What Price a Living Wage?: Implementation Issues in the Quest for Decent Wages in the Global Apparel Sector

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Implementation Issues in the Quest for Decent Wages in the Global Apparel Sector

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ABSTRACT This article sets out to examine ways in which a living wage might be implemented in the global apparel sector. We argue that an increase in the unit labour cost element of the free on board price paid by brands by a factor equivalent to the difference between the existing wage and a nationally determined living wage figure would not impact in any serious way upon retailer/brand-owner's (or supplier's) bottom line. However, the existence of fragmented and outsourced manufacturing, accompanied by aggressive buying practices, militates against 'aspirational' code provisions in this area. Limited progress is possible only through substantial brand collaboration, an acceptance of collective bargaining through trade unions in supplier factories and, longer term, moves by brands and retailers to own and control their own manufacturing capacity.

KEYWORDS *collective bargaining, Designated Supplier Programme, fair trade labelling, FOB prices, General Sewing Data, global value chain in apparel, living wage, Living Wage Ordinances, trade unions*

What Price a Living Wage?

In February 2007, Levi Strauss & Co. resigned from the UK based Ethical Trading Initiative (ETI) following the company's suspension from the multi-stakeholder initiative for refusing to sign up to the 'living wage' provision of

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the ETI's base code.[1] The company argued that it could not implement this principle with its suppliers and would appear to be not alone in its stance. A recent study in the UK by Labour Behind the Label showed that of 37 UK companies surveyed, only 16 accepted the principle of a living wage, and only four showed any evidence of putting the principle into practice (Labour behind the Label, 2006). A comparison of code provisions in multi-stakeholder initiatives (MSIs) reveals a similar reluctance, particularly on the part of US-based initiatives, to aspire to such a principle (Setrini and Locke, 2005: 24–5) and more recent retailer efforts such as the Business Social Compliance Initiative (BSCI) would appear to be muddying the waters (Maquila Solidarity Network [MSN], 2007: 19). Nevertheless, numerous retail and brand-name companies (Brands), continue to maintain 'living wage' principles in their corporate codes or have signed up to such provisions as members of multi-stakeholder initiatives. However, many of these would be the first to admit that ensuring that their suppliers pay their workers 'enough to meet basic needs and to provide some discretionary income'[2] is little more than 'aspirational' given that many appear to struggle to ensure the payment of a statutory minimum wage.

The living wage issue is a crucial test of the ability of multinationals' and voluntary multi-stakeholders' initiatives, such as the ETI, to effect improvements in international supply chain working conditions. Most certainly, all the signs point to this as an issue that needs to be urgently addressed, not least because of the very low level at which the minimum wage is set in many developing countries. Early in 2006 workers in a number of foreign owned export companies in Vietnam engaged in a series of wildcat strikes to achieve an increase in a minimum wage, which had not been revisited since 1999.[3] In Cambodia – held up as a model for social compliance through the ILO sponsored 'Better Factories Programme' (Miller et al., 2007; Wells, 2006), 181,556 days were lost between January and May 2006 with pay featuring as a central issue. Then, through much of the summer of 2006, apparel workers in Bangladesh took to the streets to demand an increase of a minimum wage – last set in 1994 at Tk600 per month (£7.00) and insufficient to even feed one person – to Tk3000. The revised minimum wage of Tk1662 (£12), which came into force in 2006 is well below the Tk4800 estimated as a living wage, indeed it is worth less in real terms than in 1994 (Labour Behind the Label, 2007). In Sri Lanka, the trade unions have petitioned the government and threatened industrial action for an increase in the minimum wage to bring private sector wages to LKR11,730 per month (US$117.30) on a par with public sector, from their level of less than LKR5000 to compensate for an increasing cost of living. A living wage in Sri Lankan Free Trade Zones is estimated to be LKR12,504 (Prasanna and Gowthaman, 2006: 16).

Yet, as pressing as the need for a living wage would appear to be, implementation appears to pose a number of challenges to all the stakeholders involved – national governments, multinationals companies and their suppliers, trade unions and consumers and non-governmental organizations (NGOs). National governments fear that raising the minimum wage will have negative impacts on trade and the economy. Multinational brands fear rising costs, and potential loss of revenue and market share. For the manufacturer there is the straightforward issue of rising cost against a backdrop of falling retail prices, and consumer expectations of the same. For trade unions there remains the challenge of securing implementation mechanisms in the form of collective bargaining frameworks within a hostile union environment, while NGOs fear that any supply chain living wage initiative may not reach informal workers, and may drive further 'informalization' of employment. For the ethical consumer, there is an absence of transparency and confidence that a living wage promise by any retailer can truly be delivered to workers in supplier factories.

In addition to these issues, unlike other core worker rights standards, there is no internationally accepted definition of a living wage (Athreya and Thys, 1999: 1; US Department of Labor, 2000). Three types of wage standard may be found in codes of conduct: 'minimum wage', 'prevailing wage' and 'living wage'. Whereas 'minimum' and 'prevailing' are concepts that can be readily defined, a 'living' wage standard does not specify 'what the term "basic needs" is meant to include, nor identify which methodology for calculating living wages is best, what data should be used, or what sort of household the "living wage" is meant to support' (Setrini and Locke, 2005: 22). What we are left with, is a global industry where apparel workers' wages are largely determined by minimum wage fixing at a national level:

> Many countries take into consideration the poverty threshold (if one has been established), among other things, in setting and adjusting the minimum wage. While in many cases the minimum wage is supposed in theory to meet a worker's basic needs, the level at which it is actually set usually represents a political compromise or a balance between meeting those needs and economic conditions and the employer's ability to pay. (US Department of Labor, 2000: viii)

Consequently, retail and brand-name companies have ended up benchmarking wages against the minimum wage paid in supplier countries as a proxy for the living wage. Against this backdrop, debate continues to rage about living wage formulae (Anker, 2006; Brenner, 2002; US Department of Labor, 2000), with some commentators (and our own data) suggesting that in some supplier countries the prevailing minimum wage would need to be increased in the order of 200–300% (Anker, 2006; Centre for Reflection, Education and Action [CREA], 2004).

While the determination of what constitutes a living wage continues to exercise all stakeholders, for those in the business community who are committed to this principle, the search continues for 'conditions that would allow such wages to be paid without driving producers out of business' (Setrini and Locke, 2005: 23). The purpose of this article is to consider a range of implementation mechanisms and the challenges they pose for stakeholders in the sector. We argue that the challenge is not only surmountable, it also provides an opportunity for addressing compliance inadequacies in other – core – labour standards areas. We turn our attention first to the central issue of labour cost and its relative position within the global value chain in apparel production.

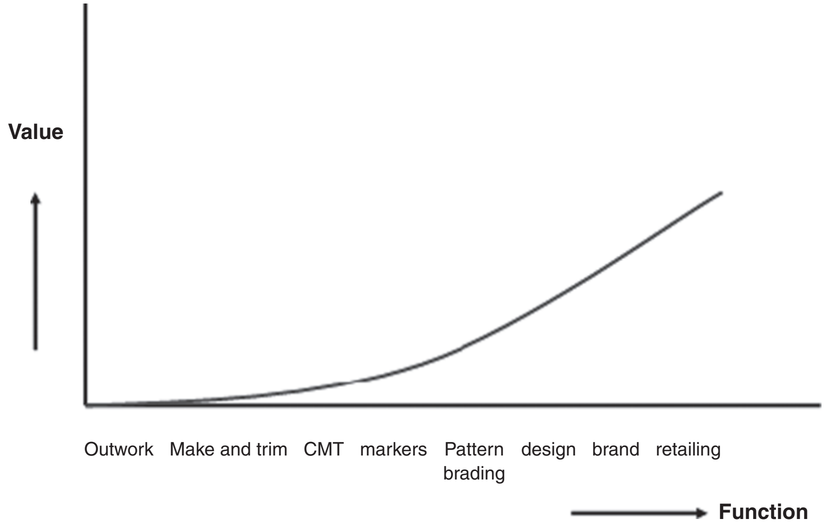

FIGURE 1 *Value added in a clothing company*

A Point of Departure: The Apparel Value Chain

Apparel manufacturers – depending on their level of investment – can be located at different points along the global value chain (Gereffi and Memedovic, 2004; Kaplinsky, 2000). This is clearly illustrated in Figure 1, which shows the value added by different manufacturing activities. The vast majority of (female) apparel workers and sewing machinists in particular, are located in what is generally known as cut, make and trim (or CMT), or as outworkers doing high labour content embellishments such as embroidery and lace. The level of skill involved in sewing work can be grossly underestimated (Abernathy et al., 1999: 152–3), yet this work continues to be considered low value added with sewers and helpers positioned at the bottom of the manufacturing segment of the global apparel value chain. The relative values of all the inputs involved in the assembly stage of a specific garment are visible from costing models employed in the industry (see Figure 2). Buying staff are interested in achieving the lowest possible free on board or ex factory price for any garment they order. The free on board or ex factory price generally incorporates fabric and trim costs, factory overheads and profit and labour costs and delivery to the port.

Figure 2 shows an average cost breakdown of a Freight on Board (FOB) for a standard adult male cotton T-shirt, which might retail at £15. The LDP or landed duty paid price is £2.50. The ex factory price is £2 of which 60% is fabric cost (including a fairtrade organic premium of 50 pence, which goes to the cotton grower). Taking out trim and tags, which account for 15% of costs, the factory overhead, which incorporates labour, profit and overhead costs amounts to 25% of the FOB.

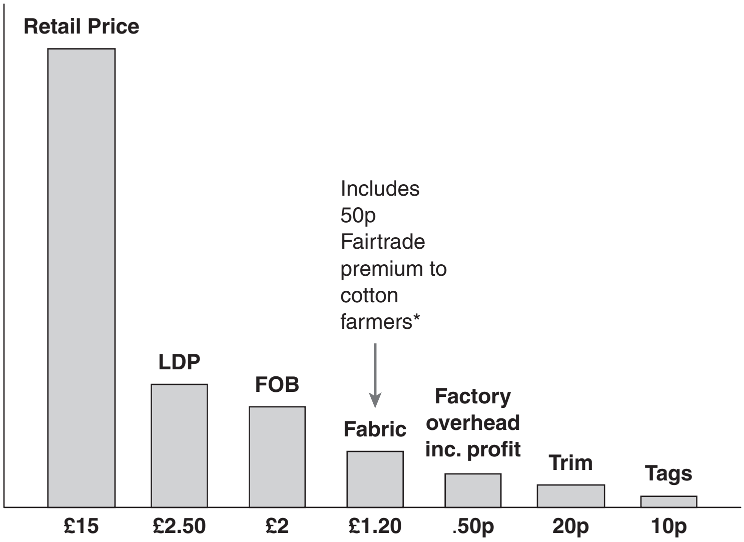

FIGURE 2 *Breakdown of a Freight on Board (FOB) for a Fairtrade cotton T-Shirt*
Source: Based on figures provided by industry as at April 2008

There is little publicly available data of production costs that reveal the unit labour cost. Buyers make it their business to be fully aware of all costs incurred particularly where they insist on 'open book costing' – where the supplier is asked to disclose all costs – to negotiate an FOB price. Their attention to detail may stretch to capacity issues to arrive at a 'labour minute value' that is based on total direct and indirect labour costs (including oncosts) divided by available standard time x an efficiency ratio. The unit labour cost of a particular garment can then be calculated by multiplying the labour minute value by whatever 'standard time' is allocated to actually assemble the garment in question. Standard times are fixed using some form of time study analysis or predetermined motions time system (PMTS)[4] whereby the assembly process for the garment in question is analysed by work study engineers into a set of operations required for its completion and each operation allocated a synthetic time – usually expressed as a fraction of a minute for each specific physical movement. The sum of these times plus a 'personal allowance' is used to determine the target production time, which is likely to be daily.[5]

In an illuminating piece of research undertaken by Locke and Romis (2006: 32) and appended to the Nike CSR report for FY 2005–6, two Nike supplier factories in Mexico were compared for, among other things, unit labour costs for similar T-shirts manufactured under cellular and line based systems. The results are shown in Table 1 below and although a full unit labour cost would, of course, have to incorporate *all* labour costs – not just assembly – which go into the completion of an inspected and packaged garment ready for despatch, what is clear from these calculations is just how *fractionally* sewing is valued as in input for any given garment in a multinational retailer or brand's supply chain.

TABLE 1 *Unit labour costs in garment production*

	Plant A	*Plant B*
Number of workers in one line or cell	6 (cell)	10 (line)
Number of T shirts per day per line/cell	900	800
Daily wage per worker	US$17.2	US$13.6
T Shirts per worker	150	80
Unit Labour Cost	US$ 0.11 cents	US$ 0.18

Source: Locke and Romis (2006: 32)

For example, in the Dominican Republic, labour input is calculated by work study at between 5.7 cents/minute and 10 cents per minute (Traub-Werner, 2007).[6] In the case of full package manufacturers (where the supplier undertakes to source the fabric and trim as well as carry out CMT), their earnings scope is severely limited by buyers who are well aware of the price of fabric and trim so that the only way in which any leeway can be achieved is in the negotiation of the unit labour cost for specific garments (Traub-Werner, 2007: 2) It is of course this wage elasticity which has driven the 'race to the bottom' in the sector, and both anecdotally and officially,[7] in terms of reported instances of excessive and forced overtime, it is clear that existing unit labour prices are being abandoned by suppliers anxious to secure a deal (Traub-Werner, 2007). 'Full package' jeans might have an FOB from the Dominican Republic of between US$6 (basic) and US$12, where the labour and finishing cost (including for example stonewashing and or embroidery) is priced at approx US$2. Significantly there has been heavy downward pressure from some retailers and brands on their FOB price with manufacturers reporting a halving of the assembly price within 8 years (Traub-Werner, 2007). Consequently the all too familiar scenario prevails, as reported by the National Labour Committee, in a Honduran Maquila manufacturing sweatshirts for the US market,[8] where 11–12 hour shifts were mandatory with no overtime pay, and machinists earned less than one-half of 1% of the retail price of branded sweatshirts and workers could be suspended for 3 days for failing to reach their production target.

We would argue that addressing a living wage requires attention to the unit labour cost, since there is general consensus on all sides of the industry that an increase of unit labour cost by an amount proportional to what is locally deemed to be a living wage would only marginally impact on the retail price of the garment (Birnbaum, 2000; Flanagan, 2002; Pollin et al., 2004; Worker Rights Consortium, 2005). It is worth reminding ourselves of the basic arithmetic involved here. In their study on the impact of substantial labour cost increases on apparel retail prices, the Worker Rights Consortium (WRC), drawing on the work of David Birnbaum (2000), present an example of a retailer wishing to import a Men's knit shirt from the Philippines. The current labour cost of each item, which retails at US$44, is US$0.69. Assuming that wages have to be raised

TABLE 2 *The influence on total costs of raising wages. Example of a men's knit shirt from the Philippines (adapted from Merk, 2003)*

Garment cost at key points in value chain	*Costs at current wages*	*Impact of a 50% wage Increase*	*Impact of a 100% wage Increase*
Non-labour costs (fabric, materials, overheads)	$7.31	$7.31	$7.31
Wages per day	$6.60	$9.90	$13.20
Sewing cost per unit	$0.69	$1.04	$1.38
FOB (including quota)	$8.00	$8.35	$8.69
Sewing cost as pct of FOB	*8.6%*	*12.4%*	*15.9%*
Landed-duty-paid (LPD)	$10.00	$10.43	$10.86
Sewing cost as pct of LDP	*5.5%*	*8.0%*	*10.3%*
Wholesale price	$20.00	$20.86	$21.73
Sewing cost as pct of wholesale price	*2.7%*	*5.0%*	*6.4%*
Retail price (approx 65% mark-up, rounded off)	$44.00	$45.90	$47.80
Sewing cost of pct of retail price	*1.6%*	*2.3%*	*2.9%*
Change in Retail price	–	$1.90	$3.80
Pct change of retail price	0.0%	4.3%	8.6%

by 100% to attain the notional living wage in this country, the WRC calculates that the consequences of paying a living wage would be to raise the retail price by only US$0.34 (a mere 1.54%) (WRC, 2005).

However, the WRC calculations contain an oft-repeated fallacy resulting from a failure to consider the margins operating within the apparel value chain. If a brand or retailer accedes to an increase in the FOB price to cover a living wage increase, this will be augmented by levies and margins at various points up the value chain, including import duties, retail country VAT or sales tax, insurance and the profit and operating margins of trading intermediaries. The resulting increases in retail price based on an increased FOB would therefore be greater than those estimated by the WRC. Table 2, adapted from Merk, and using the same data for a US$44 knit shirt, arguably gives a more accurate assessment of impact on the retail price of increasing wages by 50% and 100%. In this hypothetical case, doubling wages would increase retail prices by some 6.8%. Nevertheless the argument still holds true – that 'From the viewpoint of the final consumer, the effects of changes in wage rate are … relatively inconsequential' (Birnbaum, cited in Merk, 2003).

It is clear that before brands and retailers can be persuaded to move in the direction of a living wage, and thereby set in motion measures which will increase the unit labour price on a garment, they will have to be informed of the magnitude of the increase, and convinced of the business or some other case for doing so.

There is, as previously stated, no consensus on either a methodology for calculating a living wage, much less agreed figures for each garment exporting country.

TABLE 3 *Minimum wage levels against living wage estimates in selected countries*

Country	*Monthly Minimum Wage*[a]	*Monthly Living Wage*	*Sterling Exchange Rate*[b]	*Minimum Wage £*	*Living Wage £*	*Minimum wage as per centage (%) of Living Wage*
Bangladesh	BDT 1,662	BDT 4,800	BDT 110.88	14.99	43.29	35
Brazil	BRL 350	BRL 1,613	BRL 3.775	92.71	427.28	22
Cambodia[c]	KHR 189,000–210,000	USD 100 – USD 150	KHR 6883 USD 1.79	27.46–30.51	54.95–82.42	37–50
El Salvador	USD 163.00	USD 483.00	USD 1.82	89.56	265.38	34
India[d] – Kerala	INR 3484	INR 5,590	INR 76.86	45.33	72.73	62
– Nagaland	INR 650			8.46		12
Indonesia	USD 82.00	USD 229.00	USD 1.82	45.05	125.82	36
Sri Lanka[e]						
Sri Lanka – FTZ	LKR 3,620	LKR 10,183	LKR 179.52	20.16	56.72	36
		LKR 12,504			69.65	29
Turkey[f]	488.70 YTL	1,298.59 YTL – 1,896.63 YTL	2.544 YTL	-------	510.45–745.53	26–38

Complied by authors and based on various sources.

Notes: [a] Living and Minimum wage figures in this table (and dates of estimates) are from:
Bangladesh (October 06) Minimum wage figures from *Bangladesh Wage Board announces new minimum wage*. Labour Behind the Label (October 2006) http://www.labourbehindthelabel.org/content/view/144/73/, living wage estimate from http://www.cleanclothes.org/urgent/06-09-22.htm, Brazil (June 07) Inter-Union Research Department (DIEESE), http://www.dieese.org.br/rel/rac/salminjun07.xml, Cambodia (June 05) Minimum wage for garments sector (2005) from Philippines Dept of Labor & Employment http://www.nwpc.dole.gov.ph/pages/statistics/Asean%20Wages%202008.pdf and living wage estimate from UNICEF www.unicef.org/infobycountry/cambodia_27370.html *June 2005*, India (February 06) http://www.indiatogether.org/2006/feb/hrt-minimum.htm#continue, conversion of daily figures based on 26 day month as defined in minimum wage legislation, El Salvador and Indonesia (2005) *Sample Living Wage Estimates: Indonesia and El Salvador*, Worker Rights Consortium (2005) – http://www.workersrights.org/LivingWageEstimates.pdf, Sri Lanka (2005) *Sector Specific Living Wage for Sri Lankan Apparel Industry Workers: Survey Findings and Preliminary Report for Wider Discussion*, R.P.I.R. Prasanna and B.Gowthaman, ALaRM (2006), Turkey (May 2005) *Wages in Turkey's Garment & Textile Sector. JO-IN Briefing Paper No 2.* Anne Lally (July 2005); [b] All exchange rates from www.exchangerate.com at mid-point of the cited period (i.e. on 30 June for annual figures otherwise 16 of month as for example in Brazil where the LW benchmark is adjusted monthly); [c] UNICEF quotes a living wage in Cambodia as being $100 to $150 per month; [d] The wider variation between the shortfall of minimum wages to living wages in the two Indian States of Kerala (62%) and Nagaland (12%) suggests that costs of living may not be the same and that living wage benchmarks would need to be devised and agreed at State level; [e] Two Living wage benchmarks were produced for Sri Lanka – one reflecting the higher cost of living in Free Trade Zones – by the Apparel Industry Labour Rights Movement, (ALaRM), a coalition of Trade Unions and Labour NGOs working for the rights of apparel workers in Sri Lanka, using data from a 2005 Oxfam study, [f] The JO-IN study considers Living Wage benchmarks estimated by four Turkish union organisations, of which the lowest (by the DiSK union confederation) and highest (by the civil servants' union KESK) are cited here.

Those sourcing companies which are committed to the principle would probably need to engage in a national multi-stakeholder living wage forum in their principal sourcing countries in order to reach a consensus. The International Textile Garment and Leather Workers Federation (ITGLWF, 2007b) is currently engaging its affiliates to undertake precisely such a task as are NGOs and labour groups involved in the so-called Asia Floor Wage campaign (India Committee for Asia Floor Wage Alliance, 2006). As can be seen in Table 3 some work has already been carried out by the ITGLWF and NGOs within ETI to determine the gap between the prevailing (usually minimum) wage and a locally calculated living wage target.

Public Initiatives

NATIONAL MINIMUM WAGE FIXING

Such discussions would need to allow for regional variations in the existing minimum wage, (e.g. in countries such as India and Indonesia), agree on a basket of a goods and a notional family of dependents as yardsticks for calculations.

So, what might be the process by which brands and retailers could resort to implement a living wage in the global apparel sector? One obvious way in which a living wage can be addressed would be by means of a substantial increase to a national minimum wage in respective supplier countries. However, industry wide bargaining generally lays down minima and in tripartite wage fixing in supplier countries, pressure is great from both employers and government to negotiate acceptable wage levels for the 'slowest ships in the convoy', whilst also taking account of prevailing wage rates in competitor countries. Where there is an absence of industrial upgrading and supplementary factory level wage bargaining, minimum wages can have a tendency to become maximum wages. During the national wage negotiations in Cambodia in 2006, for example, the workers demanded that the bilateral negotiations continue between the Inter-Federation Council (IFC) and the Garment Manufacturers Association of Cambodia (GMAC) having pressed for a minimum wage of at least \$55 USD per month, a meal allowance of 1000r per hour, a seniority bonus of \$2 USD per year, and an attendance bonus of \$7 USD per month. The government, however, probably mindful of wage levels in neighbouring Vietnam and its accession to the WTO, intervened in the first ever national bargaining round in the sector and promulgated the minimum wage at the \$50 rate which was on the table even though both sides were still mid negotiation. This rate was not only a far cry from the aspirational \$82 living wage target which the unions had set themselves in consultation with labour research organizations but was soon followed by a decision to cut the nationally agreed night shift rate by as much as 70% . It seems clear that in the context of the current trading system post expiry of the Agreement on Textiles and Clothing in 2004, most supplier countries vie with each other to offer regimes to attract investment from multinational manufacturers, and now operate in a more competitive environment so that the downward pressure on set piece national minimum wage negotiations is likely to intensify. This places the onus very much on those buyers who are feeling the squeeze from persistently adverse media coverage to search for other ways to address the living wage issue. It is to these approaches that we now must turn.

LIVING WAGE ORDINANCES

At the buyer end of the supply chain, those brands and retailers with living wage clauses in their codes of conduct could simply insist that a pre-defined wage rate consonant with a living wage be paid by the supplier and this would be audited accordingly. In the USA, as a result of trade union and NGO campaigns, some 130 municipalities and states have adopted so-called sweat-free procurement legislation, placing a requirement on public suppliers to pay workers a non-poverty wage based on a living wage formula which a full-time worker would need to earn to support a family of 3 as determined by United States Department of Health and Human Services. These 'living wage ordinances' are implamented through their tendering process for workwear and laundry service providers. The city of Boston requires uniform suppliers for example, to pay workers the prevailing industry wage, defined as the wage set in collective bargaining agreements. Union suppliers prove they pay the prevailing wage with the union label. Non-union suppliers need to submit reams of wage data for different jobs. The City of Milwaukee, Wisconsin, has also challenged the Vanity Fair Corporation (manufacturing fire department uniforms in Mexico) on the living wage issue. However in the absence of an effective monitoring mechanism the city could not verify the company's counter claims. In 2005 in a landmark victory, a Superior Court Judge held that Hayward's living wage law, which requires companies in this case the laundry multinational Cintas, doing business with the city to pay employees $10.71 an hour or $9.26 if they provide health insurance, as constitutional. Since 2003, workers, supported by UNITE-HERE had filed 231 separate suits alleging that Cintas was paying wages two dollars or more below the city's living wage. It has, however, become clear to the Sweatfree Coalition, however, that municipalities need to collaborate on the enforcement issue – a lesson for private sector buyers.

THE WORKER RIGHTS CONSORTIUM DESIGNATED SUPPLIER PROGRAM

A similar but extended model can be found on some US campuses, where *college* apparel is a multi-million dollar business, into which companies bid to acquire the licence to manufacture apparel bearing a University logo for sale through campus shops. Most of the larger licensees contract out this work worldwide. Because of the ability of students to mobilize support amongst academics and students on campus governing bodies, (cf. Klein, 2000) licensees have been forced to disclose supplier locations and latterly heed a set of recommendations of the Worker Rights Consortium, a complaints mechanism established by the United Students Against Sweatshops (USAS). These constitute a factory approval scheme under which factories producing university-licensed products would be deemed compliant with a series of requirements, including payment of a living wage, the licensee's payment of a price sufficient to pay a living wage, and the existence of a democratic, representative union or, at minimum, evidence of employer openness to union organizing and collective bargaining.

Under the terms of this so-called 'Designated Supplier Program' (DSP) licensees will be required to reduce the number of supplier factories they use and only produce university licensed products in those factories that were certified by the WRC as meeting its various requirements outlined above. The significance of this development, apart from marking a decisive shift in approach to embrace the issue of 'price' and buying practice, is that many licensees are companies that are members of the Fair Labor Association,[9] whose code does not aspire to a living wage. The programme is still in the process of being adopted by campuses. So far, some 40 universities have signed up,[10] so it is too early to make an assessment of its effectiveness, since it is to be phased in over a period of three years. However, the WRC acknowledges that the DSP will not be effective in the long run without full transparency on the part of licensees and suppliers and some consolidation of the campus apparel production. From the brands/licensees side the Fair Labor Association has iterated a number of reservations with particular reference to cost and viability of the programme, anti-trust concerns,[11] the impact of the DSP in countries where there are legal or structural reasons that would prevent factories from becoming designated, and a fundamental question as to whether such an approach is the best route to the achievement of a living wage.[12]

Private Sector and Voluntary Initiatives

Both the 'living wage ordinance' and DSP apply to quite specific market niches and/or unique circumstances, where not inconsiderable buying power resides in public procurement agencies. This is not the norm for the global apparel sector. Here buyers might be motivated into addressing the issue by a number of factors – ethical consumerism leading to a shift in demand for their product, adverse media coverage threatening to harm the brand, an explosion of wage militancy in their supplier countries disrupting production, or a realisation that there may be added value in a living wage initiative.

THE FAIRTRADE MODEL

As a 'premium paying, niche market model of certification' (Ergon Associates Ltd, 2006: 4) prevalent with agricultural smallholders in developing countries, the 'Fairtrade' model,[13] has undoubtedly played a major role in stimulating public awareness and market drivers supporting ethical behaviour by retailers and brands. With the launch of a Fairtrade standard for fairly grown cotton, widely embraced by such retailers as Marks and Spencer,[14] the Fairtrade Labelling Organisations have begun to cast their gaze over the textile and garment supply chain, raising the question as to whether a fair wage model could be applied to production processes in the apparel supply chain (fairly made garments). As distinct from the ethical trade model, where essentially the onus of responsibility is placed on the buyer/supplier relationship, this approach shifts that onus on to the consumer to choose Fairtrade products, *and to pay the increased price involved*. A higher minimum price and an additional premium for community development projects is then transferred down the chain back to the cotton farmers. (Ergon Associates Ltd, 2006; MSN, 2006). Nevertheless, efforts have been made particularly for artisans and craft organizations (including home-workers) working with fair trade cooperatives to create a Fair Wage Guide Project. Launched in 2005, the Fair Wage Guide project consists of a web based user-friendly tool, which is designed to help artisans and buyers calculate fair wages in a local context; using a range of available economic indicators to establish a 'fair wage'. The Fair Wage project is a laudable attempt to develop a fair wage standard for craft artisans – including informal sector apparel workers – but (leaving aside the issues of computer literacy and language) we would argue that this has severe limitations in a mass manufacturing context.[15]

So far it has not been possible to apply the Fairtrade labelling approach to garment mass production. Indeed the Fairtrade label has the potential to seriously mislead the consumer (MSN, 2006). Take for example Marks and Spencer, which, as part of a five-year eco-plan, aims to add about 20m Fair Trade Cotton garments to its range. The cotton used in its range is produced by farmers in India, Cameroon, Mali and Senegal and India, and Sri Lanka. In the case of Sri Lanka, Ocean Lanka, the country's largest manufacturer of weft knit fabric and a major supplier of Marks and Spencer and other UK and US brands, has become the first Sri Lankan company to qualify for Fairtrade accreditation from the certification body FLO-Cert GmbH. However Fairtrade accreditation (for fairly grown cotton) has done nothing to guarantee those Ocean Lanka workers who toil in the Biyagama Free Trade Zone their trade union rights and entitlements to a living wage.[16]

Productivity Enhancements and Supply Chain Efficiencies

Given that any corporate policy on implementing a living wage in the company's supply chain runs the risk of being frustrated by the prevalent trading model, whereby brands maximize competitive pressures among their suppliers to supply low and falling prices, could savings be made in other parts of the value chain to release funds for wage increases? Indeed NGOs are asking companies contemplating the costs of complying with the living wage and other elements of ethical codes to consider total costs, including marketing and advertising and most importantly that of protecting their brand reputation and value (Williams, 2005).[17] While there might be scope for reducing other components of a brand's or retailer's mark-up, for example expenditure on promotional/advertising budgets, the reverse trend would appear to be true: the background to Marks and Spencer's decision to reduce the prices paid to its suppliers in 2006 was the need to amass a war chest for the big marketing campaign launched during 2007.[18] A number of brands and retailers hold out the prospect of increase in earnings achieved by rationalizations/improvements at the point of production.

In their study of the Indian apparel industry, Bheda et al. (2003: 19) suggested that there was room for a 100% improvement in productivity in shirt manufacture but highlighted a range of uncontrollable factors including average order quantity and lead times that could prevent this. In their overtime study of 11 Chinese factories in Guangdong, Impactt (2002: 10) discovered that on some lines with some styles, reworking could reach levels of more than 50% and, crucially, that piece rate workers were not paid for reworking. As a result of intensive work with these factories, Impactt was able to achieve productivity gains that in one case staggeringly led to increases in pay for 45% of the workforce. Crucially, however, these increases only brought workers up to their rightfully owed minimum wage (Impactt, 2002: 18). From a western business perspective there is a perception of chronic overstaffing and this productivity argument is being conveniently rehearsed as an argument by retailers desperate to avoid increases in costs that could eat into margins or market share.

Much of this productivity debate is being driven by the introduction of lean manufacturing in apparel production. With the development of 'lean retailing' requiring fast replenishment of stock and therefore faster supplier turnaround times, manufacturers have begun to look at those manufacturing models found in the automobile industry involving team based or cellular production with multi-skilling/tasking (Abernathy et al., 1999: 168–75). The adoption of modular production systems had been growing in the US prior to the widespread migration of the apparel industry in the 1990s (Abernathy et al., 1999; Berg et al., 1996) and some sportswear companies including adidas,[19] and latterly Nike, have been working with their suppliers to adapt 'lean manufacturing' principles in both garment and footwear assembly production. While both companies envisage improvements in pay as a result of these developments, the jury is still out in relation as to whether there is a positive relationship between these two. As Nike says in its latest CSR report:

> It's unclear today how lean manufacturing will affect workers' wages. Measuring these impacts is challenging, and we are still exploring how to best quantify gains for workers through lean manufacturing …

Under the guise of lean manufacturing, productivity initiatives, or simply the introduction of new fashion styles, the accompanying improvements in methods, materials and machines are likely to lead to re-timings of operations. Nike is seeing gains for both the company and its contract factories, and although it is reinvesting these gains into its growth strategies (note *not* into wage increases) it acknowledges that its supplier factories may be unwilling (for obvious reasons) to share how their gains from lean manufacturing are being shared or reinvested (Nike, 2007: 48). The same is true of the current fashion among UK companies for reducing costs due to inefficiencies in their own new product development, such as sampling, as a means of reducing Total Product Cost. In this lack of transparency, any potential productivity gains accruing to workers may soon be lost particularly in the absence of strong workplace organization and collective bargaining.

Implementation Issues

We have outlined some of the ways in which a buying firm could finance enhancement of wages up to or towards a living wage: by passing the (marginal) cost on to the consumer (possibly via a Fairtrade initiative), by seeking supply chain efficiencies or reductions in other operational budgets (e.g. marketing), or by passing the responsibility over to the supplier to seek productivity gains. Unfortunately all of these options pose a number of serious implementation questions. How can retailers, consumers and other stakeholders be satisfied that the supplier's increased earnings would be transferred to the workers? How would the workers be informed that their employer's ability to pay had suddenly increased? If the living wage is only paid to those factory departments/floors assembling the retailer's product which has attracted a 'living wage FOB price', would this not lead to divisiveness with workers in other departments or on other lines? How would benefits to any outworkers be ensured? What incentive would there be for our retailer to increase the FOB price for apparel items in the same market category as other brands sourcing from that factory unless they too engage in the exercise?[20] Moreover there is no guarantee that a brand will not switch suppliers from one year to the next. In cases where a small number of brands source from a particular supplier, a multi-brand initiative might prove possible, however – at least as far as US brands are concerned – such initiatives could be construed as acts to restrain and monopolise commerce in violation of §§ 1 and 2 of the US Anti Trust laws (Skonberg et al., 2006). It is clear that certain – in some cases quite unique – conditions would need to prevail in order for such an initiative to be effective.

First, there would need to be a commitment from the brand/retailer to enter into or continue a stable commercial relationship with a given supplier or group of suppliers coupled with – in the case of multiple brand presence in a particular supplier – a joint commitment to collaborate in this area. Second, in addition to living/minimum wage data from the supplying country, buying/CSR departments would need to have at their disposal the notional unit labour costs of the garments they were commissioning in order to assist in calculating the living wage addition to the FOB. Third, and critically, provision would need to be made to enable local negotiations of wage scales. Verification and remediation measures would be essential, and buyers would need to establish sophisticated monitoring to test if a living wage was being paid in practice, and not being evaded through subcontracting. As in other key code compliance issues the task may fall to trade union and in their absence, NGO vigilance outside the factory.[21] However, in terms of company approaches, factory auditing would appear to be currently in a state of crisis (Ascoly et al., 2003; Bendell, 2001; Clean Clothes Campaign, 2005; Esbenshade, 2004; Ethical Trading Initiative, 2007; Locke et al., 2006; O'Rourke, 2000, 2004);[22] and auditors appear to have their hands full monitoring wage documentation and seeing to it that a minimum wage is paid, let alone establishing whether the wage is sufficient to meet the basic needs of a worker. In recognizing the shortcomings of the code of conduct/audit model of social compliance, numerous brands and retailers, and the MSIs to which they belong, have acknowledged the importance of freedom of association and collective bargaining as a way of both establishing a more robust system of local governance in the supply chain and, crucially, providing the means to facilitate improvements in pay and conditions in the industry (adidas, 2005: 17; Fair Labor Association [FLA], 2005; Gap Inc., 2005: 19, 34–41; Joint Initiative on Corporate Accountability and Workers Rights' (JOIN)/Massachussets Institute of Technology (MIT) Institute for Work and Employment Relations, 2005; Nike, 2005: 11).

Nike's approach is particularly instructive here:

> We believe that a responsibly competitive industry that invests in its workforce will result in sustainable, locally relevant wage increases for workers over the long term. We do not endorse artificial wage targets or increases based on arbitrary living wage definitions. Minimum wages should be determined by negotiations with workers and management and through public policy. As part of our lean manufacturing strategies, we are committed to educating managers and workers in our contract factories about freedom of association and collective bargaining, as well as helping factories implement strong human resources management systems and practices. (Nike, 2007: 47).

Although Nike has ignored the difference between national wage minima and what needs to be paid to apparel workers, they have signalled by financial year 2011 the not un-ambitious target of educating all of their supplier factories on freedom of association and collective bargaining (Nike, 2007: 43) This is certainly in line with demands from the ITGLWF and its affiliate unions (2007a) and NGOs, but it begs the question as to the capacity of and scope for organized labour, particularly in the apparel sector, to substantially increase wages through the processes of collective bargaining and it is to this question that we must now turn.

Negotiating a Living Wage

In its assessment of approaches to implementing the living wage, the ETI in a study in 2000, opted for a 'negotiated' rather than 'formula' approach on the issue (Steele, 2000). The negotiated approach, it was argued, 'offers the possibility of tailoring the definition of the living wage to the actual circumstances of the localities and workforces in question' and 'opens up space for consultation and involvement which, in the longer run, will provide a more secure foundation for the wage-floor we are seeking' (Steele, 2000: 9). According to the paper, 'companies' would be expected to consult widely with the local community about the appropriate level of the living wage', then:

> negotiate the precise amount with representatives of the workforce in a manner consistent with the freedom of association and right to collective bargaining provisions of the ETI Base Code. (ILO Conventions 87 and 98)

This is of course entirely consistent with the model put forward by the UK campaign groups and by USAS/WRC. Much is predicated on the existence of trade unions and collective bargaining in retail and brand-name company supply chains and supplier factories. However, the somewhat loose use of the word 'company' belies supply chain realities and the fragility of collective bargaining processes in supplier countries. It is not the *buying company* that ultimately conducts the wage negotiation with a local union but the *supplying company*. Few supplying companies, given their tight operating margins and general lack of transparency, are likely to wish to consult with local trade union and stakeholder groups about an appropriate level of a living wage, without clear incentives to do so from the value chain.

This highlights a further structural weakness in the sector, which relates to the widespread culture of union avoidance (Miller, 2008). Accurate figures on trade union membership, recognized workplaces, and collective bargaining agreements negotiated at plant level do not yet exist.[23] Some estimates put trade union density in apparel as low as 3% (Athreya and Thys, 1999). Most certainly the figure is currently probably less than 10% (Miller, 2008). The WRC for example, list only 62 licensed university suppliers that have trade unions out of a total of 6000 apparel licensees,[24] and have reported on major setbacks in those factories where there investigations led to the recognition of trade unions (WRC, 2006b).

In Turkey the joint multi-stakeholder initiative JO-In engaged a number of multinational companies, supply companies and stakeholders in examining a living wage. One outcome has been the generation of a 'wage ladder' (see Figure 3), which maps a sample of existing factory wage structures against the different stakeholders' benchmarks of wages and poverty/well-being as a means of orienting future wage claims (JO-In 2007). Where collective bargaining can be conducted at factory level, and this is by no means a given in the severely hostile climate for trade unions in the country, there is clear evidence of a collective bargaining premium to workers. (Stoop, 2006: 8).

Generally, however, in the outsourced global apparel chain, collective bargaining cannot be conducted under conditions of transparency to which trade unions might be accustomed in the buyer countries. Of those justifications usually found in union wage claims – *cost of living*, *comparability* with '*prevailing*' *wages*, *productivity* and *ability to pay*, cost of living continues to be the main element in claims – the more so now that we live in a phase of major food shortages and related price food price hikes.

Funding any increase must, however, be based on a supplier's enhanced *ability to pay*. Here we come up against the harsh reality of commercial relationships and patterns of ownership within the apparel supply chain. Retailers are accustomed to winning year-on-year reductions in prices paid to suppliers, and are resistant to any suggestion of paying more to ensure a living wage is paid. Furthermore market pressures operate against transparency. Brands guard information about their unit FOB prices with absolute 'commercial secrecy'. The vast majority of apparel factories are not obliged to publish trading and profit data either because they belong to private limited companies or are headquartered overseas, where company accounts are not obliged to provide factory

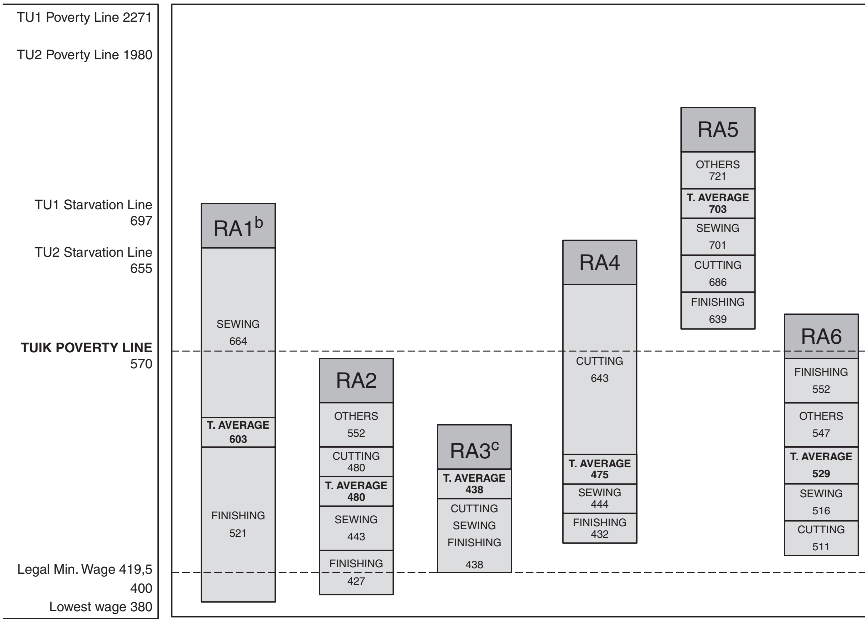

FIGURE 3 *JO-IN 'Wage Ladder' December 2007*[a]
Notes: TU1 numbers belong to November 2007; TU2 numbers belong to October 2007; TUIK line is officially inflated to 2007; LMW belongs to November 2007; [a]The figures in this table were provided by the companies; [b]RA1 has a subcompany whose employers are not blue collar workers. These number 14 and their average salary is 1435; [c]RA3 has counted over 100 people as others, who are not totally textile workers. Their average is 564 and it makes the general average 482; RA 1–6 = wage structures from 6 participating supplier firms
Source: Firat Kurt, Bogazici University accessed 6 June 08 http://www.jo-in.org/english/html/newsdecember.asp

profitability data. This choice of ownership and/or reluctance to disclose profit and loss figures is not without reason – since many suppliers are cautious not to let their customers know how well they are performing, lest even more stringent conditions be placed on future orders.[25] This does lead to the somewhat pessimistic conclusion that as currently structured, substantial parts of the outsourced global apparel industry do not lend themselves to transparent, flexible and above all meaningful wage bargaining. In those countries where jobs in apparel constitute a significant proportion of total manufacturing employment, this situation not only has a profound sustainability impact, it also has major economic and political implications.

What is to be Done?

The starting point therefore has to remain payment of the minimum wage (and paid overtime) and other basic wage elements covered by standard code provisions, notably regular employment (and concomitant eligibility to holiday, sickness and maternity pay and social security benefits), to all workers, especially informal workers. The latter is important both to ensure that informal workers benefit from efforts to implement the living wage and to reduce pressures favouring informalization of employment. In this process, brands should pay more attention to piece work regimes operating inside and outside in supplier factories, since tight performance targets may be the reason for workers not achieving minimum wages. Against a backdrop of falling FOB prices, and lean manufacturing initiatives this, however, is likely to be a contested terrain.[26]

Implementing a Living Wage: A Pilot?

Let us imagine a brand or retailer wishes to implement a 'living wage' in line with its own or a MSI Code to which it subscribes. It must first choose appropriate suppliers – preferably where it has a long-standing commercial relationship, and buys the majority of the output, either singly or in collaboration (through an MSI) with other brands committed to the same principle that source from the same facility. It would then encourage the establishment of a living wage working party in the supplier country and invite fellow brands, trade union(s), labour research organizations including interested academic parties, and representatives of the supplier in question to participate. The task of the working party would be to achieve consensus around a living wage benchmark – including where necessary regional variations – for workers in the sector. By comparing this figure with the existing national minimum, a factor could be determined by which the unit labour cost of any garment commissioned by the brand would have to be increased.

If we take Bangladesh as an example, an Achilles heel for those UK mass discount retailers that have become the target of persistent NGO campaigning,[27] sectoral bargaining around the National Minimum Wage in 2006 led to an agreed new minimum of 1662 Taka in October of that year. This figure is just over half the 3000 Taka/month living wage that unions and NGOs were seeking. Let us assume that all parties agree to the living wage figure of 3000 Taka. One of the principles of a living wage is that it should apply to all workers. Hence the lowest-remunerated worker, on entry level (Grade 7) would receive a wage of around 3000 taka/month based on a standard working week. This would involve an 80% increase on the entry-level rate. The next step would be to agree a notional pay scale for other workers. Differentials would need to be maintained, lest sewers are to earn more than supervisors. This would be have to be the subject of negotiations at national or local level. One approach, which has the merit of being visibly equitable, would be to apportion to each grade the same flat rate increase afforded to the lowest grade worker. This is illustrated in Table 4.

Once each grade has been determined, calculations can be made of the impact on total wage costs on each supplier site. The next critical step in the

TABLE 4 *Wage rates in the Bangladesh Garment Industry*

Grade	*2006 Min Wage (base Tk 1662.50) Tk*	*Living Wage (base Tk 3000) Tk*	*percentage (%) increase*
1	5,140	6,477.50	26
2	3,840	5,177.50	35
3	2,449	3,786.50	55
4	2,250.10	3,587.60	59
5	2,046	3,383.50	65
6	1,851	3,188.50	72
7	1,662.50	3,000	80

model is to agree a formula by which the unit labour cost element of the FOB price would have to be increased. Each retailer would then have to negotiate with each supplier a price that is inclusive of the increased wage costs *proportionate to the amount of product they purchase*. Performing this calculation for each product order would be fraught with complexity because each order, which may have different lead times and styles, will already imply a different unit labour cost, although many suppliers already maintain unit labour cost data and could apply an average factor arrived at by calculating the percentage difference for each facility between the old and new wage bill based on the projected living wage increase.

A further complication, which principally affects the verification of benefit to workers, is that even large retailers do not purchase the entire output of a supplier. For suppliers to raise wages up to the living wage, they would need to sell most of their output to participating retailers and brands. Suppliers selling a lesser proportion of their production could either negotiate pay scales between the minimum wage and the living wage compliant scale or raise piece-rates up to the living wage-compliant pay scale during production for participating retailers. In both cases this would add to the complexities of implementation and especially verification. As already stated, success of such a pilot would depend on collaboration between all buyers sourcing from the facilities in question.

An additional area for consideration involves the issue of 'red circling', i.e. treating existing unit labour costs and wage rates as the new base line, so that living wage increases do not become an excuse for chipping away at other elements of the wage package. There would also need to be safeguards on maintaining limits on overtime and rest days as per the brand/retailer's code and national legislation. At the time of implementing the living wage, and then in all future transactions, brands/retailers would be expected to factor in the living wage into the unit labour cost element of FOB for repeat orders or in price negotiations for new garments. The responsibility therefore would rest with the brands/retailers to pay an FOB price sufficient to meet and implement these costs. Buying staff, acting on behalf of brands/retailers would require clear guidance in negotiating new FOBs.

We are still left with the central implementation question that is how can we ensure and assure that the increase in value of labour at the point of production is reflected in the wage packet. Given that we are dealing largely with an unorganized sector, such a pilot could not work without there being some mechanism for worker wage determination at the level of the facility. Bangladesh remains an instructive case in point here with a multiplicity of unions at sectoral level but very little penetration at factory level.

One option would involve adding the living wage supplement to the FOB and calling upon the workers at any participating supplier to choose their preferred form of representation to negotiate the new payment structure. Such an initiative would generate a capacity building requirement on the part of workers and their elected representatives. This could be a role for an outside union. Second, the supplier would have to sign a written undertaking to preserve existing terms and conditions prior to any award of a living wage premium and – crucially – to apply the same increases to any sub-contracted production, without which the whole process could be undermined. Third, brands and retailers would be required to think of ways of communicating such an initiative to their customers. Maintaining assurance would place new demands on auditors although such an exercise would engender the development of workplace (i.e. trade union) representation, which would improve the reliability of audits and in the long term supplant the need for a factory audit.

A further option might be the establishment of a separate bargaining fund at the point of production, administered by the brand sourcing office (where such an office exists) in the first instance until workers at the factory had been fully informed about the fund and invited to elect a negotiating committee to access it. For factories with a multi union presence, the unions would be invited to elect a joint negotiating committee. Arguably it should be this committee that is responsible for seeing the whole process through, starting with the calculation and negotiation of the living wage figure with the brands/retailers and supplier(s) and other stakeholders, the translation of this figure on the existing grading structure for the purposes of calculating the new total wage bill, and the calculation of new unit labour costs for each garment. The establishment of funds is however a process which is fraught with difficulty, particularly in the Bangladesh context.

In very low wage economies like Bangladesh, where the existing minimum wage is worth around £12/month and the living wage equates to £35, wholesale cost rises may be so small that a rapid increase in wages could be achieved through the kind of mechanisms discussed earlier. However, for more developed economies like Latin America and Turkey, where wage increases would impact more on product cost, such an approach may be less workable. A more sustainable approach, and the only one likely to deliver improved wages across globalized garment supply chains, will depend on gradual raising of wages in parallel in supplier countries.[28] Sustainable improvements in wages will only happen when retailers and brands institute mechanisms that direct orders towards suppliers with better working conditions, mechanisms that are painfully absent in the vast majority of brand-name and retail companies, whether members of MSIs or not.

Whichever approach is taken, consideration must be given to how increases can be maintained. Suppliers will be taking a major risk by increasing their wages bill, especially if ongoing orders are not maintained. One of the major fears of retailers and Brands is that any commitment to maintain orders to a supplier will induce a commercial indolence with consequent reductions in quality, timeliness and an upwards creep in product price. One solution would be for suppliers that commit to paying a living wage, in full or in part, to be given approved supplier status, as in the WRC Designated Supplier model. In the scenario whereby several brands are seeking to implement the living wage in a given country, buyers could source from a pool of participating suppliers. Normal competition would maintain commercial vitality. Such a system would need to be transparent and open to avoid breach of competition legislation. Retailers and Brands would be entering uncharted territory in such an endeavour, with as yet un-encountered pitfalls. Whether or not such schemes are formalized, the purchasing practices of retailers and Brands will be the sine qua non of implementing the living wage.

Conclusions

We set out in this article to assess the limits and possibilities of implementing a living wage in a globally outsourced apparel value chain. Having established that minimum and prevailing wages in the global garment sector are far below the living wage in many countries, we examined the way in which garments are costed in the manufacturing segment of the global value chain. It was concluded that raising the level of workers pay in the direction of existing code standards on a living wage would necessitate only a modest increase in the retail price or could be absorbed in part or fully from critical path savings. However, a critical assessment of public and private initiatives geared towards implementing decent wages reveals that the present outsourcing and supply chain governance model makes the implementation of this element of labour codes very problematic. At a time when global food prices are beginning to soar, this conclusion is worrying. To transcend this situation, buying companies will need to not only monitor wages in their supply chains against available living wage benchmarks and engage in price negotiations based on a unit labour cost that is compatible with paying decent wages, they will also need to create an environment in which the core rights of freedom of association and collective bargaining can be observed. This will require a step change in the way that sourcing companies do business, proactively directing orders towards suppliers with better labour conditions, and a degree of buyer collaboration not yet seen in the sector. More fundamentally, a consideration of living wage implementation problems makes the case for sourcing companies to re-evaluate the ownership and control of their own manufacturing capacity more compelling.

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NOTES

1. http://www.ethicaltrade.org/Z/lib/2007/02/levistrauss2-stmt/index.shtml (accessed 20 May 2008)
2. ETI base code Section 5.1.
3. http://vietnamnews.vnanet.vn/showarticle.php?num=01LAB060106 (accessed 8 May 2007)
4. Some companies such as General Sewing Data ©, for example, undertake PMTS work on behalf of manufacturers (http://www.gsdhq.com/). Known brands using GSD are Triumph, Speedo (Pentland), Jaeger, Russell Corporation, Pringle, Vanity Fair, LL Bean, Austin Reed, Daks Simpson (http://www.elyon.com/gsdanalysis.htm) (accessed 17 July 2007).
5. The extent and precise pattern of payment by results systems in outsourced supply chains remain largely under-researched. Historically apparel production has been based on piece work (Abernathy et al., 1999; Pangsapa, 2005).
6. These rates are cited as 0.057 and 0.1 cents per minute in Traub-Werner's paper, evidently a misprint.
7. Reported conversations with Indian suppliers by Sjef Stoop – Fair Wear Verification coordinator.
8. Southeast Textiles, S.A. (SETISA) reported on the National Labor Committee website, accessed 1 December 2008, http://www.nlcnet.org/article.php?id=103
9. For a list of licensees cf. http://www.workersrights.org/search/index.asp?reset=1
10. http://www.workersrights.org/dsp.asp (accessed 1 December 2008)
11. Although the legal opinion requested by the WRC in respect of the Anti Trust implications of the USAS Designated Suppliers Programme (outlined earlier) confirmed that the programme would not run a significant risk of being found to infringe the normal boycott rules in the US Anti Trust laws, on the grounds that universities do not compete with each other in licensing what are distinct logos (Baker, 2006)
12. http://www.fairlabor.org/all/colleges/USAS_DSP/Issues_and_Comments 2.16.06.pdf
13. This model is held up by the Fairtrade Labelling Organizations International (FLO), established in 1997, which is an umbrella organization uniting 20 Labelling Initiatives in 21 countries and Producer Networks representing Fairtrade Certified Producer Organizations in Central and South America, Africa and Asia (cf. http://www.fairtrade.net/)
14. 'M&S set to launch Fairtrade range', Monday, 30 January 2006 (http://news.bbc.co.uk/1/hi/business/4660410.stm)
15. We would draw the readers attention also to the so-called International Wage Indicator http:// www.wageindicator.org (accessed 25 September 2008). Established in 2000 this (now) web-based indicator has evolved as a tool for employees to check that they are paid a fair wage. The Wage Indicator Foundation has established 17 national websites – including China and India, Mexico and South Africa and plans to expand to 25 by 2008.
16. http://www.just-style.com (accessed 22 February 2007).
17. The full business case for incorporating a living wage has to also encompass a consideration of the value of brands, which today represent the vast bulk of the value of any company. Brand value takes many years to build up, but can be damaged

through negative media coverage and campaigning by labour rights organisations about poor wages and conditions in the supply chain.

18. 'UK: M&S cuts supplier payments by 5.5%;' 03 Mar 2006 Source: http://www.just-style.com
19. cf. William Anderson '2003 Report on the Adidas Fair Wage Workshop Jakarta' (20–1 May 2003)
20. At the time of the Spectrum factory collapse in Savar, Bangladesh in 2005 for example, 25 companies were alleged to be sourcing from the facility. http://www.cleanclothes.orgnews/05-07-13.htm
21. We have seen that vigorous advocacy was required on the part of UNITE-HERE to bring about a living wage increase for workers supplying textile services to Hayward County in the USA and that Sweatfree Communities have been compelled to consider a national monitoring initiative.
22. cf. '"Sweatshop Snoops' take on China factories' by Thomas Fuller, *International Herald Tribune*", published: 15 September 2006.
23. Even the authoritative study by the ILO on the sector could not categorically map density in the industry (ILO, 2000). It is likely that a better picture of trade union presence will emerge once lead companies report according to the new Global Reporting Initiative guidelines, cf. http://www.globalreporting.org/InDevelopment/SectorSupplements/ApparelFootwear/ (accessed 23 July 2007).
24. Issues and Comments on the designated Supplier Program (DSP) Proposal FLA Feb 16th 2006, accessed 23 October 2007, http://www.workersrights.org/DSP/Issues_and_Comments_on_the_DSPP.doc (p. 5)
25. In discussions to draw up reporting guidelines for multinationals in the apparel and footwear sector hosted by the Global Reporting Initiative, supplier representatives were resistant to the development of reporting standards on economic volatility.
26. ITGLWF Circular 24/07: 'National Living Wage Estimates', Brussels 20 July 2007
27. Karen McVeigh, 'Asda, Primark and Tesco Accused over Clothing Factories', *Guardian* (16 July 2007).
28. NGOs in Asia and Europe, with some input from trade unions, have met to launch an Asia Floor Wage Alliance. It is significant that the initiative has come from activists and NGOs in India, where the sector has repositioned itself in the global apparel market in the wake of the phase out of the MFA (Tewari, 2006). Using familiar arguments from the DSP in relation to the ability of brands and retailers to absorb wage increases via marginal retail price increases, the Asia Floor Wage Alliance advocates a common pan-Asian wage norm. Currently, the Alliance estimates the daily wage in Tier 1 Asian suppliers to average around $2 and argues for a doubling of this figure across the sector within the region.

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RÉSUMÉ

À Quel Prix un Minimum Vital?: Les Problèmes d'implémentation dans la Recherche d'un Salaire Convenable dans le Secteur de l'habillement Global

Cet article cherche à examiner les moyens d'implémenter un minimum vital dans le secteur de l'habillement global. Nous démontrons qu'une augmentation du coût unitaire de la main-d'oeuvre du prix franco de bord payé par les marques, par un facteur équivalent à la différence entre le salaire actuel et un minimum vital reglé nationalement, n'aurait pas beaucoup d'effet sur le résultat financier des détaillants/propriétaires de marques (ou des fournisseurs). Cependant, l'existence de la fabrication fragmentée et externalisée, acompagnée par des pratiques d'achat agressives, milite contre des dispositions de code "ambitieuses" dans ce secteur. Il est possible de faire un peu de progrès seulement à travers d'une collaboration considérable entre les marques, une reconnaissance de la négociation collective à travers les syndicats dans les usines fournisseuses, et, à long terme, des pas faits par les marques et les détaillants pour posséder et diriger leur propre capacité de fabrication manufacturière.

RESUMEN

¿Será Posible Lograr un Salario Digno? Los Problemas de Implementación en la Búsqueda de un Sueldo Decente en el Sector Global de la Ropa

Este documento trata de examinar las maneras en que un salario digno podría ser implementado en el sector global de la ropa. Sostenemos que un aumento en el costo unitario de la mano de obra del precio libre a bordo pagado por las marcas, por un factor equivalente a la diferencia entre el sueldo actual y un salario digno determinado a escala nacional, no tendría mucho impacto sobre el balance final de los minoristas/dueños de marcas (o de los proveedores). Sin embargo, la existencia de una industria manufacturera fragmentada y subcontratada, acompañada de prácticas de compra agresivas, incide negativamente en las disposiciones de código "ambiciosas" en esta área. Un cierto nivel de progreso es posible sólo mediante una colaboración considerable entre las marcas, una aprobación de la negociación colectiva a través de los sindicatos en las fábricas proveedoras, y a largo plazo, los pasos hechos por las marcas y los minoristas para poseer y controlar su propia capacidad manufacturera.

BIOGRAPHCAL NOTE

DOUG MILLER was seconded as research director to the International Textile Garment and Leather Workers Federation, a global union representing 230 affiliated trade unions in 110 countries between 2000 and 2008. The views expressed in this article are those of the author and do not necessarily reflect those of the ITGLWF. Please address correspondence to: Doug Miller, Professor of Ethical Fashion Inditex/ITGLWF, School of Design, City Campus East, University of Northumbria, UK. [email: doug.miller@northumbria.ac.uk]

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