



A 'living wage' for workers in global supply chains *A comment by Dan Rees, Director of the Ethical Trading Initiative*



24 September 2007

Several newspaper articles in recent weeks have reminded us of the reality of life for millions of workers around the world who make clothes for some of the UK's best-known fashion stores. Stories have featured workers in Bangladesh being paid as little as 13p an hour, and workers in India receiving only £1.13 for a nine hour day.

There's a clear need for urgent action to ratchet up wages in the global garment industry. Retailers have a critical role to play – their buying power and influence over their suppliers is often great. They clearly must do more to incentivise their suppliers to be good employers and to integrate their ethical trade principles into their core business decisions. And the price they pay to their suppliers must allow them to pay their workers enough for them to live on without them having to toil excessive hours.

There is considerable progress. After a three-year evaluation of the impact of ETI members' ethical trade activities, the Institute of Development Studies last year reported that half of the sites studied 'encouraged payment of at least the minimum wage for certain workers' and that in some cases, the provision of social insurance and pension funds for workers had increased.

But there is clearly no room for complacency. The ETI Board has identified the need for collective work on the 'living wage' issue as top priority for the coming year. ETI is committed to raising our game further and there is an unprecedented will and momentum for action.

What's also clear is that retailers cannot improve the wages of workers in far-off countries on their own. A collaborative approach which involves governments, suppliers, trade unions and other local organisations in sourcing countries is needed, as well as the involvement and commitment of brands and retailers. This is the only way widespread, lasting change for workers will be achieved.

Frequently asked questions

What is a 'living wage'?

The ETI Base Code says that 'wages should always be enough to meet basic needs and to provide some discretionary income'. There are different approaches to working out what wages should be in different countries and regions – some propose the use of a formula based on costs of feeding, clothing and housing a family, while in many countries, local trade unions and labour rights organisations have made estimates. The ETI believes in taking pragmatic approach to the detail of calculating a living wage, so that we can focus on the real work of trying to implement it.

How low are wages in the garment industry?

Wages are still appallingly low in many countries – for example, in Bangladesh although the Government recently increased the minimum wage from 900 taka (about £7) a month to 1660 taka (about £13), this still falls far short of what most of those involved in the Bangladeshi garment industry would consider a living wage. There is still a huge amount of work to be done to ensure that workers are paid a wage that they and their families can live on without having to work excessive hours.

Are wages rising?

Independent research carried out last year found improvements in the payment of wages in a sample of ETI members' supplier worksites. For example, more suppliers were paying the national minimum wage and providing state insurance and pensions. This did not necessarily provide them with a *living* wage, but it does demonstrate progress.

What can retailers do?

Clearly, the starting point has to be to get suppliers to make sure they pay the government-set minimum wage for a standard working week, and any overtime payments and work-related social security benefits that are due. Retailers can also look for ways of rewarding suppliers for increasing wages – for example, by advising them on how to increase productivity. And they can signal to governments in sourcing countries that they prefer buying from countries where conditions for workers are improving.

Who else needs to be involved?

Retailers cannot implement a living wage for workers in their supply chains on their own. Collaboration between retailers and brands, governments, suppliers, trade unions and other local organisations in sourcing countries is essential to achieving widespread, lasting change. For example, calculating and agreeing what a living wage would amount to in each country and region requires negotiation between appropriate workers' representatives, trade unions where they exist - and employers' associations.

What does it mean for a company to be a member of ETI?

When companies join ETI, they commit to adopting the ETI Base Code on a progressive basis throughout their supply chains. That doesn't mean they are perfect, or that their suppliers are perfect - few companies who are really committed to ethical trade would claim they have perfect working conditions in their supply chain. But it

does mean they have to demonstrate improvements over time, and they report annually to the ETI Board on their progress.

What can consumers do to promote ethical trade?

We could probably all do more to remind retailers of their responsibilities. As consumers we can:

- buy from ETI members – they have made serious commitments to ethical trading
- ask searching questions – write to CEOs; ask store staff if they know where their products come from
- learn more about the issues – see our Factsheet for consumers at www.ethicaltrade.org/d/factsheets
- join a campaign for better conditions in supply chains – our Factsheet has some examples.