;
- publicly share their freedom of association policy;
- publicly share their gender policy and gender-sensitive targets;
- be transparent about their living wage definition, methods and benchmarks;
- be transparent about their roadmap to a living wage with clear milestones and timelines;
- be transparent about the pilot factories and lessons learned; and
- publicly report on the results that demonstrate measurable and verifiable progress to a living wage.

⁸⁷ Office of the United Nations High Commissioner for Human Rights, *Guiding principles on business and human rights: implementing the United Nations “protect, respect and remedy” framework*.

FIGURE 11: STEPS TOWARDS A LIVING WAGE



ANNEX A: "BUT ..." A LIVING WAGE Q&A

1. Will paying a living wage simply make a company unprofitable?

Who is going to pay for the incurred extra wage costs? We should immediately make it clear that actual labour costs are minimal, often less than 1% of a product's retail price.⁸⁸ This means that doubling or even tripling wages would have only a marginal impact on either a company's profit margin or a garment's retail price. Meanwhile, many consumers may be willing to pay a fair price for a fair product. A recent survey of 1,000 Australian consumers by Oxfam showed that 89% of consumers are willing to pay a little more to ensure that garment workers have safe and decent working conditions. The alternative is absorbing the costs by improving production efficiency of the supply chain or consolidating production by reducing the number of suppliers; or by improving productivity at manufacturing facilities. All this could have positive side effects including more efficient use of energy and water, improved human resource management, consumer loyalty and reputational benefits. Also, suppliers that pay living wages are often characterised as professionally managed companies that offer higher quality, which, in turn, reduces worker turnover and absenteeism.

2. Isn't the payment of living wages the responsibility of the factories and not my company?

A living wage is an internationally recognised human right. The *UN Guiding Principles on Business and Human Rights* (2011) and the *OECD Guidelines for Multinational Enterprises* (2011) state that corporations have a responsibility to respect human rights in the countries where they operate. This responsibility applies to their own activities *as well as* the rest of their business relationships along the supply chain. In short, a living wage is an integral part of corporate social responsibility and responsible supply chain management. In other words, while brands and retailers can outsource the production processes to third parties, the responsibility of respecting human rights and living wages remains with the company. Acting responsibly requires brands to ring-fence a living wage and other workers' rights in the prices they pay to their suppliers. They should also make paying a living wage a contractual obligation and develop long-term commercial relations with suppliers that respect human rights. The bottom line is that suppliers need to be adequately compensated for the costs involved in respecting human rights. The pricing practices of brands should enable and not inhibit suppliers from being decent employers.

3. Aren't there just too many definitions of living wages? I cannot really act until there is an agreement on a definition.

Some companies have argued that a lack of agreement on a living wage definition makes it impossible to act. But one should not get side-tracked by focusing on a single definition. In many cases, current wages sit well below a living wage by any definition. The bottom line is that a living wage is a human right that companies should respect. Moreover, a widespread consensus agrees that a living wage should:

- a. cover basic needs (food, housing, clothing, health, education, energy, water, childcare, education) for the worker and their dependents;
- b. be earned within a legal working week (less than 48 hours);
- c. be regularly revised; and
- d. provide for discretionary income, typically set at between 10% to 20% of monthly earnings.

To calculate a living wage in a specific country, companies should consult workers and representatives and adopt a methodology to calculate a living wage. Asia Floor Wage Alliance has provided a benchmark for a living wage in the major Asian garment-producing countries and the Global Living Wage Coalition in partnership with Richard and Martha Anker have developed a state-of-the-art methodology for calculating a living wage. Both these methods are explained in more detail earlier in this report.

4. If wages rise, will companies simply move to another location? Wouldn't this make it bad for workers in the long term?

It is sometimes argued that increased wages will do more harm because companies will simply relocate to lower-wage areas. Irresponsible brands can, indeed, simply shift orders from one country to another to take advantage of beneficial trade agreements,

⁸⁸ World Economic Forum, *Beyond supply chains: empowering responsible value chains*.

poverty wages and nonexistent or unenforced labour rights regulations, among a variety of other financial incentives provided by host governments. To avoid this, Indonesia called for a regional minimum wage to be set for workers in South-East Asian countries to protect employees in the region. Cambodia and Vietnam are among those countries showing active support for this initiative. Brands should also advocate for national governments to adjust the minimum wage in line with international standards to ensure that workers are fairly remunerated. This is one of the reasons why, as part of the living wage roadmap, brands should commit to both advocating for better national minimum wages and to long-term sourcing in the countries where brands source from. Adapting sourcing practices and policy in this way is one of the core steps towards realising living wages in the supply chain.

5. Why is it so difficult in some places to consult with workers and involve them in issues such as a living wage?

Any initiative to ensure a living wage should involve workers and their representatives. The most legitimate and sustainable way would be through collective bargaining negotiations involving a union. In many cases, there are no independent trade unions available to facilitate this process. Although union density varies per country, overall, most garment workers are not members of an independent union. This is partly because of how brands and retailers organise their supply chains: low-road sourcing practices have long fuelled precarious working conditions and undermined unionisation and collective bargaining processes. It is, therefore, crucial that brands and retailers compel their suppliers to respect freedom of association, the right to organise and collective bargaining. This can be accomplished in a variety of ways, for example, by training suppliers on the importance of freedom of association, social dialogue and collective bargaining. In the meantime, however, companies should work with NGOs to engage in dialogue involving strategies of accomplishing a living wage, and ensure that democratic, consultative and representative worker engagement is occurring throughout their supply chain.

6. Isn't it the responsibility of governments in the countries where my supply chain is located to ensure a living wage through stronger regulations?

Governments play a key role in protecting and safeguarding human rights, including a living wage. Governments should set minimum wages at a level that meet living wage standards in their country. They should also adopt and enforce legislation to prevent, punish and redress corporate-related abuses, such as stolen wages. Unfortunately, many governments fail in these tasks. They deliberately set wages at poverty levels in the hope of attracting foreign investors and then fail to enforce their own wage regulations. However, when governments fail in this respect, companies should pick up the slack and not take advantage of the situation by trying to low-ball suppliers. The UN Guiding Principles state that corporations have a responsibility to respect human rights that “exists over and above compliance with national laws and regulations protecting human rights”, that is, ‘independently of states’ duties’. In short, companies cannot blame government failures for not adopting and enforcing a living wage on their own. Companies should avoid measures that have a negative impact on their workers and should take clearly defined measures to offset unfavourable repercussions. As noted above, companies wanting to embark on a roadmap to paying living wages in their supply chains should also assess and be prepared for discussions with governments about the importance of high wages, making it clear that this is desirable.

7. My company is just a small player at the factories I source from, so I have no influence. Isn't it only up to the bigger companies to act?

The UN Guiding Principles state that all corporations “regardless of their size, sector, operational context, ownership and structure” should “avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts where they occur”. These Principles universally apply to all business enterprises, even if the company’s size “will often influence the kinds of approaches they take to meet that responsibility”. Being small, in short, is no excuse for non-action. Many smaller companies also have fewer suppliers, which can reduce the complexity and thus makes addressing human right concerns easier. A company can increase its leverage to affect change or mitigate adverse impacts in several ways. One is by simply consolidating its orders and using fewer suppliers. Collaboration with other brands to enforce living wages at their suppliers may also be necessary. This could be done via brand-to-brand relationships or more formal multi-stakeholder initiatives involving workers representatives, brands and suppliers.

8. In some countries garment workers are already paid more than other workers, so why should they be paid more?

Companies should respect human rights throughout their supply chains. Their responsibility is to ensure that their merchandise is being produced in a way that does not threaten or impair the human rights of others. Despite some wage differences, garment workers end up surviving on sub-standard wages that often fail to cover even subsistence-level needs. This is a problem that requires the attention of retailers and brands.

Very often, wage negotiations in countries are linked to a broader social conversation about the level of legal minimum wages. All workers, no matter what industry, have the right to a living wage. Through commitment from international brands, collaboration with employer and industry associations as well as governments, movement on living wages in the garment industry will spur on and connect to the demand for living wages across industries as well.

9. We already provide services such as lunches and healthcare in our factories; isn't that enough?

Since human rights are considered interrelated, interdependent and indivisible, a company cannot compensate one violation in one area by doing something "good" or "charitable" in another. A company should be able to prove that it fully respects human rights. A program that provides free lunches or healthcare is not enough if the workers earn less than a living wage. As the *UN Interpretive Guide* notes: "There is no equivalent of a carbon off-set for harm caused to human rights: a failure to respect human rights in one area cannot be cancelled out by a benefit provided in another."⁸⁹ Corporate responsibility entails avoiding adverse human rights impacts and, when these impacts cannot be avoided, remediating them.

10. It's simply too difficult to monitor whether pay increases end up in workers' pockets. How can we be sure they receive any increases we pay a supplier?

Brands and retailers should adjust their pricing mechanisms to ensure a living wage at supplier factories. Of course, just giving more money to a manufacturer obviously does not guarantee that the manufacturer will use it to improve wages. The most sustainable way to improve wages includes involving independent unions to ensure that the "brand premium" ends up with the workers. In cases where no active union is present, other strategies can be used, such as electing worker committees to act as "watchdogs" and ensuring agreements are being met. Some companies have set up a "solidarity fund" where an additional 1% of the FOB price of each order is deposited and then distributed to the workforce as an annual bonus. In this model, each brand sourcing from a factory must contribute its fair share based on the percentage of total factory volume. This will help close the gap between the prevailing wage and a living wage.

⁸⁹ Office of the United Nations High Commissioner for Human Rights (OHCHR), *The corporate responsibility to respect human rights: an interpretive guide*, OHCHR, Geneva, 2012, p.11, viewed 13 July 2017, http://www.ohchr.org/Documents/Publications/HR.PUB.12.2_En.pdf.

ANNEX B: RESPONSIBILITY FOR WHOLE OF SUPPLY CHAIN AND EFFECTIVE DUE DILIGENCE AND REMEDIATION PROCESS

The UN Guiding Principles on Business and Human Rights (the Principles) were unanimously endorsed by the UN Human Rights Council on 16 June 2011.⁹⁰ The UN Guiding Principles elaborate on the implications of existing human rights standards and practices for governments and for businesses. They have had a profound influence on the corporate responsibility and accountability debate.

The UN Guiding Principles recognise that governments have a duty to ensure human rights are respected within their borders. They state that governments should adopt policies that address the potential negative consequences of commercial activities for people's human rights, including policies on fair and liveable minimum wages.

At the same time, the Principles make it clear that businesses have a responsibility to address the impacts on human rights that occur through their activities or as a result of their business relationships with other parties, including in their supply chains. When public authorities fail to protect human rights through adequate legal protection or engage in violations themselves, the question about the existence, nature, scope, demands, and realisation of human rights duties for corporations becomes practically relevant.⁹¹ The Principles state that corporate responsibility to respect human rights ***“exists over and above compliance with national laws and regulations protecting human rights”, that is, “independently of states’ duties”. In other words, businesses cannot evade their responsibilities to people because a government fails to do so.*** This responsibility encompasses all “internationally recognised human rights — understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work”. This includes the right to a living wage.

These obligations exist both for the direct operations and all sourcing across the whole of the supply chain. The *OECD Guidelines for Multinational Enterprises* (2011) explain that corporations have the responsibility to respect human rights, which applies not only to their activities but also to their business relationships in the supply chain. Hence, a living wage is a key component of corporate social responsibility and responsible supply chain management. Brands must identify, mitigate and prevent adverse impacts on human rights — including paying workers less than a living wage. OECD countries, including Australia, have committed themselves to actively promoting the OECD Guidelines among business. On living wages, the OECD Guidelines state the following:

“When multinational enterprises operate in developing countries, where comparable employers may not exist, provide the best possible wages, benefits, and conditions of work, within the framework of government policies. These should be related to the economic position of the enterprise, but should be at least adequate to satisfy the basic needs of the workers and their families.”⁹²

Slowly, wages and working conditions are improving in pockets around the world. But to continue to make progress, trust and collaboration between corporations, governments, unions, labour organisations and NGOs needs to strengthen further. Each plays its own part: corporations need to act ethically, regardless of whether legislation dictates that they do so. Governments provide incentives and underlying legislation that catalyses action. Unions and rights-based labour organisations represent workers as their members and must have a seat and voice at the table. NGOs serve as “checks to the system”, acting as watchdogs when abuses happen and helping to set global standards that will lead to improved conditions for workers.

HAVING AN EFFECTIVE DUE DILIGENCE AND REMEDIATION PROCESS

To meet their responsibility to respect human rights, companies should have a policy commitment, human rights due diligence process, and systems in place that enable remediation in case human rights are being adversely impacted. The corporate responsibility to respect human rights incorporates the right to a remedy and the UN Guiding Principles state that “businesses that have caused or contributed to human rights abuses should provide for or cooperate in their remediation through legitimate processes”. To be effective, remedies must be capable of leading to a prompt, thorough and impartial investigation, cessation of the violation and adequate reparation.⁹³ The responsibilities of business lie in how adverse impacts are avoided or what must be done in the event that they occur. The key concept here, set out in the UN Guiding Principles, is due diligence on human rights, often more commonly referred to as corporate social responsibility (CSR) risk management. This is the process whereby businesses identify, prevent and limit the actual and potential adverse impacts of their activities and explain how they deal with identified risks.

90 Office of the United Nations High Commissioner for Human Rights, Guiding principles on business and human rights: implementing the United Nations “protect, respect and remedy” framework.

91 B Fasterling & B & G Demuijnck, ‘Human rights in the void? Due diligence in the UN Guiding Principles on business and human rights’, *Journal of Business Ethics*, 116 (4):799–814., 2013, p. 800.

92 Organisation for Economic Co-operation and Development (OECD), *OECD guidelines for multinational enterprises*, 2011 edition, OECD, Paris, 2011, Chapter V, 4.B., viewed 13 July 2017, <http://www.oecd.org/corporate/mne/48004323.pdf>.

93 Office of the United Nations High Commissioner for Human Rights (OHCHR), *United Nations principles and guidelines on the right to a remedy and reparation for victims of gross violations of international rights law and serious violations of international humanitarian law*, adopted and proclaimed by General Assembly resolution 60/147 of 16 December 2005, G.A. Res. 60/147, art. 3, U.N. Doc. A/ RES/60/147.

Some CSR initiatives single out one or two human rights abuses while ignoring others. Many companies, for example, have paid much attention to preventing child labour but ignored concerns related to freedom of association or a living wage. The Principles, however, require companies to respect the whole spectrum of human rights and to ensure that there are processes in place to deal with each. For businesses wishing to establish CSR or due diligence policies and practices that will deal with the full spectrum of labour rights, a good starting place is to examine and adopt the Ethical Trading Initiative (ETI) Base Code.⁹⁴

94 The Ethical Trading Initiative (ETI) is a leading alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe. See <http://www.ethicaltrade.org/eti-base-code>.

ANNEX C: CONSULTATION AND NEGOTIATION IN PRACTICE

Significant benefits are associated with implementing and maintaining a culture of consultation and cooperation in the workplace. Buyers and employers should regularly consult with workers to implement living wages. Effective consultation can identify opportunities, assist decision-making and help ensure any new ideas work effectively in practice. Cultural and language differences should be taken into account to make sure that everybody understands the consultation process.

Negotiation is a process in which two or more parties who have common and conflicting interests come together and talk with a view to reaching an agreement. Negotiation is the basis for finding a balance between workers' and employers' interests and reaching mutually acceptable terms and conditions of employment. An understanding of the negotiation process is a prerequisite for developing sound industrial relations.

Effective consultation and negotiation are integral parts of the journey to implement living wages in the supply chain. It is imperative for the stakeholders involved in implementing living wages to have a good understanding of sound consultation and negotiation processes. It is also vital to ensure that women's views are heard and prioritised in the consultation and negotiation process and that the wide range of women's needs and interests are identified, rather than only a narrowly defined set of needs.

CONSULTATION IN PRACTICE⁹⁵

The following stages set out a recommended approach for best practice consultation.

Stage 1: Provide information to employees about:

- what is being considered;
- the process for consideration; and
- how a final decision will be made and who will be involved in making the decision.

Stage 2: Consult by:

- seeking views and opinions from affected employees, either individually or through their representatives (team or individual meetings, online intranet forum, surveys); encourage a two-way flow of information; and
- reviewing and improving strategies for communication flow of ideas and information.

Stage 3: Review and implement by:

- considering the information and ideas obtained and assess these against business requirements;
- recording any decisions made and the reasons why;
- communicating decisions and reasons back to employees and representatives;
- implementing change; and
- inviting feedback on the process to improve the next consultation process.

NEGOTIATION IN PRACTICE⁹⁶

There are four stages in a typical negotiation:

Stage 1: Preparation

This involves setting objectives and priorities, collecting information and adopting strategies.

95 Fair Work Ombudsman, *Best practice guide: consultation and cooperation in the workplace*, Fair Work Ombudsman, Australian Government, Melbourne, January 2014, viewed 13 July 2017, <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/best-practice-guides/consultation-and-cooperation-in-the-workplace>.

96 R Heron S C Vandenabeele, *Effective negotiation: a practical guide*, International Labour Organization, Geneva, 1997, viewed 13 July 2017, http://staging.ilo.org/public/libdoc/ilo/1997/97B09_161_engl.pdf.

Stage 2: Discussion

This signals the beginning of negotiations. At this stage, each party builds their case in broad terms, clarifying each other's position and generally confirming where they stand on each issue.

Stage 3: Bargaining

This involves making proposals, offering concessions and moving towards agreement.

Stage 4: Closure and agreement

Here the parties actively seek a win-win situation and reach an acceptable agreement.



A young woman in her living quarters, Phnom Penh, Cambodia. She endures long working hours, with harsh conditions, making clothing for some of Australia's biggest brands. *Photo: Bianca Wordley/OxfamAUS.*





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