

WHO PAYS FOR CHEAP CLOTHES?

5 questions the low-cost
retailers must answer



✂ Labour Behind the Label

Labour Behind the Label

LBL is a campaign that supports garment workers' efforts worldwide to improve their working conditions. We educate consumers, lobby companies and government, raise awareness, and encourage international solidarity with workers. Our members include trade unions and their local branches, consumer organisations, campaign groups, and charities. We are the UK platform of the international Clean Clothes Campaign.

38 Exchange Street, Norwich, NR2 1AX
www.labourbehindthelabel.org // 01603 666160



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FOREWORD



Imagine that you have worked for years in a physically demanding job that gives you no benefits, very long hours, and a low and steadily declining salary. Imagine that every year, hundreds of your colleagues are killed or seriously injured in accidents caused by poor health and safety conditions. Imagine that you are frustrated and powerless because you are prevented from joining with your fellow workers to demand better conditions. You are imagining the life of millions of garment workers in Bangladesh.

Low-cost retailers like the four British ones covered in this report love to source from Bangladesh. It's cheap, the workers there are compliant, and the government is desperate to make it worth their while as competition from China casts an ever longer shadow. Tesco, which buys many of its clothing products including its infamous £3 jeans from Bangladesh, says that its "experience here is good."¹ At the start of 2005 the company set itself the target of increasing its buying to £60m of clothes from Bangladesh. "There are huge opportunities for us to grow in this country and that's why we have expanded our office in Dhaka," said the CEO of Tesco Clothing & International Sourcing.²

Asda-Walmart is the biggest single buyer of clothing from Bangladesh, and its Vice-President for Global Purchasing is similarly effusive, saying that, "Bangladesh is very competitive because the labor cost in Bangladesh is only half of what China is, and maybe less than that."³

In recent years, however, labour rights activists who are in close contact with workers on the ground have warned of the consequences as wages and working conditions worsened (the minimum wage has halved in real terms over the last decade). Workers' frustration grew and grew, until in May this year it boiled over in wave of demonstrations and vandalism.

In one factory that workers say supplied Tesco, for example, a sudden drop in the rate workers were paid for each piece of clothing produced



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caused them to walk out, and in the ensuing clashes with police one worker was killed and hundreds more injured.⁴ The workers' 10-point demands included payment of a living wage, the right to organise, and the right to maternity pay.

Last year, hundreds of workers in a Bangladeshi factory apparently producing for Primark were fired in a conflict with management that was sparked when a supervisor physically assaulted three workers for making mistakes in their work.⁵ And in 2004, twenty-two union members at a factory supplying Asda who demanded their legal overtime pay were allegedly beaten, fired, and imprisoned on false charges. Workers claimed that the factory required 19-hour shifts, paid no overtime, and denied maternity leave and benefits.⁶

What lies behind this tense and volatile situation? Why have working conditions got so bad that workers are prepared to risk job, life and limb? While poor government policy and the attitude of factory owners is an important part of the story, the price-cutting tactics of low-cost clothing retailers sourcing from Bangladesh have been a driving force. This report sets out to show how the sourcing techniques used by companies like Asda, Tesco, Primark and Matalan can lead to the people working for their suppliers getting a raw deal. It is dedicated to the Bangladeshi workers who, at the time of going to press, were still fighting for their rights.



I INTRODUCTION



Something new is sweeping through the high street. Whereas five years ago, style-conscious teenagers would never be seen, like, dead in a bargain clothes shop, today the Saturday afternoon high street is awash with Primark bags and their proud owners boasting the bargains they have found. That anyone would admit to buying clothes from a supermarket would have been inconceivable until recently, but ask someone at a party now where their nice new jeans are from, and they may well have been picked up that afternoon along with the baked beans and cornflakes in Asda.

The savvy shopper can pick up a stylish new top to wear the same night for a fiver or even less, making it practically disposable. This, along with the ground-breaking supply-chain management that makes its production so quick, is why the buzz-word in clothing retail today is “fast fashion”.

The four companies this report focusses on, Asda, Tesco, Primark and Matalan, are to fashion what McDonalds and Burger King are to food: mass produced, hassle-free, fast, popular, and reliant on exploitation down the supply chain to keep things that way.

One in four items of clothing bought in the UK comes from these four stores, yet only one in ten pounds that are spent on clothes are spent there. Most people picking up a £2 T-shirt from Matalan or a £3 pair of jeans at Tesco do so with at least a slight worry about how these clothes can be so cheap, but most of us are unsure what we can do about it.

We’ve set out five questions for these companies to answer. We know that none of the low-cost retailers is able or willing to give positive answers to all of these questions yet, but we hope that in the future, as they are interrogated by concerned consumers and campaigners, these questions will act as both a guide to action for the retailers, and a yardstick by which the rest of us can measure their progress.

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- Pauline Weston-Thomas on Fashion-era.com⁷

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It's also important to note that the responsibility doesn't just lie with these companies. Two other groups of people have a role to play. First, all of us as consumers need to think about the way we buy clothes. The pressure to go cheaper and cheaper, and to have tomorrow's designs copied cheaply in store today, comes from consumers who lap up the prices on offer. Clearly we need to reconsider the way we shop, to make it clear to retailers that we will compromise – just a little is all that's needed – if it means workers' rights are respected.

Second, many labour rights activists believe that binding legislation by the government is the only way that the 'race to the bottom' can be stopped and the rights of workers guaranteed. What form that legislation might take is another debate for another time. LBL supports these calls, but at the same time we believe that in the absence of such legislation - and even if it were to exist - companies must still take responsibility for the conditions in which the clothes that earn their profits are produced.

So read on. We're not here to make you feel guilty for buying cheap clothes. We're here to make you angry, to raise issues, and to point to some constructive solutions that companies can and should be engaging with.



I II CHEAP CHIC

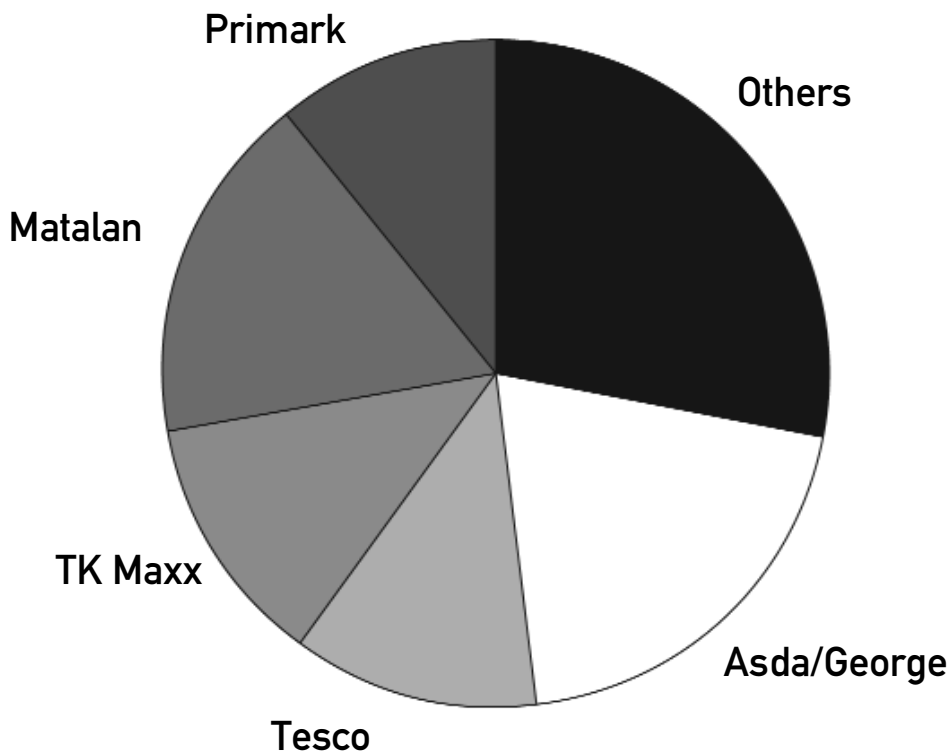
There is a revolution on the UK high street: cheap is the new black. Women's clothing prices have fallen by a third in ten years,⁸ while the 'value' end of the market is booming, doubling in size in just five years to snap up £6bn of sales in 2005.⁹ We now buy 40% of all our clothes at value retailers, with just 17% of our clothing budget.¹⁰

As prices fall, consumers have responded by buying more clothes, and by changing the way in which they buy them. Where high street stores used to change their collections just twice each year, the pressure is now on to have something new in store every month, in response to rapidly changing trends. 'Fast fashion' is the new fad, giving shoppers the latest styles just six weeks after they first appeared on the catwalk, at prices that mean they can wear an outfit once or twice and then replace it.

This trend for throwaway fashion has been made possible by the rapid expansion of high street, low value retailers such as Primark and Matalan, and the growth of the supermarket clothing sector. Primark is renowned for the uncanny similarity between items on its shelves and those at the high fashion and designer ends of the market, having twice been taken to court by Monsoon for allegedly ripping off designs. Asda George has its own 'fast fashion' range that responds to the latest designer trends. Even Marks & Spencer's prices have tumbled in the past few years.¹¹ Earlier this year suppliers saw their terms worsen as M&S demanded a 'marketing allowance' and greater discounts. 'Fast fashion' accounted for £1bn of clothing sales in the first half of 2005 alone.¹²

The charge has been led on two fronts: bargain chains Primark and Matalan, and supermarkets, led by Tesco and Asda-WalMart.

Primark and Matalan are at the heart of a new trend in shopping. As the shoppers interviewed at the beginning of this report explained, the cheap prices they offer make decision-making on the traditional Saturday afternoon fashion shop far easier. Primark's skill at speed-to-market – replicating catwalk trends for a mass market in record time and at minimal price – has made 'cheap chic' popular among new fashion icons like Colleen and Chantelle, teenage girls and mothers, at prices that make them practically disposable.

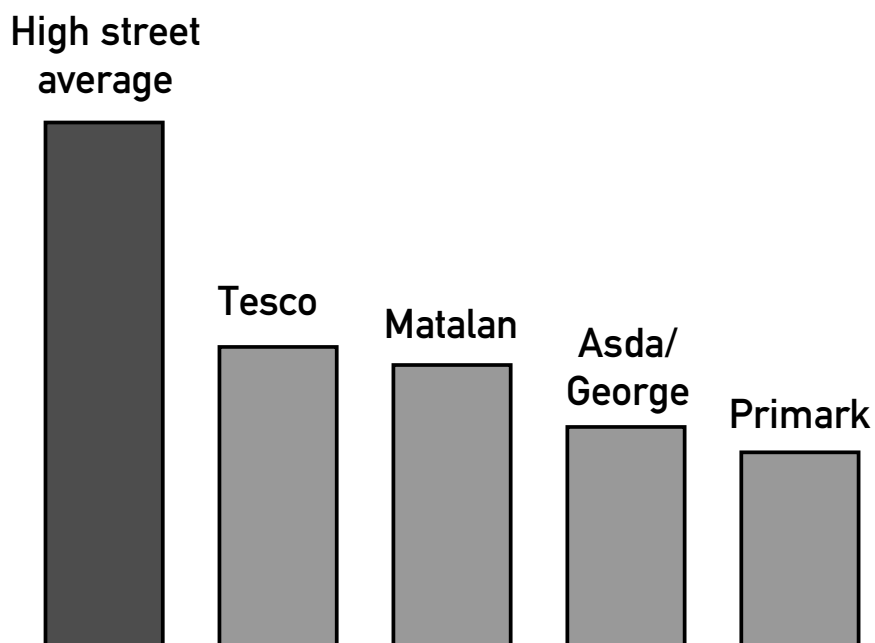


MARKET SHARE BY VALUE OF CLOTHING SALES

Source: Mintel (2005): 'Value fashion retailing - UK'

RELATIVE COST OF AN AVERAGE ITEM OF CLOTHING

Source: Daily Record (2005): 'Primark Kings of Budget Clothing', 3rd December



Primark is a true retail phenomenon. Owned by Associated British Foods, the chain has been valued at £3.1bn. Its profits rose 30% in 2005 off the back of a 17% sales increase (sales were worth over £1bn).¹³ Last year, its Managing Director Arthur Ryan was voted the most influential man in UK fashion.

While recent reports suggest that Matalan is struggling in the increasingly competitive value market, it has so far held on to its market share. Its total sales are also over £1bn, mostly from clothing where sales are expanding.¹⁴

Meanwhile, supermarkets are keen to expand their non-food offers and gain customers by offering a 'one stop' shopping experience for consumers wanting cheap goods of all kinds. Mintel retail analyst Richard Perks stated at the end of 2004, "the driver in the European food retailing market [this year] has generally been the development of non-foods."¹⁵ Non-food sales were worth £13.5bn to supermarkets in 2004.¹⁶

Asda's George brand is one of the store's biggest assets as it struggles to hold on to second place in the grocery market; George is now worth £2bn per year.¹⁷ When the world's biggest retailer, Wal-Mart, bought the chain in 1999, it snapped up the George brand for syndication worldwide. George clothes can now be found as far afield as Canada, Japan and Germany.

Tesco's clothing sales are booming, with percentage increases in double figures each year: clothing sales were worth £750 million in 2005, representing a staggering 20% increase in sales by volume.¹⁸ In May 2006 Tesco overtook ASDA as the UK's second largest retailer of clothing by volume.¹⁹

What all these companies have in common is low prices: each is around half as expensive as the high street average (see the diagram, left).



I II III **FASTER,**
LEANER,
CHEAPER



These three words exemplify the strategy that has brought the low-cost retailers to where they are now. 'Just-in-time' or 'lean' production involves improving the efficiency and speed with which the supply chain is managed. This brings with it two key benefits: the first is the speed-to-market element that is at the heart of the 'fast fashion' trend: retailers can respond to customer preferences in real time, placing smaller, more frequent orders with a short turnaround time.

The second advantage of lean production is the reduction in costs due to the wastage that can occur if customer demand is misjudged, and storage in warehouses and the backrooms of stores. Computerised technology is now used to minimise the amount of time products sit on their shelves.

For suppliers, of course, the outcome of this is that they need to become much more flexible and responsive to their buyers. According to one Sri Lankan factory owner interviewed by Oxfam,

"Last year the deadlines were about 90 days...[this year] the deadlines for delivery are about 60 days. Sometimes even 45... They have drastically come down."²⁰

A recent management briefing from industry journal Just Style demonstrates the uncertainty created by the shift towards 'fast fashion' and 'lean' purchasing practices:

"Instead of 40,000 garments being manufactured across four styles for 20 weeks at a rate of 500 per style per week...all that is firm is the first five weeks across four styles at 500 per style per week. That is a commitment to 10,000 garments. The remaining 30,000 is unknown. Nor is there any promise of how many styles and at what manufacturing rate per week."²¹

Suppliers manage this uncertainty and demand for flexibility in several ways:

- 1. Increased overtime:** one way is simply to push workers harder during the 'feast' period, laying on extra night shifts and weekend work.
- 2. Flexibilisation:** a second way is to take on temporary or informal workers on a daily basis. This flexibilisation and informalisation is a growing trend in the



**“I FEEL THAT PRICES
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AND I AM NOT SURE
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SURVIVE”**

- Sri Lankan garment factory owner



industry, with some factories shifting their entire workforce from permanent to temporary work.

3. Subcontracting: the third technique is to use extra capacity from another factory, subcontracting a part of the work out. Subcontractors usually need to rely on informal workers, as in the example of a Kenyan subcontractor for a factory taking large, short-notice orders from WalMart: “We are never sure of whether the next order will be coming. You cannot therefore engage people on a regular basis when you are not sure that there will be work.”²²

Meanwhile the prices buyers will pay their suppliers are falling, driven down especially by the low-cost retailers who compete on price. The key here for buyers is to play their suppliers off against each other, forcing them to compete against each other to fulfil the contract cheapest and fastest. Sometimes this is played out in real time, using online reverse auctions where suppliers ‘bid’ against each other over the internet. Some retailers have forced suppliers to open up their accounts so the buyer can examine them and find ways to cut costs.

The fall in prices on the UK high street has been passed on to suppliers. Average garment export prices in China, for example, fell by 30 percent between 1997 and 2002, at the same time as production costs rose 10 per cent. Oxfam spoke to a factory owner in Sri Lanka:

“Our wage and electricity costs have increased around twenty per cent over the past five years, yet the prices we receive have gone down by 35 per cent in the past eighteen months alone. I feel that prices are reaching rock bottom in Sri Lanka and I am not sure how we will survive.”²³

These purchasing practices described put a lot of pressure on suppliers. So how do the retailers persuade them to agree to these terms? The answer is that the power in clothing industry supply chains is concentrated with retailers. Some – Primark is one – achieve the terms they want by constantly jumping between suppliers, pitting them in competition with each other and moving on as soon as they find a supplier willing to go cheaper or faster. Newton Responsible Investment, a Primark shareholder, reported the following in November 2005,

Area of negotiation	Retailer pressures supplier for...
Cost	Price reductions
	Reducing flexibility through pricing mechanisms like open-book accounting
Speed	Shortening lead times
	Requiring just-in-time delivery
	Imposing air delivery or fines for late delivery
Flexibility	Making last minute order changes
	Ensuring that there is always the option to reduce, cancel or increase an order
Risk	Using 'sale or return' terms
	Negotiating rebates and profit contribution based on sales volume
	Encouraging suppliers to reduce cost price on promotions to help drive volume
Quality	Tightening quality specifications
	Imposing fines for non-conforming products
Added extras	Negotiating 'extra for free'
	Requesting that suppliers take responsibility for delivery to store not warehouse
	Requiring suppliers to contribute to the cost of product advertising

Source: adapted from Acona/Insight 2004

“Key to Primark’s business model is the sourcing of products from the cheapest possible supplier. Primark has used hundreds of suppliers located across the world. Relationships with suppliers can be short and variable, sometimes even changing mid-season.”²⁴

Primark’s buying policy is summed up in a story reported in The Post:

“One story tells of how [Managing Director Arthur] Ryan was approached by a factory owner with a product costing £5 that would sell for £10. Ryan reportedly told him he was not interested unless he came back with a product that cost £3 and could be sold for £7. ‘I don’t care how you go about it - just do it,’ he said.”²⁵

Another factor, buyer power, comes into play for the low-cost companies that churn out huge quantities of items. Primark’s military jacket sold a quarter of a million copies in 2005, while Tesco sells upwards of 30,000 pairs of £3 jeans per week.²⁶ Matalan’s suppliers had no option but to accept when it imposed a unilateral 2% cut on all payments for completed contracts last November.²⁷

In a wide-ranging investigation of the way supermarkets relate to suppliers, conducted in 2000, the UK Government’s Competition Commission consulted a wide range of supermarkets, their suppliers, and their representatives. Two of these suppliers’ representatives described the position of power of the supermarket (sometimes referred to as “multiple”) buyers as follows:²⁸

“Many [suppliers] have 40, 50, 60 or even 70 per cent of sales with a multiple. The resultant power that multiples have is huge.”

“[Supermarkets] talk about partnerships, but these do not exist, and they ruthlessly erode suppliers’ margins with no consideration of the damage they are doing to that company or its employees. Multiples switch their buyers around every six to twelve months in order that relationships and loyalty to suppliers can be avoided. The new buyer is given carte blanche to de-list suppliers, who are frequently treated with complete contempt.”

The Commission’s report found that, “where the request came from a [supermarket] with buyer power, it amounted to the same thing as a requirement.”²⁹



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Responsible Investment



In 2004, Oxfam interviewed a Chilean exporter dealing with Asda and Tesco, who told them, “They are interested exclusively in their own business, they do not want me to sell to another supermarket... If I want to, I am told, ‘Well, stay with them, then.’”³⁰

In 2001, Dr Peter Gibbon studied the purchasing practices of UK clothing retailers.³¹ Gibbon noted a tendency remarkably similar to that observed above with regard to groceries:

“One [company interviewed], a supermarket, was the only respondent which stated that it had a rule of thumb concerning the share of capacity which it required from individual full manufacturing suppliers (40-70%), and a second (also a supermarket) stated that the presence of another large customer would disqualify a potential supplier from consideration.”

As this study found, supermarkets like to reduce their numbers of suppliers and dominate a few, giving them enough buying power to impose whatever conditions they like.

How do supermarkets use this buyer power? The Competition Commission found a range of buying practices that made life more difficult for suppliers, and in which “many” of the supermarkets engaged. These included,

“Requiring or requesting from some of their suppliers various non-cost-related payments or discounts, sometimes retrospectively; imposing charges and making changes to contractual arrangements without adequate notice; and unreasonably transferring risks from the main party to the supplier.”³²

There seems little doubt that supermarkets’ ability to sell clothes at such cheap prices comes down to a similar use of buying power muscle. Says Christophe Roussel, Tesco’s International Sourcing Director, of Sri Lanka, “we are expecting more investment from suppliers to up productivity and reduce costs.” The company’s head of India sourcing said similarly, “we have seen [no supplier] who meets all our requirements – scale, productivity, lead times etc.”³³

So what? Isn’t demanding improved efficiency from suppliers just good business? The next chapter explains...



I II III TIGHTENING THE SCREWS

The companies mentioned in this report claim that they are doing their best to improve working conditions in their supply chains. Evidence from decades of research in the garment industry suggests, however, that the way in which they demand ever lower prices and ever reduced lead times is driving down working conditions from what is already a very poor starting point (see over). It's not just campaigners who say this, but also labour rights auditors, supply chain management consultants, and even some companies.

One key right workers should enjoy is to earn a living wage, defined as enough to meet their basic needs and those of any dependants, plus a small amount of discretionary income. Here is a typical story from a young woman in a Pakistani factory supplying Wal-Mart (among others):

“Because of the fact that wages are so low and the cost of living so high, she finds it very hard to make ends meet. At 18, she is the only earning member of her family of three. She is an only child and both her parents are jobless. She spends almost 40% of her income on the rent of her one bedroom house. [...] When told that it is checked [by auditors] that workers should get at least the minimum wage set by the government, which they all do, she said that if they think this wage is enough they should all try to live on this amount for a month and decide if it is OK.”³⁴

A study by international consultants Acona sets out the ways in which the purchasing practices outlined above impact on working conditions (see box on page 26). It concludes that, “there are profound and complex connections between the normal commercial buying practice of a company and its suppliers’ ability to meet required ethical standards.”³⁵

Rosey Hurst, director of supply chain consultancy Impactt, agrees:

“Buyers pressure factories to deliver quality products with ever-shorter lead times. Most factories just don’t have the tools and expertise to manage this effectively, so they put the squeeze on the workers. It’s the only margin they have to play with.”³⁶

Right	Reality
To earn a living wage, which covers the basic needs of workers and their dependants, leaving a small amount for discretionary income.	Even when wages meet legal requirements, they are typically well below a living wage. Money is often deducted for 'expenses' or disciplinary reasons, and many workers are not given understandable information about their wages.
Not to have to work excessive hours	Eighty-hour working weeks are not uncommon, with shifts at night and weekends especially in peak season. Because hourly or piece rates are so low, workers are often obliged to do excessive overtime to make ends meet, even if they are not formally required to. Overtime is rarely paid at a premium.
To work without discrimination	More than 80% of garment workers are women, and many face harassment and prejudice at work. Maternity pay is rarely granted, and in some places women workers face humiliation such as being forced to undergo pregnancy tests before they are taken on.
To work in decent conditions	Health and safety conditions are often well below acceptable standards. Many jobs in the garment industry involve dangerous machinery or toxic chemicals, which are not well regulated. Horrific stories of factory fires and collapses are all too frequent.
To enjoy an established relationship with their employer	Fewer than half the workers sewing clothes in places like Bangladesh and China's Guangdong province have a written employment contract. Laws that stipulate the social obligations of employers are often avoided through the use of informal and contract/temporary labour.
To form and join trade unions and to bargain collectively	Only a small percentage of garment workers are unionised. The suppression of trade unions and persecution or dismissal of workers who try to organise is common. Production is increasingly taking place in countries where freedom of association is prohibited by law.

As a Chinese labour official told the US National Labor Committee (NLC), “Wal-Mart pressures the factory to cut its price, and the factory responds with longer hours or lower pay, and the workers have no options.”³⁷

As well as affecting wages, ‘lean’ production impacts on working hours too, as one Indonesian garment worker explains:

“The usual target is a thousand pieces per lane, per day. But during export days the target doubles to two thousand pieces. This doubling is very stressful for us and we often can’t reach it. When we don’t reach it, we get yelled at by the management and sometimes we get warning letters.”³⁸

The most effective and legitimate way to ensure that workers get a fair deal is to let them stand up for themselves, by forming a trade union. Known as the rights to Freedom of Association and Collective Bargaining, workers’ right to form and join trade unions of their own choosing are enshrined in the UN covenant on human rights. The positive impact of trade unions is shown by these two examples:

“In absence of a trade union it is very difficult to talk about a wage hike. Many times we mustered courage and tried to put our demands forward but we always reverted back due to the fear of reaction from the management.”³⁹

“Before there was a problem with our overtime pay – we weren’t give enough. But now [we are unionised] it’s what it should be. We can send money home to our parents now. This helps families.”⁴⁰

The paradox is that, as retailers force down costs and lead times, they create conditions in which any attempt by workers to militate for their rights must be stamped out, since it seems unaffordable.

Managers respond by adopting ‘union-busting’ tactics to prevent workers from forming unions. Labour rights activists receive countless requests for solidarity from workers in garment factories who have suffered persecution,

Trend	Link to labour standards
Time and speed	Short lead times can lead directly to excessive working hours in an attempt to meet demand. The pressure to work quickly can also lead to unacceptable workplace cultures, although the quality and approach of local management probably have a strong influence on this aspect of worker welfare.
Flexibility and seasonality	This issue directly affects the supplier's ability to provide secure and regular employment. It also may influence levels of overtime and may force suppliers into using particularly vulnerable worker groups (e.g. migrants) to meet shortterm demands.
Cost and risk	The strongest linkage is in the area of wages: cost pressures force manufacturers to cut wages, perhaps below acceptable levels. Additionally, overtime may not be remunerated at premium rates. Less obviously, cost pressures may lead directly to cutting corners in health and safety, and the use of vulnerable worker groups (although both of these elements are strongly influenced by management competence and approach).

Source: Acona/Insight 2004

dismissal and even court cases for exercising their right to freedom of association. Here is an example of the atmosphere in a factory supplying Wal-Mart in Bangladesh:

“Workers...are not allowed to form any union or organisation. The management has warned them that if any one tries to organise workers and form a union he or she would be handed over to the police.”⁴¹

Unfortunately, the attitude of low-cost retailers to trade union rights is questionable. Wal-Mart stores in the United States has a union-busting ‘rapid-reaction’ team complete with its own aeroplane. Meanwhile, unions in Asda-owned supermarket chains in the UK and Germany claim they are being squeezed out: in February 2006, Asda-WalMart was fined £850,000 by an Employment Tribunal for attempting to induce employees to give up their right to collective bargaining.⁴²

When Tesco advertised for people to manage its new US arm in May 2006, the job specification included “maintaining union-free status” and “union avoidance activities”.⁴³ Tesco’s retail arm in Thailand, Tesco Lotus, was only unionised after five years of operation and then, “since it was registered ... the Union has been under tremendous pressure, but persisted in its effort to organise.”⁴⁴

While both these chains claim that they do not tolerate abuses of the right to organise in their production facilities, neither is taking positive steps to ensure that workers have access to that right in practice. They seem to be ignoring the World Bank’s advice that,

“Further progress [on workers’ rights] will be made by providing more and better education to workers concerning their rights, and strengthening mechanisms through which they can protect those rights.”⁴⁵

Instead, these companies rely on commercial auditors to check that factories are in ‘compliance’ with their code of conduct, a statement of the standards they require of suppliers. Evidence shows that this auditing system fails time and time again. As Chinese labour organiser Li Qiang told the NLC, “the inspection system is not effective. The factories are usually notified in advance, and they often

BETWEEN A ROCK AND A HARD PLACE – HOW PURCHASING
PRACTICES AND COMPLIANCE SYSTEMS CREATE A CONFLICT
OF INTEREST WITHIN THE SUPPLY CHAIN



prepare by cleaning up, creating fake time sheets and briefing workers on what to say.”⁴⁶

“I know how to deal with the ethical code people from my many years’ experience,” said one factory manager in Shenzhen, China. ‘I can judge the balance of power between buying departments and those responsible for codes of conduct to see where the real power lies.’”⁴⁷

A wide-ranging investigation by the Clean Clothes Campaign (CCC) in 2005 found systematic flaws in the auditing of factories across nine countries. Several of these factories were producing for Asda/Wal-Mart.⁴⁸ For example, in China,

“Managers in two factories said that Wal-Mart’s social responsibility inspection team only spends about three hours at the factories, during which they verify wages, working hours and personnel records, make a brief inspection tour of the factory, and meet three or four workers in the factory office’s reception room. They also said that Wal-Mart inspections were generally quite easy to bluff, and that because Wal-Mart’s unit prices for orders are extremely low, their inspection teams were not likely to seriously demand that the factory adhere to the code of practice.”

This shows the contradiction between what companies say, and what they do: on the one hand they hold up audits as evidence that they take workers’ rights seriously, but on the other hand they demand lower prices and a faster turnaround from their suppliers. Something somewhere has to give: suppliers become more and more inventive when it comes to concealing their practices from auditors.

For brands seeking rock bottom prices, the conflict of interest is at its strongest. As Li Qiang said to the NLC, longer inspections by independent auditors conducted without warning would be more effective at catching rights abuses like excessive, obligatory overtime, but, “if they did that, prices would definitely go up.”⁴⁹



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COVER THESE COSTS”**

- Labour Rights

researcher, Morocco



A World Bank study in 2003 argued that,

“buyers should address the mixed messages and incentives they send to suppliers, who respond to compliance staff promoting adoption of good labor conditions, and also merchandisers who often demand lower prices, faster deliveries, and shorter lead times.”⁵⁰

Even the social auditors themselves acknowledge that their work can be undermined by purchasing practices:

“[I]t is hard to comply to overtime rules when lead times given by multinationals are so short. Increased lead time in this case would reduce the pressure on overtime worked to fill the order, but this requires close cooperation between the selling firm and the people at the multinationals who are familiar with the buying process and also the procurement process.”⁵¹

This cooperation is obviously lacking when retailers maintain fickle relationships with their suppliers, constantly playing them off against each other – or threatening to relocate – to find the cheapest or quickest source of product. As one Sri-Lankan garment supplier said,

“I wish that there was a system of compliance the other way around, that is to say: (a) buyers do not relocate orders to other suppliers based on a 5 to 10 cent difference in unit price; and (b) that loyalty should be a two-way process – if we suppliers are compliant and open to meeting labour standards, then we should receive consistent orders.”⁵²

A group of Chinese suppliers told the World Bank that, “achieving compliance [with labour standards] does not create any loyalty on the part of most buyers/brands. Even if a facility [for example a factory] were to be in compliance, participants said that most brands would move orders elsewhere if they could find a better price.”⁵³

For low-cost retailers, just stating their support for workers’ rights is not enough. Nor is paying someone to audit suppliers, although audits can help



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RING HOLLOW**



when they involve collaboration with local NGOs and trade unions that know working conditions well and aren't afraid to speak out. Even demanding that factories that fail audits improve and setting implementation plans is only of limited use.

That's because all of these measures are simply sticking plasters over a much deeper problem, which is the way the low-cost retailers are changing the clothing industry. Until the impact of demanding faster, leaner, cheaper retailing is addressed, and the purchasing practices altered, these retailers' claims to be socially responsible ring hollow.

What follow are five questions that LBL challenges our four key companies – Asda/Wal-Mart, Tesco, Primark and Matalan – to answer. As the preceding discussion shows, there are serious grounds to believe that these companies' pursuit of cheap clothes is leading to abuses of workers' rights around the world. The burden of proof must lie not with campaigners or workers, but with these companies themselves, to show that someone, somewhere is not paying for our cheap clothes with their human rights.



**I II III IIII FIVE
QUESTIONS THE
LOW-COST
RETAILERS
MUST ANSWER**





1. HOW MUCH ARE THE PEOPLE PRODUCING THE CLOTHES YOU SELL PAID?

Clothing retail prices in the UK are falling, as the 'value' sector of low-cost retailers expands. It is certainly not the case that workers producing more expensive clothes are necessarily paid any more than those producing for the low cost retailers. That said, low-cost retailers achieve their low prices by squeezing suppliers hard, in ways that can often see the costs passed on to workers in the form of lower wages and other abuses of their rights.

Low-cost retailers need to demonstrate that their price-breaking purchasing practices do not create conditions that make the payment of a living wage impossible, or force already low wages down yet further.





2. WHAT HOURS DO THEY WORK?

Low-cost retailers seek to reduce lead times and place smaller and smaller orders, with less certainty over future orders and deadlines. This takes place either to fulfil the requirements of 'lean production', or because these retailers' appeal is based on the 'fast fashion' concept.

Making smaller, more frequent orders with shorter lead times can lead to a pattern of feast and famine in factories, with periods of excessive overtime for workers, replacement of permanent jobs with casual temporary work, and subcontracting to less visible suppliers.

Low-cost retailers need to demonstrate that workers are not subject to excessive overtime or poorer terms of employment as a result of the way they place orders with suppliers.





3. CAN WORKERS DEFEND THEMSELVES?

Respect for – and promotion of – the rights to freedom of association and collective bargaining is not only an end in itself, but also a means to empower workers to defend their own rights, such as to earn a living wage. Yet low-cost purchasing practices aim to successfully screw down prices as low as possible, and the supplier trapped between the ‘rock and the hard place’ often turns against workers who try to unionise because a militant workforce means a less compliant one.

Low-cost retailers need to reassure us that workers in their supply chains have the right to freedom of association, in practice as well as in theory. They need to demonstrate that they support suppliers whose workforce is unionised, even when this has an undesirable effect on prices and lead times.



4. DO SUPPLIERS TAKE YOU SERIOUSLY ON WORKERS' RIGHTS?

Sourcing by low-cost retailers is characterised by pressure to lower prices and increase flexibility, which sends a mixed message when brands also adopt ethical criteria.

Fickle relationships with suppliers and threats to move elsewhere, as well as the tendency to place smaller orders and to change suppliers frequently reduce the incentive for suppliers to make real efforts to comply with the brand's ethical standards, and the leverage the brand has over suppliers on working conditions. Just moving away from a supplier when problems are detected is a common knee-jerk reaction, but it helps no-one – least of all the workers who may lose their jobs.

Low-cost retailers need to demonstrate that suppliers who do not meet their ethical standards are encouraged and obliged to improve. That also means integrating ethical concerns throughout the sourcing process.





5. ARE YOU REALLY SURE WHAT'S GOING ON?

The auditing systems used by low-cost retailers (along with the rest of the high street) are not comprehensive enough to reassure us that working conditions are OK. Given the evidence that their purchasing practices push working conditions down, this kind of reassurance is especially important from low-cost retailers.

Effective studies of working conditions and the impact of purchasing practices need to be conducted in collaboration with the local organisations that know what life is really like for workers, and aren't afraid to say so.

Low cost retailers need to demonstrate that they have gone beyond standard auditing systems, and that they have studied the impact of their purchasing practices on workers' rights.

They need to make this information independent and public, along with the steps they have taken on other issues highlighted in this report, so that consumers concerned about the ethics of buying cheap clothes can shop easy.



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Take a stand on fashion Defend workers' rights



Online at www.labourbehindthelabel.org

Or write to the companies directly:

Asda/George

Asda House
Southbank
Great Wilson Street
Leeds LS11 5AD

Matalan

Gillibrands Road
Skelmersdale
West Lancashire
WN8 9TB

Tesco

New Tesco House
Delamare Road
Cheshunt EN8 9SL

Primark

Primark House
41 West Street
Reading RG1 1TT