

A close-up portrait of a woman with a patterned headscarf in shades of white, yellow, and pink. She is looking directly at the camera with a neutral expression. She is holding a grey, ribbed garment, possibly a sweater, in front of her. The background is slightly blurred, showing vertical wooden poles.

WHAT SHE MAKES

**POWER AND POVERTY
IN THE FASHION INDUSTRY**



OXFAM
Australia

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Cover image: Anju, a garment worker in Dhaka, Bangladesh, holds clothing set for Australia and other destinations around the world. *Photo: GMB Akash/Panos/OxfamAUS.*

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ABOUT OXFAM

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.



OXFAM
Australia

EXECUTIVE SUMMARY

Twenty-year-old Fatima works in a garment factory in Bangladesh — she makes just 43 cents¹ an hour.

Despite working an average six-day week and as much overtime as she can, sometimes coming home at midnight, Fatima struggles to earn enough money to support herself and her mother, who is unwell. Sometimes, Fatima chooses to go without food as she tries to stretch whatever little money she has until her next pay.

Fatima, who has worked in factories since her father died when she was 16, can only afford to live in a cramped two-bedroom apartment, which is shared with 10 people, including her landlord. They share a tiny kitchen and even smaller toilet and bathing area. Running water is available for one hour, just three times a day. One of Fatima's roommates owns a thin single mattress, but Fatima sleeps on the concrete floor.

Fatima earns her meagre wage making our clothes. But no matter how hard she works, she is trapped in a cycle of poverty.

Fatima's story is echoed by far too many among the millions of women who make our clothes, earning poverty wages to fuel an industry that has boomed over the past two decades.

New research conducted by Deloitte Access Economics for Oxfam has revealed that in the average supply chain of Australian garment retailers, just 4% of the price of a piece of clothing is estimated to make it back to the pockets of workers. That is just 40 cents from a \$10 T-shirt.

In countries like Bangladesh, where wages are extremely low, the situation is even direr. An average of just 2% of the price we pay in Australia goes towards factory wages. That means just 20 cents out of the price of a \$10 T-shirt.

But Oxfam argues that paying living wages — wages that allow the women who make our clothes to live a decent life — is possible.²

Even if big companies passed the entire cost of paying living wages to all workers on to consumers, Deloitte estimates this would increase the price of a piece of clothing sold in Australia by just 1%. That is just 10 cents extra for a \$10 T-shirt.

With profits being made at the factory, wholesale and retail levels in garment supply chains, there is room for big brands to absorb these costs without passing them on to the people who buy their clothes.

Women aged 18–25 make up 80% of the factory workers in the global garment industry. Their long hours of hard work have helped to create booming economies and large export industries for countries like Bangladesh, Indonesia, Vietnam and China.

But this booming economic growth has not benefited everyone. While revenues continue to grow for many big Australian companies like Cotton On and Kmart, and while factory owners and suppliers to the garment industry across Asia continue to collect profits, the same cannot be said for garment workers.

In Bangladesh, the local minimum wage equates to just 39 Australian cents an hour. In Vietnam it is just 64 cents and in China it is 93 cents.^{3, 4} As the story of Fatima shows, this is not enough for workers to have a decent life.

While these workers remain entrenched in poverty, Chief Executive Officers (CEOs) continue to take home massive payments and many big brands are increasing their profits. There is perhaps no starker example of the growing global inequality crisis than the garment industry, where millions remain trapped in poverty on one hand, while a few amass great wealth on the other.

1 All monetary figures are expressed in Australian dollars unless otherwise stated throughout this report. Exchange rate used is 1 USD = 1.25 AUD, September 2017.

2 All opinions offered in this document are the opinions of the authors at Oxfam Australia and not Deloitte Access Economics. The research conducted by Deloitte Access Economics (*A Living Wage in Australia's Clothing Supply Chain*), was to provide evidence on wage levels, the share of the Australian retail price of garments which typically accrues to factory worker wages, and estimate additional costs if living wages were paid.

3 Calculation made using weekly regular working hours 48, multiplied by 4.34 weeks in a month, resulting in 208.32 working hours a month. FASH455 Global Apparel & Textile Trade and Sourcing, *Minimum Wage in the Apparel Industry Continues to Rise in Most Asian Countries in 2016*, viewed 20 September 2017, <https://shenglufashion.wordpress.com/2016/01/28/minimum-wage-in-the-apparel-industry-continues-to-rise-in-most-asian-countries-in-2016> and DW made for minds, *Cambodia raises minimum wage for textile workers*, 29 September 2016, viewed 25 September 2017, <http://www.dw.com/en/cambodia-raises-minimum-wage-for-textile-workers/a-35926002>.

4 A number of garment-producing countries like China, India, Indonesia and Vietnam have different minimum wages in different provinces/regions/ jurisdictions. In China, the minimum hourly wage varies from \$0.93 to \$1.93. FASH455 Global Apparel & Textile Trade and Sourcing, *Minimum Wage in the Apparel Industry Continues to Rise in Most Asian Countries in 2016*, viewed 20 September 2017, <https://shenglufashion.wordpress.com/2016/01/28/minimum-wage-in-the-apparel-industry-continues-to-rise-in-most-asian-countries-in-2016>.

Based on CEO pay levels of some of the big brands in Australia, it would take a Bangladeshi garment worker earning the minimum wage more than 4,000 years to earn the same amount that CEOs get paid in just one year.⁵

Fashion is big business — the turnover in the garment industry in Australia was \$27 billion in 2016 and the industry is growing at an annual rate of 4%. In the five years to 2016–17, the fast fashion industry⁶ in Australia has grown 21.5%.⁷

Some of the biggest brands in Australia are enjoying enormous increases in revenue. Cotton On, for example, more than doubled its revenue between 2014 and 2016. Kmart's revenue has increased from \$4.21 billion in 2014 to \$5.19 billion in 2016.⁸

As revenues grow, brands further perpetuate the gross inequality faced by the women who make their garments by failing to compensate them with wages that would allow them a decent life

It does not have to be this way. It is time for this unfair system to change.

Brands need to pay living wages to the women who make our clothes — wages that will allow these women to lift themselves out of a life of poverty.

Brands have the power — and the responsibility — to make this change.

Living wages would mean workers would be able to buy and eat enough food for themselves and their families. Living wages would allow workers and their families to live in decent, local housing that doesn't see five people living in just one room.

Living wages would ensure workers have enough for education, for transport, for seeing the doctor and for savings in case of emergency.

Since the collapse of the Rana Plaza factory building in Bangladesh in 2013, Australians have been asking big brands like Kmart, Target and Cotton On to improve their safety standards, resulting in many Australian brands signing on to the Bangladesh Fire and Building Safety Accord. More recently, Australians have helped to make big brands become more transparent and accountable, calling on them to stop hiding the locations of factories that make their clothes.

But it is now time to go further. Brands must publicly commit to paying their workers a living wage and to publishing a roadmap that shows step-by-step how — and when — they will achieve this commitment.

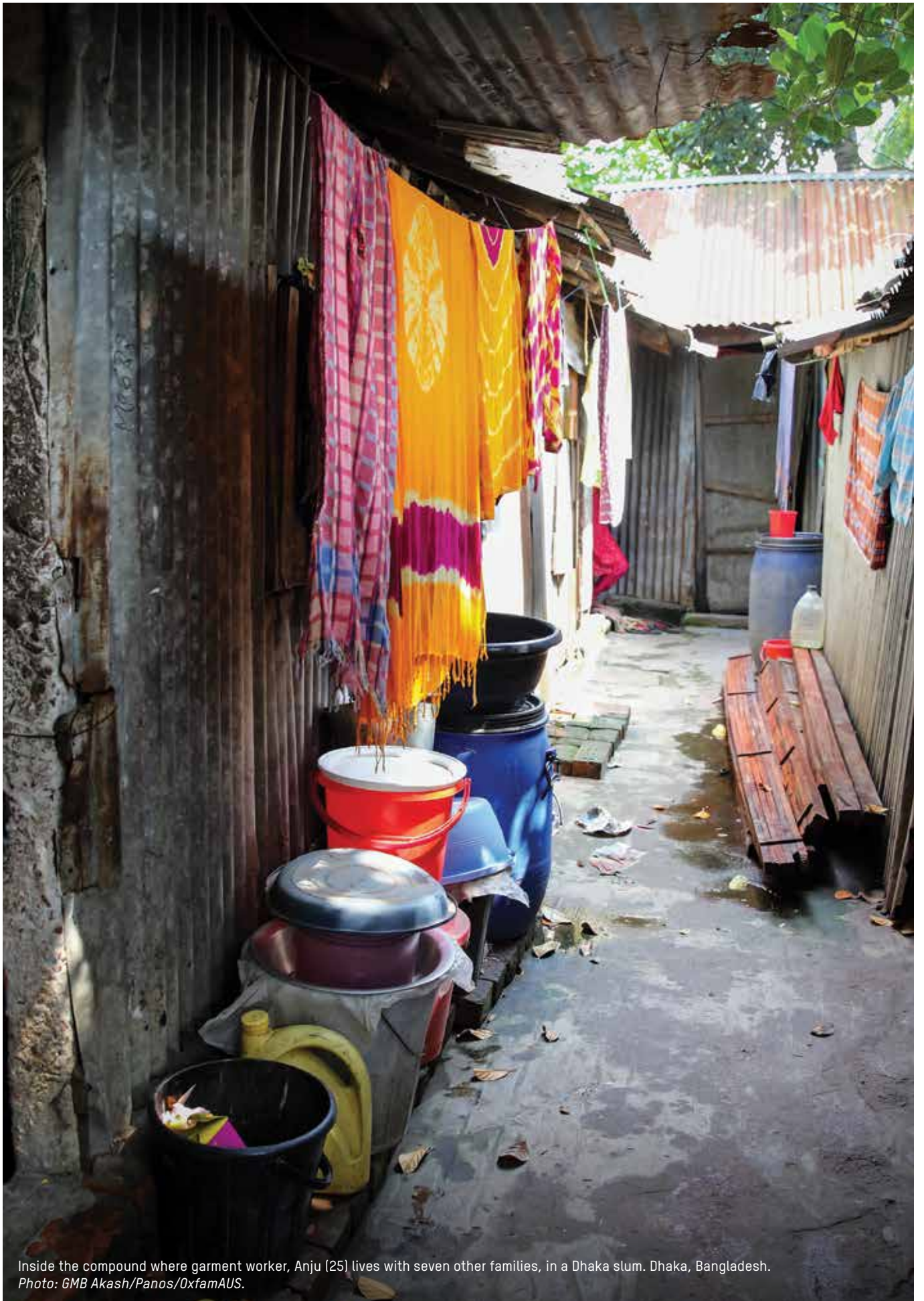
The fight to secure a living wage for garment workers is the crucial next step in creating a fairer fashion industry for women like Fatima — and for all the women who make our clothes.

5 In Bangladesh, the minimum yearly wage is \$974; it would take more than 4,000 years for a garment worker to earn \$4 million.

6 Fast fashion is low-cost clothing collections that mimic current fashion trends. These trends change incredibly quickly, often causing new styles and trends to become obsolete in a matter of weeks. Fast fashion garments are cheap and usually made from lower-quality materials. L Ojjala, *What Is Fast Fashion?* leaf, viewed 20 September 2017, <https://www.leaf.tv/articles/what-is-fast-fashion/>.

7 IBISWorld, *Clothing retailing in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html>; IBISWorld, *Clothing wholesaling in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html> and IBISWorld, *Fast Fashion in Australia: industry report*, IBISWorld, Melbourne, April 2017, viewed 20 September 2017, <http://clients1.ibisworld.com.au/reports/au/industry/default.aspx?entid=4172>.

8 Wesfarmers, 2017 Annual report, viewed 20 September 2017, http://www.wesfarmers.com.au/docs/default-source/reports/j000901-ar17_interactive_final.pdf?svrsn=4 and IBISWorld, Cotton On report, viewed 20 September 2017, <http://clients1.ibisworld.com.au/reports/au/enterpriselimited/financials.aspx?entid=12821>.



Inside the compound where garment worker, Anju (25) lives with seven other families, in a Dhaka slum. Dhaka, Bangladesh.
Photo: GMB Akash/Panos/OxfamAUS.

AN UNFAIR SYSTEM: INEQUALITY AND THE GARMENT INDUSTRY

As of January 2017, so much wealth was in the hands of so few people around the globe that just eight men held the same amount of riches as half of all humanity.⁹

This shocking inequality is the result of deliberate choices by company leadership, mega-rich individuals and governments around the world — choices that have enabled the very wealthy to accumulate more and more, while hundreds of millions remain left behind, trapped in a cycle of poverty.

There is perhaps no starker example of this unfair and rigged system than the global garment industry, and the people left behind are the women who toil for hours on end making the clothes we wear.

Among those eight wealthiest men sits Inditex founder Amancio Ortega, known best for Inditex's fast fashion brand Zara. Zara is synonymous with the growth in demand for fast fashion, with the company regarded as one of the pioneers of creating cheap clothing in lightning-fast time that mimics what's on the runway. In Australia alone, the fast fashion industry has grown 21.5% over the five years leading up to 2016–17, with average annual profit margins of more than 8% for fast fashion companies like Zara Australia and H&M.¹⁰

Fashion is big business and the industry has boomed over the past two decades. Global garment exports have more than quadrupled, from USD \$108 billion in 1990 to USD \$445 billion in 2015.¹¹ In Australia, the turnover in the garment industry was \$27 billion in 2016.¹² Recent data also shows Australians love to buy fashion, with Australia spending more on apparel per capita — USD \$1,050 a year — than the United States (US), Canada, Japan or the European Union (EU).¹³

All of this money flowing around the world shows why many developing country governments see the garment industry as key to their economies and to driving up revenue. Garments are among the biggest exports in Bangladesh, Vietnam, Cambodia and Indonesia.

The garment industry faces a variety of well-documented challenges in relation to its workforce, including low pay; piece-rate pay where workers are paid a fixed rate per piece they produce; failure to pay overtime; and health and safety concerns such as fire, exposure to chemicals and inadequate infrastructure. The work is highly controlled, stressful and repetitive. There are irregular work volumes and schedules; lack of access to benefits such as health insurance and maternity leave; and instances of workplace-based harassment, violence and discrimination.

While both men and women are affected by these challenges, women workers tend to be more vulnerable to these risks than men. Women not only represent most of the low-skilled, low-wage workers, but they also face cultural barriers and power dynamics that place them at a disadvantage.¹⁴

At the same time, the industry has incredible power and capacity to help lift people out of poverty and change their lives. Globally, the garment sector is among the largest employers of women workers. Companies can — and do — take individual action to promote women's empowerment within their value chains and are often participants in cross-sector or industry initiatives as well. The sector

9 Oxfam Briefing Paper, *An Economy for the 99 percent*, Oxfam, 16 January 2017, viewed 25 September 2017, <https://www.oxfam.org.au/wp-content/uploads/2017/01/An-economy-for-99-percent.pdf>.

10 IBISWorld, *Clothing retailing in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html>; IBISWorld, *Clothing wholesaling in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-wholesaling.html> and IBISWorld, *Fast Fashion in Australia: industry report*, IBISWorld, Melbourne, April 2017, viewed 20 September 2017, <http://clients1.ibisworld.com.au/reports/au/industry/default.aspx?entid=4172>.

11 FASH455 Global Apparel & Textile Trade and Sourcing, *WTO Reports World Textile and Apparel Trade in 2015*, FASH455 Global Apparel & Textile Trade and Sourcing, viewed 25 September 2017, <https://shenglufashion.wordpress.com/2016/07/27/wto-reports-world-textile-and-apparel-trade-in-2015/> and Fiber2Fashion.com, *An overview of the global apparel industry*, Fiber2Fashion.com, viewed 25 September 2017, <http://www.fibre2fashion.com/industry-article/3001/an-overview-of-the-global-apparel-industry>.

12 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-wholesaling.html>.

13 A Zaczkiewicz, *List: Who Spends the Most on Apparel?* WWD, 18 August 2015, viewed 21 September 2017, <http://wwd.com/business-news/financial/apparel-spending-list-10203626/>.

14 C Svarer, R Meiers, & B Rothmeier, *Empowering Female Workers in the Apparel Industry, Three Areas for Business Action*, BSR, June 2017, viewed 21 September 2017, https://www.bsr.org/reports/BSR_Empowering_Female_Workers_in_the_Apparel_Industry.pdf.



Garment workers cross a street on their way to work. Dhaka, Bangladesh. Photo: GMB Akash/Panos/OxfamAUS.

holds potential to impact the lives of millions of women in low-income countries and, by extension, their families and communities. Making sure that impact is positive is critical.

A job in the garment sector could be the first formal employment opportunity for many women in developing countries — an essential step toward financial independence and the start of a path out of poverty.

But, to achieve this potential, the current system has to change.

Keen to attract more investment from big companies, governments in many garment-producing countries have kept minimum wages at levels that are far too low.

And while many of these countries have experienced strong economic growth overall due to investment from big industries like the garment sector, the benefits have not been shared fairly with the people at the bottom of fashion supply chains. Asia is home to most of the world's garment production. Although the region has experienced strong economic growth in recent decades, the poorest 70% of people in Asia have seen their income share fall. Meanwhile, the share held by the top 10% has increased rapidly.¹⁵

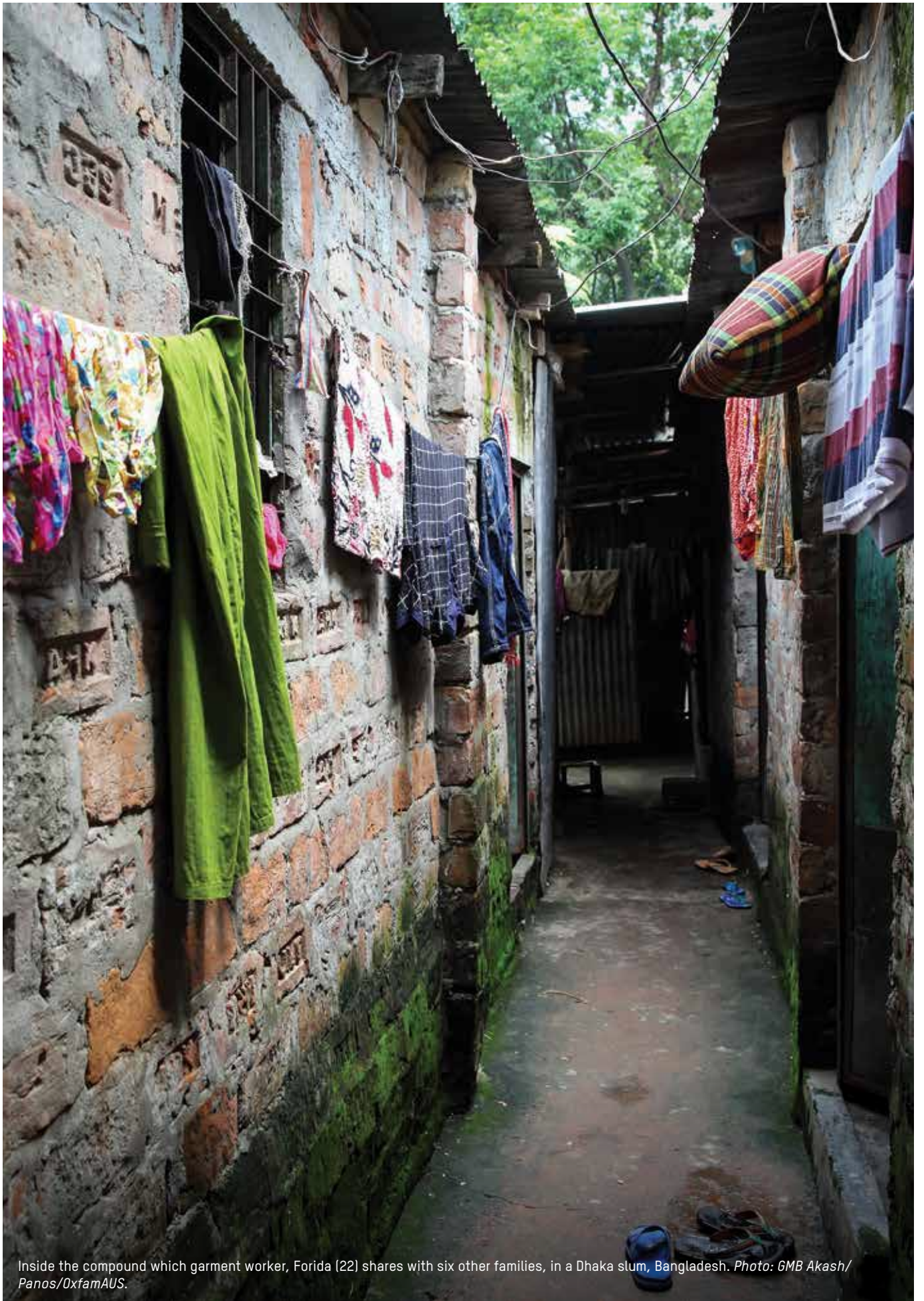
The problem is particularly severe for women: in Asia, women earn on average 70% to 90% of what men earn.¹⁶ One reason for this is that women are disproportionately concentrated in the lowest paid roles and in informal work. This is also true of the garment industry, where men often hold higher paid jobs with more authority.¹⁷

It is time for governments and companies alike to even up the scales and ensure everyone earns a living wage.

¹⁵ Between 1990 and 2015, the region's economy grew on average 6% a year, and between 1990 and 2010, the bottom 70% of the population's share of income has decreased, while the top 10% have seen large gains. Oxfam, *Underpaid and Undervalued: How inequality defines women's work in Asia*, Oxfam, June 2016, viewed 21 September 2017, https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/ib-inequality-womens-work-asia-310516.pdf.

¹⁶ *ibid.*

¹⁷ P Huynh, *Assessing the gender pay gap in Asia's garment sector*, ILO Asia-Pacific Working Paper Series, March 2016, viewed 21 September 2017, http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_466268.pdf.



Inside the compound which garment worker, Forida (22) shares with six other families, in a Dhaka slum, Bangladesh. *Photo: GMB Akash/Panos/OxfamAUS.*



A garment worker in Bangladesh shows the equivalent of her daily wages in Australian dollars. Garment workers in Bangladesh, making clothes for international brands, earn as little as a few Australian dollars a day. Photo: GMB Akash/Panos/OxfamAUS.

WHAT WOMEN MAKE: WAGES IN THE GARMENT INDUSTRY

“No-one who works full time should have to live in poverty.” This concept is embedded in human rights instruments and these words have been echoed by presidents and leaders around the world.¹⁸

Despite the fact that the cost of living in certain countries may be lower, the salaries paid in the garment industry still don't allow a worker to exist with basic dignity, hygiene or health.¹⁹ The women and men making our clothes are living in poverty. While brands like Kmart, Cotton On, Just Group and H&M are growing, workers are often living in slum-like housing and barely making ends meet. In addition to earning less than men, women garment workers are frequently subjected to verbal and physical abuse and sexual harassment at work.²⁰

Ma Thae Thae Mar works at a textiles factory outside of Mandalay (Myanmar) and earns the minimum wage of 3,600 kyat (\$4.27) for an eight-hour working day. The daily rate just covers the cost of food for herself and her child. But there is little left to do basic things, such as fix the gaping hole in her roof. “I manage, but it’s very tough during the rain as it wets the kitchen and I’m not able to cook.”²¹

Asia provides around 91% of the garments sold in Australia, with China being the top sourcing destination, followed by Bangladesh, which provides just over 9% of all garments sold here. Other key source countries for the Australian market include Vietnam, Indonesia, Cambodia and India.²²

These key garment-producing countries that supply the Australian fashion market are shown on page 10, along with the legal minimum wage per hour. In Bangladesh, the second-largest source country for garments into Australia, it is legal to pay the women who make our clothes as little as 39 cents an hour. All of these countries have a legal minimum wage that is less than \$1 an hour.

18 Former US President Barack Obama, for example, used these words on signing an executive order to raise minimum wages in the US in 2014. P Lewis and K McVeigh, ‘Obama: “Nobody who works full-time should have to live in poverty”’, *The Guardian*, 13 February 2013, viewed 21 September 2017, <https://www.theguardian.com/world/2014/feb/12/obama-minimum-wage-federal-workers-poverty>.

19 Y Hymann, *The Impact of a Living Wage for Garment Workers*, Good On You, 20 May 2017, viewed 21 September, <https://goodonyou.eco/impact-living-wage-for-garment-workers/>.

20 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 21 September 2017, <https://www.oxfam.org/en/research/made-myanmar>.

21 L Hogan, *Myanmar’s textile workers pay the price for Australia’s fast fashion addiction*, ABC News, 23 July 2017, viewed 20 September 2017, <http://www.abc.net.au/news/2017-07-23/myanmars-textile-workers-pay-the-price-for-fast-fashion/8731838>.

22 Deloitte Access Economics for Oxfam Australia, *A Living Wage in Australia’s Clothing Supply Chain*, September 2017.

MINIMUM WAGE IN AUD/HOUR



Note: Exchange rate used is 1 USD = 1.25 AUD.^{23, 24}

Minimum wages are the legal minimum amount of money that an employer is required to pay workers for the work performed during a given period. Minimum wages cannot be reduced by collective agreement or an individual contract — they are the lowest legal salary allowed to be paid to a worker.²⁵ Having legal minimum wages is supposed to ensure that all workers earn enough to live a decent life, with adequate housing and enough to eat. Garment-producing countries often set minimum wages too low to ensure that they remain competitive and attract foreign investment. They fear that a higher minimum wage would cause global brands — like fashion companies — to relocate their orders to cheaper sourcing areas. The result is that minimum wages are set at a level that does not correspond to the cost of living.

Deloitte Access Economics has undertaken new research for Oxfam on the proportion of the average price of a garment sold in Australia that usually goes towards wages for garment workers. The research found that on average, just 4% of the retail price ends up in workers' pockets, while in very low-wage countries like Bangladesh, as little as 2% of the retail price goes towards garment workers' wages.

²³ Exchange rate used is 1 USD = 1.25 AUD, September 2017. Minimum monthly wage converted to hourly wage by dividing minimum monthly wage by 208.32 working hours in a month. Weekly regular working hours 48, multiplied by 4.34 weeks in a month equals to 208.32 working hours in a month. FASH455 Global Apparel & Textile Trade and Sourcing, *Minimum Wage in the Apparel Industry Continues to Rise in Most Asian Countries in 2016*, viewed 20 September 2017, <https://shenglufashion.wordpress.com/2016/01/28/minimum-wage-in-the-apparel-industry-continues-to-rise-in-most-asian-countries-in-2016> and DW made for minds, *Cambodia raises minimum wage for textile workers*, 20 September 2016, viewed 25 September, <http://www.dw.com/en/cambodia-raises-minimum-wage-for-textile-workers/a-35926002>.

²⁴ A number of garment-producing countries like China, India, Indonesia and Vietnam have different minimum wages in different provinces/regions/jurisdictions. In China, the minimum hourly wage varies from \$0.93 to \$1.93. FASH455 Global Apparel & Textile Trade and Sourcing, *Minimum Wage in the Apparel Industry Continues to Rise in Most Asian Countries in 2016*, viewed 20 September 2017, <https://shenglufashion.wordpress.com/2016/01/28/minimum-wage-in-the-apparel-industry-continues-to-rise-in-most-asian-countries-in-2016>.

²⁵ ILO, *How to define a minimum wage?*, ILO, viewed 20 September 2017, <http://www.ilo.org/global/topics/wages/minimum-wages/definition/lang--en/index.htm>.

AVERAGE COST STRUCTURE OF AUSTRALIAN CLOTHING PRICES



Note: *GST is 9% because the 10% GST is added to the pre-GST cost of an item. This means, as part of the total retail price of an item, GST usually makes up 9%.

Source: Deloitte Access Economics for Oxfam Australia, "A Living Wage in Australia's Clothing Supply Chain".

Workers are sometimes also paid below the minimum wage. A recent publication by the International Labour Organization (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 were found to be more likely than men to be paid below the minimum wage and workers with lower levels of education were 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.²⁶

²⁶ International Labour Organization, *Weak minimum wage compliance in Asia's garment industry*, ILO, August 2016, http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_509532.pdf.



Forida (22) cleans in the wash area she shares with six other families, in a Dhaka slum, Bangladesh. Forida wears a head scarf to protect her identity. Photo: GMB Akash/Panos/OxfamAUS.

FORIDA'S STORY:

"If we were paid a little more money, then I could one day send my son to school; we could live happily, we could lead a better life."

Forida makes clothes for Target Australia, H&M and other global brands.

Forida makes 35 cents an hour²⁷ making our clothes.

Forida is 22 years old. She lives with her husband, a rice miller, and her toddler son in Kallyanpur, a slum area in Dhaka, Bangladesh. She also supports her mother-in-law, who looks after her son while she is at work. Forida and her family have lived in a dark, hot and cramped compound with six other families, including her landlord's, for three years. There is just one toilet and place to bathe for the whole compound, and two shared cooking areas. Constructed mostly of tin and wood, her living conditions are crowded and rundown. Forida says, "When it rains, there's a smell in our home."

Behind the rental property is a big, black polluted pond, which attracts a consistent influx of mosquitos, especially in Forida's room — half of which is built over the water. This increases her and her family's risk of exposure to mosquito-borne viral diseases like malaria, dengue fever and Chikungunya.

Towards the end of each month, Forida's salary runs out and she just eats "old watery rice, with salt and green chili". If she was paid a living wage, Forida could "provide food for the last week of the month [and] eat better food like vegetables and meat".

Each day, like all garment workers, Forida is given a target that she must complete before she can go home. Forida makes shirt collars and has a target of 80 collars per hour for a striped or patterned shirt, and 100 collars per hour for a solid colour shirt. These targets are impossible to finish within regular working hours, so she is forced to work overtime to complete the immense workload. During busier times, when international clothing brands place demanding orders, she might work as late as midnight. Often, she is given no notice of overtime, so cannot make care arrangements for her son. If production targets are not met, 500 taka (\$7.70) is deducted from her wages as punishment.

The pressure at work is intense. If she makes any mistakes, she is verbally abused by her supervisor. "I feel embarrassed when I am scolded in front of so many people and then I feel bad about myself because I'm not able to do the work properly. If I could do the work properly, then I wouldn't be scolded so hard and this makes me cry."

Forida hopes for more realistic targets and a better wage.

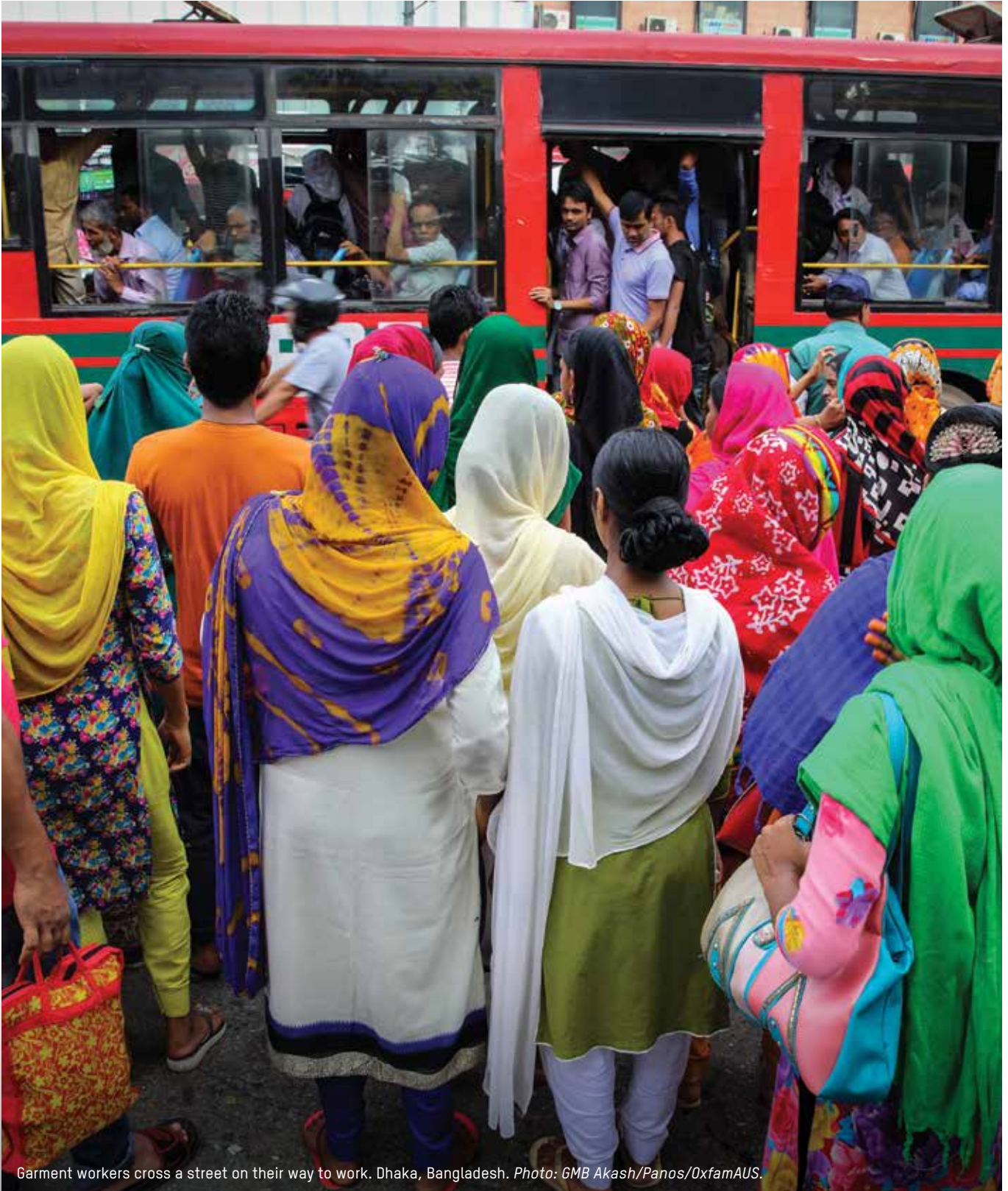
²⁷ Hourly rate is described here as less than the minimum wage in Bangladesh. This is because of deductions that are made from her wage for mistakes and not being able to meet targets.



A polluted pond that attracts mosquitos, outside Forida's shared room in a Dhaka slum. Dhaka, Bangladesh. *Photo: GMB Akash/Panos/OxfamAUS.*

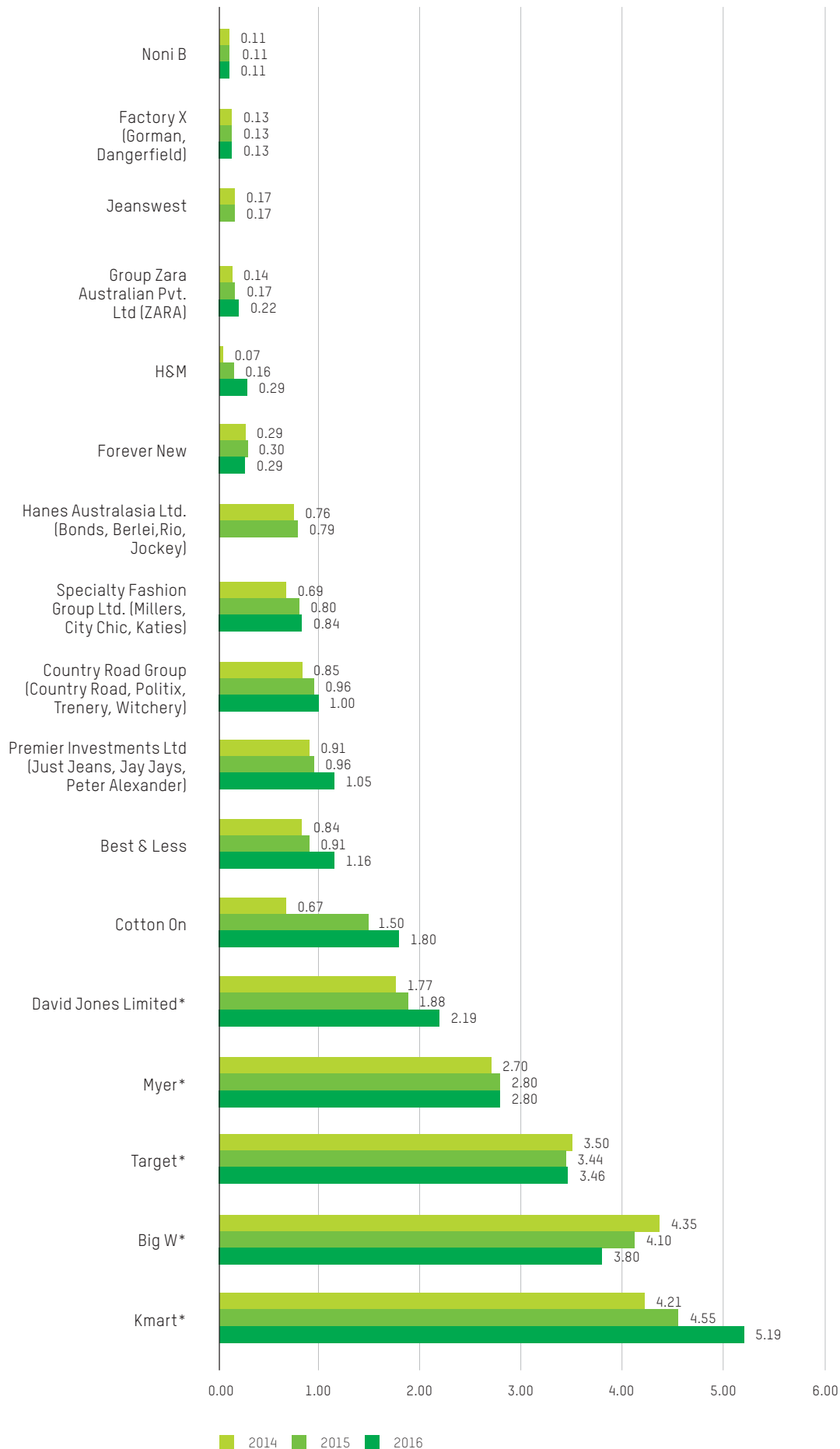
BRANDS CAN AFFORD TO PAY WORKERS MORE

At the same time as workers are earning as low as 39 cents an hour (or less), companies and CEOs in the garment industry are making large amounts of money. The biggest garment companies in Australia continue to grow, with Cotton On, for example, more than doubling its revenue between 2014 and 2016. As the graph on page 15 shows, many large garment companies continue to increase their revenue year-on-year.



Garment workers cross a street on their way to work. Dhaka, Bangladesh. Photo: GMB Akash/Panos/OxfamAUS.

CLOTHING COMPANY REVENUES IN AUSTRALIA (BILLION AUD)



2014 2015 2016

Note: * Departmental stores selling clothing, accessories, and other items.

Source: IBIS World, see www.ibisworld.com.au and annual reports



Anju (left) waits for her turn in the kitchen she shares with seven other families in a Dhaka slum. Dhaka, Bangladesh.
Photo: GMB Akash/Panos/OxfamAUS.

The garment industry is worth big bucks. Australian garment companies like Kmart, Cotton On and Hanes Australasia (Bonds) are growing and increasing their turnover. Retailers like H&M and Zara are just a couple of the international names that are now operating in Australia and competing for domestic space. As a result, some smaller-scale Australian retailers are struggling to compete and losing market share.

Companies are driven by maximising profit and often also by creating the highest dividends for their shareholders. The Australian garment industry was worth \$27 billion in 2016, and grows at an annual rate of more than 4%.²⁸

While governments across Asia set wages low to encourage foreign investment, brands also play an important part in keeping wages low by negotiating hard with individual factories to produce garments as cheaply as possible.²⁹ To meet the demands of big brands, garment manufacturers are making workers work long hours on poverty wages.

At the same time, the remuneration at the top end of garment supply chains — the CEOs — appears to be skyrocketing.

The co-founder and majority owner of the Cotton On Group was on the Australian Financial Review (AFR) Rich List for 2016 and estimated to have an overall wealth of \$1.26 billion.³⁰

It's been reported that the CEO of The Just Group (that owns Just Jeans, Jay Jays and Peter Alexander) earned \$5.4 million in 2015, up from \$4.3 million the year before, with a contract extension that awarded him a \$1 million-plus pay rise, paid his rent for three years and gave him clearance to sell shares worth more than \$12 million.³¹

In 2016, Kmart and Target's CEO was reportedly paid \$4.037 million, up from \$3.828 million.³²

Based on pay levels like this, it would take a Bangladeshi garment worker earning the minimum wage more than 4,000 years to earn the same amount that the CEOs gets paid.³³

28 IBISWorld, *Clothing retailing in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html> and IBISWorld, *Clothing wholesaling in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html>.

29 International Labour Organization (ILO), *Wages and working hours in the textiles, clothing, leather and footwear industries*, ILO, Geneva, 2004, viewed 20 September 2017, http://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/publication/wcms_300463.pdf.

30 Financial Review, 'AFR Rich list 2016', *Financial Review*, 27 May 2016, viewed 20 September 2017, <http://www.afr.com/leadership/afr-lists/brw-rich-200-list-2016-20160526-gp4ejn>.

31 S Mitchell, 'Pay day for Premier Investments CEO Mark McInnes', *The Sydney Morning Herald*, 27 April 2016, viewed 20 September 2017, <http://www.smh.com.au/business/retail/pay-day-for-premier-investments-ceo-mark-mcinnnes-20160427-goftuv.html>.

32 E Greenblat, 'Wesfarmers slashes CEO Richard Goyder's pay by 50pc', *The Australian*, Melbourne, 21 September 2016, viewed 20 September 2017, <http://www.theaustralian.com.au/business/companies/wesfarmers-slashes-ceo-richard-goyders-pay-by-50pc/news-story/8153fcc4889ef917ad2635c70b73069e>.

33 Calculation based on Bangladesh minimum yearly wage of \$974, and \$4 million in annual earnings for a CEO.

TIME TO PAY LIVING WAGES

This current system of exploitation is neither necessary nor inevitable. It is the product of a broken economic system that benefits the richest and is driving the global inequality crisis.³⁴

Concrete solutions exist to stop this, and one of these is paying a living wage. Paying people, and especially women, a living wage would have a huge impact on making the world a more equitable place, and it is a key building block of a more “human economy”.³⁵

Persistent poverty wages mean garment workers in many countries across Asia are often unable to afford appropriate housing, food, health and education for themselves and their families and fail to save for emergencies such as becoming unexpectedly ill or losing employment. Being forced to work excessive hours means they do not get sufficient rest, nor do they have time to spend with or raise their children or enjoy their freedom for recreation. This also prevents a worker benefiting from freedom of association,³⁶ as the worker does not have the time or energy to participate in trade union activities — which means they can’t advocate for better standards and conditions. 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.

“Overtime is not a choice for us anymore, it is a must. Just imagine that if I am not working overtime my salary would [be] only as much as the minimum wage standard.” — W.N., A 30-YEAR-OLD FEMALE GARMENT WORKER FROM INDONESIA³⁷

WHAT IS A LIVING WAGE?

“If I eat properly, there’s no extra money left so I try to minimise everything, so that if there’s an emergency, I can send maybe 500 [\$7.60] extra taka to my mother.” — Fatima, garment worker in Bangladesh

A living wage is not a luxury but is in fact a minimum that all working people should be paid if they are to escape abject poverty. A living wage should be earned in a standard work week (no more than 48 hours as a maximum) by a worker and be 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, other essential needs including some discretionary money and provision for unexpected events. There are various ways to estimate a living wage, but the two key methods are the Asia Floor Wage and the Anker Method. Both provide a clear pathway for businesses to move forward on higher wages. Both methods of calculating a living wage are credible, with the Asia Floor Wage usually higher due to differences in detail, approach and calculation. Companies need to work towards these levels of pay and might see moving towards a living wage calculated using the Anker Method as an achievable first step.

Asia Floor Wage:

The Asia Floor Wage Alliance (AFWA) is an international alliance of trade unions and labour rights activists who are working together to demand garment workers are paid a living wage. The AFWA began in 2005 when trade unions and labour rights activists from across Asia came together to agree a strategy for improving the lives of garment workers.

The AFWA has defined its own formula and methodology to calculate a living wage. It recognises that the way the garment industry is organised places severe limits on the ability of workers to improve wages and working conditions in developing countries. In light of these difficulties, the AFWA campaign calculates a living wage — in terms of purchasing power parity dollars — for a range of Asian

34 Oxfam Briefing Paper, *An Economy for the 99 percent*, Oxfam, 16 January 2017, viewed 25 September 2017, <https://www.oxfam.org.au/wp-content/uploads/2017/01/An-economy-for-99-percent.pdf>.

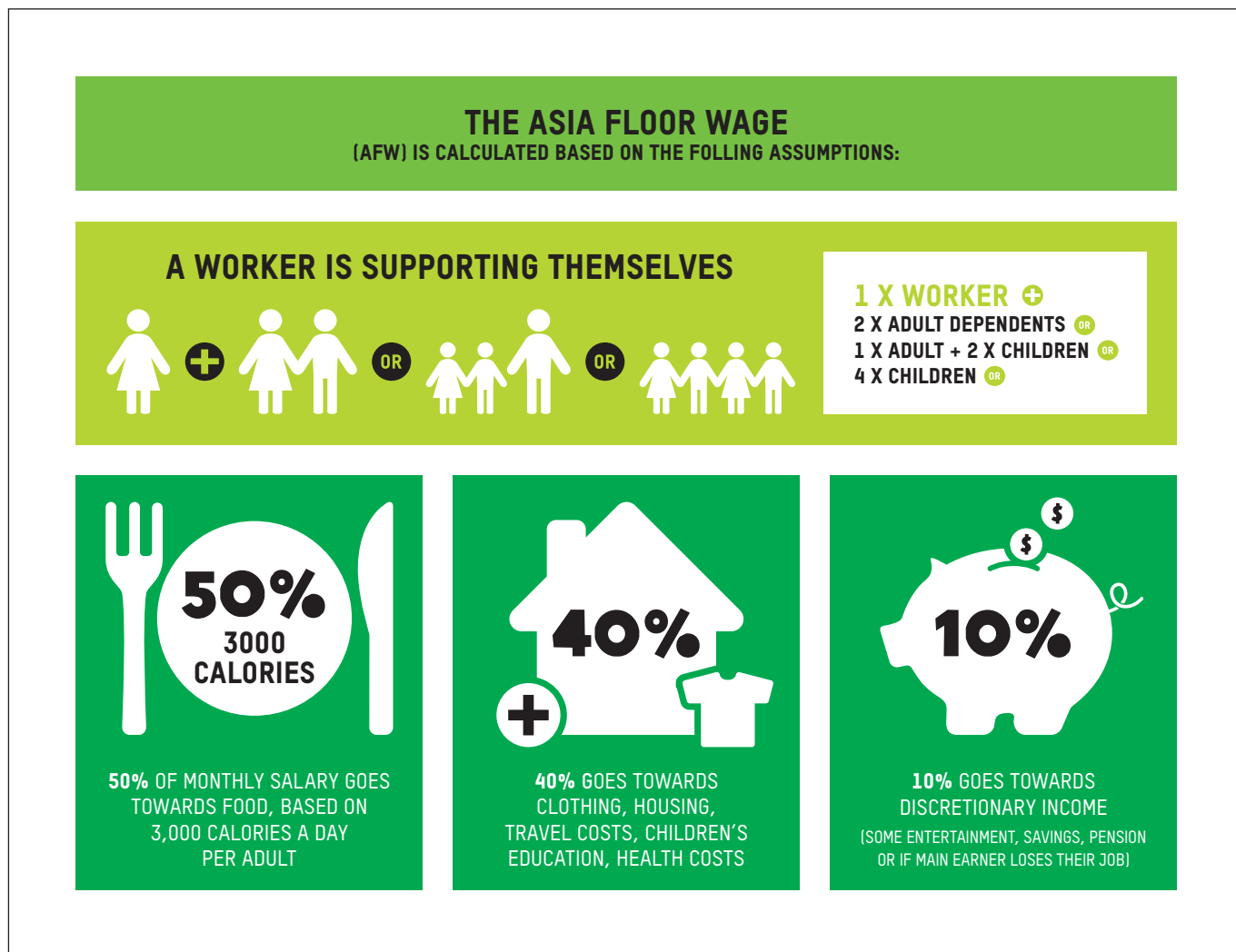
35 Oxfam Briefing Paper, *An Economy for the 99 percent*, Oxfam, 16 January 2017, viewed 25 September 2017, <https://www.oxfam.org.au/wp-content/uploads/2017/01/An-economy-for-99-percent.pdf>.

36 Freedom of association is the right to freely form groups, such as trade unions, to work together for better rights and conditions. Freedom of association is a fundamental right outlined in Article 22 of the International Covenant on Civil and Political Rights.

37 Oxfam in Indonesia, *Enhancing capacities of garment and textile workers for a more living wage in Indonesia*, Oxfam in Indonesia, November 2016.

countries. Its mission is to campaign for a living wage across Asia because it realises that improving wages in a country makes it vulnerable to capital relocation — the practice of companies moving to another location if wages or other costs increase in their country of operation. The purpose of the Asia Floor Wage is to create a social floor, a level playing field, by taking wages out of the equation.³⁸

ASIA FLOOR WAGE CALCULATION



Source: Asia Floor Wage, see <http://asia.floorwage.org>

³⁸ Asia Floor Wage Alliance, viewed 20 September 2017, <http://asia.floorwage.org>.

The Global Living Wage Coalition and Anker Method:

The Global Living Wage Coalition brings together Fairtrade International, Forest Stewardship Council (FSC), GoodWeave, Sustainable Agriculture Network/Rainforest Alliance (SAN/RA) and UTZ Certified, along with Social Accountability International (SAI), to improve wage levels in supply chains. The coalition, in partnership with Richard and Martha Anker, have developed a methodology for calculating a living wage. Each living wage benchmark commissioned by the coalition is made public to further this aim and to increase the opportunity for collaboration towards payment of a living wage.³⁹

FLOW CHART OF ANKER'S METHODOLOGY FOR ESTIMATING A LIVING WAGE



Source: Global Living Wage Coalition, see www.isealliance.org

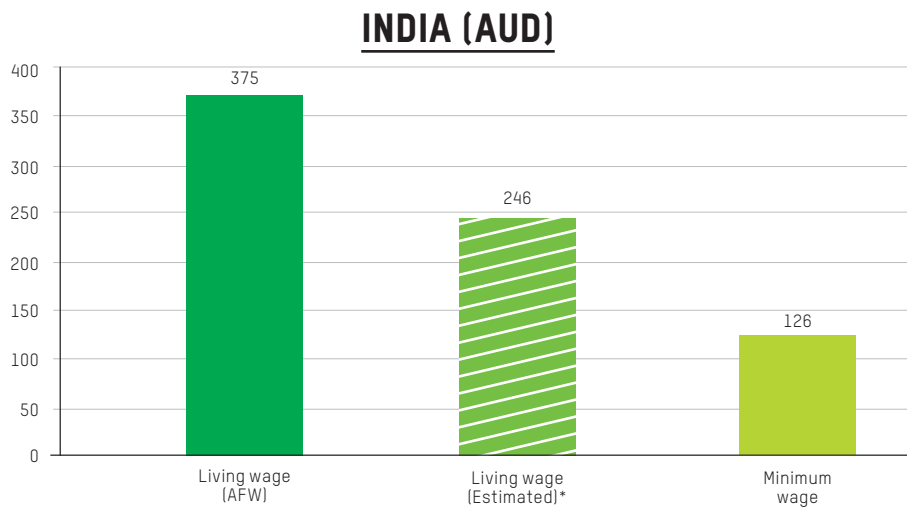
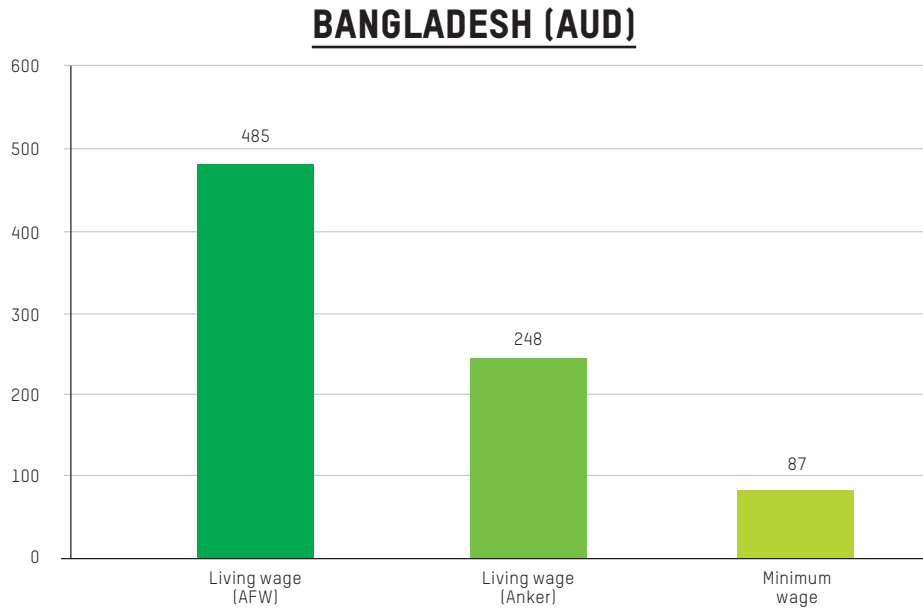
Whichever method brands use to calculate a living wage, it is important that workers are involved at every stage in the decision-making process, and that no corners are cut so that people are able to eat enough nutritious food, as well as afford a decent standard of living.

³⁹ Global Living Wage Coalition, viewed 20 September 2017, <https://www.isealliance.org/our-work/improving-effectiveness/global-living-wage-coalition>.

Difference between minimum wages and living wages:

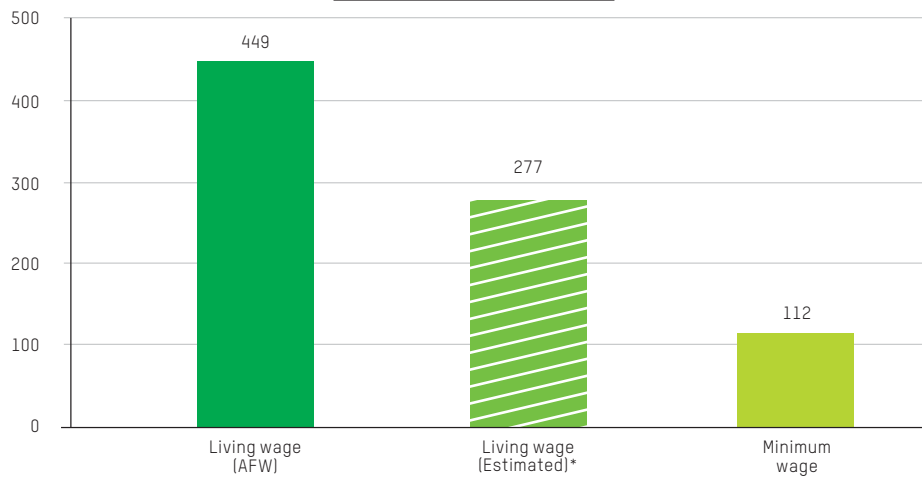
The top five source countries for Australian garment brands are China, Bangladesh, Vietnam, Indonesia and India. In all these countries, the minimum wage is well below the living wage.⁴⁰

Comparisons of minimum wages and living wages in selected countries, in monthly salaries (AUD)

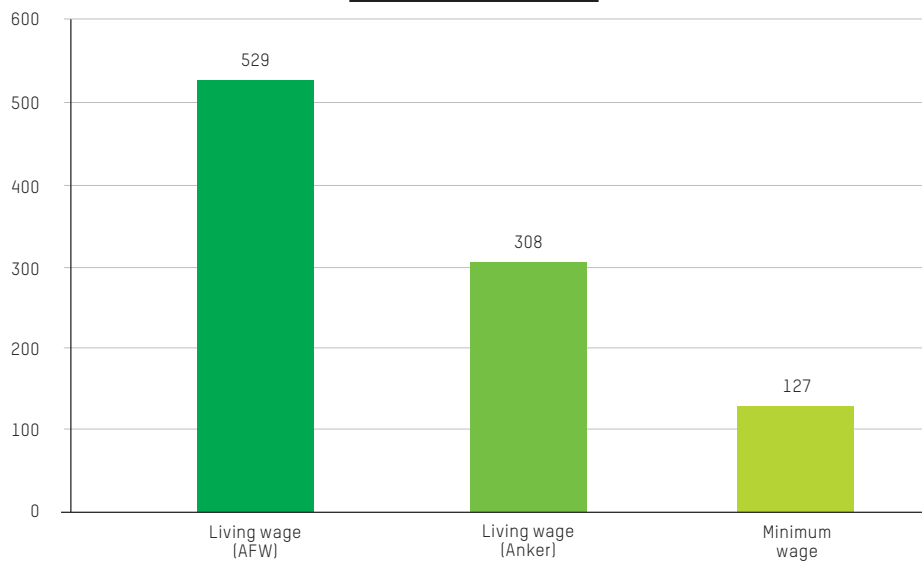


⁴⁰ A number of garment-producing countries like China, India, Indonesia and Vietnam have different minimum wages in different provinces/regions/ jurisdictions. In China, the minimum hourly wage varies from \$0.93 to \$1.93. FASH455 Global Apparel & Textile Trade and Sourcing, *Minimum Wage in the Apparel Industry Continues to Rise in Most Asian Countries in 2016*, viewed 20 September 2017, <https://shenglufashion.wordpress.com/2016/01/28/minimum-wage-in-the-apparel-industry-continues-to-rise-in-most-asian-countries-in-2016>.

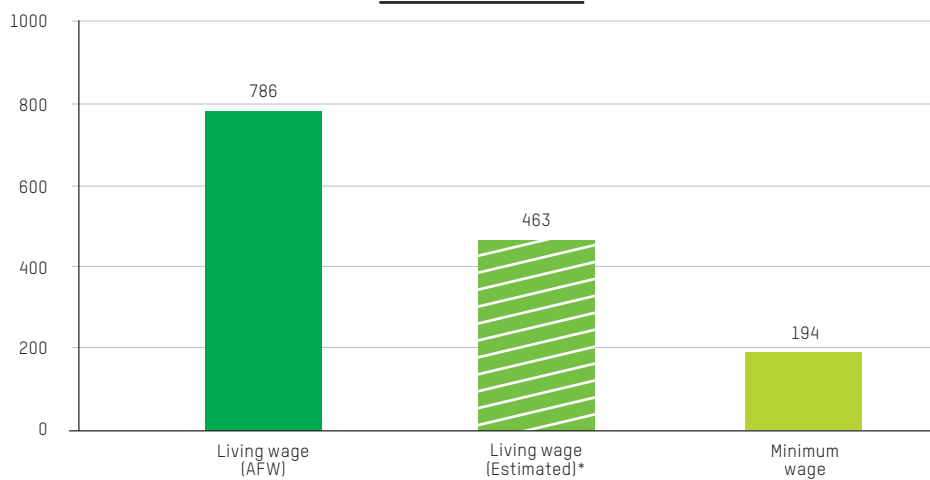
INDONESIA (AUD)



VIETNAM (AUD)



CHINA (AUD)



Note: * Where the Anker Method was unavailable, researchers used the Asia Floor Wage in conjunction with labour market information to estimate living wages.

Source: Deloitte Access Economics for Oxfam Australia, "A Living Wage in Australia's Clothing Supply Chain"



Garment worker, Fatima (20) holds garments made in Bangladesh. Fatima is hiding her identity with a head scarf to minimise risk of losing her job and to protect her welfare. *Photo: GMB Akash/Panos/OxfamAUS.*

Minimum wages need to be lifted to reach living wage levels that will ensure workers can have a decent life.

In China, Deloitte estimates that the average wage⁴¹ paid to factory workers is above living wage levels, however, the minimum wage that workers can be paid is still far below. Per capita disposable wages in China are also nearly four times higher for urban workers compared with rural workers on average.⁴² This means a large portion of garment workers in China are still paid below living wage levels.⁴³

In Bangladesh, the minimum wage sits at less than a quarter of the estimated Asia Floor Wage and at a third of the Anker Living Wage level. And in Indonesia and Vietnam, minimum wages are set at less than half the Anker Living Wage level and also far below the Asia Floor Wage.

41 The average salary is calculated based on reported average salaries across a number of respondents as part of research by Deloitte Access Economics for Oxfam Australia, *A Living Wage in Australia's Clothing Supply Chain*, September 2017.

42 Deloitte Access Economics for Oxfam Australia, *A Living Wage in Australia's Clothing Supply Chain*, September 2017.

43 China labour bulletin, *Wages and employment*, viewed 20 September 2017, <http://www.clb.org.hk/content/wages-and-employment>.



Garment worker, Fatima (20) shows us where she sleeps in the room she shares with two other garment workers. She cannot afford a mattress. Fatima wears a head scarf to protect her identity. Dhaka, Bangladesh. Photo: GMB Akash/Panos/OxfamAUS.

FATIMA'S STORY:

"If I was paid a better wage, I would move into a flat and bring my mother with me because now, whenever I am able to eat, I'm always thinking, 'I am eating but how is my mother right now? I can't see her. Is she eating as well? Is she getting food?'"

Fatima makes clothes for Big W, H&M and other global brands. Fatima makes 43 cents an hour making our clothes.

Fatima is 20 years old and single. She lives in a tiny two-bedroom apartment on the fourth floor of an apartment building. She rents one small room, which she shares with two other young women, also garment workers. One roommate owns a thin single mattress but Fatima and her other roommate do not, so they sleep on the concrete floor. They share a tiny communal kitchen and even smaller toilet and bathing area with the landlord whose family lives in the apartment's other room. There are a total of 10 people sharing the small apartment.

Running water is only available for one hour, three times a day. Fatima collects water in the morning before work and then stores it in a plastic drum in her room.

After paying rent and keeping a little for herself for food, Fatima sends the rest of her monthly wage to her mother. Fatima's mother is ill, requiring daily medication and an operation. If the wages for a particular month are relatively low, Fatima chooses to go without eating so that she can minimise her own costs and give extra money to her mother.

Like Florida, Fatima is set unrealistic production targets. She fears being physically abused or even fired for not reaching targets — something she has seen happen to others. "If we have to finish a certain amount of work that might take five hours, they tell us to do it within three hours. And then they really pressure us; we can't go to the toilet; we can't drink water. And it's because of the targets." Fatima gets sick and feverish from not being able to go to the toilet and she worries her body can't function: "When I have to work for a long time, my whole body aches, but mainly my knees, my shoulder, my back, my left side. The left side of my back hurts more ... because I have to bend to the left for work, that's why I get more 'ache' on the left side."

Sometimes payments of their monthly wage are late, causing problems paying rent and additional stress. Worse still, the line chiefs regularly skim money from everyone by hiding or lying about the amount they are owed and bullying Fatima and other workers into signing their payslips. Fatima says, "The owner doesn't know about this, that the line chief keeps our money."

But, some women are also taking it into their own hands to make small changes and fight for better conditions.

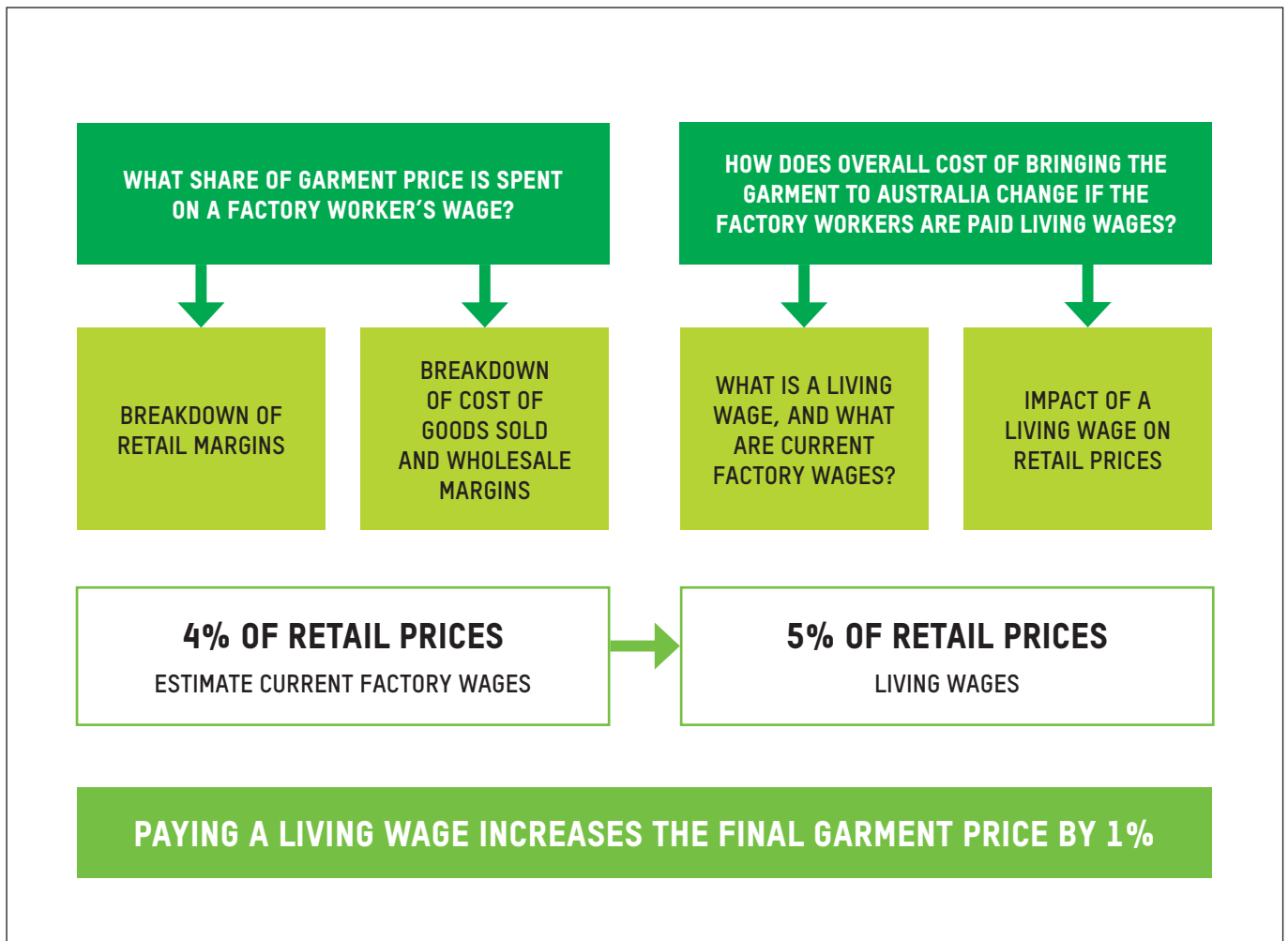
Another worker at Fatima's factory told her about an organisation called Karmojibi Nari (KN), which translates as "working women", a rights-based activist organisation that works alongside Oxfam in Bangladesh. Fatima attended meetings and received training at KN, learning about her entitlements. She says, "And so I did that, and I got my full wage and holidays. Now even when I don't need a holiday, I take one so that I can go to visit my mother." Fatima also speaks up when she sees younger workers being harassed and scolded, skills she learnt from KN.

PAYING LIVING WAGES IS ACHIEVABLE

New research undertaken by Deloitte Access Economics for Oxfam Australia reveals not only that on average just 4% of the retail price of a piece of clothing sold in Australia ends up back in the pockets of workers. It also estimates that even if the brands were to add the full price of paying living wages on to the price of a garment, prices would only increase by 1%.

In other words, paying living wages would mean that instead of just 4% on average going to the workers who make our clothes, brands would need to ensure just 5% of the retail price got back to the pockets of garment workers. While getting to living wages might seem like a big ask, increasing the share that workers receive by just 1% is certainly achievable, particularly if brands plan this increase over time.

A 1% INCREASE TO PAY LIVING WAGES



Source: Deloitte Access Economics, 2017

Realistically, Oxfam argues that there is enough profit and other margins within the supply chains of big brands to mean that they can pay living wages, without creating higher prices for consumers.

44 IBISWorld, *Clothing retailing in Australia: industry report*, IBISWorld, Melbourne, February 2017, viewed 20 September 2017, <https://www.ibisworld.com.au/industry/clothing-retailing.html> and IBISWorld, *Fast Fashion in Australia: industry report*, IBISWorld, Melbourne, April 2017, viewed 20 September 2017, <http://clients1.ibisworld.com.au/reports/au/industry/default.aspx?entid=4172>.

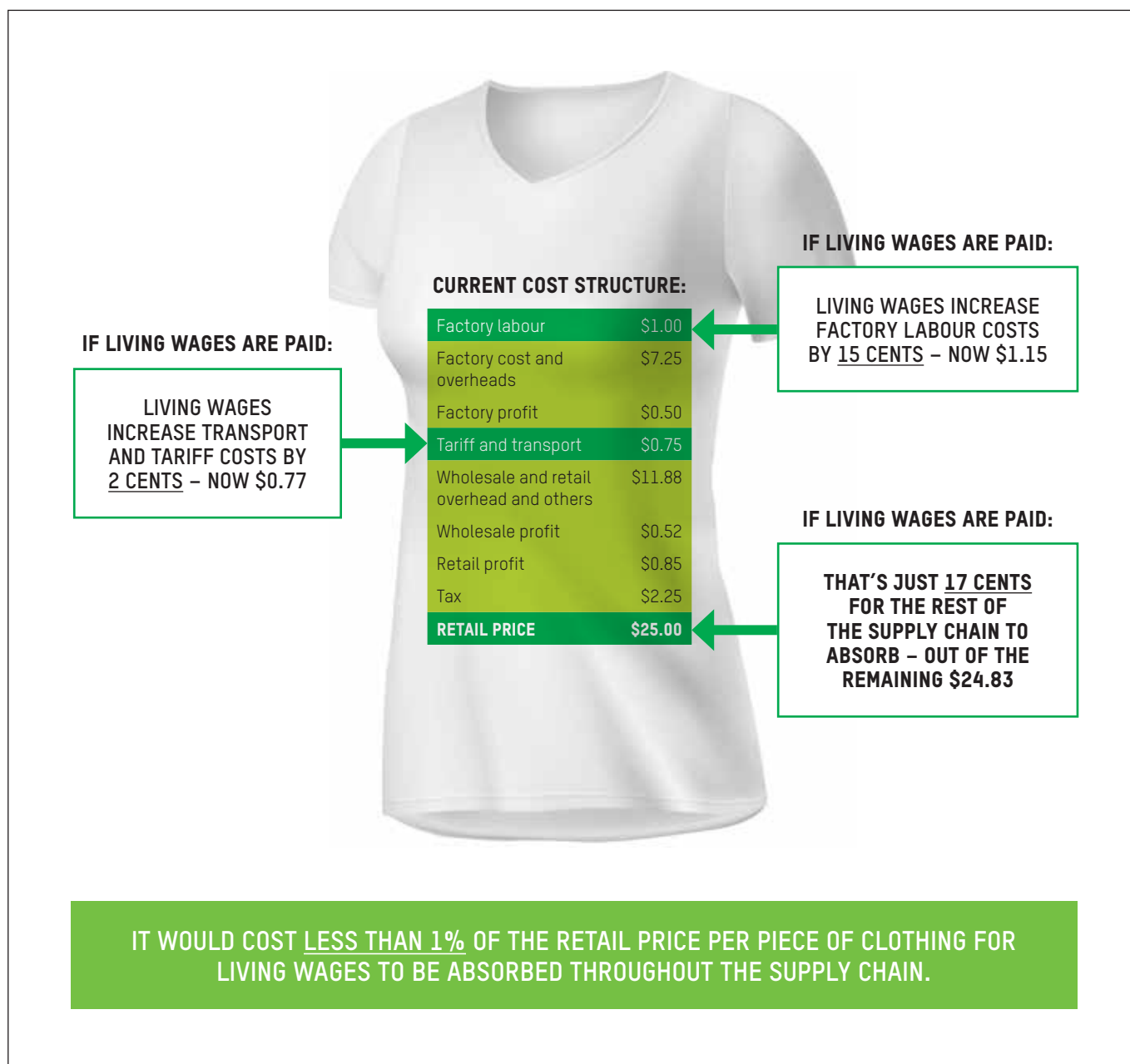
Profit margins vary from 3.4% to 8.4% based on the product and sourcing destination.⁴⁴ If the additional cost of paying a living wage is passed on to consumers, then the retail price is estimated to go up by only 1%. However, if brands absorb the cost of paying living wages themselves within their supply chains, rather than passing the whole cost on, it would cost brands on average less than 1% of the retail price of each piece of clothing.

Brands can change the way they do business to ensure workers earn a living wage.

This can happen because of the many different parties in the supply chain, each of whom takes a profit. If the manufacturer, wholesaler and retailer each absorb some of the additional cost of paying living wages, it will have a limited impact on their profit margins. If manufacturers and brands absorb the costs rather than pushing them on to consumers, their margins will only drop a little to allow workers to earn a living wage. This is especially the case if wholesalers and retailers also work to reduce their overhead costs, such as transport in Australia, fit-out and advertising.

Below, we've shown how the breakdown of the price of a \$25 shirt could change if manufacturers, wholesalers and retailers absorbed the cost of paying living wages, rather than keeping the same profit margins at all levels in the supply chain. In this case, the additional cost is only 17 cents in a \$25 shirt — that's only 0.7% of the retail price for the manufacturers, wholesalers and retailers to absorb, rather than 1% for a consumer to pay to ensure living wages.

COST MAKE-UP OF A \$25 SHIRT SOLD IN AUSTRALIA





Garment worker, Anju (25) holds sweaters made in Bangladesh for an international brand. Photo: GMB Akash/Panos/OxfamAUS.

ANJU'S STORY:

"Everyone wants their children to have a bright future. If my daughters have a better education here, maybe they will have a good job, and they would have a brighter future."

Anju makes clothes for Specialty Fashion Group (whose brands include Katies, Millers, City Chic and Rivers) and other global brands.

Anju makes 37 cents an hour⁴⁵ making our clothes.

Anju, 25 years old, lives with her husband, a rickshaw driver, in the same area as Forida in Bangladesh. In Anju's home village, there was no work for women and she had to leave school early, missing out on an education. She moved to Dhaka to work in the garment industry for a better future for her children.

Anju has two daughters, Munia (10 years old) and Ginia (eight years old). Initially, Ginia lived with her mother and father in Dhaka, but was bitten by a dog as she was left alone while her parents were working. Anju decided it was safer for both daughters to live with her in-laws.

Anju keenly feels the distance between her and her daughters — she only sees them twice a year. "Because I am a mother, the responsibility of looking after my daughters is mine. If they want something, I have to give it to them. If we got more money, we would stay in a better house. There would be a lot of changes." Anju feels really bad that her children are not with her — she wants to buy them clothes, cook for them, and just be with them.

Anju's living costs are higher than the wage she is paid. She is behind on her rent and has a debt at the grocery store. She's very stressed about her landlord asking her to leave because of how much rent she owes. Anju sends money back to the village for her daughters and lives "being scared of what the people I owe money to will say".

Working as an operator, Anju stitches the backs and fronts of sweaters together — her pay is based on the quantity of sweaters she stitches, not the hours she works. She works with small details so it is hard to see. The long hours lead to chronic back and hand pain. Some days, Anju is sent home because there is not enough work to do — other days, there is too much work to do. If she does not complete her target and the shipment is due that day, then she will not get paid for that day's work.

There is no fixed date for when Anju is paid each month. This inconsistency means she cannot pay her rent or loan on time, causing significant financial stress. If her salary is not paid on time, Anju and other workers protest at the owner's office. They are usually told to "go home until they can pay us", but in the past, people were fired for protesting about their wages.

"If I had a better wage, I could have my daughters near me. I could keep them here and take them out to visit places; take them out for a day."

⁴⁵ Anju's hourly rate is described here as less than the minimum wage in Bangladesh. This is because of deductions that are made at the factory level and at times she is behind her steep target. Anju is a piece-rate worker, which means she is paid per piece she produces.

TIME TO WORK TOGETHER

GOVERNMENTS:

The UN Guiding Principles on Business and Human Rights recognise that governments have a duty to ensure human rights are protected and respected within their borders. 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. In other words, it is first and foremost the responsibility of governments to ensure that legal minimum wages are set at liveable and fair levels within their country.

Unfortunately, for a range of reasons, many garment-producing countries have set minimum wages far too low and have limited mechanisms and enforcement capacity to make sure that workers are able to maintain a basic standard of living.

Given the unstable political situation in some countries, rights at work are often left unprotected, effective government intervention isn't always possible and local garment industry players often have excessive influence with governments. Factory owners can use this political influence to protect their short-term interests at the expense of working people. In some cases where wages have been increased, rents and the price of groceries have also increased. This means that unless changes are implemented meaningfully, an increase in wages may not fully translate into an improved quality of life.⁴⁶

Governments in countries where garments are sold, like Australia, must also take some responsibility. Destination governments that house the head offices of multinational garment supply chains like Kmart or Cotton On can take steps to ensure that companies bringing clothing into Australia are doing the right thing.

As Justine Nolan, Deputy Director of the Australian Human Rights Centre, explains:

"If a firm at the top end of the supply chain can control the size, design, quantity and quality of a product, and possess potential leverage to influence the working conditions of those producing the goods, it is then both fair and effective to align that power with legal accountability. Chain liability, as used selectively in Australia's homeworker industry or the EU's construction sector, can shift the overarching legal responsibility to the firms at top of the supply chain making them liable for harms occurring in their supply chain. If companies can demonstrate that they have exercised due diligence in such circumstance, this could be a defence to liability. Regulations that incorporate penalties — for failing to report or conducting inadequate due diligence — are more likely to be an effective deterrent than those that do not."⁴⁷

The Australian Government can and should legislate to require large companies to report on the way they deal with all potential human rights risks — including the risk that they are not paying living wages — in their supply chains. This should include companies showing how they take responsibility for human rights abuses, and how they act to fix the situation (known as "remedy") when human rights abuses are uncovered. Penalties should also be put in place for companies that refuse to report, or do not fairly remedy any situations of rights abuse in their supply chains.

The recent steps by the Australian Government to consider legislation about how companies tackle modern slavery in their supply chains is a positive first step in this direction. But this needs to go further. Companies should report on how they manage all potential human rights risks in their supply chain and penalties for not reporting should be considered.

⁴⁶ Y Hymann, *The Impact of a Living Wage for Garment Workers*, Good On You, 20 May 2017, viewed 21 September 2017, <https://goodonyou.eco/impact-living-wage-for-garment-workers/>.

⁴⁷ J Nolan, *Legalising responsibility for human rights in global supply chains*, The Australian Human Rights Centre, 6 June 2016, viewed 20 September 2017, <http://www.ahrcentre.org/news/2016/06/06/818>.



The kitchen in a small flat that garment worker, Fatima (20) shares with 10 other people. Dhaka, Bangladesh. Photo: GMB Akash/Panos/OxfamAUS.

BRANDS:

We have shown in this report that brands can and must take responsibility for the poverty wages in their supply chains. It is no mistake that companies have chosen to pursue a strategy of cheap labour to fuel the fashion industry.

Not only this, the United Nations also makes it clear that businesses must take responsibility for what happens in their own supply chains. It is no excuse to say the law in this country has legalised human rights abuse. Paying decent wages that allow a fair standard of living — a living wage — is clearly set out as a human right in the United Nations Universal Declaration.

“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.” — UN UNIVERSAL DECLARATION OF HUMAN RIGHTS, ARTICLE 23(3)

The obligation for businesses to protect and respect human rights exists no matter the political context. The UN notes that businesses must ensure rights are being upheld, even in countries where governments are failing to do this themselves. This includes ensuring the payment of realistically liveable wages for workers.

As a first step, Australian brands must make a clear, public commitment that they will ensure living wages are paid throughout the supply chain. This commitment must include a timeframe by which the company intends to be paying living wages in full, and a pledge to develop — in no longer than 12 months — a public roadmap that sets out how the company will move step-by-step towards this target.

Brands should ensure, and if necessary help facilitate, meaningful and transparent discussion and negotiation between workers’ representatives (unions) and factory management to determine steps to living wages and agree on plans to achieve them. Brands must also recognise that their own 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.⁴⁸

Also, an increase in wages can sometimes see employees being put into a different wage category, missing out on bonuses they would otherwise have been entitled to. And increases that happen at one factory can mean losing work because of retrenchment if international brands move their orders to cheaper competitors. This is why brands must work in coordination with unions, governments and others to address the problem. Brands should commit for the long term to suppliers that do the right thing by their workers, and commit to governments that they will not move to another country if minimum wages go up.

GARMENT MANUFACTURERS AND FACTORY OWNERS:

Garment manufacturers in developing countries are able to create jobs for millions of workers, particularly women. This is a positive thing, but to make this system really work for the people at the bottom of supply chains, garment manufacturers need to embrace the fact that current wage practices need to change. This will allow their businesses to have a meaningful impact on poverty alleviation and to continue sustainably into the future. Paying living wages encourages worker loyalty and improves health conditions and productivity.⁴⁹ Garment owner associations need to collaborate closely with brands, governments, unions, non-government organisations and other human rights organisations to develop and support a roadmap to paying living wages. Trust between labourers and managers serves as a foundation for developing sound industrial relationships in an organisation. Labour relations should be considered an essential part of management systems and techniques, and not as a discipline or activity apart from management.

UNIONS:

Trade unions exist to protect the interests of their members. They provide the numerous workers with a collective — and hence effective — voice in dealing with employers on safer working environments and negotiating for employees’ benefits, along with supporting workers in disputes with management. The best and most effective way to achieve living wages in any supply chain is to ensure that workers have a voice in all decisions on wage levels, and on how to incrementally increase pay, through representative

⁴⁸ J Merk, J Kyriacou and S N Emran, *A sewing kit for living wages, Pathways to living wages in global garment supply chains*, Oxfam Australia, Melbourne 2017.

⁴⁹ J Wolfers, *Higher wages for low-income workers lead to higher productivity*, Real time economic issues watch, 13 January 2015, viewed 21 September 2017, <http://users.nber.org/~jwolfers/policy/RealTime%20Economic%20Issues%20Watch%20Higher%20Wages%20for%20Low-Income%20Workers%20Lead%20to%20Higher%20Productivity.pdf>.

unions. This kind of worker organisation and collective bargaining is fundamental to improving labour conditions across the apparel supply chain and in the countries where garments are made.

A positive example is the Action, Collaboration, Transformation (ACT) initiative.⁵⁰ 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 collaboration between brands.

Unions need to continue their initiatives to enhance the capacity of their members by organising education and training programs on fundamental principles and rights at work. This will help to raise awareness of basic labour rights and obligations, and to address both unfair labour practices, such as poverty wages, and the right to a living wage.

PEOPLE POWER:

When everyday Australians talk, brands listen.

After the Rana Plaza factory in Bangladesh collapsed in 2013, Australian consumers demanded that companies act. In response, almost all the largest garment retailers in Australia joined the ground-breaking Bangladesh Fire and Building Safety Accord. Similarly, as Oxfam and others have been focusing our advocacy on transparency and on bringing factory lists out of hiding for garment companies, Australians have again taken to email and social media to express their opinions. Since March 2016 alone, 10 of the biggest brands operating in Australia have published most of their factory locations online — keeping them accountable when problems occur.

We're now asking for Australians to speak up again, as together we can hold brands accountable for what she makes. We must stand with the women who make our clothes and let brands know loud and clear that the women working in their factories must be paid a living wage.

We want the women who make our clothes to have safe, fair working conditions and decent pay. That means keeping their jobs, so Oxfam does not advocate consumers boycotting their favourite brands. Instead, consumers should tell brands how they feel about living wages. The garment industry is an important part of the economy in many developing countries. What we're asking for is that the jobs in those industries are fair and safe — and that people are paid a living wage for the work that they do. We all buy clothes, so we should use our power as customers to tell companies we care about what she makes, and ask companies to pay the women who make our clothes a living wage.

“Consumers in [the West] have a big responsibility ... they have to think about how these companies are doing business. The multinationals take our blood and our sweat. Consumers need to know where their clothes are coming from and what the working hours and conditions are. We need to [also] look at the living conditions.” — FORMER CHILD FACTORY WORKER NAZMA AKTER, FOUNDER OF THE AWAJ FOUNDATION, WHICH FIGHTS FOR LABOUR RIGHTS IN BANGLADESH⁵¹

50 Action, Collaboration Transformation, viewed 21 September 2017, <https://actonlivingwages.com/>.

51 S Parry, 'The true cost of your cheap clothes: slave wages for Bangladesh factory workers', *South China Morning Post*, 11 June 2016, viewed 21 September 2017, <http://www.scmp.com/magazines/post-magazine/article/1970431/true-cost-your-cheap-clothes-slave-wages-bangladesh-factory>.



Women march for their rights in Bangladesh. Photo: Peter Caton/OxfamAUS

RECOMMENDATIONS: TIME TO ACT ON WAGES

FOR BRANDS:

Brands should:

1. Get the basics right on human rights:

- Be transparent — publicly disclose their factory list and update it regularly.
- Fairly deal with human rights abuses — support factories to establish effective grievance mechanisms.
- Allow workers to organise — adopt a positive and proactive freedom of association policy.
- Consult with unions and workers' representatives — ensure that workers are able to have a representative say in their working conditions in all factories and are a meaningful part of all wage negotiations.
- Empower women workers — adopt a positive and proactive gender policy and gender-sensitive targets.

2. Make a credible commitment to living wages:

Publicly commit to respecting the right to a living wage and set out a timeframe by which the brand will pay living wages throughout its supply chain, ideally within three to six years. The commitment should clearly spell out that within 12 months a roadmap to living wages for the brand will be developed and publicly shared.

3. Develop and publish a living wage roadmap:

- Adopt an existing living wage benchmark or calculate a living wage using established methodology. 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.
- 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.⁵²

4. Implement and monitor living wages in the supply chain:

- 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 and support systemic change to adopt living wages through collaboration, coordination and dialogue among brands, factories, employers' organisations, unions and governments.
- 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.
- Supply regular public reports on the living wage programs, roadmap to a living wage and the progress being made (or lack thereof).



To help brands make these commitments and achieve living wages in their supply chains, Oxfam has developed a handbook, *A Sewing Kit for Living Wages – Pathways to Living Wages in Global Supply Chains*, that explains company obligations and the steps brands can take to move forward. Further detail is provided in this handbook on each of the recommendations in this report, as well as tools, examples and links for any company wanting to act and stop poverty wages in their supply chain.

⁵² Clean Clothes Campaign, *Road map to a living wage*, Clean Clothes Campaign, Amsterdam, 2 July 2013, viewed 20 September 2017, <https://cleanclothes.org/livingwage/road-map-to-a-living-wage/>.

FOR GOVERNMENTS:

Governments in garment-manufacturing countries should:

- 1. Make laws align with human rights** — revise all labour laws to ensure they are in line with international labour standards, including removing legal and practical obstacles to worker representation and unionisation.
- 2. Move to increase minimum wages to living wage levels:**
 - In consultation with representative unions, civil society and business — and in line with leading methodologies — establish a clear local living wage benchmark as guidance to evaluate payment conditions in every company.
 - Develop a clear plan and timeframe, also in consultation with key stakeholders, to increase the legal minimum wage to equate to a living wage.
- 3. Reward living wage payment:** establish provisions of incentives for companies and businesses that are able to provide living wages for their workers.
- 4. Monitor and fairly investigate violations:**
 - Put in place robust processes, in consultation with representative unions, civil society and businesses, for investigating and resolving cases of unfair labour practices in a timely and transparent manner.
 - Consider forming a Wage Implementation Monitoring Team, in consultation with representative unions, civil society and business, to provide a quick response to address violations of wage payment, including monitoring the wage gaps between male and female workers.⁵³
- 5. Collaborate:** Work together with other governments from garment-producing countries, global organisations like IndustriALL, global institutions and regional bodies such as the Association of Southeast Asian Nations (ASEAN) to collaborate on lifting wages together, rather than continuing the competitive “race to the bottom” on minimum wages.

The Australian Government should:

- 1. Legislate to protect human rights:** Introduce legislation that would require large companies to report on the way they deal with all potential human rights risks — including the risk that they are not paying living wages — in their supply chains. This should include companies showing how they take responsibility for human rights abuses, and how they act to fix the situation when human rights abuses are uncovered. Penalties should also be put in place for companies that refuse to report, or do not fairly remedy any situations of rights abuse in their supply chains.
- 2. Invest in educating companies about human rights responsibilities:** The Australian Government should invest in educating companies about their human rights responsibilities and the risk that they might be infringing on people’s rights — including by paying and allowing poverty wages — in their supply chains. The Australian National Contact Point on Responsible Business Conduct should be adequately resourced to be able to undertake this important role.
- 3. Invest in global solutions:** The Australian Government should invest in global solutions to poverty wages by prioritising discussion on global labour rights standards in regional and international forums, and by supporting collaborative initiatives that encourage all stakeholders to address poverty wages in developing countries through the Australian aid program.
- 4. Develop and implement a national action plan on business and human rights:** The Australian Government should develop a strong national action plan on business and human rights, based on the United Nations Guiding Principles on Business and Human Rights.

The United Kingdom, Netherlands, Italy, Denmark, Germany, Norway and a range of other countries have already developed national action plans, and many other countries, including Malaysia, Ireland, Greece and Thailand, are currently developing theirs.

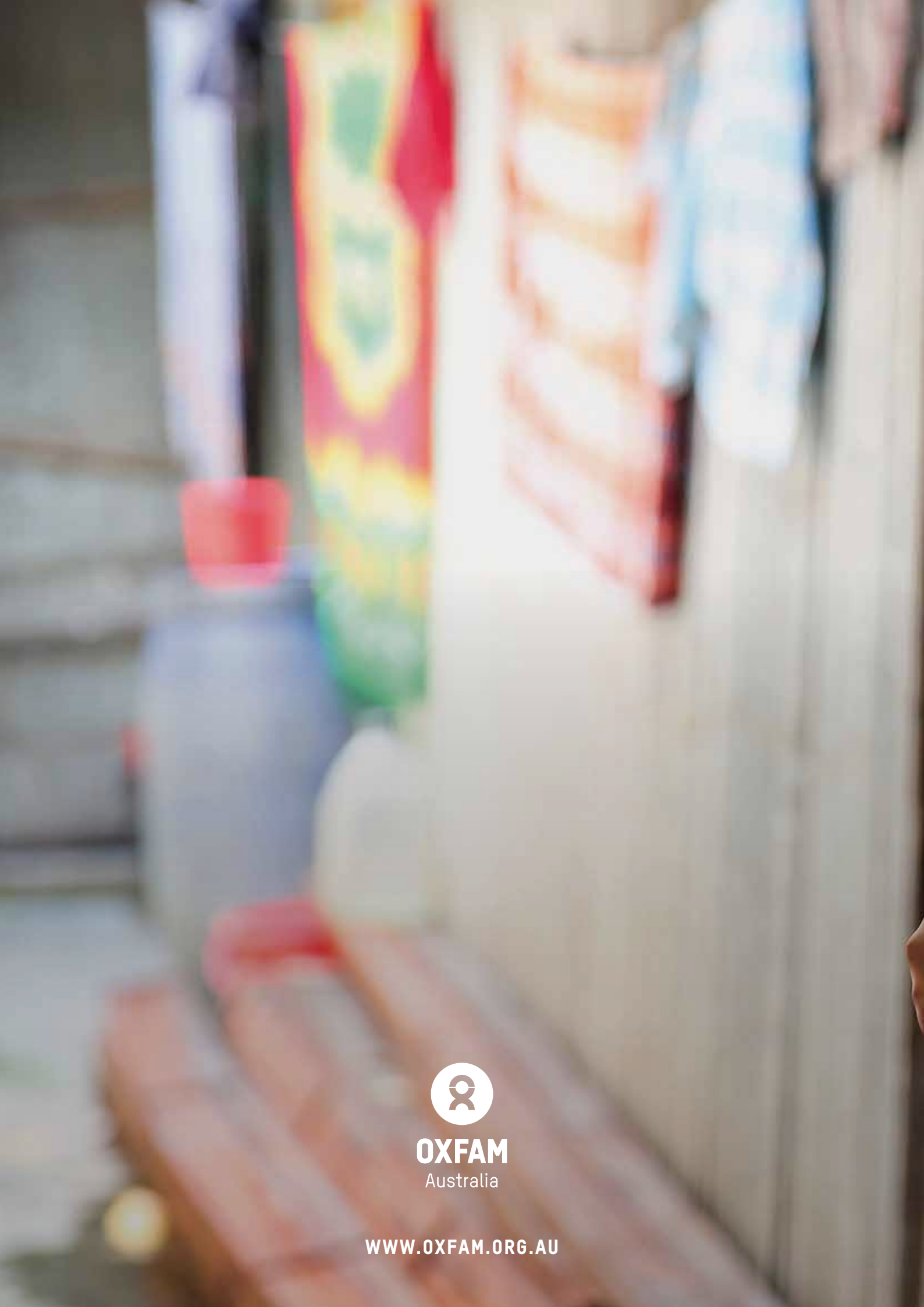
The national action plan should set an agenda for the Australian Government to review legislation and ensure it is adequately meeting the need for Australian businesses operating both domestically and overseas to protect and respect human rights, and to invest in education and collaboration with businesses to help them meet human rights obligations — including paying living wages. It should outline how the Australian Government will address and support Australian-based businesses to ensure human rights abuses are not part of their systemic operations, and could include each of the recommendations outlined above as part of the Government’s action plan to address this issue.

⁵³ Oxfam in Indonesia, *Enhancing capacities of garment and textile workers for a more living wage in Indonesia*, Oxfam in Indonesia, November 2016.

NOTES:



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