

ANALYSIS: How buying practices impact workers' rights

The fashion industry is waking up to the fact that the buying practices of retailers and brands are contributing to poor working conditions in many of the factories who supply their clothes. But solutions are not so easy to come by, as Leonie Barrie finds out.

Fashion companies are being encouraged to take a broader look at their sourcing practices after several leading high street retailers acknowledged the relentless drive for lower prices and fast, flexible production is at the very heart of many of the worst ethical and labour abuses in global supply chains.

"For suppliers, too, the ethical equation often doesn't stack up."

US retail giant Gap_Inc has long recognised that "upstream decisions impact on what's happening at factory level," and is now trying to manage its clothing supply chain so that factories aren't overwhelmed with last-minute orders or changes to production plans.

And UK fashion chain New_Look is looking at ways of bridging what it sees as the "total disconnect of reality between the purchasing function and what happens on the factory floor."

All too often, they say, the ethical trade teams and the buying teams operate in isolation from each other - and a closer dialogue between the two is key to ensuring that workers in developing countries don't pay the price for western fashion demands.

Calls for a more strategic approach to ethical trade activities dominated discussions at a recent industry event in London where retailers, brands, manufacturers, trade unions, NGOs

and government representatives talked openly about their experiences.

Organised by The MFA Forum, a task force trying to mitigate the impact of the end of textile and garment quotas on workers in developing countries like Bangladesh and Lesotho, 'Positive buying: confronting the challenge between buying practices and workers' rights' did little to dispel the negative image of poor working conditions in many supply chains.

But it did at least recognise there is a cost to be paid by overseas workers for fast fashion and low prices, and that tackling this problem can also be good news for the bottom line.

Slow pace of change

Corporate social responsibility is not new, for large companies at least, yet many garment workers are still being deprived of a living wage, paid overtime and trade union rights.

So why have improvements have been so slow to happen?

Dan Rees, executive director of the Ethical Trading Initiative, a labour organisation which sets out basic rights for employees across the supply chain, believes it's because "ethical codes of conduct are still not sufficiently integrated into a company's core practices and often remain marginalised within a business."

For suppliers, too, the ethical equation often doesn't stack up.

Short lead times and poor critical path management by brands can cause vastly increased overtime for workers, or fines for failing to meet targets.

Squeezing price levels and cutting prices within contract also constrict labour costs, as do excessive fines for delivery delays or reducing orders within contract.

At the other end of the spectrum, demands for flexibility, repeated and last-minute changes to

Minimum wage issues

Jeremy Hobbs, executive director of human rights group Oxfam International, points out that one pitfall in many codes of conduct is that they stipulate a legal minimum wage should be paid.

"But in many countries the legal minimum wage avoids the issue of workers' living costs." Hobbs wants to see a living wage on a national agenda, "with a minimum wage lifted to a living wage."

National governments too have a part to play here, by ensuring that labour legislation is properly and effectively implemented.

"Governments should also ensure there is effective labour inspection to guarantee laws are complied with," adds Neal Kearney, general secretary of the International Textile, Garment and Leather Workers' Federation.

He also warns buyers to beware that if it "looks good on paper, it's probably impossible to deliver in practice."

Better decisions

US clothing giant Gap Inc is one retailer that has been taking a close look at its own practices to understand how to make better decisions - and is frank about the challenges that still exist.

Dan Henkle, senior vice president of social responsibility at Gap Inc admits "there have been improvements," but adds that "it is becoming more and more clear that buyers are playing a significant role in worker conditions at factory level."

Late approval of lab tests or last-minute changes to colours, for example, eat into production time and make it hard for suppliers to meet delivery dates - which in turn can lead to overtime or unauthorised sub-contracting. Sourcing executives also have unrealistic expectations about cost, speed and capacity

constraints. "What happens if you up an order from 500,000 to 800,000 - but the factory doesn't have that capacity?" he asks.

Opportunities for improvement centre on "bringing buyers into the loop, and educating them and raising awareness about the knock-on impact of their decisions."

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And for any company looking for a business case to improve working conditions at factory level: "The factories with good compliance standards seem to have better product quality and on-time delivery - which can lead to better profitability. It can be a win-win situation," Henkle adds.

Buying cause and ethical effect

Jacki Belchambers, head of CSR and ethical trading at the New Look fashion chain, also stresses that it's critical to get buyers to "understand the link between buying cause and ethical effect."

They must set realistic timeframes she says, adding that "earlier planning is key to eliminating pressure in factories." And when working with suppliers, "ask what the impact of a particular buying practice is on them."

However, Belchambers also points out that for every step forward in tackling the impact of the way garments are bought, "commercial pressures, employee turnover, and predominant member leaving buying team can often put progress back to square one."

Osama Taseer, director of Tiffany's Wear Limited, a Bangladesh-based manufacturer of trou-

sers, jeans, jackets and shirts, acknowledges that retailers and brands have to compete to sell their products - but not at the expense of their suppliers.

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In Bangladesh, where up to 20m people depend directly or indirectly on the garment sector for their livelihood, critics have failed to take into account the strides made by the industry to improve health and safety and standards of living, Taseer says, citing investments in new machinery, wages and overheads. “To run a factory is a complex social and economic jigsaw. The aim of the manufacturer is to ship goods in the right quality, at the right price and on time.

“But frequent changes in order details, quantity and style, cancellations and delays can result in financial loss for the manufacturer, production space can be lost, working hours can be stretched to achieve target dates, and there is a downward price trend every season.”

A workable solution?

The key question, of course, is what can be done to achieve a workable solution between the buying practices of retailers and brands and their impact on garment industry workers?

Adopting a ‘positive buying’ approach is one suggestion, where a retailer or brand reviews the critical path process and makes adjustments to allow the manufacturer greater time to make the product, or balance out produc-

tion schedules by phasing orders more evenly over time.

Another is to introduce a balanced scorecard where ethical values are rated on a commercial basis like price, and priority is given to those suppliers who implement international labour standards.

Suppliers can also be incentivised to be ethically compliant, with rewards for good companies including more orders or making sure their capacity is filled up first.

And there needs to be more training for buyers in ethical standards, their role in implementing them, and the impact of their decisions on workers. Buyers should include ethical criteria alongside cost and quality when selecting suppliers, and reflect a living wage in the prices paid.

One of the main drivers, of course, for encouraging retailers and brands to integrate ethics into the design and buying functions will be the value it brings to a business above and beyond worker welfare.

And there already seems to be evidence that good business and good working conditions are inextricably linked, with a well-paid, well-trained workforce likely to be more professional and productive.

There is also an argument in favour of minimum standards, not just for individual countries but globally. By raising the standards of the best, the thinking goes, the others (non-brands and non frontline retailers) will rise as well.

But consumers have a part to play too. Many are increasingly demanding information on where products are sourced from - and can ultimately put pressure on companies to change the way they do business.