

Clean Clothes
Campaign

International
Secretariat



Cashing in

Giant retailers, purchasing practices, and working conditions in the garment industry



Clean Clothes Campaign



Clean Clothes Campaign

International Secretariat
P.O. Box 11584
1001 GN Amsterdam
Netherlands
Tel: + 31 20 412 27 85
Fax: + 31 20 412 27 86
www.cleanclothes.org
info@cleanclothes.org

Cashing In: Giant Retailers, Purchasing Practices,
and Working Conditions in the Garment Industry



This work is licensed under the Creative Commons Attribution-Non-Commercial 3.0 Netherlands License. To view a copy of this licence, visit <http://creativecommons.org/licenses/by-nc/3.0/nl/> or send a letter to Creative Commons, 171 Second Street, Suite 300, San Francisco, California 94105, USA.

It is possible to copy, distribute, and display this report and to make derivative works under the following conditions: 1) Attribution. You must give the original author credit. 2) Non-Commercial. You may not use this work for commercial purposes.

For any reuse or distribution, you must make clear to others the licence terms of this work. Any of these conditions can be waived if you get permission from the CCC International Secretariat.

Written by

Martin Hearson for the Clean Clothes Campaign.

Coordinated by

Nina Ascoly and Jeroen Merk, with thanks to Esther de Haan for research coordination.

All primary research is on file at the CCC International Secretariat. The coordinators would like to thank the following team of researchers and research organisation who gathered input for this publication.

Bangladesh: Korshed Alam of the Alternative Movement for Resources and Freedom Society.
India: Centre for Education and Communication and Suhasini Singh, Cividep-India, Bangalore. *Sri Lanka:* Free Trade Zones & General Services Employees Union. *Thailand:* Sripai Nonsee of the Asia Pacific Workers Solidarity Links (APWSL).

The coordinators would also like to thank Carole Crabbe, Evelyn Bahn, Ruth Domoney, Ernesto Beckeringh and Ton de Heij for additional research support, Celia Mather and Sonja Ullrich for editorial support, and the CCC network for valuable input.

Design

Annelies Vlasblom

Cover photo

Inge Bekkers

Back cover photo

Courtesy International Labor Rights Forum

Printing

PrimaveraQuint

This publication is printed on FSC certified paper.

FSC logo to be placed by primaveraQuint

The Clean Clothes Campaign (CCC) is dedicated to improving working conditions and supporting the empowerment of workers in the global garment and sportswear industries. Since 1989, the CCC has worked with trade unions, NGOs, and workers around the world to help ensure that the fundamental rights of workers are respected. CCC educates and mobilises consumers, lobbies companies and governments, and offers direct solidarity support to workers as they fight for their rights and demands better working conditions.

Cashing in

Giant retailers, purchasing practices, and working conditions in the garment industry

Clean Clothes Campaign

Contents

* Summary	5
Working excessive hours for poverty wages.....	6
Workers deprived of a voice.....	6
Lack of job security	6
Purchasing practices to blame.....	7
Women bear the brunt.....	7
Giant size means giant responsibility	8
1 Introduction.....	11
2 Meet the Giants.....	15
Concerns about giant retailers	17
Conclusion: Growth at any cost	18
3 Giant Retailers & Labour Rights.....	21
What the Giants say they are doing	21
A history of exploitation and union busting.....	24
Conclusion: Reality falls far short of the rhetoric	26
About our research countries	27
Bangladesh.....	27
India.....	27
Sri Lanka.....	27
Thailand	27
4 Wages & Working Hours	29
Far from a living wage	29
Why the minimum wage is not enough	29
Wages and working hours in the Giants' suppliers	30
Pay too low to live off	32
Overtime: unpaid and compulsory	26
Conclusion: Basic needs are not met.....	28
5 Freedom of Association.....	35
The dangers of speaking out.....	35
Reality check: Trade union rights in law	36
Trade union rights in the Giants' suppliers.....	37
Conclusion: Workers deprived of a voice.....	38
6 Precarious Employment	41
Growing use of precarious labour	41
Pay and conditions much worse	42
Conclusion: Lack of job security	43

7	Why the Giants' Business Model is at Fault	45
	Making a mockery of compliance	45
	The 'tick box' approach is not enough.....	46
	Sourcing structures: How the Giants divide and rule their suppliers	47
	Speed and uncertainty are bad for garment workers.....	48
	Impossible prices mean impossible wages.....	49
	Conclusion: Trying to have it both ways.....	51
8	Women Workers: Bearing the Brunt.....	53
	The triple burden at work in the garment industry	53
	More likely to be in jobs where labour rights abuses are common	53
	More susceptible to labour rights abuses	54
	Labour rights abuses have a bigger impact	55
	Conclusion: Squeezed the hardest	56
9	Recommendations.....	59
	1. Actions for all companies in the garment supply chain.....	59
	Implementing labour standards	59
	2a. Actions for the giant retailers in key areas of concern	59
	Promoting access to freedom of association	60
	Paying a living wage	60
	Security of employment	60
	Gender equality.....	61
	2b. Actions for giant retailers concerning the implementation of labour standards.....	61
	Traceability and transparency	61
	No cut and run	61
	Purchasing practices	61
	Responsible retailing practices	61
	3. Governments	62
	Labour legislation	62
	Trade and investment agreements	62
	Retailer accountability	62
	Annex: Flaws in Giant Retailers' Codes of Conduct.....	65
	Endnotes... ..	69

**At a time of financial
crisis the millions
of women employed
in factories and
workshops are paying
for the profits of the
Giants.**

* Summary

This is a report about giant retailers – often referred to as supermarkets or big box retailers – such as Walmart, Tesco, Carrefour, Lidl, and Aldi. What makes these retailers special is their size: their global reach and their huge market share in many countries. Using their size to dominate suppliers and push them into offering lower prices is how the Giants do business.

It is also a report about the clothing industry, in which the giant retailers are big players. In the UK, for example, more than a quarter of all clothing is bought from chain stores that also sell groceries. One in two German shoppers buys clothing in discounters such as Aldi and Lidl. And Carrefour is Europe's fourth-largest clothing retailer.

But most importantly, it's a report about the people – mostly women – who make the clothes on sale in giant retailers. Women like Amanthi in Sri Lanka, who sews clothes for Tesco.

Shopping at the Giants

\$ 345,000,000,000 (€ 253,000,000,000): Walmart's total sales in 2007, equivalent to US\$ 10,940 (€ 8,035) per second. ¹

25,000,000: the number of people who shop at Carrefour every day.

1 in 7 euros spent in British shops is spent at Tesco.

80% of German consumers shop at Aldi.

24 European countries have Lidl stores. Only five of the EU 27 do not.

"I leave home at six in the morning and come back home at nine in the evening", she says. "I leave when my daughter is still in her dreams and come back home to see her gone to sleep. She sees my face only one day of the week."

Or women like Salma and Kusum, who work in a factory in Bangladesh supplying Lidl, Carrefour, and Walmart.

"Coming home I feel so drained that I do not even feel like eating", says Salma. Kusum adds, "At times it gets unbearable and I cry. After a while I have to put myself together because there is no other way, I must keep working."

During 2008, Clean Clothes Campaign researchers spoke to 440 such workers in 30 workplaces across four countries - Sri Lanka, India, Bangladesh and Thailand. All of the workplaces were producing clothes for one or more of the five retailers who are the subject of our report: Aldi, Carrefour, Lidl, Tesco and Walmart.

It is these women and their families who are absorbing the costs as giant retailers push their garment suppliers into agreeing to lower prices, faster turnaround times, and greater uncertainty. Purchasing practices that increase pressure on suppliers are only possible because of women workers' disempowered, disadvantaged position, which means they have no option but to accept whatever conditions of employment are on offer.

Worse, the impact on patterns and terms of employment serves to further entrench that disadvantage. As belts tighten at a time of financial crisis, women workers and their families are subsidising the profits

of giant retailers through poor working conditions and terms of employment, and poverty wages. They cannot, and should not have to, afford to provide these subsidies, but economic necessity leaves them with no choice. Far from lifting women out of poverty, the Giants are cashing in on it.

Working excessive hours for poverty wages

“I feel so sick and tired after a day’s work that I do not want to work the next day. But hunger does not allow thinking of sickness, the thought of living with an empty stomach makes everything else forgotten. We work to save ourselves from hunger.”

Woman at a Walmart and Carrefour supplier, Bangladesh

Garment workers in the Giants’ supply chains should have the right to earn a living wage – one that meets their basic needs and those of their families – within a working week of no more than 48 hours. Our research shows that they are robbed of this right, three times over.

First, low hourly wages mean that they are deprived of the right to earn a living wage, no matter how hard they work. In Bangladesh, the lowest basic wage (before overtime) was € 13.50 a month at an Aldi supplier; the lowest take-home wage (including overtime) was € 21 at a Lidl and Walmart supplier. In India, unskilled workers started on € 45 per month, and in Sri Lanka, the figure was € 33.50. Nowhere do workers earn a wage that meets their basic needs.

“We have to sleep in crowded rooms made out of wooden planks for walls. The rooms do not get enough ventilation. And there is no escape from mosquitoes... I use the meagre salary I receive very frugally as I have to pay for the boarding house and spend for food while sending some money home for sisters’ studies.”

Woman in a Sri Lankan factory supplying Tesco, Walmart and Carrefour

Second, their free time is stolen by managers who force them to stay late. The 48 hour basic working week is a meaningless concept when overtime is compulsory and a daily occurrence, and even the 60 hour with-overtime maximum is frequently ignored. Workers in a Sri Lankan factory supplying Tesco said they worked an average of more than 64 hours per week. Of ten factories surveyed in Bangladesh, no factory had a regular working week of less than 60 hours; more than half exceeded this, and in four the average week was over 80 hours.

“We have to work from 9 in the morning till 1 in the night. We can’t choose to work only during day or

night. This is full-day work. We’ve to work thirty days in a month like this.”

Woman at a Carrefour supplier, India

Third, and most outrageously given their difficulty making ends meet, these women and men are not even paid for the extra hours that they do. The notion that overtime should be compensated at a premium rate is a long way off when in most cases it is not compensated at all.

“We do a lot of overtime. Almost every day there is at least one hour extra. We are called on Sundays as well. However, our monthly wage slip will not show all the overtime that we do. It will quote only 1-2 hours as overtime in a month.”

Woman at a Tesco supplier, India

Workers deprived of a voice

“If we try to form a union we will lose our job. So I do not want any union.”

Worker at a Lidl and Walmart supplier, Bangladesh

The litmus test of whether any brand or retailer is taking its responsibility seriously is not that a trade union forms in a workplace, but that workers have the confidence that if they were to try to organise, there would be no retaliation. This requires strong signals from the buyer to workers and management, and effective education by trusted local people. In not one case from our sample was this evident, and in nearly every case workers stated that management’s attitude would make it impossible to form a trade union.

“Are you joking? We are not even allowed to talk to each other inside or in the premises of the company. And you are talking about unions [...] One can never even imagine building a union in our company.”

Worker in a Carrefour factory, India

For example, at an Aldi supplier in Bangladesh, one male worker had been fired for association with a trade union, while two female workers were not only sacked but forced to leave the neighbourhood for attempting to organise workers. Workers recounted management tactics to stifle dissent that included beatings, firings, and raising false legal charges against workers.

“If you form a union, you will be out. You will be evicted at any time without any prior notice. It has also been mentioned in the call letter.”

Worker at a Tesco supplier, India

Lack of job security

“Workers coming directly from the company will be paid more. Others hired through contractors will be paid less than them.”

Worker at a Carrefour supplier, Delhi

Our research in India, Sri Lanka, and Thailand has shown that workers producing clothes for giant retailers do not have the right to job security and permanent employment. Workers employed by contractors and those on temporary contracts face lower pay, poorer conditions, and a constant fear that they will lose their jobs. In a Tesco supplier in Sri Lanka, more than half the workforce were employed on casual contracts, compared to just a few in another Tesco supplier: twice as many workers in this first factory said that they were afraid of losing their jobs. The turnover of temporary workers and the ease with which they can be dismissed means it is even harder for them to join a trade union.

“Unionisation seems impracticable. People working on behalf of some company can do that because they are permanent there, [but] the interference of contractor is so huge that people can’t come together.”

Walmart worker, India

This is not a question of a few workers brought in every so often to help with an urgent order; it is a systematic and spreading use of precarious forms of employment both to manage fluctuating orders and to further tip the power balance in favour of employers.

“I worry about my security. I don’t have job security because we are subcontracted. I am always afraid that I will have no money to pay in a month.”

Tesco supplier, Thailand

In Thailand, workers in subcontracting workshops supplying Tesco and Walmart faced some of the worst working conditions. Hours were longer, pay was lower, and many workers had given up and left because they couldn’t survive.

Purchasing practices to blame

“To be honest, if we try to implement all these standards, there will be no suppliers left who can make garments.”

Tesco sourcing employee, India

Giant retailers favour purchasing practices that aim to get the maximum flexibility and the lowest prices from their suppliers. At the same time, they say that they are improving the systems they have in place to enforce their codes of conduct on labour rights. These two factors are frequently in tension, because the

Giants’ purchasing practices create a number of pressures that are bad for workers.

“Of course the buyer [Walmart] has many compliance standards. If we try to implement all of them, we can sit at home. No production will happen... To ask us to complete production with a code of conduct is one thing and to implement it is another thing.”

Factory manager, Tirupur, India

First, there is a selective pressure on the suppliers they use. The low prices and other poor purchasing practices associated with giant retailers bias their supply chains towards factories whose owners are more desperate or less scrupulous than might otherwise be the case.

“If I personally feel that the costs cannot be covered, I will not take those orders. Even if we reject an order, there are many buying houses here that take up the same orders with the target price the buyer quotes or even less... I do not know how they manage.”

Walmart supplier, India

Second, the pressure created by competing demands of good working conditions and faster, cheaper production can be relieved through cheating the compliance procedures. Our research uncovered faked time-sheets and payslips, workers forced to lie to inspectors, and many other such tricks. Whatever store the Giants may place on social audits in their head offices and public statements, the evidence cited in this report demonstrates that their staff on the ground are blasé about the gap between conditions in factories and those reported in audits.

“You know Asda [Walmart’s UK subsidiary]. They are the worst. They keep on giving changes until the last minute. After that we will be finding it so difficult to finish production before the shipment date. But they will never accept that it is their fault.”

Walmart supplier, India

Third and finally, the time and cost pressures are passed on directly to workers in the form of insecure, poorly paid employment. In effect, garment workers are subsidising the low prices on supermarket shelves. The subsidies come in the form of two widespread cost-cutting measures: the increasing use of contract workers, and systematic, unpaid, compulsory overtime.

“[Tesco] Lotus pays us less for difficult products. We have to spend much more time but get much less money... We feel very stressed working for Lotus. They give us very little time.”

Subcontracting workers, Thailand

Women bear the brunt

“I am a girl but I do not have a pair of earrings. I do not have means of dressing fashionably because the pay I get is hardly enough to afford everything. What could I do?”

Woman in a Sri Lankan factory

Time and cost pressures on a workplace lead to poor pay and working conditions, trade union suppression, and insecure employment. But these impacts on workers are not distributed equally: they fall disproportionately on women. Women are more likely to be in jobs where labour rights abuses are common, including precarious forms of work.

Women are more susceptible to labour rights abuses when they occur. Productive, reproductive and domestic responsibilities constrain women’s ability to seek other work, to take action to improve their working conditions, or to speak out about the abuse they face. Cultural and economic constraints create obstacles to women workers speaking out about their conditions and joining a trade union.

“This factory has mainly women workers, so we can not call strikes.”

Woman at a Lidl and Walmart supplier, Bangladesh

In our research we found frequent examples of gender discrimination, especially in Bangladesh: women workers earning less than male workers, and with less opportunity for promotion; and beatings and verbal insults - many of them sexual - were the rule, not the exception.

“They use language I cannot tell you. It makes you feel so dirty that you want to leave the job.”

Woman at a Bangladeshi factory supplying Walmart, Carrefour, and Lidl

In most of the ten factories we visited in Bangladesh, we found cases of heavily pregnant women forced to work the same hours as everyone else – including late evening shifts and even night shifts in some cases – right up until they went on maternity leave.

“If the factory works until 10, the pregnant workers have to work until that time as well.”

Woman at a Walmart, Carrefour, and Lidl supplier, Bangladesh

All but two of the ten Bangladeshi factories had a room that acted as a childcare centre, but workers explained that in half of those with childcare centres, supplying all five of the Giants between them, these rooms were only used when the factories were visited by buyers or auditors.

Giant size means giant responsibility

Giant retailers say they are taking steps to resolve the abuses of labour rights throughout their supply chains. But it’s clear from the evidence we found that these steps are not enough – and, further, that the Giants’ purchasing practices are making matters worse. Giant retailers and their suppliers should:

1. Adopt a **code of conduct** with labour standards equivalent to or higher than those set out in the CCC Code of Conduct. The code should apply to workers at every stage in the supply chain, including those in retail and distribution as well in manufacture.
2. Implement, monitor and verify compliance with the code through direct engagement with trade unions and labour rights groups in a credible **multi-stakeholder initiative (MSI)**, in which these organisations are represented at all decision-making levels up to the very highest.

In doing so, pay special attention to:

- Taking proactive and identifiable measures to promote access to **freedom of association**. All workers should have the right to form and join unions and other representative bodies of their own choosing, and to engage in bona fide collective bargaining with their employers.
 - Developing a methodology to determine and implement a **living wage**, and in the meantime taking immediate steps to increase wages. Living wage figures should be based on regular working hours and apply to all workers.
 - Eliminating **gender-based abuse and discrimination**, including differences in recruitment, pay, training and promotion.
 - Ensuring that workers undertaking a factory’s principle work have the right to permanent employment. **Precarious forms of employment** should not be used to undercut the legal rights and benefits to which permanent employees are entitled.
 - **Disclosing** factory names, locations and audit results.
 - Not **cutting and running** from suppliers when violations are found.
3. Assess the impact of their purchasing practices on all workers, take steps to remediate the negative impacts, and communicate the results of assessment and remediation to workers throughout the supply chain, their representatives and the public.

4. Set retail prices in a responsible manner. Refrain from advertising that creates consumer expectations of unsustainably low prices.

Governments throughout the supply chain – in countries where garments are made and where they are sold – should:

1. Ratify, implement and enforce all relevant Conventions of the International Labour Organisation (ILO). Ensure that national labour legislation upholds internationally-recognised standards and is enforced effectively; Emphasis should be placed on a robust legal framework for trade union rights, on setting minimum wages that are living wages, and on ensuring that precarious forms of employment are not used to undercut the legal rights and benefits to which permanent employees are entitled. Promote respect for workers' rights through and within the ILO.
2. Ensure that concessions made to foreign direct investors allow host countries to regulate their investment and labour markets, and enforce existing labour law. Include mechanisms to hold all supply chain actors to account in their home countries for actions that undermine respect for workers' rights throughout the supply chain.
3. Put in place a legal framework that holds giant retailers to account for workers' rights violations throughout their supply chains, and gives workers a legal right of redress. This legal mechanism should exist both in countries where the products concerned are sold and in the country where the retailer is headquartered.

**The business models
that make the Giants'
everyday low prices
possible rely on
subsidies from millions
of people around the
globe.**

Chapter 1

Introduction

Few companies dominate the lives of consumers and workers as much as the giant retailers of the world, global companies often known as supermarkets, big box retailers, or – as we refer to them here – the Giants. In many Western countries, this handful of retailers has become embedded in national cultures and identities; the regular shopping trip to their stores is now a ritual part of life.

The giant model of retail is one of Europe and North America's major exports too. Giant retailers - of which two of the top three are from the US and France – account for 40 percent of all retail sales in Brazil.² The story is similar for the rest of Latin America as well as South Africa, where around half of all grocery sales are at supermarkets.³ The biggest scramble is for China which, in 2006, had outlets of 35 of the world's 50 biggest retailers: a country that had just one supermarket in 1990⁴ had acquired over 70,000 in just 16 years.⁵

Around the globe, it is predominantly women who shop for their families at the giant retailers;⁶ they buy products grown, picked and manufactured by a mostly female workforce. The majority of the people who keep the shelves stocked up, stores clean, and tills ringing are women too. By contrast, a glance into the Giants' boardrooms shows that it is rarely women who hold the company purse strings or take home the seven-figure salaries.

Giant retailers are known for their low prices, large shares of the retail market, and the huge volumes in which they sell products, covering a diverse range from banking to pharmaceuticals to groceries. In some countries, it is possible to buy almost everything one needs or wants from the leading giant retailers.

They have expanded their store networks across dozens of countries. King among them is American retailer Walmart: with a turnover in 2007 of US\$345bn (€ 253bn) it is not only the world's biggest retailer, but also its biggest company. Around the world, 175 million people visit Walmart each week.⁷

Walmart may be the biggest, but it is far from alone in giant retail. Europe's biggest retailer is France's

Retailers such as Lidl and Aldi take the 'pile 'em high, sell 'em cheap' maxim to its extreme.

Carrefour, whose chain of stores worldwide serves 25 million customers every day.⁸ UK-based Tesco takes one euro in every seven spent in British shops,⁹ and serves 30 million people worldwide each week.¹⁰ Globally, these three retailers alone have outlets in 43 countries on four continents.

Snapping at their heels are a group of retailers known as the 'hard discounters', some of the few retailers whose business is booming as consumers start to feel the bite of the global economic troubles. These retailers, such as Lidl and Aldi, take the 'pile 'em high, sell 'em cheap' maxim to its extreme, stocking ranges of just a few hundred products, and shunning well-known brands in favour of cheap private labels.

Hard discounters are expected to increase their share of European grocery retailing – the core of their sales – from 17.6% to 19.5% by 2012, although this figure could be even higher as shoppers switch allegiance during an economic downturn.¹¹ Aldi opened 100 new stores in 2008 in the US alone, and now has nearly 1,000 outlets there, serving more than 15 million customers each month.¹²

As Chapter 2 of this report explores, giant retailers are becoming more and more significant in the clothing industry, as they are in almost every corner of retail. Already in 2005, supermarkets accounted for € 54 billion of global clothing and footwear sales – 6% of the total.¹³

The immense breadth and depth of the giant retailers' clothing supply chains makes them important players in the world of labour rights, a responsibility that the Giants claim to take seriously.

“It is of course one of our main concerns that commodities are produced under decent working conditions”, Aldi's Ralf-Thomas Reichrath has written.¹⁴ “At Walmart, we are committed to behaving in an ethical, socially responsible manner, using our resources and energy to create positive change”, says outgoing chief executive Lee Scott.¹⁵ Tesco chief Sir Terry Leahy claims to be equally committed: “Corporate responsibility is not an additional burden or a distraction from serving our customers; it is an essential part of sustaining ourselves as a responsible company.”¹⁶

We describe in Chapter 3 what this ‘commitment’ means in practice. The Giants have all signed up to declarations that promise a certain level of working conditions for the women and men manufacturing the products they sell. As members of various initiatives that say they aim to implement these standards, they spend millions of euros each year on ‘ethical trading’,

and thousands of the factories supplying them are inspected every year.

Yet despite all this, it is no secret that poor working conditions and violations of the standards that the Giants themselves have signed up to are widespread in the workplaces where their products are made. The giant retailers have also been subject to many allegations of poor working conditions closer to home, too, in their retail and distribution outlets. These are also described in Chapter 3.

Furthermore, these problems are getting worse, not better. Workers are still paid wages much too low for them and their families to live off, forced to work long hours of overtime to make ends meet. More and more workers are employed on temporary contracts, with no guarantee of a future income. Stories of verbal, physical and sexual abuse abound; in practice workers have no right to join a trade union, no-one to defend their rights. Women – the majority of the workforce – are more vulnerable to these abuses of their rights, and more affected by them when they take place.

Chapters 4 to 8 set out the results of new research commissioned for this report and conducted during 2008. Our research teams interviewed a total of 440 workers in 30 factories supplying Lidl, Aldi, Tesco, Walmart and Carrefour. Researchers met with workers outside the factories, often at their homes. Many reported that it took some time to gain the trust of workers in order to get an honest reflection of working conditions. To protect the identity of the workers, we have concealed their names and the identity of the factories. In addition to individual interviews, we conducted focus group discussions with workers, secondary research, and interviews with local NGOs and industry members. We also spoke to five staff employed directly by giant retailers, six indirect buying agents, twelve factory managers, and two ethical trading consultants.¹⁷

There is more to take from our research than the lack of basic rights, respect and dignity for workers producing clothes for the giant retailers – though this is shocking enough in itself. Chapter 7 shows how the giant retailers undermine their own ethical standards on a daily basis, through purchasing relationships with suppliers that not only make violations of labour rights more likely – they make them inevitable.

The economies of scale and streamlined business models that make possible the Giants' everyday low prices – and their everyday high profits – are not simply the benign tools of benevolent business. They rely on subsidies from millions of people across the globe. For women working in garment factories, these subsidies are in the form of poor conditions and terms of

Violations of the standards that the Giants themselves have signed up to are widespread.

employment and poverty wages - subsidies that they cannot and should not have to afford, and which are largely imposed on them by economic necessity. At a time of financial crisis, as belts tighten and families the world over struggle to make ends meet, the millions of women employed in factories and workshops across the globe are still paying for the profits of giant retailers.

The collateral damage of Giant retailer strategy is the destruction of local communities, livelihoods, and the environment, and the exploitation of people throughout the supply chain.

Chapter 2

Meet the Giants

Giant retailers such as Walmart, Tesco, Carrefour, Lidl, and Aldi are big players in clothing retail. In the UK, for example, more than a quarter of all clothing is bought from chain stores that also sell groceries.¹⁸ One in two German shoppers buys clothing in discounters such as Aldi and Lidl.¹⁹ And Carrefour is Europe's fourth-largest clothing retailer.²⁰

These retailers are taking a growing share of retailing overall and of the clothing market in particular. But they are not the same as clothing specialists, with product lines restricted to clothing. They have distinguishing characteristics that make them much more powerful than these clothing only retailers. Their growth has generated considerable controversy and criticism.

First and foremost is the Giants' size. Table 1 shows that in turnover they are far bigger than the world's two biggest clothing specialists. And, as table 2 shows, they generate more money in a year than many of the countries in which they retail and source.

As discussed later in this report, a key aspect of the Giants' business model involves taking advantage of their size – a 'virtuous circle' shown in Figure 1. Retailers such as Lidl have taken out huge loans, leveraged against the size of their business, to fund their international expansion.²³ The capital available to Tesco has allowed it to finance a rapid expansion into the US at a cost of billions of euros.

Size brings with it economies of scale, which help retailers to cut costs. For example, in 1999, a pair of basic jeans at the British supermarket chain Asda would have cost € 23. Three years later, following a takeover by the US giant Walmart, the cost had more than halved to € 9.²⁴ Now those jeans cost just € 4.²⁵ As for food retail, Figure 2 shows a strong correlation between the prices paid by British supermarkets to their food suppliers, and their market shares.

Chapter 7 explores the ways in which Giants use their buying power to achieve better terms from their garment suppliers.

Table 1: Profit and sales at the Giants compared to leading clothing retailers (€ billions)²¹

Company	Total turnover	Profit
Walmart	253	15.06
Carrefour	83	3.3
Tesco	76.7	4.16
Schwartz Group (Lidl)	52	
Aldi	47	
Gap	11,60	0,97
Inditex	9.9	1.7

Table 2: Turnover of the Giants compared to the GDP of garment exporting countries featured in this report²²

	2007, US\$ billions	2007, € billions
India	1099	807
Walmart	345	253
Thailand	246	181
Carrefour	113	83
Tesco	105	77
Bangladesh	72	53
Lidl/Schwartz group	71	52
Aldi	64	47
Sri Lanka	30	22

Figure 1: Survival of the cheapest



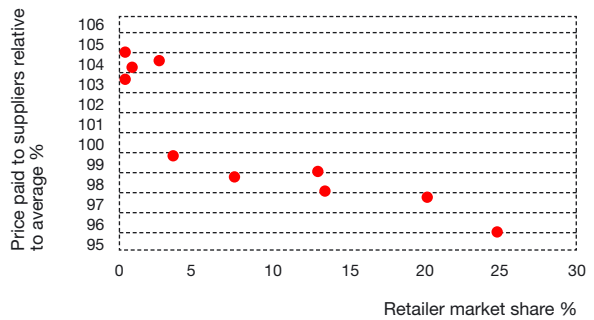
Another important characteristic is the Giants' growing reach into so many parts of the retail sector. Tesco, Carrefour and Walmart are the leading grocers in their home countries, with a third²⁷, quarter²⁸ and fifth²⁹ of their home countries' grocery markets respectively, and all are on the increase. Aldi and Lidl dominate the German discount retail sector, with more than a 50% market share between them.³⁰

But this is not the only area in which they have major market share. An article in *BusinessWeek* magazine describes how, already in 2003, Walmart was:

... the nation's largest grocer [and] its third-largest pharmacy... In household staples such as toothpaste, shampoo, and paper towels, the company commands about 30% of the US market, and analysts predict that its share of many such goods could hit 50% before decade's end. Walmart also is Hollywood's biggest outlet, accounting for 15% to 20% of all sales of CDs,

The five giant retailers discussed in this report have retail operations on six continents.

Figure 2: Relationship between market share and price paid to suppliers²⁶



videos, and DVDs. The mega-retailer did not add magazines to its mix until the mid-1990s, but it now makes 15% of all single-copy sales in the US.³¹

"Interestingly, the driver in the European food retailing market has generally been the development of non-foods",

said Richard Perks, director of retail research at market research agency Mintel also in 2003.³²

Then there is the Giants' global reach. Collectively, as Figure 3 shows, the five giant retailers discussed in this report have retail operations on six continents. In every case their impact is to drive consolidation in the rest of the market, as grocers expand, merge or take each other over in a scramble to match the Giants' size.

At home, the Giants are often scraping the barrel for more customers, engaging in repeated price wars, lunging into each other's territory, and picking off the last remaining bits of the market. This lies behind the rapid expansion of the 'deep discounters' like Aldi and Lidl, whose strategy is to undercut the supermarkets and attract customers, especially in the current climate of economic uncertainty. It also lies behind new formats like Tesco's Metro stores and Carrefour's Express shops, which break into a different market – convenience shopping.

Overseas expansion creates a bigger company, increasing the Giants' buying power. It also opens up new markets in which competition is not as fierce and markets are a long way from being mature. When they expand into new countries, the Giants' approach is usually to buy up a leading retail chain and aim for the Number One spot as quickly as possible.³⁴ In 2005, Tesco and Carrefour announced an asset swap, in which Tesco sold its Taiwanese stores to Carrefour, in return for the French chain's Czech and Slovakian

stores.³⁵ The deal enabled both to have a bigger market share, as if they had agreed that, “This country ain’t big enough for the two of us.”

As the branches of the Giants’ retail operations are expanding ever further, so are their roots – the supply chains through which they source the products they sell. Items in one small sample of women’s clothes we found on sale in Carrefour in Belgium in summer 2008 were manufactured in Bangladesh, China, Greece, Hong Kong, India, Mauritius, Pakistan, Romania, Serbia & Montenegro, and Turkey.

The Giants’ extensive sourcing operations demonstrate how deeply their roots extend. Walmart has sourcing offices in 23 countries as far apart as Singapore, Spain, and Sri Lanka, from which its staff manage buying from almost every country in the world. The US Giant’s main root is in China, from where it sources € 6.2 billion of manufactured goods every year, but also where it sells € 2.4 billion worth of products in its rapidly expanding network of stores.³⁶ If Walmart were a country, it would be China’s sixth biggest trading partner, ahead of the UK and Russia.³⁷

Concerns about giant retailers

The growth of giant retailers has not come without controversy. A wide range of organisations has taken them on, arguing that their transformative impact on societies, economies and the environment is matter of significant concern. These groups include:³⁸

1. **Labour rights advocates and trade unions** have criticised supermarkets for the working conditions in their retail and distribution outlets, and in particular for anti-union practices. For example, in 2007, retail unions in Germany, France, Romania, Croatia, the Czech Republic, and Poland engaged in coordinated protests against Lidl’s “harsh employer policies.”³⁹ Evidence of poor working conditions in the supply chains of giant retailers has been frequent. This is discussed in more detail in Chapter 3.
2. **Environmental organisations** raise a number of concerns including the distance that products travel to be stocked on supermarket shelves, ‘out of town’ stores that take up rural land and

Table 3: Global retail operations of giant retailers

	Lidl	Aldi	Carrefour	Tesco	Walmart
Algeria			X		
Argentina			X		X
Australia		X			
Austria	X	X			
Belgium	X	X	X		
Brazil			X		X
Canada					X
China			X	X	X
Columbia			X		
Costa Rica					X
Croatia	X				
Cyprus	X		X	X	
Czech Republic	X			X	
Denmark	X	X			
Dom. Republic			X		
Egypt			X		
El Salvador					X
Finland	X				
France	X	X	X		
Germany	X	X			
Greece	X	X	X		
Guatemala					X
Honduras					X
Hungary	X	X		X	
India				X	
Indonesia			X		
Ireland	X	X		X	
Italy	X		X		
Japan			X	X	X

	Lidl	Aldi	Carrefour	Tesco	Walmart
Jordan			X		
Kuwait			X		
Luxembourg	X	X			
Malaysia			X	X	
Malta	X				
Mexico					X
Netherlands	X	X			
Nicaragua					X
Oman			X		
Poland	X	X	X	X	
Portugal	X	X	X		
Puerto Rico					X
Qatar			X		
Romania			X		
Saudi Arabia			X		
Singapore			X		
Slovakia	X			X	
Slovenia	X	X			
South Korea				X	
Spain	X	X	X		
Sweden	X				
Switzerland		X			
Taiwan			X		
Thailand			X	X	
Tunisia			X		
Turkey			X	X	
UAE			X		
UK	X	X		X	X
US		X		X	X

encourage people to drive to do their shopping, excessive amounts of packaging, and the destruction of local economies. Friends of the Earth cites research showing that supermarkets emit three times more carbon dioxide per square metre than local greengrocers, and that up to half of all raw vegetables and salad sold in supermarkets (measured by weight) is rejected for reasons including their appearance before reaching the supermarket shelves.⁴⁰ In 2003, Tesco admitted selling furniture made from illegally sourced hardwood.⁴¹ Between 1999 and 2001, the distance travelled by an average US household in search of its shopping grew by 40%, as a result of the growth of large supermarkets and hypermarkets.⁴²

3. **Farmers' representatives** say the cost-cutting practices of giant retailers damage their livelihoods and in some cases put them out of business. Recent examples of farmers speaking out include a dairy farmer talking to Friends of the Earth, who said,

"The only way we can make the farm pay is not to have any paid full-time farm worker and work twice as hard ourselves from 5:30 a.m. to 8:30 p.m. and we still only make a poor living compared with other people."⁴³

A vegetable farmer speaking to *The Grocer* magazine in November 2008 concurred.

"The retail prices are well up on last year, but none of that money has been passed to the grower and only some to the packers. Retailers are making a fortune while growers are crucified... People won't speak out about what's happening because they're afraid their business will vanish."⁴⁴

4. **Anti-poverty campaigners** claim that giant retailers are harming the poorest in society, who do not have cars and therefore rely on local shops that are put out of business by competition from Giants. They also point out that supermarkets promote unhealthy, processed food, and can be more expensive for healthy food.⁴⁵ Walmart has been criticised in the US for its expensive healthcare programme, which forces many of its retail workers to rely on public healthcare – a de facto public subsidy. More than half of Walmart employees rely on public health insurance, compared to an average for large corporations of one third. A leaked Walmart memo confirms this:

"... our critics are correct in some of their observations. Specifically, our coverage is expensive for low-income families, and Walmart has a significant percentage of associates and their children on public assistance."⁴⁶

5. **Animal rights organisations** point to the price wars on products such as chicken, which they say have a negative impact on animal welfare.
6. **Community groups frequently** fight the arrival of new supermarkets in their local area. The opening of a supermarket in Britain leads to an average of 276 job losses and the closure of all village shops within a seven mile radius, according to research cited by Friends of the Earth.⁴⁷ In the UK, over a hundred local campaigns have been established to fight planning applications by one giant retailer, Tesco, alone.

Conclusion: Growth at any cost

The extraordinary growth of giant retailers includes an expansion into new sectors, new retail formats, and new parts of the world. In many ways, that expansion is just beginning. With each new expansion comes a new charm offensive from the Giants whose mission, they say, is to help consumers by bringing quality, choice and value.

But that apparently benign facade belies a ruthless strategy based on dominance: dominance of particular sectors, dominance of retail as a whole, and dominance of suppliers. The collateral damage of this strategy, say the Giants' critics, is the destruction of local communities, livelihoods and the environment, and the exploitation of people throughout the supply chain. In this report, we are interested in one area of this exploitation in particular: labour rights in garment supply chains. The next chapter gives more detail on the Giants' history in this area.

**...a stream of
allegations of poor
conditions that shows
no sign of any
significant
improvement**

Chapter 3

Giant Retailers and Labour Rights

With the giant retailers' awesome size comes tremendous responsibility. Walmart employs more than two million people in its retail and distribution operations alone,⁴⁸ and many millions more people grow and manufacture the products that it sells.

All five of the Giants have signed up to initiatives of one kind or another that say they aim to help member companies to protect the rights of workers in their supply chains. These rights include decent wages for all workers, absence of discrimination, and workers' right to form and join trade unions of their own choosing.

And the Giants make grandiose claims about the depth and breadth of their ethical trading programmes.

"The Walmart Ethical Standards program is in place to do what is right for factory workers and the environment",

Rajan Kamalanathan, the company's Vice President for ethical standards⁴⁹

Carrefour's 2007 Sustainability Report tells us that,

"Each day, the Carrefour Group puts its skills, energy and resources to work to ensure that it remains a high-performing, socially responsible and sustainable company."⁵⁰

This chapter discusses what is meant by these claims, what these initiatives involve, and what is known about the Giants' attitude to labour rights in their supply chains.

What the Giants say they are doing

It is commonly accepted that the first thing a company needs to do, if it wants to trade ethically and ensure that the rights of workers at its suppliers are upheld, is

All the Giants have put their names to a code of some kind.

to make a public statement of the rights those workers can expect. This is often called a code of conduct or suppliers' charter. The Giants are no exception, and all have put their names to a code of some kind, as well as joining various initiatives.

The best and most effective way for companies to address the problems in their supply chains voluntarily is through a multi-stakeholder initiative (MSI) – an alliance of companies, trade unions and NGOs that work on labour rights issues. True MSIs must involve all three groups in their governance, not just in an 'advisory' capacity.

Over the past few years, several MSIs representing over a hundred brands and retailers in Europe and the US have worked together to agree upon a common set of standards that a code of conduct should contain. These are set out in the Draft Code of the Joint Initiative on Corporate Accountability and Workers' Rights (the Jo-In Code).⁵¹ You can see a detailed comparison of the different codes mentioned in this section in the Annex.

Asda (Walmart’s UK subsidiary, whose clothes are branded George) and Tesco are members of the Ethical Trading Initiative (ETI), a British multi-stakeholder initiative. Membership of the ETI places obligations on companies to report each year and to ‘work towards’ the implementation of its code of conduct, which closely matches the respected Jo-In Code. It establishes working groups and pilot projects to address complex issues. Most major British garment retailers are members.

The ETI is not a panacea, however, as its recent impact assessment shows. Although there had been some improvement on issues such as health and safety, and enforcement of minimum (not living) wages, researchers said that “serious issues remained” with regard to freedom of association, discrimination, regular employment, and harsh treatment, and that “downward pressure on prices and lead times appeared to be having a negative impact [on working conditions]: in all countries and sectors suppliers reported that this limited their ability to make improvements in labour practices.”⁵²

Carrefour is a supporting member of Social Accountability International (SAI), a US-based MSI. This level of membership places no obligations on companies at all, and requires no commitment to SAI’s code of conduct. The SAI website states only that “Companies participating at the Supporting Level show they have an interest in learning about social compliance and building ethical supply chains.”⁵³

Instead, Carrefour and Walmart have developed their own codes of conduct, which are published online.⁵⁴ These codes have big omissions. For example:

1. They do not restrict deductions from wages.
2. They do not require a positive attitude from management towards trade unions.
3. Carrefour’s code does not set a maximum number of working hours, while Walmart’s states 72 hours, none of which is indicated to be optional overtime: the norm agreed by Jo-In participants is a 48 hour basic week, plus 12 hours of optional overtime.
4. Walmart’s code does not refer to living wages at all.

Tesco, Walmart and Carrefour are also founder members of the Global Social Compliance Programme (GSCP), “a business-driven programme for companies who want to harmonise their existing efforts in order to deliver a shared, consistent and global approach for the continuous improvement of working conditions in global supply chains.”⁵⁵ It is not a multi-stakeholder initiative, because trade unions and NGOs are reduced to an advisory capacity.

The Clean Clothes Campaign argued, when invited to join the GSCP’s advisory board, that it is unclear what the GSCP adds to existing multi-stakeholder initiatives (of which several of GSCP’s founders are also members). The Jo-In project (see above) achieved the aim of harmonising standards across MSIs, and numerous MSIs already exist to share approaches to improving working conditions.

Tesco is also founder member of the Supplier Ethical Data Exchange (SEDEX), “a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.”

Understanding the Acronyms

Multi-stakeholder initiatives (MSIs) bring together companies, trade unions and labour rights organisations to work collaboratively and on an equal footing to address ethical trading issues. They include:

- Ethical Trading Initiative (ETI)
- Social Accountability International (SAI)

Joint Initiative on Corporate Accountability and Workers’ Rights (Jo-In) brought together a number of MSIs.

Business-led initiatives say that they bring together businesses to work collaboratively to address labour rights issues. Trade union and labour rights group participation, if it exists at all, is only in an advisory capacity. They include:

- Business Social Compliance Initiative (BSCI)
- Global Social Compliance Programme (GSCP)
- Worldwide Responsible Apparel Production (WRAP)
- Supplier Ethical Data Exchange (SEDEX)

Selected reports of labour rights violations in the giant retailers' supply chains

2008	2007	2006	2005	2004
<p>The German Clean Clothes Campaign publishes a study of six factories in Bangladesh supplying Lidl.⁵⁹</p> <p>It finds evidence of compulsory, unpaid overtime as well as discrimination against women.</p>	<p>In China and Indonesia, the Südwind Institute investigates factories producing for Aldi, reporting that</p> <p>“Workers sneak out of their factory dormitories at night, afraid that management will refuse to grant them permission to quit. They are not paid for weeks on end. Schools make money from the factories for recruiting underage workers.”⁶⁰</p> <p>Meanwhile the Chinese group Students and Scholars against Corporate Misbehaviour gives a detailed account of working conditions in factories producing toys for Walmart, including wage and hour violations, unsafe working conditions, unsanitary worker housing, harsh punishments and heavy fines, deprivation of labour contract protection, non-provision of social security, illegal firings, and suppression by factory management.⁶¹</p>	<p>The report Fashion Victims, published by the British charity War on Want, exposes working conditions in six factories producing for Walmart's George label – four of them also produced for Tesco. It finds working weeks as long as 80 hours and wages as low as € 0.07 per hour.⁶²</p>	<p>Walmart is sued by labour rights advocates acting on behalf of workers in China, Indonesia, Bangladesh, Nicaragua and Swaziland. The law suit argues that these workers had experienced forced overtime, poverty wages, and lack of trade union rights in direct violation of Walmart's own code of conduct.⁶³</p> <p>Spectrum Shariyar, a factory in Bangladesh supplying a number of clothing brands, collapses, killing 64 people and injuring 80. Unlike other brands sourcing from that factory and who also took benefit from the very low prices in Bangladesh, Carrefour refuses to contribute to the relief fund for victims of the collapse and their relatives, saying that it is not the responsibility of a private company to substitute for the lack of social insurance in this country, and provides only in-kind support.⁶⁴</p> <p>Meanwhile, as part of a Clean Clothes Campaign investigation of social auditing in factories, a worker in an Indian factory supplying Walmart tells researchers,</p> <p>“We (workers) have to work seven days in a week... We always had complaints about low wages and working hours but we could not express it.”⁶⁵</p>	<p>The <i>Los Angeles Times</i> publishes a series about Walmart's global search for low prices, ‘The Walmart Effect’.⁶⁶ It spoke to a Bangladeshi garment worker.</p> <p>“For about US\$ 21 [€ 18.25] a month, nearly three times what a maid or cook would make, the 22-year-old worked in a Dhaka factory, performing final checks on men’s shirts and trousers. Employees, she said, often worked from 8 a.m. to 3 a.m. for 10 to 15 days at a stretch to fill big orders from Walmart. Exhausted, she quit after a year and took a lower-paying but less gruelling job.”</p>

56 SEDEX's main tool is an online database to store details of factories and their audit results. The aim is to reduce the number of times suppliers are audited by sharing the results of audits. This is an admirable aim as far as it goes, but of course SEDEX is only as good as the data it contains and, as we will see, this means it is missing a lot.

Lidl and Aldi themselves make no code of conduct public, but they are members of the Business Social Compliance Initiative (BSCI), "the broadest business-driven platform for the improvement of social compliance in the supply chain of commerce."⁵⁷ Its stated aim is to create a common social auditing process for its members to use. BSCI has been criticised for a number of reasons:

1. Problems with its code: for example, it places no obligation on suppliers to adopt a positive attitude to trade unions and, beyond the legal minimum wage, suppliers are merely "encouraged to provide their employees with adequate compensation."⁵⁸
2. Its code is not binding on members, but merely treated as aspirational.
3. BSCI's whole methodology is focused on social auditing (problems related to this are discussed in Chapter 7).
4. There is no complaints system for workers – only factory auditing.
5. Stakeholders like trade unions and labour rights NGOs are reduced to merely an advisory capacity.

The Giants' actions closer to home sometimes violate their own standards, particularly those on freedom of association.

A history of exploitation and union busting

As we've seen, the giant retailers exert a lot of time, money and effort on their ethical trading programmes and their participation in collaborative initiatives. Their public commitments suggest that they have set high standards for their suppliers, and are working really hard to implement them. So have they succeeded?

As the Box shows, poor labour conditions in the Giants' supply chains have been exposed for many years, a repeated stream of allegations of poor conditions that shows no sign of any significant improvements.

And what about closer to home, in the parts of the supply chain that are under the Giants' direct control? The codes of conduct and initiatives discussed above are only applied to workers at one end of the supply chain, not to those in retail and distribution. In fact, the Giants' actions closer to home sometimes violate their own standards, particularly those on freedom of association.

Although Tesco's stores in the home country UK are organised, in its international operations it has been accused of taking an anti-union attitude. Global retail trade union federation UNI states that:

Both Turkey and Thailand have experienced a local management approach which has not seemed to be in line with Tesco's progressive employer ethics. In Korea, the joint Tesco-Samsung venture has been considered as very strongly anti-union.⁶⁷

In May 2006, the *Financial Times* reported that:

Tesco, the world's third largest grocer, has listed "maintaining union-free status" and "union avoidance activities" among the responsibilities of senior managers of its planned new network of stores on the US west coast.⁶⁸

The United Food and Commercial Workers union (UFCW), which represents retail workers in the United States, says that Tesco has refused to talk to the union since launching its venture in the US:

Over the past two years they have consistently played delaying tactics, rebuffing us and finally absolutely refusing to even meet with us. It is an incredibly reasonable request, just to begin a discussion.⁶⁹

The German union ver.di has published two 'black books' on working conditions in Lidl stores in Germany and throughout Europe. It sets out Lidl management's efforts to prevent the establishment of a

regional Works Council in the German city of Unna. Workers were pressurised, intimidated, and prevented from participating in election meetings. Similar tactics were reported elsewhere in Germany, and in two cases – the towns of Calw and Forchheim – stores have been effectively closed down following the establishment of a Works Council.⁷⁰

Ver.di quotes a Polish shop assistant describing the tone of supervisors against staff as “offending and vulgar”, and Swedish employees talking about “psychic terror” at the workplace. In France, Lidl has faced the longest strike in retail history after the unfair dismissal of ‘inconvenient’ employees.⁷¹

Aldi management has been accused of a number of anti-union activities, including the sacking of six Irish workers for joining a trade union in 2000, and preventing trade union organisers from entering stores in Australia.⁷²

Walmart’s anti-union policy in its retail operations is notorious. One Walmart spokesperson has said, “While unions may be appropriate for some companies, they have no place at Walmart.”⁷³ The US organisation Human Rights Watch (HRW) has described it as “a giant company that will do just about anything to keep unions out.”⁷⁴ Managers are given explicit instructions on how to prevent workers organising, written down in its Managers’ Toolbox, described as a guide to “how to remain union free in the event union organizers choose your facility as their next target.”⁷⁵

According to HRW, a worker and manager training programme is used to indoctrinate workers with “the company’s aggressive anti-union stance.” If union organising activity is detected at a store, managers must call a hotline, through which they are given guidance on anti-union tactics, and members of Walmart’s Labour Relations Team are dispatched within days.⁷⁶ The resultant union-busting operation is designed to scare workers into giving up on organising, as a worker at a store in South Carolina at which a unionisation drive was quashed in 2001 set out:

“I think the union failed because a lot of them were scared to come forward, scared for their jobs. That’s exactly the reason I didn’t sign up.... I never went to any union meetings. I was scared to. ... Some of the girls, other associates, would say that if Walmart would get wind of [my involvement with] the union, I’d be fired.”

Walmart has twice – in 2008 and 2005 – closed outlets in Quebec, Canada, after state arbitrators backed successful unionisation drives by imposing collective bargaining agreements.⁷⁷ Its UK subsidiary Asda was fined € 1.25 billion in 2006 for discriminating against trade union members, after it “offered GMB members

“While unions may be appropriate for some companies, they have no place at Walmart.”

- Walmart spokesperson

in Washington a pay rise of 10% if they would give up their membership”, said the General Secretary of the GMB union.⁷⁸

What is more, a ruling in the US state of Minnesota in July 2008 could cost Walmart € 1.5 billion after it broke the law on rest breaks and wages more than two million times.⁷⁹ The judge wrote that one woman “had to beg to use the restroom during one of her menstrual cycles.” The lead plaintiff in the case, Nancy Braun, said that

“There was just too much work to do and never enough time to do it. There just wasn’t enough time in the day to take the breaks we were entitled to.”

A group of women are currently pursuing a sex discrimination class action against Walmart in the US.⁸⁰

Although Carrefour has signed a global framework agreement – setting out the ways it promises to cooperate – with the global retail union federation UNI, similar examples to those at Walmart are not in short supply. Carrefour was fined € 1.3 million in October 2008 for breaches of the law in France that led to workers earning less than the minimum wage.⁸¹ While Carrefour’s workers in much of Europe are part of an active social dialogue – for example, over 80% of its retail workers in Belgium are trade union members – this is not the case in other countries where Carrefour has stores. Even in Belgium, trade unions accused Carrefour of “intimidation” and “repression” when it became embroiled in strike action in late 2008 over plans to open a new hypermarket in Bruges with lower wages and poorer working conditions than at its other stores.⁸²

Conclusion: Reality falls far short of the rhetoric

As this chapter has shown, there are two sides to the giant retailers. On one hand, they have signed up to a variety of initiatives that suggest they are working to deal with problems like poor wages, poor conditions, and anti-union activities at their suppliers. Yet, on the other, they have been criticised for poor working conditions in exactly these same areas throughout their supply chains, in manufacturing, distribution, and retail.

In manufacturing, the Giants' control over working conditions is indirect, as they rarely own the factories in which their products are made. In these situations, the problem can be characterised as a failure to enforce standards at third party facilities: hence the term "compliance" is often used to refer to the department in the company charged with supply chain labour rights. Yet the evidence from retail and distribution, where the Giants are in direct control of working conditions, suggests that they are frequently guilty of committing exactly the same violations that they say they do not tolerate from suppliers.

The next five chapters examine the working conditions at giant retailers' suppliers. Chapters 4 to 6 cover three areas that should be the test of any retailer's commitment to decent working conditions: the wages that workers earn and the hours that they must work to earn them; the extent to which workers have the genuine freedom to form and join trade unions of their own choosing; and the use of precarious forms of work such as fixed-term contracts to further erode workers' rights. In Chapter 7, we present evidence that giant retailers' purchasing practices reinforce these abuses of workers' rights. In Chapter 8, we conclude by highlighting the differential impact on one particular set of workers: women.

About our research countries

The Clean Clothes Campaign's partner network includes over 250 organisations whose day-to-day work brings them into contact with garment workers struggling to defend their rights in every country in which garments are produced. For this booklet, research was conducted by some of CCC's partners in four countries: India, Sri Lanka, Bangladesh and Thailand. Table 3 shows the value of their exports to the European Union.

Bangladesh

Garment manufacture provides Bangladesh's main source of foreign exchange earnings, a total of € 6.8 billion in 2008 (US\$10.7 billion in 2008) (See Table 5). There were fears that Bangladesh's industry would suffer following the liberalisation of the global garment industry at the start of 2005. In fact, its industry has enjoyed a steady growth, as demonstrated in Table 4,

Table 4: Value of research countries' clothing exports to the EU⁸³

Country	Clothing exports to EU 2007, (€ millions)
Bangladesh	4 375
India	3 837
Sri Lanka	1 040
Thailand	1 795
Global Total	57 940

due not in small part to its ability to produce at very low prices. Our Bangladesh research was conducted in and around the capital city of Dhaka.

Garment manufacturing is India's largest source of net foreign exchange earnings, generating € 6.2 billion in 2005-6.⁸⁵ It has been estimated that India has approximately 30,000 ready-made garment manufacturing units and around three million people are working in the industry.⁸⁶ Our research in India was conducted in three of its major garment-producing hubs: Tirupur, Bangalore and Delhi.

Sri Lanka

Sri Lanka's garments industry is a major part of the economy, representing 43% of total exports and 39% of its industrial production. The garment sector is the largest employer in the manufacturing sector, accounting for three-quarters of Sri Lanka's employment, either directly or indirectly.⁸⁷ In 2006, the sector's exports amounted to € 2.5 billion and contributed 5% to Sri Lanka's GDP.⁸⁸

Thailand

The textile and garment industry accounts for as much as one sixth of Thailand's GDP. Some 4,500 factories employ more than one million people – roughly one fifth of total employment in manufacturing.⁸⁹ With annual exports of around € 3.5 billion in 2007,⁹⁰ textiles and garments rank as the nation's second biggest export industry.

Table 5: Growth of Bangladesh's ready-made garments industry

Year	Ready-made garments Exports in US\$ millions	Employment in million workers	Number of factories registered with the BGMEA ⁸⁴
2000-2001	4859.83	1.8	3496
2001-2002	4583.75	1.8	3618
2002-2003	4912.09	2.0	3760
2003-2004	5686.09	2.0	3957
2004-2005	6417.67	2.1	4107
2005-2006	7900.80	2.2	4250
2006-2007	9211.23	2.4	4490
2007-2008	10699.8	2.5	4740

**“At times it gets
unbearable and I cry.”**

- Worker at Bangladeshi factory supplying
Lidl, Walmart, and Carrefour

Chapter 4

Wages & Working Hours

Wages in developing countries are naturally much lower in absolute terms than those in the West – this is to be expected when the cost of living is so much lower. But they are also low in terms of what is needed to meet a basic standard of living in those countries.

A living wage is one that enables workers and their dependents to meet their needs for nutritious food and clean water, shelter, clothes, education, health care, and transport, as well as allowing for a discretionary income. Preferably, wages and working conditions should be determined through good faith negotiation and collective bargaining between workers and employers within a mature system of industrial relations. If this isn't possible – and to check that the negotiations have been fair – it is possible instead to calculate a value based on a set formula.⁹¹

The living wage standard has been the subject of much controversy since codes of conduct began to be formulated. The code of conduct adopted by the UK's Ethical Trading Initiative – of which Tesco and Asda are members – for example, states that:

Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.⁹²

Far from a living wage

For most garment-producing countries, the national legal minimum or industry average wages are around a half of a typical estimate of a living wage, and certainly a long way from “enough to meet basic needs and to provide some discretionary income.”⁹³

For example, in 2007, labour rights organisations in Bangalore, India, estimated that the bare minimum a garment worker's family (average size: 4.4 members) needs is around 4364 rupees (€ 80) per month to live.⁹⁴ Yet the minimum wage for garment workers in

Bangalore starts at 2418 rupees (€ 42) per month, and our research indicated that many workers earn just this amount.

Similarly in Bangladesh, we found some workers on the minimum wage of 1662 taka (€ 16.60), and most factories paying an average take-home wage (boosted by considerable amounts of overtime) in the region of 2,500-3,000 taka (€ 25-30). Living wage estimates for a Bangladeshi garment worker's family at the time the minimum wage was set, in 2006, were around 4,800 taka (€ 48).⁹⁵

Low pay like this often means that garment workers are keen to work overtime to help them bring in more money. Yet frequently this time is either not compensated at a premium rate as it should be, or even not paid at all. Workers often recount that fictitious pay slips and time-sheets – which fail to show the full overtime amounts – are used to steal overtime pay from them; and at many factories it is just a fact of life that work continues into the evening every day to meet unrealistically high targets.

Why the minimum wage is not enough

When governments set minimum wages, they balance the interests of poor workers with what they see as the need to remain competitive in a global market dominated by multinational retailers and brands, as well as the demands of their domestic garment manufacturers. As a result, minimum wages often bear little relation to the cost of living, and fall far short of what garment workers say is a living wage. Minimum wages often remain unchanged for years while the

For most garment-producing countries, the national legal minimum or industry average wages are around half of a typical estimate of a living wage.

cost of living rises, which means that the real value of the workers' pay falls. This creates a particularly acute problem in the recent context of double-digit inflation in garment-producing countries.

Bangladesh's minimum wage stands at 1662 taka (€ 16.60). The Government of Bangladesh did not adjust its minimum wage for 12 years until 2006, during which period the real value of wages halved. When the minimum was finally raised, it was still well below its 1994 value, in real terms. In summer 2008, in view of price inflation, the Bangladeshi Government created a 20% Dearness Allowance for public sector workers: the garment industry was asked to adopt a similar standard voluntarily.⁹⁶ At the same time, garment workers' organisations were demanding a minimum wage (not a living wage) of 4500 taka (€ 45).⁹⁷

In India, minimum wages vary by state. The basic wage is topped up by a Variable Dearness Allowance (VDA), which is set twice a year, based on the rate of inflation. In Delhi, the minimum wage for the 'unskilled' garment workers' professions is 140 rupees (€ 2.10) per day at the time of writing, including 4.5 rupees VDA; in Bangalore, it is 93 rupees (€ 1.40), including 31 rupees VDA; and in Tirupur 83 rupees (€ 1.25), including 13 rupees VDA.⁹⁸ An unskilled garment worker on the minimum wage in Bangalore working 26 days in a month would bring home 2418 rupees basic wage (€ 36), compared to the 4364 rupees (€ 65.50) 'bare minimum' calculated by labour rights groups there.⁹⁹

In Thailand, the minimum wage ranges from 203 baht (€ 4) per day in Bangkok to 148 baht (€ 3) in some rural areas.¹⁰⁰ In Chonburi province, where many of Thailand's garment Export Processing Zones are found, the minimum wage is 180 (€ 3.60) baht per day, equating to around 4500 baht (€ 90) per month. The Thai Labour Campaign calculated that it takes 77% of this wage just to pay for three meals a day for one person: in 2006 it estimated a living wage at around 8,000 baht (€ 160).¹⁰¹

Garment workers in skilled professions in Sri Lanka are entitled to a minimum wage of 6750 rupees (€ 40)

per month (although the figure is lower for unskilled workers).¹⁰² Sri Lanka's Apparel Industry Labour Rights Movement (ALaRM) estimates that workers in free trade zones need twice this amount for a living wage,¹⁰³ a figure that Sri Lankan industry representatives claim most workers do earn, when higher pay for different skill levels and overtime earnings are taken into account. ALaRM disagrees, and our research also indicates that most workers earn less than 10,000 rupees (€ 60).¹⁰⁴

Are these wages actually paid? A survey by Bangladesh's Centre for Policy Dialogue back in 2003 showed that:

Only 43.9% of the employees held that they get minimum wage fixed by the Government. More than 62.1% of the employees said that the companies have practices of allowing employees more than eight hours or one shift per day. Around 40% of the employees suggested that the payment for overtime is less than for regular time payment. More than 11% of the employees get no extra payment for working beyond eight hours.¹⁰⁵

In India, Thailand, and Sri Lanka, workers in registered factories are rarely paid below the minimum wage, although it is much more common in unlicensed subcontractors. Unpaid and underpaid overtime remain standard elements of most garment workers' working lives in all countries.

Wages and working hours in the Giants' suppliers

1½ shift is normal working hours for us. But if the buyer knows about it, they will stop giving orders to our company, which means we would be out of jobs. It is a question of so many livelihoods. Just imagine 500 of us out of jobs just because we say that we are working overtime in our company.

Tailor, Walmart Factory, Tirupur¹⁰⁶

Pay too low to live off

The vast majority of workers in the 31 workplaces in our research earns at least the legal minimum wage, and many earn more than it. This is consistent with the way that the giant retailers put their codes of conduct into practice, focusing only on minimum wages. But no workers earn anything like a living wage, despite the more aspirational commitments in those codes of conduct. And many workers told us that they were in significant difficulty as a result.

Basic wages (that is, excluding overtime) across the 11 Bangladeshi factories ranged from 1,350 taka (€ 13.50) to 2,400 taka (€ 24), both these levels being found at Aldi suppliers.¹⁰⁷ The Aldi supplier with the lowest rate of pay was the only one at which basic wages were below the legal minimum. But we found factories supplying all four of the other Giants at which the lowest grade of workers earned a basic wage of exactly 1,662 taka (€ 17), the legal minimum.¹⁰⁸

Average take-home wages (once overtime is included) in our Bangladeshi sample ranged from Tk 2,061 (€ 21) to Tk 3,447 (€ 34): a large range perhaps, but still well below what workers say is a living wage for one person alone, never mind for a family.

The Bangladeshi factory with the lowest average take-home wage of Tk 2,061 - less than one euro per day - was supplying Lidl and Walmart.¹⁰⁹ Garment retailers often defend allegations of low wages by pointing out that workers on the lowest wages will soon graduate to a higher pay band. However, the workers we spoke to in this factory had all been working in the industry for five years or more, with no pay increase apart from the minimum wage increase during that time. They rarely worked overtime, which was the reason for their low monthly wage. Notably, this factory had a nearly entirely female workforce.

Fake pay slips and timesheets are sometimes used to steal overtime pay from workers.

We spoke to 25 workers at another factory supplying Tesco, Carrefour and Walmart (including George), aged between 17 and 35. All had been working in the garment sector for three years or more. They took home an average of just Tk 2,500 (€ 25) for a 70 hour week.¹¹⁰ The highest earning of the group, 35 year-old Amena, struggled to feed her family on just Tk 3,200 (€ 32) per month. At the other end of the scale, 17 year-old Roshia and Momena had left school at the age of 14 to work in garments. They live in a building in which six sets of tenants share two gas burners and one wash room – cooking and washing have to be done in turns, and the water often runs out.

“With a heavy heart we live like prisoners”

Woman worker in Bangladesh¹¹¹

In India, the reality for garment workers in the 15 factories we visited was poverty too. Although wages vary by state, on average an unskilled tailor would take home Rs 3,000 (€ 45) in a month (from a wage of Rs 125 per day), rising to Rs 3,500 (€ 52.50) for a skilled tailor. By way of comparison, in Bangalore, a one room living space would cost Rs 1,000 to rent, with bills of Rs 5-600, and a family of four's basic food expenses would come to Rs 3,000. Already, expenses would be getting tight.

In Walmart factories, most workers are permanent, but there is no pay increase with experience, and older employees know that any demand for higher pay could result in them being ousted and replaced by a newer employee. As one worker sewing for Walmart set out:

Whether it is a tough style or a simple style, I can manage it. When other people make mistakes that are difficult to correct, they bring them to me. Yet still I am paid only Rs 3500 [Rs 125 per day]. They pay the same amount to a newcomer as well. I get very angry about this.¹¹²

Wages for an official 9 hour day for Tesco workers in Bangalore averaged at Rs 115-125 (€ 1.73 to € 1.88) on the checking lines, and Rs 105-135 (€ 1.58 to € 2.03) for tailors of different skills. Helpers earned as little as Rs 95 (€ 1.43) per day.¹¹³

In the Sri Lankan factory supplying Tesco, Walmart and Carrefour, wages for skilled workers started at Rs 6,000 (€ 36), below the legal minimum, and for helpers they were at Rs 5,600 (€ 33.50).¹¹⁴ Most workers in all three factories visited took home between Rs 6,000 (€ 36) and Rs 10,000 (€ 60), with almost none earning a living wage of Rs 13,000 (€ 78), and several earning below Rs 6,000 (€ 36). A woman working at this factory, who takes home Rs 9,200 (€ 55) after seven years of service, told us about her lifestyle:¹¹⁵

“We must do overtime. If not, the gate is open for us to quit our job.”

- Worker at Indian factory supplying Tesco

“I had to stay in a boarding house where 10 other girls were living... We have to sleep in crowded rooms made out of wooden planks for walls. The rooms do not get enough ventilation. And there is no escape from mosquitoes... I use the meagre salary I receive very frugally as I have to pay for the boarding house and spend for food while sending some money home for sisters’ studies.”

“The owners of these companies derive profits because of our poverty. They try to keep the production at the highest level while getting our labour by paying us a meagre salary...There is nothing to do about it. We have to console ourselves by saying this is our fate. If we did not have at least this job, there would be no way to survive.”

Overtime: unpaid and compulsory

The impact of low pay can be mitigated to some extent by overtime work, which – if paid at double the normal hourly rate and capped at the commonly accepted maximum of 12 hours per week – can add 50% again to a garment worker’s salary.

Yet in the majority of workplaces that we surveyed, a significant proportion of the overtime is unpaid. This is often because employers set impossible daily targets, requiring workers to stay at work, unpaid, until they have met them. In addition, it also comes through incorrect, doctored or ignored time-sheets: the same time-sheets that auditors examine.

At two typical Bangladeshi factories supplying Lidl, Walmart, and Carrefour, take-home pay averaged 3,270 and 3,447 taka (€ 33 and € 34).¹¹⁶ In order to achieve this higher pay, the working week at one factory was 8 a.m. to 7 p.m., six days a week - about 60 working hours. At the other, workers were expected to stay until 10 p.m., seven days a week – a working week exceeding 90 hours.

The combination of long hours and intense pressure to meet targets creates a particular kind of hell for workers. At the first factory mentioned above – with a comparatively easy time of 60 hours per week – Salma tells us that, “Coming home I feel so drained that I do not even feel like eating.” Kusum adds “At times it gets unbearable and I cry. After a while I have to put myself together because there is no other way, I must keep working.”¹¹⁷

Although take-home pay was higher as a result, in both factories workers were robbed of a large amount of overtime payment. They said that they were given a daily quota that could not be completed within normal hours, and were not paid for the hours they stayed behind to finish it. They also reported routinely being robbed of payment for overtime work that was additional to their daily quota, 10-25 hours a month in one factory, and up to 50 in the other.¹¹⁸

Most workers that we spoke to did take home some overtime pay, but in order to earn it many of them worked well in excess of the commonly accepted 60-hour maximum. A significant number even exceeded Walmart’s 72-hour maximum. Of ten factories in Bangladesh, no factory had a regular working week of less than 60 hours; more than half exceeded this, and in four the average week was over 80 hours. The hard work needed to earn such tiny amounts led one disconsolate worker at a Walmart and Carrefour supplier to say:

“I feel so sick and tired after a day’s work that I do not want to work the next day. But hunger does not allow thinking of sickness. The thought of living with an empty stomach makes everything else forgotten. We work to save ourselves from hunger.”¹¹⁹

In common with Bangladesh, Indian workers told us that overtime was compulsory, not optional.

“No, it is not our choice. We must do overtime. If not, the gate is open for us to quit our job.”

Contract worker producing for Tesco in Delhi ¹²⁰

A tailor in Tirupur concurred that, “during [peak] season, overtime is compulsory.”¹²¹

At Indian factories supplying Carrefour, overtime work, announced at the last minute and always compulsory, is common during peak seasons, particularly November to December. Workers are not allowed to refuse overtime.

“If they ask us to do overtime, we just have to do it. There is no refusal at all if you need your job”, said a checker in Tirupur.¹²²

A contract worker in Delhi concurred:

“We have to work from 9 in the morning till 1 in the night. We can’t choose to work only during day or night. This is full-day work. We have to work thirty days in a month like this.”¹²³

A packing supervisor at a Walmart supplier told us, “We work till late night especially during shipment days. Our official working hours are from 9 a.m. to 5:30 p.m. We, packing supervisors, work till 10 p.m. or in some days it goes beyond midnight 12 o’clock to 2 a.m.”¹²⁴

Tesco’s Indian factories are established factories with good reputations, meaning that officially they meet the requirements of Tesco’s code of conduct. Tesco suppliers in Delhi, Bangalore and Tirupur all have official working hours of 8:30 a.m. to 5:30 p.m. However, in reality they work overtime almost every day.¹²⁵ To remain compliant with Tesco’s code of conduct, these hours are not recorded on workers’ time-sheets or pay slips, despite these factories’ investment in such systems to please Tesco. Workers in Tirupur and Bangalore explain how this works:

“Our work starts at 8:30 a.m. and ends at 5:30 p.m. officially. But if there is overtime, we stay back and work till night.”¹²⁶

“We do a lot of overtime. Almost every day, there is at least one hour extra. We are called on Sundays as well. However, our monthly wage slip will not show all the overtime that we do. It will quote only 1-2 hours as overtime in a month.”¹²⁷

Of course, this trickery is not only aimed at hoodwinking the social auditors, but also at reducing the amounts paid to workers:

“[W]e are not paid for all the overtime work that we do. Even on Sundays we punch our cards, but time is not getting recorded. Managers say that they will adjust by giving us extra leave. But it never happens. At times, they give one or two leaves, but it never compensates for all the overtime work that we do.”¹²⁸

In factories where overtime is paid, it is not compensated at a higher rate than regular pay:

“Why would they ever pay double wages to us? They have fixed an amount for us for each shift, whether it is overtime or night shift. Whichever time we work hardly matters. We will be paid the amount fixed for each shift.”¹²⁹

Excessive overtime is not limited to India. Workers in a Sri Lankan factory supplying Tesco said they worked an average of more than 64 hours per week.¹³⁰ In all

three Sri Lankan factories in our study, workers said that overtime was compulsory. One woman at the same factory supplying Tesco made it quite clear that overtime was not optional:

“[My husband] does not like my coming home late. Nevertheless we cannot refuse to work overtime and expect to go to work again. We have to work in order to cover the targets.”¹³¹

Conclusion: Basic needs are not met

Garment workers in the Giants’ supply chains are robbed three times over. First, low hourly wages mean that they are deprived of the right to earn a living wage, no matter how hard they work. Nowhere do workers earn a wage that meets their basic needs.

Second, their free time is stolen by managers who force them to stay late. The 48-hour basic working week is a meaningless concept when overtime is compulsory and a daily occurrence, and even the 60-hour with-overtime maximum is frequently ignored.

Third, and most outrageously given their difficulty in making ends meet, these women and men are not even paid for the extra hours that they do. The notion that overtime should be compensated at a premium rate is a long way off when in most cases it is not compensated at all.

This is, of course, a systemic problem. Low remuneration is a result of low legal minimum and prevailing industry wages, and long hours are part of the culture of the garment industry. Governments and suppliers must accept their responsibility for creating this environment. But it is the Giants who exploit it, and whose codes of conduct make statements so far removed from the reality of workers’ lives as to be irrelevant.

**“If you form a
union, you will
be out.”**

- Worker at Indian supplier of Tesco

Chapter 5

Freedom of Association

While the giant retailers have signed on to codes of conduct that commit them to trade union rights, in reality workers in their supply chains experience repression if they try to exercise these rights.

Trade union rights serve as both end and means: they are in themselves fundamental human rights, but they are also enabling rights, providing a means for workers to secure better working conditions across the board. Trade unions allow workers to speak out when their rights are violated, to act collectively rather than be divided and ruled by managers, to monitor and report on their own working conditions, and to negotiate changes in those conditions where necessary.

There are two key trade union rights: the right to freedom of association, that is, to form and join a trade union of one's own choosing; and the right to collective bargaining, meaning to have that union negotiate the terms and conditions of your employment on your behalf.

A glance at the codes of conduct to which the giant retailers have signed up shows that they have, in principle, agreed to uphold those rights, and to ensure that there is no discrimination against trade union members. Tesco and Walmart's Asda George are further committed to ensuring that suppliers adopt an 'open attitude' to trade unions. Yet these commitments fly in the face of the reality for most workers.

The dangers of speaking out

It is a part of the history of the trade union movement that attempts by workers to fulfil these rights are met with harassment, persecution, lay-offs, and even violence by employers. The International Trade Union Confederation (ITUC) estimates that 144 trade union activists were killed as a result of their trade union activities in 2007, with 5,000 arrested for participating in strikes or protests, and over 8,000 dismissals.¹³²

Garment workers face a number of obstacles to organising themselves, beginning with the law, discussed below. Where trade union rights do exist

“ Management knows that I am a union member. So, I am always the target.”

- Worker at Indian supplier of Walmart

in law, the most basic obstacle faced by workers is awareness: many are not aware of the notion of trade unions, or more importantly that they have a legal right to form or join one of their own choosing, and are protected in law from discrimination where they do.

Garment workplaces the world over are environments in which stepping out of line in any way is anathema. Few workers dare ask for a day of leave or complain about their pay, and so the risky idea of openly taking part in trade union activities is quite out of the question. Workers generally say that if factory management found out that they had joined a union, they would be immediately fired. Some factory managers go as far as to say this, while others communicate it by rumour and example.

When workers do stick their necks out and try to organise, they often face ferocious opposition from factory managers. Organisers may be transferred to another site operated by the same owner,

Most workers that we spoke to were unaware of their right to join a trade union.

persecuted within the factory, fired, beaten, or arrested on trumped-up charges. We found examples of all of these in the Giants' supply chains.

Factory managers may tolerate the presence of unions once they have formed, but true collective bargaining – negotiating pay and conditions in an environment of mature industrial relations – is rarely seen in the garment industry.

Reality check: Trade union rights in law

Each year the ITUC publishes a survey of trade union rights violations by country.¹³³ This section is based on the outcomes of the 2007 edition of the survey.

The laws on trade unions in India, Thailand, and Sri Lanka provide for the exercising of full trade union rights and the protection of union members from discrimination, albeit with a few restrictions. In every case, however, the lack of effective enforcement, significant loopholes in non-discrimination laws, and frequent signals from government and the courts that they will side with employers, mean that in practice workers do not have the legal protection that they should have.

For example, in Sri Lanka:

“Employers tend to delay the holding of union certification polls for a long time, and use this time to identify, victimise and, frequently, fire the union activists concerned. As a result, workers are afraid of being identified with the union, and the union loses the poll.”¹³⁴

While in India:

“Employers tend to either ignore the law making it illegal to dismiss a worker for their trade union activities

or circumvent it by transferring workers to other locations to disrupt union activities or discourage union formation. Seeking justice through the judicial process is time consuming and costly. Unions report that some employers resort to intimidation, threats, demotion, beatings and, in extreme cases, death threats or even attempted murder against trade unionists. A more popular form of harassment, however, is the filing of false criminal charges.”¹³⁵

And in Thailand:

“Employers frequently dismiss workers trying to form trade unions. In some cases, they are fired while awaiting registration of the union (and therefore not yet covered by the laws protecting them from anti-union discrimination). In other situations, they are dismissed for ostensibly non-union reasons invented by the employer. Penalties for wrongful dismissal are too low to be dissuasive.”¹³⁶

Meanwhile in Bangladesh:

trade unions are significantly restricted, despite the provision for the formation of trade unions in the country's Constitution. Bangladesh has been under a state of emergency since January 2007, with all trade union activity banned.

Under normal law in Bangladesh, unions can be dissolved if membership at an enterprise falls below 30%. The right to strike is not specifically recognised in law, and unions must attain the agreement of three-quarters of their members before they can go on strike. In new factories owned by foreign investors or established as joint-ventures in collaboration with foreign investors, strikes are not permitted for three years.¹³⁷

The ITUC explains how other restrictions are exploited by employers in Bangladesh:

Workers who try to create a trade union are not protected before registration and are therefore often persecuted by their employers, sometimes by violent means or with the help of the police. The names of workers who apply for union registration are frequently passed on to employers who promptly transfer or dismiss them, particularly in the textile sector. Even after registration, workers suspected of carrying out trade union activities are regularly harassed. One popular ploy is to dismiss a worker for misconduct, as they are then no longer entitled to become a trade union officer. A complaint to the Labour Court is of little use given the underlying corruption and serious backlog of cases which, in some instances, can stretch back more than several years.¹³⁸

Outside of Export Processing Zones:

Workers are regularly sacked, beaten or subjected to false charges by the police for being active in unions. The General Secretary of the United Federation of Garment Workers (UGFW) has been arrested more than a dozen times.¹³⁹

Most significantly in Bangladesh, there is not yet freedom of association in Export Processing Zones, although restrictions are being lifted in a phased manner. The first stage, until November 2006, was the formation of Workers Representation and Welfare Committees (WRWCs). The ITUC reports, “An undetermined yet significant number of [WRWC] leaders and activist members have been terminated... in processes that workers claimed were biased and unfair.”¹⁴⁰

Trade union rights in the Giants' suppliers

“Are you joking? We are not even allowed to talk to each other inside or in the premises of the company. And you are talking about unions... One can never even imagine building a union in our company.”

*Operator, Carrefour factory, Tirupur*¹⁴¹

As expected, most workers that we spoke to in conducting this research were unaware of their right to join a trade union. Some did not really know what a trade union was, and those who did know didn't realise that their right to join one was enshrined in law. But in almost all cases this is irrelevant, because factory managements had succeeded in communicating to workers that membership of a trade union would not be tolerated. At a Tesco supplier in India, a worker told us bluntly that:

“If you form a union, you will be out. You will be evicted at any time without any prior notice. It has also been mentioned in the call letter”.¹⁴²

In Bangladesh, many workers we spoke to said they would like to join a trade union, but one worker in a Lidl and Walmart supplier summed up the reason why they had not:

“If we try to form a union we will lose our job. So I do not want any union.”¹⁴³

At that factory, a line manager had been fired simply for raising workers' concerns with the managing director.¹⁴⁴

At another Bangladeshi factory supplying Walmart, Tesco and Carrefour, where wages are below the average in our sample, and hours long, a worker said:

“We raise our demands and register complaints, but nothing happens. The management say just work if you like it. You do not need to work [here] if you do not like it”.¹⁴⁵

Only one workplace – a Tesco supplier in India - in our sample of 31 had a trade union. In that factory, working conditions were markedly better. A worker explained how the trade union helped them when they had problems:

“Whenever we have a problem, first the worker discusses it with their supervisor... If it doesn't work out, the union leader in the factory will take up the discussion. If it doesn't get solved there, the local area union leader will come to the factory. If that process fails, our district level leaders will come and negotiate with the management. That way, our union is very effective inside the factory.”¹⁴⁶

In most factories workers viewed a trade union as a nice aspiration but entirely unrealistic, given the attitude of their management. In a significant number of cases, workers had been persecuted and fired for trade union activities, or just for speaking out about mistreatment. Although we did speak to some isolated union members, none had dared to try to organise

Workers at an Aldi supplier recounted management tactics to stifle dissent that included beatings, firings, and raising false legal charges against workers.

their factory. As a worker at an Indian Walmart supplier explained:

“The management knows that I am a union member. So, I am always the target. I don’t challenge them about anything usually. I try to do my job and leave. Still, my supervisor always keeps an eye on me. When I move here and there, they keep checking what I am up to. If I move around, they will check if I am actually talking to some workers.”¹⁴⁷

Carrefour, Tesco, and Walmart all source from a certain garment company in Bangladesh. This company has received significant attention because of repeated labour unrest in its factories, stamped out by terrorising workers and collaboration with the police. During one such conflict in November 2007, police asked workers about their problems, pretending that they are trying to negotiate and convince the factory management. In good faith, workers told them honestly about their conditions, only later to be picked up by police and put into jail on various false charges.¹⁴⁸

Some of the factories of this company are located in an industrial area of the capital, near to a huge slum where many workers live. After the labour unrest, staff identified the houses of workers living in the slum, who were subsequently intimidated by locals, in association with staff. Our research team had to cancel its schedule several times because the workers at the last moment became so frightened that they refused to talk, convinced that what they said would be reported to the factory authority by ‘spies’.¹⁴⁹

Similarly an Aldi supplier in Bangladesh had a clear history of trade union repression. One male worker had been fired for association with a trade union, while two female workers were not only sacked but forced to leave the neighbourhood for attempting to organise workers. Workers recounted management tactics to stifle dissent that included beatings, firings, and raising false legal charges against workers.¹⁵⁰

Conclusion: Workers deprived of a voice

The litmus test of whether any brand or retailer is taking its responsibility seriously is not that a trade union forms in a workplace, but that workers have the confidence that if they were to try to organise, there would be no retaliation. This requires strong signals from the buyer to workers and management, and effective education by trusted local people. In not one case from our sample was this evident, and in nearly every case workers stated that management’s attitude would make it impossible to form a trade union. Whether or not this perception is correct (and

the evidence suggests it is), it is a state of affairs that needs to be corrected.

Correcting it requires a tremendous amount of education and reassurance for workers and often for managers too. In order to have full access to their trade union rights, garment workers need contact with local trade union representatives or legitimate local labour rights groups who can give them the chance to understand their rights in a practical sense. Otherwise, workers like the Indian woman who said “I will not risk my job by joining a union” will not have the courage to speak out when they really need to.¹⁵¹

Workers employed by contractors and those on temporary contracts face lower pay, poorer conditions, and a constant fear that they will lose their jobs.

Chapter 6

Precarious Employment

A growing trend in the garment industry is the growth in employment patterns such as long-term temporary contracts, sometimes through a labour contractor, short-term contracts and day workers, and subcontracting. While these forms of employment can be positive when chosen by workers – in particular, homework – they are not positive when employers use them to replace permanent employment, to circumvent their legal obligations to workers, or to divide and rule their workforce.

One trend is the increasing use of temporary contracts to replace permanent ones: workers are employed for a fixed-term period of a few weeks or months, maybe even a year, at a time. This reduces employers' costs in payments to the state for social security provision, reduces the rights they have to afford to workers, and therefore keeps their workforce more compliant.

There is a legitimate case for using temporary contracts at particular times as a small proportion of the workforce, where there is no other way to manage a fluctuating workload. But this should be done with care, and should only apply to a small proportion of workers: a more 'flexible', 'efficient' workforce is also one with a poorer quality of employment, greater uncertainty and, ultimately, a lower quality of life.

Another mode of precarious employment is the growth in contract or agency workers inside factories: workers who are to all intents and purposes factory employees, but whose employment relationship is with a middleman. Almost without exception, these workers face lower pay, harder targets, and a more uncertain future.

This particular form of casualised, precarious work is visible in some of the Giants' retail operations too. Aldi and Lidl have begun to use external labour contractors for shelf stacking, stock-taking, telephone services, decoration, property management, cleaning and book-keeping.¹⁵²

Factories may also outsource work to small backstreet workshops or homeworkers. While both these modes of working have some advantages – they can afford

autonomy to workers to determine their own hours of working and conditions – these are frequently some of the most vulnerable, lowest paid and exploited workers.

Growing use of precarious labour

Not all codes of conduct contain provisions limiting the use of precarious employment and, where they do, they could be more specific. In India and Sri Lanka, a number of factories had a growing workforce of temporary or agency workers, and in both countries we found factories producing for giant retailers in which the majority of workers were fixed-term contract or casual workers.

Two workers in Bangalore producing for Walmart told us:

"Only a few workers are permanent, like [in] the checking department. Others are all piece workers. So, they keep coming and going. If they don't do their work properly or if they take leave, they will be asked to go. If they make mistakes and create any problems in the piece, they will be fired immediately."¹⁵³

"The company has no standard rules. So, no one is permanent in our company. Everyone is temporary. If our work is not good or if we take too much leave, factory manager and production manager would ask us to leave and we lose our job immediately."¹⁵⁴

“Only a few workers are permanent... all piece workers keep coming and going.”

- Worker at Walmart supplier, India

There was no question that these workers felt their position to be more precarious than others. Compare two of the Tesco suppliers we visited in Sri Lanka, with the same sized workforce. In one, more than half the workforce were employed on casual contracts, compared to just a few in the other: twice as many workers in the first factory said that they were afraid of losing their jobs.¹⁵⁵

In Indian factories we found a growing number of workers employed by labour contractors, but working within the factory. Contractors hire workers on a piece or day rate. One such contractor, operating in a Tesco factory in Tirupur, explained why there is growth in this form of employment:

“If it is a company supervisor, they cannot push workers for more work. So, production will be slow. A contractor is kept mainly for maintenance of production. A contractor will always give better production because he can control his workers better and bring as many workers as required whenever necessity arises. Basically production is high when workers are under a contractor.”¹⁵⁶

In Thailand we visited subcontracting workshops supplying Tesco and Walmart. These workers rely on bits of work from larger factories, and faced some of the worst working conditions we found. Hours were longer, pay was lower, and many workers had given up and left because they couldn't survive. As these were cooperatives there was no exploitative management, but rather a collective understanding that unless they worked harder and for less, these workers would have no income at all. Workers at a subcontractor supplying Tesco Lotus in Thailand explained that:

“I worry about my security. I don't have job security because we are subcontracted. I am always afraid that I will have no money to pay in a month.”¹⁵⁷

Pay and conditions much worse

Some of the worst conditions we found were for workers employed by these labour contractors. Aside from lacking the safeguards of permanent employment, itself a step down, these workers were set higher daily targets, often paid lower wages, were deprived of benefits such as maternity leave, and were much more afraid of being fired for stepping out of line.

“We are all under a contractor,” said one at an Indian factory supplying Carrefour. “There is a fixed wage for all work. I have been working for the last five years. I was paid 80 rupees (€ 1.20) then and I am paid 80 rupees today as well.”¹⁵⁸

In Tesco's Tirupur suppliers, contract workers could earn more than permanent workers per day – up to 145 rupees (€ 2.18) – while in Delhi some were paid as little as 90 rupees (€ 1.35) per shift.¹⁵⁹ One contract worker in Delhi told us, “My wage is very low. The cost of living has increased to such an extent that we cannot manage with this small amount.”¹⁶⁰

A typical female contract worker on the checking line in a factory supplying Carrefour in Tirupur gets paid only about 10 rupees (€ 0.15) per hour (€ 1.80 for a 12-hour shift), as opposed to standard local wages of 11-13 rupees (€ 0.17 to € 0.20) per hour.¹⁶¹

“Workers coming directly from the company will be paid more. Others hired through contractors will be paid less than them,” said a helper at another Carrefour supplier in Delhi.¹⁶²

A tailor also working for Carrefour in Delhi concurred:

“We should have direct contact with the companies. We can often find a great variation of standards between company workers and contract workers. Our salaries are always late. We never get salaries in time.”¹⁶³

Unionisation for contract workers is even harder than for permanent workers, as one Indian worker in a Walmart supplier said:

“Unionisation seems impracticable. People working on behalf of some company can do that because they are permanent there. Moreover, the interference of the contractor is so huge that people can't come together. He can easily divide the workers by several means. We also come from different regions outside, that makes it almost impossible for us to become a union.”¹⁶⁴

Conclusion: Lack of job security

Carrefour's code, together with the BSCI code to which Aldi and Lidl have signed up (see Chapter 3), make no reference to job security. The ETI Base Code, to which Tesco and Walmart's Asda George have signed up, states that, "Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, sub-contracting, or home-working arrangements... nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment."¹⁶⁵

Our research in India and Sri Lanka has categorically shown that exactly these abuses take place. Workers employed by contractors and those on temporary contracts face lower pay, poorer conditions, and a constant fear that they will lose their jobs. This is not a question of a few workers brought in every so often to help with an urgent order; it is a systematic and spreading use of precarious forms of employment both to manage fluctuating orders and to further tip the power balance in favour of employers.

The Giants' size and price-breaking approach make them leaders in the global race to the bottom on working conditions.

Chapter 7

Why the Giants' Business Model is at Fault

The abuses of workers' rights that we uncovered in our research may be widespread throughout the industry, but that doesn't absolve the Giants of their responsibility. All five have made and continue to make public claims about their commitments to good working conditions, including through the codes of conduct discussed in Chapter 3. As leading global retailers with a significant share of retail and of garment wholesale markets, they should be leading on labour rights too.

Yet the evidence from our research suggests a lacklustre approach at best. They seem to treat the widespread presence of labour rights abuses as an excuse to shrug their shoulders and carry on regardless, rather than a reason to re-examine the way they do business.

The Giants have built systems that are supposed to ensure factories' compliance with their codes of conduct. But these merely create a set of hoops for suppliers and workers to jump through - often with the tacit approval of the Giants' own local staff. The result has very little positive impact on working conditions.

But most concerning is the way that the Giants fail to balance the competing demands of their business model - which requires low prices, quick turnarounds and greater uncertainty - with those of good labour conditions. This chapter describes the impact on workers in more detail.

Making a mockery of compliance

"Of course the buyer [Walmart] has many compliance standards. If we try to implement all of them, we can sit at home. No production will happen... To ask us to complete production with a code of conduct is one thing and to implement it is another thing."

Factory Manager, Tirupur, India¹⁷⁶

Why is this factory manager so concerned? Why isn't he able to meet the standards set out in the code of conduct? For sure, it is likely that he is more interested in maximising his own profits than he is in workers' rights. But something has undermined the credibility of his buyer's own demands on labour rights, as set out in the code of conduct.

Our research suggests three factors in particular, all of them discussed in more detail below. First, the Giants' commercial terms are incompatible with meeting the standards in their codes of conduct. Their requirements on cost and lead time make it impossible for him to pay a living wage, send his workers home at 5 p.m., and still turn a profit. It's clear what his clients see as the bottom line, and it isn't ethics.

Second, the giant retailers have a reputation among suppliers for pushing harder on price - so much so that the more successful suppliers quoted below turn them down.

Third, there are specific instances in which certain aspects of the commercial relationship can be observed to have a more direct impact on working conditions, in particular on wages, working hours and flexibilisation of the labour force. The sections that follow discuss these in more detail.

The ‘tick box’ approach is not enough

Chapter 3 discussed the codes of conduct that giant retailers have adopted. These codes contain minimum standards that should apply to all workers involved in the production and distribution of the clothes they sell. It’s no secret that working conditions throughout the global garment industry fall well short of those standards. But by signing up to these codes and other initiatives, the Giants have committed themselves publicly to making a serious attempt to fixing that problem.

Our research showed little evidence of such an effort on the ground. The gap between the rhetoric of codes and reality of life in factories was accepted as a fact to be accepted, not a problem to be addressed:

To be honest, if we try to implement all these standards, there will be no suppliers left who can make garments. So, we have to show a little bit of flexibility. We just can’t be so strict in implementing these standards. Tesco sourcing employee, India.¹⁶⁸

We do not read this [code of conduct], because it would not benefit us. We do not get the benefits mentioned in it. - Woman manufacturing for Tesco, Carrefour and Walmart, Bangladesh.¹⁶⁷

The Giants’ solution to labour rights problems is to inspect supplier factories in an attempt to determine the working conditions. Walmart conducts 16,000 such social audits across its supply chains each year, while Carrefour states that it audited 609 factories in 2007.¹⁶⁸

Both have published auditing data that allow us to catch a glimpse of what they think is going on in their supply chains. Carrefour concedes that, in 2005, more than 70% of its clothing suppliers in China violated its charter concerning wages and working hours, for example.¹⁶⁹ Walmart states that up to 50% of suppliers across Asia were guilty of ‘excessive hours’ (more than 72 hours a week) and a substantial proportion did not pay the ‘minimum or applicable’ wage.¹⁷⁰ Most tellingly, the proportion of factories at which Walmart found ‘medium-risk’ and ‘high-risk’ violations grew from 72% in 2004 to 91% in 2006.¹⁷¹ So even on its own terms, auditing is not reducing violations, but merely opening a window on them.

When used as part of a broader toolbox of measures, and when done rigorously and sensitively, audits can be useful.¹⁷² But our research indicates that too often they are seen as a meaningless piece of paperwork by everyone, including workers, factory managers, and even those responsible for sourcing.

“If foreign people come, [factory managers] tell lies to them. But none of it is true in practice. None of it is true in practice. All lies. They also ask us to tell lies to them. We have to tell lies to retain our work. Otherwise they will send us out. So we have to lie.”

Woman tailor, Tesco supplier, Delhi¹⁷³

“Well, Tesco inspectors don’t work in the night. So, they would not know whether they [garment workers] work in the night or not. “

Tesco sourcing employee, India¹⁷⁴

“If they come and talk to us, we will only say what the [Human Resources Department] has asked us to say. I need money to survive and so I need my job. So, I will say that the company pays us for overtime work, gives us good wages, etc. What else can I do?”

Packing Supervisor, Walmart Factory, Bangalore¹⁷⁵

When factories are audited, workers told us, wage slips are forged, underage workers sent home, childcare centres opened especially, and all manner of cosmetic improvements made. In one factory supplying Aldi in Bangladesh, the room shown to auditors as a childcare facility is nothing of the sort – it’s the room where managers eat their lunches.¹⁷⁶ In more than one Bangladeshi factory, the childcare facility was only opened on days when audits were expected, when workers were instructed to bring in their children. An auditor with any kind of credibility should be aware of this subterfuge; it seems more likely that a blind eye has been turned.

Sourcing structures: how the Giants divide and rule their suppliers

Carrefour, Tesco, and Walmart structure their sourcing in similar ways. All have decentralised their purchasing arrangements through a global network of offices. For example, although Carrefour's sourcing strategy and coordination is primarily run from Madrid and Paris, there are three regional hubs in Sao Paolo, Paris and Hong Kong, which manage the merchandising and also have responsibility for social and environmental matters. Underneath these are sourcing offices in 13 main production countries (including China, India, Bangladesh, Turkey, Morocco, Poland, and Brazil), through which the buying and technology functions with suppliers are managed, including price negotiation and quality control.¹⁷⁸

To supply directly to any of these three Giants, a manufacturer must gain accreditation, based on technical and social audits to ensure that it meets the requisite technical, social and environmental standards. There is an easy way to circumvent this accreditation process, however. All three of these Giants also source indirectly via importers based on the European and American continents, which in turn use a network of in-country agents. For example, Indian manufacturers producing clothes on sale in Carrefour went via importers based in the US, France, Italy, and South America, with relationships mediated by an Indian-based secondary agent.¹⁷⁹

Aldi and Lidl source entirely from importers, with Aldi stating that all its suppliers are based in Germany.¹⁸⁰

Unlike with direct suppliers, retailers seem to place no obligations at all on importers to check up on working

Retailers seem to place no obligations on importers to check conditions at suppliers.

conditions at their suppliers. As one secondary agent supplying Carrefour told us:

"It really depends on the buyer with whom we work. Some buyers insist on certifications, while others do not care... Mostly European agencies do not ask for it."¹⁸¹

A manufacturer added:

"They [Carrefour] are very strict about their norms. We do not deal with them directly. If we were a direct supplier, would we need to have more compliance to their standards."¹⁸²

Indeed, there is evidence that suppliers deliberately pursue the indirect route as a way of avoiding technical and social checks.¹⁸³ A buying agent-cum-small manufacturer in Tirupur told us:

"It is very difficult to get orders directly from Walmart. Our factories need to be approved by them. It is a complicated process. For small manufacturers like us, it is better to go through licensees because they will take care of all paper work and negotiations."¹⁸⁴

Our researchers found one large supplier, with manufacturing units in Mumbai, Bangalore, and Tirupur, which had located its head office in the US and registered with Walmart as an agent to avoid these checks.¹⁸⁵ The offices of secondary agents can be as little as one or two computers to communicate with the licensed buying agents abroad. Similarly, the manufacturing units may comprise small units with as few as ten machines each.

Walmart looks for scale when seeking direct suppliers, and many of its longer-term suppliers have factories with around 80% of production (10 months per year) devoted to Walmart.¹⁸⁶ Of course, these suppliers do not gain better terms in return for the scale but, as Walmart takes more and more from them, they become more dependent. Tesco and Carrefour do not usually take such a large proportion of suppliers' production.

Technology plays a crucial role in Walmart's sourcing. This Giant arranges all of its purchasing through Retail Link – the biggest, most sophisticated electronic purchasing system possessed by a single retailer. Retail Link represents a sizeable proportion of all global procurement, and has spawned a whole training and education business in itself.¹⁸⁷

Direct suppliers have to be registered with the regional sourcing office, meaning that they have passed all of the compliance checks, before they can access Retail Link. Once they are registered, suppliers can access the specifications of Walmart orders that are out to

Unrealistic lead times are compounded by last-minute changes.

tender, and compete for them in online inverse auctions – a real-time competition against other suppliers.

Carrefour also uses technology to arrange its sourcing. Every season, the retailer distributes inquiries for orders by email. Carrefour takes samples from many suppliers and will choose 2-3 among them for a particular order. A target price is quoted to the selected suppliers, who then propose their own price, and must then compete online with other shortlisted suppliers for the lowest price. Suppliers state that the pricing, quality of goods, and fast paced delivery are the deciding factors in getting a business order.¹⁸⁸

Tesco's certified suppliers receive briefing papers four times a year, outlining the orders that they can compete for. They submit sale samples within ten days, which are used to shortlist suppliers, before a negotiation on price is used to find the final supplier. Once a supplier is selected, the retailer opens the letter of credit, a guarantee of payment that allows the supplier to source raw materials.

As is common in the garment industry, the Giants' suppliers then need to receive pre-production approval. This is a process of sending samples to the retailer's technologists, until the samples are 'right'. The consignment must be delivered by a certain date, which is fixed regardless of the length of time it takes to acquire pre-production approval.

We've seen above that purchasing relationships are set up in such a way as to maximise competition between suppliers. But it is the terms that the Giants then extract from suppliers using these systems – discussed in the next two sections – that are at the root of the problem.

Speed and uncertainty are bad for garment workers

"It is not fully possible to implement all these [code of conduct standards]... We also have to chase the delivery date and complete orders within the lead time."

Merchandising Manager, Carrefour Certified Factory¹⁸⁹

"The big buyers like Walmart do not care whether we live or die producing it. They will not listen to any of our excuses. If we have an agreement, whatever happens, garments have to be delivered. That is it. It is not their problem that we got delayed."

Indirect Buying Agent, Walmart¹⁹⁰

The seasonality of orders from all their clients is a problem for garment suppliers in India, leading to an intensive period of orders during November and December, and a dead period in July and August. Factories' response to this is to have workers stay on through the night during the busy period, and to recruit contract workers who can be laid off for the two months that they are closed. As a group of workers in Delhi told us, "The company can easily expel us from work at any moment saying 'there is no work now'. Also they can again ask us for work when they get orders."¹⁹¹ A Walmart supplier told us:

"If we have more orders, we can have more workers. But if the order is less, we cannot afford to keep employees idle without being able to give them work. So, we can only hire contract labourers depending, on the work load. The buyer also knows these facts."¹⁹²

The size and urgency of Walmart orders also contributes directly to the trend towards flexible labour, subcontracting, and excessive overtime. If the vast majority of a factory's work is for Walmart, and Walmart's orders require large amounts of production in a short amount of time, a 'feast and famine' pattern emerges, which eats away at the factory's capacity to maintain decent hours and a permanent workforce. Another factory manager supplying Walmart told us:

"During shipment dates, it is always a last-breath situation. At that time, if some worker comes, we would just invite them with open hands. Our only focus is to complete production on time for shipment. Otherwise it is air cargo. So, we won't bother. All we need is enough workers to complete production."¹⁹³

And a permanently-employed tailor said that:

"There is always emergency work before shipment. Last three days are usually very hectic. There is no question of why shipments happen and how we do it and all. Planning and all does not work. We have to complete our orders as buyers ask us to do."¹⁹⁴

The problem of unrealistic lead times is often compounded at pre-production stage. Suppliers described a notable characteristic of Walmart's approach to procurement: its hard negotiation over the quality of samples.¹⁹⁵ Technologists make last-minute changes to orders, and take an excessively stringent approach, meaning that the pre-production approval process drags on, eating into the lead time and making it more challenging to complete the order in time. Said one Indian manufacturer:

"You know Asda [Walmart's UK subsidiary]. They are the worst. They keep on giving changes until the last minute. After that we will be finding it so difficult to finish production before the shipment date. But they will never accept that it is their fault. They will find some excuses to show that we are at fault. What can we do then? They are big buyers, right? We will only have to adjust. Then they will start asking us to send it at a discounted price and so on. They are the ones who delayed the approval. Still, we have to air cargo it or give them a discount so that they will take it after the shipment date."¹⁹⁶

Suppliers are forced increase the quality of the pre-production samples just to pass the approval, without being able to negotiate a corresponding increase in prices or lead times. And increased quality without increased time puts workers under more pressure. A tailor in Bangalore bemoaned that:

100 pieces per hour are NOT possible if they are looking for quality. Small stitches are possible. For example, shirt cuffs, sleeves, etc. are possible. Even big stitches like one side of a shirt are possible. But when they ask us to complete two sides of shirt, which is a big stitch, it is impossible for us to complete 100 pieces per hour.

Tailor, Bangalore¹⁹⁷

A staff member at one local NGO nearby put it like this:

Even the manufacturers are fed up of Walmart because, despite paying peanuts to them, they send the

toughest of auditors to inspect their goods. Those inspectors reject the consignment for minor reasons and squeeze out the best of quality from the suppliers.¹⁹⁸

Tesco, on the other hand, is more disciplined than many other brands regarding changes to orders. It does not make changes at pre-production approval stage and, if the pre-production samples are not accepted within thirty days, the order is cancelled to avoid excessive pressure to meet the original deadline.¹⁹⁹ Tesco also allows some flexibility on lead times, both a day or two's grace on delivery deadlines, and an option of shipping a small remainder of the order a week or two after the deadline. Of course, beyond this flexibility, suppliers are still obliged to pay to airfreight delayed orders, a threat that workers too are aware of.

Workers at Tesco suppliers in India and Bangladesh said that they frequently had to work into the night to meet "emergency orders," but suppliers themselves in India told us that Tesco does not put the same amount of unreasonable requests on them as other retailers.²⁰⁰ These emergency shifts must be due to either problems created by other clients, or poor management at the factory.

Impossible prices mean impossible wages

As discussed earlier, low costs are fundamental to the giant retailers' business models. Because they compete on price, selling with low profit margins, the pressure to cut costs is huge, and is passed on to suppliers. The impact on suppliers has been documented for many years, in many sectors.

Perhaps the biggest examination of supermarkets' impact on their suppliers has come through three successive investigations by the British Competition Commission. The Commission concluded in 2000 that, "The burden of cost increases in the supply chain has fallen disproportionately heavily on small suppliers such as farmers."²⁰¹

In the difficult global financial situation emerging at the end of 2008, we can see some examples of how this burden-transferring occurs. A leaked letter from Tesco to a Polish poultry supplier in October 2008 states:

Due to the deepening financial crisis, dropping prices of materials (milk, grain, oil, vegetable and fruit), increased price aggressiveness of discount stores (Lidl, Biedronka), and our willingness to provide competitive offers to our customers, we are forced to lower purchasing prices and improve commercial terms in 2009.²⁰²

The same occurs in garments. Bangladeshi newspapers reported in September 2008 that Walmart

Time and cost pressures are passed on directly to workers.

had demanded a 2% rebate from garment suppliers (although Walmart denied the story).²⁰³ Tesco UK has written to all its non-food suppliers advising them that it has worsened its payment terms: now it will not pay them until 60 days after it has received the goods, instead of 30 days.²⁰⁴ Suppliers are effectively providing Tesco with an interest free loan during the financial crisis.

ActionAid reported in 2007 that it had been told by factory managers in Bangladesh that, even as the national minimum wage rose significantly in late 2006, the price Tesco paid for manufactured clothes (the CM price) was 5-10% lower than it was in 2003-04.²⁰⁵ One supplier said that Tesco's CM price had halved in the last ten years, despite a doubling in the cost of living in Bangladesh. Another said, "We cannot negotiate properly for fear they will place the order in another factory or country."²⁰⁶

Suppliers in our survey had different experiences of Tesco in this regard. Potential business orders are distributed only within one country and so, for example, Indian suppliers only compete against other Indian suppliers.²⁰⁷ Although the competition is severe, suppliers say they enjoy a more stable relationship with Tesco, with a continuous supply of orders, and with orders spread across many suppliers rather than taking the bulk of production at a single supplier.²⁰⁸ A factory manager in Tirupur told us:

"Usually, only two-three suppliers would compete for a particular order, which implies that there is little competition compared to Carrefour. They split the orders among Indian suppliers only, so we don't have to compete with other countries."²⁰⁹

“We have to spend much more time but get much less money....”

- Worker at workshop supplying Tesco Lotus, Thailand

But Tesco still has a reputation for being fearsome in its price negotiations. As one factory manager said:

We always fix a lower mark-up price as well as a high mark-up price for a particular sample. Tesco would push us to lower our prices to the level of other countries that have given them low quality samples. We would stick to our high mark-up price during negotiations. When we have no choice, we will have to come down to our lower mark-up price just to get their order. However, it is our policy not to take orders when they push it below our lower mark-up price. But there are companies who take those orders.²¹⁰

In Thailand, workers in a small workshop supplying Tesco Lotus via an agent said that, "We don't always make for [Tesco] Lotus because Lotus pays us less for difficult products. We have to spend much more time but get much less money... We feel very stressed working for Lotus. They give us very little time."²¹¹ These workers explained that if the products they worked on did not meet quality controls, they had to compensate Lotus at the retail price, not the cost price.

In a similar workshop supplying Walmart, workers said that overall the average price for completing a piece of clothing was 10 baht, but that when producing for a Walmart supplier they made just over 4 baht per piece – only 'liveable' because of the excessive overtime performed by these informal workers.²¹² Despite this, producing for Walmart suppliers would keep them working all year round, while other clients do not confer the same certainty.

This is the trade-off that Walmart presents suppliers with: the number and size of orders gives a degree of security that the factory will be able to run all year round, but in return the supplier must accept lower prices and worse terms than from other brands. An Indirect Buying Agent told us:

"Companies need Walmart because it has large quantities. Even if the margins are low, huge quantities give assured business. Once a company has certain infrastructure, leaving machines idle can cost a lot of money. In such cases, even if the margins are low or even at a loss, suppliers will take the orders just to reduce their infrastructure costs."²¹³

From our research there was no doubt that Walmart uses factories that some other brands will not touch, that its ethical compliance was taken less seriously, and that the cost pressures it creates contribute to poorer pay and conditions for workers at its suppliers. Said an Indirect Buying Agent:

"If I personally feel that the costs cannot be covered, I will not take those orders. Even if we reject an order,

“Psychological torture”

- Description of Carrefour’s model of negotiation with suppliers

there are many buying houses here that take up the same orders with the target price the buyer quotes or even less... I do not know how they manage. Either because they do not do the costing properly or do a superficial costing and realise only by the end of production that they are going to end up in losses or it could be merely to survive in a competition.”²¹⁴

In *Les Coulisses de la Grande Distribution*²¹⁵, Christian Jacquiau describes the “Carrefour Model” of negotiation with suppliers, which he says is tantamount to “psychological torture.” One ex-Carrefour buyer quoted by Jacquiau says,

“I worked in cut flower buying. We were taught to impose the best terms we could in contracts, and then we would refuse the delivery because it didn’t conform to our quality standards. That allowed us to pay five francs for a chrysanthemum worth fifteen. If the supplier refused, he was simply left with his unsold product.”²¹⁶

Conclusion: Trying to have it both ways

As we have seen in this chapter, giant retailers favour purchasing practices that aim to get the maximum flexibility and the lowest prices from their suppliers. At the same time, they say that they are improving the systems they have in place to enforce their codes of conduct on labour rights. These two factors are frequently in tension, because the Giants’ purchasing practices create a number of pressures that are bad for workers.

First, there is a selective pressure on the suppliers they use. As some of the accounts cited above suggest, the low prices and other poor purchasing practices associated with giant retailers bias their supply chains towards factories whose owners are more

desperate or less scrupulous than might otherwise be the case. These same characteristics of the suppliers mean they are likely to treat their workers worse.²¹⁷

Second, the pressure created by competing demands of good working conditions and faster, cheaper production can be relieved through cheating the compliance procedures. Our research uncovered faked time-sheets and payslips, workers forced to lie to inspectors, and many other such tricks. Whatever store the Giants’ head offices and public statements may place on social audits, the evidence cited in this chapter demonstrates that their staff on the ground are blasé about the gap between conditions in factories and those reported in audits.

Third and finally, the time and cost pressures are passed on directly to workers in the form of insecure, poorly paid employment. In effect, garment workers are subsidising the low prices on supermarket shelves. The subsidies come in the form of two widespread cost-cutting measures: the increasing use of contract workers, and systematic, unpaid, compulsory overtime.

The uncertainty built into sourcing systems, and especially to Internet inverse auctions, means that suppliers have to compete for each and every order: there is no certainty that they will have work, making it harder to plan round the seasonality of orders. The system places suppliers in different countries in direct competition for each order, inevitably pushing down costs which are passed on to workers in lower wages, demands for unpaid overtime, and a growing recourse to cheaper contract workers.

Furthermore, the Giants’ size and price-breaking approach make them leaders, not followers in the global race to the bottom on working conditions. Other retailers are forced to drop their retail prices and get more aggressive with their suppliers to stay competitive, while suppliers have to accept lower prices if they are to survive.

Walmart’s new slogan is “Save Money. Live Better.” The reality is that while the Giants may save money, the workers who subsidise them live much, much worse.

**Far from lifting
women out of
poverty, the Giants
are cashing in on it.**

Chapter 8

Women Workers: Bearing the Brunt

As we have seen, time and cost pressures on a workplace - be it a factory, distribution centre or store - lead to poor pay and working conditions, trade union suppression, and insecure employment inside it. But these impacts on workers are not distributed equally. The group most susceptible is women.

In order to understand why, we must first understand the ‘triple burden’ faced by women in countries that produce garments, a cocktail of economic, social, and cultural factors:

1. Women are often the main breadwinner for their families, in need of income for themselves, their elderly relatives and their children. Girls are always the first to be removed from school and sent into employment when times are tight – many miss school in order to earn money so that their brothers can be educated. Where married, many women must go out to work because their husband does not, because he earns too little or too infrequently, or because he has left them.
2. Aside from this productive work, women also bear the responsibility for domestic work, meaning that they return home from their long, arduous days at the factory to a pile of chores: washing, cleaning and cooking. It is the girls in the family who, again, are expected to miss out on school or play to assist their mother in these tasks.
3. And women the world over – for cultural as well as biological reasons – bear the responsibility for reproductive work. Rarely acknowledged as a valuable contribution to society, bearing and raising children is nonetheless a tremendous additional burden for garment workers and other women.

The triple burden at work in the garment industry

Figure 3 shows how the triple burden affects women working in the garment industry. Women workers are over-represented in the lower paid jobs at the bottom of management hierarchies, and under-represented higher up. Even amongst people doing the same jobs, women are likely to experience more abuses of their rights. And these abuses affect them more. Let’s look at how our research bears this out.

More likely to be in jobs where labour rights abuses are common

The vast majority of garment workers – around 80% - are women. This is no accident, but a result of discrimination from start to finish.

Women are pushed into garment industry work by the needs and constraints placed upon them by their triple burden. Women feel the acute need to find income for themselves and their dependents, whether children, siblings or elderly relatives. However, there are fewer alternative employment opportunities available to women, who have often not received the same level of education as men. The same cultural stereotypes that position women as ‘passive’ mean that they are not seen as ‘real’ workers, with fewer employment options culturally acceptable for them. These same stereotypes may lie behind the feminisation of the precarious forms of work discussed in Chapter 6: women are denied the right to job security.

Figure 3: Why labour rights abuses affect women more



Women are pulled into the industry by employers taking advantage of the cultural stereotypes – to which women are often obliged to adhere – of women as passive and flexible. Productive, reproductive and domestic responsibilities constrain women’s ability to seek other work, to take action to improve their working conditions, or to speak out about the abuse they face, making them ideal employees in managers’ eyes. As purchasing practices ratchet up the pressure on factories, these factors make a female workforce more and more attractive to employers.

These discriminatory factors manifest themselves within workplaces too. Where factories employ workers of both genders, there is rarely equality of pay or of opportunity: typically the bulk of supervisors are male, while the majority of workers are female; the areas of work are usually split down gender lines, with the ‘male’ activities better paid. For example, in most of the Bangladeshi factories we visited, a strict gender divide meant that women did the sewing work, while men worked in the better paid fabric cutting jobs.

The life stories of most of the women in our sample show that work in garments is a last resort.

The life stories of most of the women in our sample show that work in garments is a last resort, not an exciting step up in the world – and it comes with a sense of inevitability. In Bangladesh, a woman we spoke to said, “because we are poor we have to work in garments...[it’s] my misfortune to earn a living this way.”²¹⁸

A typical story is this from a woman working at one of the Sri Lankan factories we visited:

“When I became a teenager, I stopped schooling, as I had to look after my brothers and sisters. As my mother went to work, I had to cook food and look after the younger ones... When I turned 16 or 17 years, I came to an interview to get a job in [the garment factory] through an acquaintance... [Now] my mother does not work any more. It is I who gets the salary and sends money home. The amount I send is not enough, but I have myself to feed. I am a girl but I do not have a pair of earrings. I do not have means of dressing fashionably because the pay I get is hardly enough to afford everything. What could I do? I console myself reflecting that this is the fate with which I was born.”²¹⁹

More susceptible to labour rights abuses

Life for garment workers is no picnic, whether male or female; but women face a much tougher time than their male counterparts. All the Giants’ codes of conduct prohibit discrimination against workers on the grounds of gender, as well as outlawing physical punishment and physical, verbal and sexual abuse. Yet in our research we found frequent examples of all these things, especially in Bangladesh: women workers earning less than male ones, and with less opportunity for promotion; plus beatings, verbal insults - many of them sexual - and inappropriate comments and touching by supervisors.

“They use language I cannot tell you. It makes you feel so dirty that you want to leave the job,” said one woman at a Bangladeshi factory supplying Walmart, Carre-

four, and Lidl, where three-quarters of the women we spoke to reported verbal abuse.²²⁰ At another factory supplying Walmart, Tesco, and Carrefour, one worker described verbal abuse as a “regular daily matter.”²²¹ and in another workers described being slapped by supervisors; one even had her head banged on a table.²²²

Gender-based harassment in factories is an effective tool to keep workers afraid and submissive. Our researchers in Bangladesh noted that verbal abuse was frequently used when workers asked for leave, with the result that workers absconded and accepted a cut in their pay rather than having to face this abuse.

Cultural and economic constraints create obstacles to women workers speaking out about their conditions and joining a trade union. A woman at a Lidl and Walmart supplier in Bangladesh, which employs only women on the factory floor, told us:

“Women can be made to dance like puppets, but men cannot be tortured in the same way. The owners do not care if we ask for something, but demands raised by the men must be given some consideration. So they do not employ male workers.”²²³

The push factors that place women in need of a job and with fewer choices than elsewhere mean they are more at risk of reprisals for speaking out. Because they have dependents to care for, more is at stake, so threats of dismissal or violence have a greater impact than they may do on male workers. Cultural factors may create a barrier to women speaking openly when they have a complaint, especially to male supervisors, and domestic and reproductive responsibilities reduce their time available for participation in trade union activities.

“This factory has mainly women workers, so we can not call strikes,” said one woman at a Lidl and Walmart supplier in Bangladesh.²²⁴ “If there is a dispute with management, they give us early leave,” said another. “Because there are no male workers we cannot do anything.”²²⁵

Labour rights abuses have a bigger impact

In combination with the gender discrimination present throughout societies in garment-producing countries, wage discrimination means that women working in garments are more likely to be malnourished and to lack decent housing or access to health care, and community services such as clean water and sanitation.

Compounded with the mouths that many need to feed, lower wages force women to work longer and harder in the factory to make ends meet. Yet many

“They use language I cannot tell you. It makes you feel so dirty that you want to leave the job.”

- Woman at Bangladeshi factory supplying Walmart, Carrefour, and Lidl

women are already working longer and harder at home. Even though they work until late at night, these women return home to yet more domestic responsibilities. “I feel so exhausted and emptied that I do not even feel like taking food”, said one woman in a Bangladeshi factory supplying Tesco and Walmart.²²⁶ This state of affairs leads to exhaustion and injuries from stress and overwork, depression and other illnesses as a result of lowered immune systems, and longer recovery time from injury or illness.

The long hours we found in garment factories are tough enough as it is, but when women become pregnant, they become a much more serious abuse. In most of the ten factories we visited in Bangladesh, we found cases of heavily pregnant women forced to work the same hours as everyone else – including late evening shifts and even night shifts in some cases – right up until they went on maternity leave. In four, this seemed to be standard practice, while in several others, although most women said they had been given easier tasks and permitted to leave early, some had not. In one, it depended on being in the management’s ‘good books’.²²⁷

“If the factory works until 10, the pregnant workers have to work until that time as well,” said one woman at a Walmart, Carrefour and Lidl supplier.²²⁸ Workers in another factory supplying Carrefour in Bangladesh explained how pregnant workers were expected to continue working the 10-hour days and overtime shifts: “I worked just like the others”, says Sarmin. “Only when suffering becomes unbearable and one cannot stop crying does [a pregnant woman] get leave”, explains Buna. “But if the workload is heavy no amount of crying would help.”²²⁹

All but two of the ten Bangladeshi factories – Aldi, Lidl and Walmart suppliers – provided paid maternity leave. In one Lidl and Walmart supplier, with an all female workforce, workers stated clearly that the only way to have a baby is to leave the factory permanently.²³⁰

For women garment workers with children, economic reality requires them to leave their children with friends and relatives for up to twelve hours a day while they work or, worse, to leave children with relatives in their home villages, seeing them only a few times a year. One account from a Sri Lankan worker producing for Tesco sums up the predicament:

“I leave home at six in the morning and come back home at nine in the evening... I leave when my daughter is still in her dreams and come back home to see her gone to sleep. She sees my face only one day of the week. [...] I am not left with time to fulfil my obligations as a housewife... I cannot take leave from work as I wish when my child or parents fall sick. I have had to live sacrificing everything for the meagre pay I get at the end of the month. [My husband] does not like my coming home late. Nevertheless we cannot refuse to work overtime and expect to go to work again. We have to work in order to cover the targets.”²³¹

At face value, all but two of the Bangladeshi factories (those two were also supplying Aldi, Lidl and Walmart) had a room that acted as a childcare centre, to allow workers with young children to come back to work. But workers explained that in half of those with childcare centres, supplying all five of the Giants between them, these rooms were only used when the factories were visited by buyers or auditors. At one, the room was used the rest of the time by managers as a canteen.²³² At another, workers explained that they were instructed to bring in children on certain days to show the auditors that the factory had a working daycare centre.²³³

Conclusion: Squeezed the hardest

Gender discrimination runs deep through the societies of all countries in which garments are produced. When societies experience a crunch, women and girls usually feel the pain more than men. Girls are given less to eat than their brothers and taken out of school sooner. Women are the first to take on the financial responsibility when their families cannot make ends meet, and yet they are the first to find their potential sources of income narrowing.

Examining workers’ rights abuses through a gender lens shows that the crunch created by purchasing

Gender-based harassment in factories is an effective tool to keep workers afraid and submissive.

practices is no different. Pervasive gender discrimination means that women are already more vulnerable to the impacts of the squeeze from poor purchasing practices. Discrimination within the factory means that they are earning less to start with, and that they bear the brunt of supervisors’ abuse in the tense atmosphere created by time and cost pressure. The nature of that abuse – sexual harassment or physical violence – is itself shaped by gendered biases.

Women have more responsibilities to fulfil outside of the workplace, and so less capacity to absorb low wages, longer hours, and greater uncertainty in working practices. The impact extends beyond them to children, elderly relatives, and other dependents. They are under more pressure to keep their jobs, and less able to resist the difficult changes forced upon them, especially without the support of a trade union.

Giant retailers did not create the gender discrimination inherent in these societies. But purchasing practices that increase pressure on suppliers rely on women workers’ disempowered, disadvantaged position to ensure that these workers continue to subsidise the giant retailers’ profits. Worse, the impact of those purchasing practices on patterns and terms of employment serves to further entrench that disadvantage. Far from lifting women out of poverty, the Giants are cashing in on it.

Chapter 9

Recommendations

The Clean Clothes Campaign has prepared a set of detailed recommendations for the public and private actors with responsibility for the issues outlined in this report. This chapter incorporates input from the CCC's extensive network, including countries where garments are produced.

The recommendations do not form an exhaustive programme of work for companies and governments, but rather they highlight some of the most important areas in which action is needed.

There are three groups of actors. The first section refers to all companies concerned with garment production, including brands, retailers, agents, suppliers, and subcontractors. All are responsible for working conditions in the supply chain. The second singles out the giant retailers specifically, giving recommendations that relate to the areas highlighted in this report. Finally, the third section describes some of the responsibilities of governments, including those in the countries in which garments are made, in those where giant retailers have their headquarters, and countries where the giant retailers sell clothes.

1 Actions for all companies in the garment supply chain

Implementing labour standards

Companies should adopt a code of conduct with labour standards equivalent to or higher than those set out in the CCC code of conduct.²³⁴ The code should apply to all workers, including those in retail, distribution and manufacture, down to the last subcontracting factory or homeworker. It should cover all workplaces regardless of whether there is a direct purchasing relationship, or whether it is mediated by an agent.

The Code of Conduct should be comprehensive, credible and accessible to workers and the general public; this includes publication on the company's website and in factories in the local language and in pictures for the illiterate.

The code should be implemented. Effective monitoring and verification is a necessary – though not sufficient – part of any company's steps to ensure that its code is implemented. Keeping a close watch over the implementation of and compliance with such standards has come to be known as monitoring, the results of which need to be verified.

Because the essence of verification is credibility, it must be performed by organisations or individuals that are independent, financially and otherwise, of the company or organisation whose claims are being verified, and of other commercial actors in garment industry supply chains.

In the development of these systems, companies should engage directly with trade unions and NGOs, for example through a multi-stakeholder initiative (MSI). For such systems to be credible, these organisations should be represented at all decision making levels up to the very highest.

CCC has set out its view of how implementation, monitoring and verification should take place in a multi-stakeholder context elsewhere, including in its model code of conduct and its 'Full Package Approach' publication.²³⁵

2a Actions for the giant retailers in key areas of concern

Within the framework set above, giant retailers should take specific steps to ensure more credible and effective implementation of all standards throughout their supply chains.

With respect to labour standards, they should pay particular attention to freedom of association, the right to a living wage and security of employment.

Promoting access to freedom of association

Proactive and identifiable measures should be taken to ensure that all workers have the right to form and join trade unions of their own choosing and to engage in bona fide collective bargaining with their employers. These should include but not be limited to:

1. Guidance on what is expected from suppliers concerning compliance with these standards and what constitutes appropriate consultative and representative mechanisms. Such guidance should be consistent with the meaning of Freedom of Association developed through ILO procedures.
2. Regular review of policies of suppliers regarding hiring, firing disciplinary actions, and grievances.
3. Support for and facilitation of training of management, workers and workers' representatives (separately and jointly) in freedom of association, collective bargaining and labour-management relations. Such training should be delivered by trade unions or credible labour rights organisations. It should take into account the gendered nature of the workforce in this industry. Buyers and retailers should ensure the full commitment of suppliers to these initiatives.

Some workplaces are located in countries or areas where trade unions are banned or where the state has given a monopoly to a government-controlled labour organisation, and where genuinely independent trade unions are prohibited. In such places, identifiable measures promoting genuine freedom of association should still be taken, including open communication about this policy towards the governments concerned, and engaging the workers collectively and to facilitate their self-organisation in ways that are consistent with the principles of freedom of association and respect for human rights.

Paying a living wage

The giant retailers should incorporate a living wage standard in their codes of conduct. Concrete action should be taken to implement that standard within a regular working week for all workers in the supply chain. Such action should include but not be limited to:

1. Working with local trade unions and labour rights groups to develop a 'ladder' of wage standards for employers to work up through, including a living wage figure for workers in each country or region.

2. Undertaking an independent review of prices paid to suppliers to determine whether these prices are sufficient to allow compliance with international labour standards, including an expected wage for workers that meets their basic needs. This review should take into account the cost of any work undertaken by homeworkers (such as embroidery) and the wages homeworkers receive.
3. Facilitating the establishment of negotiating structures to enable factory managements and trade unions to consolidate the living wage into the existing pay structures of those factories. Again, this should include the rates paid to homeworkers.
4. On a confidential basis, providing information regarding the unit price the buyer is paying for goods to workers' representatives engaged in collective bargaining with suppliers.

Advocating and/or support advocacy towards national governments for increases in the minimum wage consistent with ILO Convention. ²³⁶

Security of employment

Workers undertaking a factory's core work should have the right to security of employment. The use of precarious forms of employment such as short-term contracts, day workers, and third party agencies can only be justified for work that is clearly exceptional or outside of the ordinary day-to-day work of the factory.

Fixed duration contracts should not be used to undercut the legal rights and benefits to which permanent employees are entitled.

This means that:

1. Any use of fixed duration contracts should be in response to a clearly defined plan justifying their use.
2. All fixed duration contracts should provide at least the same salary and benefits accorded to permanent workers performing the same work.
3. A short-term employee should have the automatic right to permanent employment if employed by the same employer for two years, or upon entering into a third contract with the same employer after two fixed-term contracts.
4. Labour-only contracting arrangements or false apprenticeship schemes should not be used to avoid fulfilling obligations to workers.
5. All fixed duration workers should have the right to join the trade union of their choice, including any

union organising permanent workers at the factory in which they work.

Steps should be taken to ensure that other precarious forms of employment such as homeworking are recognised and fully covered by codes of conduct and monitoring and verification systems. Homeworkers should have proper contracts that allow them to prove their status as workers. They should have access to the same social security benefits to which factory workers are entitled.

Gender equality

Steps should be taken to eliminate abuse of and discrimination against women, especially regarding gender differences in payment, training and promotion. Steps should also be taken to address gendered concerns in the implementation of labour standards, including in relation to the action points outlined below (2b).

2b Actions for giant retailers concerning the implementation of labour standards

Traceability and transparency

Companies should:

1. Map and investigate supply chains and develop mechanisms to ensure that they know where work is performed throughout their supply chains, by whom and under what circumstances.
2. Be transparent about the composition of and conditions in the supply chain, including disclosure of:
 - workplace locations
 - findings of workplace investigations or social audits
 - remediation plans and corrective action taken.

Priority should be placed on ensuring feedback to the workers themselves.

No cut and run

Where violations are found at existing suppliers, retailers should not ‘cut and run’, but instead work with these suppliers, trade unions, and other local labour rights organisations to improve conditions.

In general, retailers should always give adequate notice when ending relationships with suppliers, ensuring that full severance charges and other benefits are provided, and supporting retraining and provision of alternative employment opportunities.

Purchasing practices

Retailers should acknowledge that their purchasing practices can be a significant obstacle to achieving decent working conditions in garment supply chains. Purchasing practices should enable and not inhibit suppliers to be decent employers. In order to ensure that this is the case, retailers must:

Assess

As an integral part of code implementation, retailers should determine the positive and negative impacts of their purchasing practices on the working conditions, and on efforts to improve compliance. Attention should be paid to the impact on more susceptible groups of workers, including women, migrants, contract workers and homeworkers.

Remediate

Develop and implement a plan to reform or eliminate those purchasing practices that have a negative impact – and promote those that have a positive impact – on working conditions and on efforts to improve compliance.

Communicate

Disclose the outcomes of the impact assessment, the contents of the remediation plan, and progress towards implementing it to workers throughout the supply chain, their representatives, and the public.

Responsible retailing practices

The giant retailers’ responsibilities with regard to labour rights do not stop with the implementation of decent labour standards for garment workers. The rights of workers in retail and distribution are just as important as those of workers further down the supply chain. Furthermore, decisions that giant retailers make with regard to selling practices in the retail market can increase price pressure on their competitors, and therefore have an impact on workers in other retailers’ supply chains. Therefore it is important that the Giants:

Implement decent labour standards for workers in retail and distribution

Retailers must apply their code to all workers, including retail, distribution and franchise store workers, taking into account the predominantly female nature of the retail workforce.

Set and advertise retail prices in a responsible manner

Giant retailers’ large buying power, market share, and dominance in a range of retail segments give them an unfair advantage and allow them to manipulate pricing, for example by selling certain products at below-cost retail prices. Combined with aggressive, price-led

advertising, this also creates consumer expectations of unsustainably low prices. These practices force other retailers to cut prices in response, fuelling the ‘race to the bottom’ in both retail and supply markets. In doing so, they can reinforce the impact of purchasing practices, creating another obstacle to improved working conditions.

3 Governments

All governments should pass and implement legislation to safeguard all workers’ rights. Regulation should take account of the need to address specific gendered issues.

Labour legislation

All governments should:

1. Ratify (where they are not ratified), pass legislation to implement, and enforce compliance with all relevant ILO Conventions.²³³
2. Ensure that national labour legislation upholds internationally-recognised standards. Emphasis should be placed on a robust legal framework for trade union rights, on setting minimum wages that are living wages, and on ensuring that precarious forms of employment are not used to undercut the legal rights and benefits to which permanent employees are entitled.
3. Effectively implement and enforce national labour legislation, among others by allocating enough resources and instruments to labour inspectors.
4. Promote respect for workers’ rights through international organisations such as the International Labour Organisation, including the ILO’s Decent Work Agenda, as well as other relevant UN bodies and intergovernmental organisations.
5. Promote a role for the ILO in making the implementation of codes of labour practice more effective.
6. Legislate against corruption and lobbying that can lead to the undermining of national and international labour standards.

Trade and investment agreements

All governments should retain a right to regulate investments that do not contribute to the goals of sustainable development and decent work, and do not respect fundamental rights. The responsibility is on both sides:

Countries hosting foreign direct investment (FDI)

Governments should not make concessions to foreign direct investors that allow them to take advantage of trade and investment regulations and incentives without having a positive effect on the country’s economy and social conditions, and in particular they should not compromise existing labour law as described above.

Home countries of foreign direct investors and giant retailers

First, trade and investment agreements with host countries of garment production should leave room for these countries to regulate their investment and labour markets, and enforce existing labour law, in the manner described above. Second, they should include mechanisms to hold all actors in the supply chain – those based in the home country as well as the host – to account in their home countries for actions that undermine respect for internationally-recognised workers’ rights or national labour laws throughout the supply chain.

Retailer accountability

All governments, including the European Union institutions, should put in place a legal framework that holds companies, including giant retailers, to account for workers’ rights violations throughout their supply chains, and gives workers a legal right of redress. This legal mechanism should exist both in countries where the products concerned are sold and in the country where the company is headquartered.

This should mean that:

1. accountability extends throughout the supply chain, including extra-territorially and to workers at suppliers and subcontractors;
2. all workers in the supply chain have a legal right of redress, and home country governments have the capacity to apply sanctions for violations of labour rights occurring anywhere in giant retailers’ supply chains (without prejudice to host countries’ ability to apply sanctions for violations occurring in on their own soil);
3. market forces do not continue to drive down working conditions below internationally-recognised standards;

4. such companies do not exploit their buyer power to the extent that fundamental labour rights are compromised.

Governments should assess whether existing regulatory frameworks such as competition and contract law could be used, strengthened, and adapted to ensure the above. Where existing mechanisms are insufficient, they should put in place a new regulatory framework to deliver it, with effective implementation.

Flaws in Giant Retailers' Codes of Conduct

Standard	Jo-In [For comparison purposes; current best standard in sector]	Tesco/Asda (ETI)	Walmart	Carrefour	Lidl/Aldi (BSCI)
Working hours	<p>The company shall comply with applicable laws and industry standards on working hours, whichever offers greater protection.</p> <p>The regular workweek shall be as defined by law but shall not exceed 48 hours.</p> <p>Workers shall be provided with at least one day off after each six consecutive days of work, as well as public and annual holidays. All overtime work shall be voluntary, shall not be demanded on a regular basis, shall be reimbursed at least at such a premium rate as required by law and under no circumstances shall exceed 12 hours per employee per week.</p> <p>In those countries where a premium rate for overtime is not legally required, workers shall be compensated for overtime at a premium rate at least one and one half of their regular hourly compensation rate.</p>	<p>Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.</p> <p>In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.</p>	<p>Suppliers shall maintain reasonable employee work hours in compliance with local standards and applicable laws of the jurisdictions in which the suppliers are doing business. Suppliers' employees shall not work more than 72 hours per 6 days or work more than a maximum total working hours of 14 hours per a continuous 24 hour period.</p> <p>Supplier's factories should be working toward achieving a 60-hour workweek. Walmart will not use suppliers who, on a regularly scheduled basis, require employees to work in excess of the statutory requirements without proper compensation as required by applicable law. Employees should be permitted reasonable days off (at least one day off for every seven-day period) and leave privileges.</p>	<p>Guarantee workers' working conditions particularly with regard to the duration of working hours, enabling us to ensure their health, their safety and their moral integrity.</p>	<p>The supplier company shall comply with applicable national laws and industry standards on working hours. The maximum allowable working hours in a week are as defined by national law but shall not on a regular basis exceed 48 hours and the maximum allowable overtime hours in a week shall not exceed 12 hours.</p> <p>Overtime hours are to be worked solely on a voluntary basis and to be paid at a premium rate. An employee is entitled to at least one free day following six consecutive days worked.</p>

Standard	Jo-In [For comparison purposes; current best standard in sector]	Tesco/Asda (ETI)	Walmart	Carrefour	Lidl/Alcidi (BSCI)
<p>Wages</p>	<p>Workers shall have the right to a living wage. Wages and benefits paid for a standard working week shall, as a floor, always comply with all applicable laws, regulations and industry minimum standards and shall be sufficient to meet basic needs of workers and their families and provide some discretionary income.</p> <p>The level of wages and benefits will be reviewed on a regular basis. Freedom of collective bargaining will be respected.</p> <p>Deductions from wages shall not be made for disciplinary purposes, nor shall any deductions not provided for by national law be permitted without the express written permission of the worker concerned.</p> <p>All workers shall be provided with written and understandable information about their employment conditions, including wages and benefits, before entering employment. The particulars of their wages shall be provided to the workers concerned for the whole pay period each time they are paid.</p> <p>Remuneration shall be rendered either in cash or check form, in a manner convenient to workers.</p> <p>Wages and other benefits shall be paid on a regular and timely basis.</p>	<p>Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.</p> <p>All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.</p> <p>Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.</p>	<p>Suppliers shall fairly compensate their employees by providing wages and benefits which are in compliance with the local and national laws and regulations of the jurisdictions in which the suppliers are doing business, or which are consistent with the prevailing local standards in the countries, if the prevailing local standards are higher.</p>	<p>Grant workers remuneration which satisfies their fundamental needs and those of the members of their family who are directly dependent on them, including food, clothing and sufficient housing. This remuneration must, at least, correspond to the minimum wage fixed by the legislation of the country in question.</p>	<p>Wages paid for regular working hours, overtime hours and overtime differentials shall meet or exceed legal minimums and/or industry standards. Illegal, unauthorised or disciplinary deductions from wages shall not be made.</p> <p>In situations in which the legal minimum wage and/or industry standards do not cover living expenses and provide some additional disposable income, supplier companies are further encouraged to provide their employees with adequate compensation to meet these needs.</p> <p>Deductions from wages as a disciplinary measure are forbidden. Supplier companies shall ensure that wage and benefits composition are detailed clearly and regularly for workers; the supplier company shall also ensure that wages and benefits are rendered in full compliance with all applicable laws and that remuneration is rendered in a manner convenient to workers.</p>

Standard	Jo-In [For comparison purposes; current best standard in sector]	Tesco/Asda (ETI)	Walmart	Carrefour	Lidl/Aldi (BSCI)
Trade Union Rights	<p>The right of all workers to form or join trade unions of their choice and to bargain collectively shall be recognised and respected. The company shall recognise the trade union(s) of the workers' choice. The company shall adopt a positive approach towards the activities of trade unions and an open attitude towards the organisational activities of workers.</p> <p>No worker, or prospective worker, shall be subject to dismissal, discrimination, harassment, intimidation or retaliation for reason of union membership or participation in trade union activities.</p> <p>The company shall ensure that workers' representatives have free access to all workplaces to carry out their representation functions and shall not, without justification, impede access for union organisers to employees.</p>	<p>Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.</p> <p>The employer adopts an open attitude towards the activities of trade unions and their organisational activities.</p> <p>Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.</p> <p>Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining</p>	<p>Suppliers will respect the rights of employees regarding their decision of whether to associate or not to associate with any group, as long as such groups are legal in their own country.</p> <p>Suppliers must not interfere with, obstruct or prevent such legitimate activities</p>	<p>Ensure workers have the right to organise themselves freely into unions and be presented by organisations of their choice so as to carry out collective bargaining</p>	<p>The right of all personnel to form and join trade unions of their choice and to bargain collectively shall be respected. In situations or countries in which the rights regarding freedom of association and collective bargaining are restricted by law, parallel means of independent and free organisation and bargaining shall be facilitated for all personnel. It shall be ensured that representatives of personnel have access to their members in the workplace.</p>

Endnotes

- 1 All monetary amounts in this report are reported in euros. Where we have converted the original currencies into euros this was done using the Co Currency.com website, which provides historical exchange rates.
Available at <http://www.gocurrency.com/v2/historic-exchange-rates.php?ccode2=EUR&ccode=USD&frMonth=11&frDay=17&frYear=2008>.
For dollar-euro conversions calculated during the period 2003-2007 we made use of the CIA's World Factbook.
Available at <https://www.cia.gov/library/publications/the-world-factbook/fields/2076.html>.
- 2 Bharat Book Bureau. 2007. *Opportunities in Brazil Retail Sector (2007-2011)*. [Online]
Available at: <http://www.bharatbook.com/detail.asp?id=53013> (Accessed 6 December 2008)
- 3 Reardon T. & A. Gulati. 2008. *The Supermarket Revolution in Developing Countries*. International Food Policy Research Institute. [Online]
Available at: <http://www.ifpri.org/pubs/bp/bp002.asp#read> (Accessed 6 December 2008)
- 4 Gale, F. & T. Reardon. 2005. China's supermarkets present export opportunity. *Asia Times Online*, [Online] 24 June.
Available at: <http://www.atimes.com/atimes/China/GF24Ad02.html> (Accessed 6 December 2008)
- 5 Research and Markets. 2008. *China: Supermarkets and Hypermarkets Development in China*. [Online]
Available at: <http://www.researchandmarkets.com/reports/601190> (Accessed 6 December 2008)
- 6 For example, one US survey concluded that women shopping alone constitute 60% of grocery shoppers, compared to men shopping alone 18% and couples 22%. Ryan, T. Targeting Male Grocery Shoppers. *RetailWire*. [Online]
Available at: http://www.retailwire.com/Discussions/Sngl_Discussion.cfm/12220 (Accessed 6 December 2008)
- 7 Mamou, Y. 2008. Wal-Mart ignore la crise, et compte même en tirer profit. *Le Monde*. [Online] 25 November.
Available at: http://www.lemonde.fr/la-crise-financiere/article/2008/11/25/wal-mart-ignore-la-crise-et-compte-meme-en-tirer-profit_1122864_1101386.html (Accessed 6 December 2008)
- 8 Carrefour Group. 2006. *Carrefour Group and Sustainable Development: Our responses to 6 major issues*. [Online]
Available at: www.carrefour.com/docroot/groupe/C4com/Commerce%20responsable/Publications/CarrefourLeaflet2006GB.pdf (Accessed 6 December 2008)
- 9 Wallop, H. 2007. £1 in every seven now spent in Tesco. *Telegraph*. [Online] 16 April.
Available at: <http://www.telegraph.co.uk/news/uknews/1548742/andpound1-in-every-seven-now-spent-in-Tesco.html> (Accessed 6 December 2008)
- 10 Leahy, T. 2008. Tesco chief: 'We must go green'. *The Guardian*. [Online] 3 September.
Available at <http://www.guardian.co.uk/environment/2008/sep/03/corporatesocialresponsibility.carbonfootprints> (Accessed 6 December 2008)
- 11 Rigby, E. & J. O'Doherty. 2008. Discounters lure UK shoppers. *Financial Times*. [Online] 10 October.
Available at: <http://www.ft.com/cms/s/0/415cf902-9623-11dd-9dce-000077b07658.html> (Accessed 6 December 2008)
- 12 Aldi. 2008. *Company Fact Sheet*. [Online]
Available at: http://aldi.us/us/html/company/5565_ENU_HTML.htm (Accessed 6 December 2008)
- 13 Euromonitor Global Market information Database, <http://www.euromonitor.com/gmid/>
- 14 Wick, I. 2007. *Aldi 's Clothing Bargains – Discount buys discounting standards?* SÜDWIND Institut für Ökonomie und Ökumene. [Online]
Available at: www.suedwind-institut.de/downloads/ALDI-publ_engl_2007-08.pdf (Accessed 6 December 2008)
- 15 Walmart. 2006. *Message from Lee Scott*. [Online]
Available at: http://Walmartfacts.com/reports/2006/ethical_standards/letter.html (Accessed 6 December 2008).
- 16 Quoted in Hird, V. & H. Burley. 2005. *The Tesco Takeover*. Friends of the Earth. [Online]
Available at: http://www.foe.co.uk/resource/marketing_material/tesco_takeover_leaflet.pdf (Accessed 6 December 2008)
- 17 The five companies highlighted in this report -- Aldi, Carrefour, Lidl, Tesco, and Walmart -- were sent a draft version of the report before its release and given the opportunity to submit factual corrections.

- 18 Market shares: M&S 9.1%, Asda 9.4%, Tesco 6.5%, Sainsbury's 2% (estimates). Taken from Thornton, P. 2004. By George, M&S loses its clothing sales crown to Asda. *The Independent*, [Online] 23 August. Available at: <http://www.independent.co.uk/news/business/news/by-george-mamps-loses-its-clothing-sales-crown-to-asda-557524.html> (Accessed 6 December 2008)
- 19 Wick, I. 2007. *op.cit.*
- 20 Crabbé, C. & N. Leroy. 2007. *Profil Carrefour*. Campagne Vêtements Propres. Document on file.
- 21 All figures taken from most recent Annual Income Statement Available on corporate websites as of 6 December 2008, except for Aldi and Lidl, taken from Top 150 Händler Welt 2007. *Lebensmittel Zeitung*. 2008. [Online] Available at <http://www.lz-net.de/rankings/handelwelt/pages/show.prl?id=272> (Accessed 6 December 2008)
- 22 Company figures as before. Gross Domestic Product (GDP) figures taken from *The World Factbook*. Central Intelligence Agency. [Online]. Available at <https://www.cia.gov/library/publications/the-world-factbook/fields/2195.html> (Accessed 6 December 2008)
- 23 Kuipers, P. 2004. Lidl: Darwinian Discount. *Elsevier Food International*, [Online]. 7 (1) Available at: <http://www.foodinternational.net/articles/retail-profile/72/lidl-darwinian-discount.html> (Reed Business) (Accessed 6 December 2008)
- 24 £ 15 and £ 6. Rankine, K. 2003. Piggybacking the elephant in £ 6 jeans. *The Telegraph*, [Online]. 14 January. Available at <http://www.telegraph.co.uk/finance/2839535/Piggybacking-the-elephant-in-andpound6-jeans.html> (Accessed 6 December 2008).
- 25 £ 3. Asda. 2008. *Value Jean*. [Online] Available at: <http://direct.asda.com/Value-Jean/GEM2633,default.pd.html> (Accessed 6 December 2008)
- 26 Vorley, B (2007). Cited in Alam, K. et al. 2008. *Who pays for our clothing from Lidl and Kik?* Clean Clothes Campaign. [Online] Available at: http://www.sauberekleidung.de/downloads/publikationen/2008-01_Brosch-Lidl-KiK_en.pdf (Accessed 6 December 2008)
- 27 31.5%, Nesbitt, L. 2008. Discounters Aldi, Lidl Gain UK Grocery Market Share (Update1). *Bloomberg*, [Online] 16 September. Available at: <http://www.bloomberg.com/apps/news?pid=20601102&sid=aGsq4JcETKfo&refer=uk> (Accessed 6 December 2008)
- 28 Crabbé, C. & N. Leroy. 2007. *op.cit.*
- 29 Bianco, A. & W. Zellner. 2003. Is Wal-Mart too powerful? *Business Week*, [Online] 6 October Available at: http://www.businessweek.com/magazine/content/03_40/b3852001_mz001.htm (Accessed 6 December 2008)
- 30 Wick, I. 2007. *op.cit.*
- 31 Bianco, A. & W. Zellner. 2003. *op.cit.*
- 32 http://www.marketresearchworld.net/index2.php?option=com_content&do_pdf=1&id=607
- 33 Source: Lists provided on giant retailers' websites. Accessed 6 December 2008
- 34 See, for example, Dickinson, M. 2008. Tesco buys S. Korea hypermarkets in £958m deal. *The Independent*, [Online] 14 May. Available at: <http://www.independent.co.uk/news/business/news/tesco-buys-s-korea-hypermarkets-in-pound958m-deal-827849.html> (Accessed 6 December 2008)
- 35 Lin, J. 2005. Carrefour-Tesco deal moves forward. *Taipei Times*, [Online] 21 November. Available at: <http://www.taipetimes.com/News/biz/archives/2005/11/21/2003281133> (Accessed 6 December 2008)
- 36 US\$ 9 billion: Chaney, J. 2008. Wal-Mart upbeat on Asia drive amid US Woes. *Reuters*, [Online] 3 September. Available at: <http://www.reuters.com/article/reutersEdge/idUSPAT33296420080903> (Accessed 6 December 2008)
- US\$ 3 billion: Jianguo, J. & S. Shen. 2007. Sales soar for Wal-Mart and Carrefour in China. *International Herald Tribune*, [Online] 27 March. Available at: <http://www.ihf.com/articles/2007/03/27/bloomberg/sxchisales.php> (Accessed 6 December 2008)
- 37 Chandler, C. 2005. The great Wal-Mart of China. *Fortune*, [Online] 25 July. Available at: http://money.cnn.com/magazines/fortune/fortune_archive/2005/07/25/8266651/index.htm (Accessed 6 December 2008)
- 38 This section is based on information from <http://www.tescopoly.org>
- 39 UNI Commerce. 2007. *Unions Accuse Lidl of Serious Rights Violations in Several European Countries*. [Online] Available at: http://www.union-network.org/UNISITE/Sectors/Commerce/Multinationals/Lidl_unions_in_Europe_accuse_of_rights_violations.htm (Accessed 6 December 2008)
- 40 Friends of the Earth. 2006. *Paying for Tesco's Profits*. Press briefing. [Online] Available at: http://www.foe.co.uk/resource/press_releases/paying_for_tescos_profits_24042006.html (Accessed 6 December 2008);
- Friends of the Earth. 2006. *Tesco the new green chameleon*. [Online] Available at: http://foe.co.uk/resource/press_releases/tesco_

the_new_green_chamel_25042006.html
(Accessed 6 December 2008)

- 41 Carrell, S. 2003. Tesco admits selling banned hardwoods. *The Independent*, [Online] 13 July. Available at: <http://www.independent.co.uk/environment/tesco-admits-selling-banned-hardwoods-586670.html> (Accessed 6 December 2008)
- 42 Mitchell, S. *Keep Your Eyes on the Size: The impossibility of a green Wal-Mart*. [Online] Available at: <http://www.grist.org/comments/soap-box/2007/03/28/mitchell/> (Accessed 6 December 2008)
- 43 Friends of the Earth. 2007. *Farmers speak out over the impact of low milk prices*. [Online] Available at: http://www.tescopoly.org/images/stories/farmers_speak_out_over_the0.pdf (Accessed 6 December 2008)
- 44 Ball, J. 2008. Retailers profit while growers are crucified. *The Grocer*. [Online] 3 November. Available at: <http://www.thegrocer.co.uk/articles.aspx?page=articles&ID=194689> (Accessed 6 December 2008)
- 45 See, for example, Yates, L. 2008. *Cut-price, What Cost? How supermarkets can affect your chances of a healthy diet*. [Online] National Consumer Council. Available at: http://www.sustainweb.org/pdf/NCC217rr_cut-price_what_cost.pdf (Accessed 6 December 2008)
- 46 Walmart Watch. *Low prices at a high cost: who really pays for Wal-Mart workers' health care?* [Online] Available at: <http://Walmartwatch.com/pages/healthcare> (Accessed 6 December 2008)
- 47 Cited in Friends of the Earth. 2003. *Tesco: Exposed*. Press briefing. [Online] Available at: http://www.foe.co.uk/resource/briefings/tesco_exposed.pdf (Accessed 6 December 2008)
- 48 Thomson StreetEvents. 2008. *WMT - Q2 2009 Wal-Mart Stores Inc. Pre-Recorded Earnings Conference Call*. Page 4. [Online] Available at: <http://www.Walmartstores.com/download/3083.pdf> (Accessed 6 December 2008)
- 49 Claeson, B. 2008. *Sweatshop Solutions? Economic Ground Zero in Bangladesh and Wal-Mart's Responsibility*. SweatFree Communities. [Online] Available at http://www.sweatfree.org/docs/SFC_Sweatshop-Solutions_loRes.pdf (Accessed 6 December 2008)
- 50 Carrefour. 2007. *Carrefour group building responsible relationships*. 2007 Sustainability Report. [Online] Available at: <http://www.carrefour.com/docroot/groupe/C4com/Commerce%20responsable/Publications/RDD%202007%20GB.pdf> (Accessed 6 December 2008)
- 51 Joint Initiative on Corporate Accountability and Workers' Rights. 2006. *Jo-In Draft Common Code 5.05*. [Online] Available at: <http://www.jo-in.org/pub/docs/Jo-In%20Draft%20Common%20Code%205.05.pdf> (Accessed 6 December 2008)
- 52 Barrientos, S & S. Smith. 2006. *The ETI Code of Labour Practice: Do workers really benefit?* Brighton: Institute of Development Studies
- 53 Social Accountability International. *Supporting Level*. [Online] Available at: <http://www.sa-intl.org/index.cfm?fuseaction=Page.viewPage&pageId=558&parentID=747&grandparentID=4&nodeID=1> (Accessed 6 December 2008)
- 54 Carrefour. 2005. *Suppliers' Charter*. [Online] Available at: http://www.carrefour.com/docroot/groupe/C4com/Pieces_jointes/Carrefour%20Supplier%20Charter%20EN.pdf (Accessed 6 December 2008);
- Walmart. *Standards for Suppliers*. [Online] Available at: <http://Walmartstores.com/download/2727.pdf> (Accessed 6 December 2008)
- 55 CIES. *About GSCP*. [Online] Available at: <http://www.ciesnet.com/2-wwedo/2.2-programmes/2.2.gscp.background.asp> (Accessed 6 December 2008)
- 56 Sedex. *The Supplier Ethical Data Exchange*. [Online] Available at: <https://www.sedex.org.uk/bc/cm/site.php?root=19922> (Accessed 6 December 2008)
- 57 BSCI homepage. [Online] Available at: <http://www.bsci-eu.com/> (Accessed 6 December 2008)
- 58 BSCI. 2006. *BSCI Code of Conduct*. [Online] Available at: <http://www.bsci-eu.com/dl.php?id=10132> (Accessed 6 December 2008)
- 59 Alam, K. et al. *op.cit.*
- 60 Wick, I. *op.cit.*
- 61 SACOM. 2007. *The Story of Toys Made in China for Wal-Mart*. [Online] Available at: http://sacom.hk/wp-content/uploads/2008/07/Walmart_reportsacomjun2007.pdf (Accessed 6 December 2008)
- 62 £ 0.05. Hearson, M. & K. Alam. 2006. *Fashion Victims: The true cost of cheap clothes at Primark, Asda and Tesco*. War on Want. [Online] Available at: <http://www.waronwant.org/download.php?id=496> (Accessed 6 December 2008)
- 63 Birchall, J. 2005. Wal-Mart faces sweat-shop lawsuit. *Financial Times*, [Online] 14 September.

Available at: <http://www.ft.com/cms/s/0/35006716-24bb-11da-a5d0-00000e2511c8.html> (Accessed 6 December 2008)

- 64 Crabbé, C. & N. Leroy. 2007. *op.cit.*
- 65 Pruet, D. 2005. *Looking for a Quick Fix: How weak social auditing is keeping workers in sweatshops.* [Online] Clean Clothes Campaign. Available at: http://www.cleanclothes.org/ftp/05-quick_fix.pdf (Accessed 6 December 2008)
- 66 *Los Angeles Times.* The Wal-Mart Effect. [Online] Available at: <http://www.latimes.com/business/la-Walmart-sg,1,1534896.storygallery> (Accessed 6 December 2008)
- 67 UNI Commerce. 2006. *UNI Commerce Global Union forms a Tesco Alliance.* [Online] Available at: http://www.union-network.org/UNISite/Sectors/Commerce/Multinationals/Tesco_UNI_Commerce_Alliance.htm (Accessed 6 December 2008)
- 68 Birchall, J. 2006. Tesco job ads follow non-union line. *Financial Times*, [Online] 26 May. Available at: http://us.ft.com/ftgateway/superpage.ft?news_id=fto052620061752280764 (Accessed 6 December 2008)
- 69 Teather, D. 2008. American unions bring Tesco fight to UK. *The Guardian*, [Online] 5 June. Available at <http://www.guardian.co.uk/business/2008/jun/05/tesco.supermarkets> (Accessed 6 December 2008)
- 70 Alam, K. et al. 2008. *op.cit.*
- 71 Hamaan, A. 2006. *The Black Book on Lidl in Europe.* Berlin: ver.di.
- 72 Markin, N. 2004. Corporate Scumbag: Aldi's anti-union empire. *Green Left Weekly.* [Online] 2 June. Available at: <http://www.greenleft.org.au/2004/584/32414> (Accessed 6 December 2008)
- 73 Walmart spokesperson Jessica Moser, cited in Olson, K. 2002. Always a Rat Race, Never a Union. *Texas Observer.* [Online] 15 February. Available at: <http://www.highbeam.com/doc/1P3-506710441.html> (Accessed 6 December 2008)
- 74 Pier, C. 2007. *Discounting Rights: Wal-Mart's Violation of US Workers' Right to Freedom of Association.* Human Rights Watch. [Online] Available at: <http://www.hrw.org/english/docs/2007/05/01/us-dom15797.htm> (Accessed 6 December 2008)
- 75 *ibid*
- 76 *ibid*
- 77 CBC News. 2008. *Wal-Mart closes shop where union contract imposed.* [Online]. 16 October.
- 78 £ 850,000. BBC News Online. 2006. *Asda faces £ 850,000 tribunal cost.* [Online] 10 February. Available at: <http://news.bbc.co.uk/1/hi/england/wear/4702236.stm> (Accessed 6 December 2008)
- 79 US\$ 2 billion. Greenhouse, S. 2008. Wal-Mart Faces Fine in Minnesota Suit Involving Work Breaks. *New York Times*, [Online] 2 July. Available at: <http://www.nytimes.com/2008/07/02/business/02Walmart.html> (Accessed 6 December 2008)
- 80 Wal-Mart class website. 2008. [Online] Available at: <http://www.Walmartclass.com> (Accessed 6 December 2008)
- 81 Geraud, A. 2008. Amendes records pour Carrefour, d'autres enseignes sont sur le gril. *Liberation.* [Online] 28 October. Available at: <http://libelyon.blogs.liberation.fr/info/2008/10/amendes-record.html> (Accessed 6 December 2008)
- 82 <http://www.rtb.be/info/societe/entreprises/carrefour-les-delegues-cne-56782>
- 83 Data from European Commission Market Access Database. Available at: <http://mkacddb.eu.int/mkacddb2/indexPubli.htm> (Accessed 6 December 2008)
- 84 Bangladesh Garment Manufacturers and Exporters Association (BGMEA). 2008. *RMG export statistics.* [Online] Available at: http://bgmea.com.bd/index.php?option=com_content&task=view&id=56&Itemid=175 (Accessed 6 December 2008)
- 85 US\$ 7.75 billion. Senthikumar, M. & S. Sivakumar. 2006. Indian textile industry in 2006: An overview. *The Indian Textile Journal.* [Online] Available at: <http://www.indiantextilejournal.com/articles/FAdetails.asp?id=692> (Accessed 6 December 2008)
- 86 *ibid*
- 87 Apparel Exporters Association (AEA) of Sri Lanka. *Apparel Industry.* [Online] Available at: http://www.garments.lk/apparel_industry.htm (Accessed 6 December 2008)
- 88 US\$3.1billion. Board of Investment of Sri Lanka. *Textile and Apparels.* [Online] Available at: http://www.boi.lk/BOI2008/ls_textile_apparel.asp (Accessed 6 December 2008)
- 89 Board of Investment of Thailand. 2003. *Speech on Fashion Industry in Thailand.* [Online] Available at: www.boi.go.th/english/download/business_sectors/4/November_Fashion_speech_2003.pdf (Accessed 6 December 2008)

- 90 US\$7 billion. Thailand Textile Institute. 2008. *Thai Textile and Clothing Statistics*. [Online]
Available at: [http://www.thaitextile.org/nstatistic/Thai %20Textile%20Stat.%20Jan%2008.xls](http://www.thaitextile.org/nstatistic/Thai%20Textile%20Stat.%20Jan%2008.xls) (Accessed 6 December 2008)
- 91 For a discussion of various means of calculating wages, see Setrini, G. 2005. *Wages in the Apparel Industry: What constitutes a decent standard?* Background paper for the Jo-In/MIT meeting on “Exploring common approaches to Corporate Accountability and Workers’ Rights” [Online]
Available at: http://www.cleanclothes.org/ftp/05-07-mit_living_wages.pdf (Accessed 6 December 2008)
- 92 Ethical Trading Initiative. *The Base Code*. [Online]
Available at: http://www.ethicaltrade.org/Z/lib/base/code_en.shtml (Accessed 6 December 2008)
- 93 Hearson, M. & A. Morser. 2007. *Let’s Clean Up Fashion: 2007 Update*. [Online] Labour Behind the Label/War on Want.
Available at: <http://www.labourbehindthelabel.org/resources/reports/20/190-1cuf2007> (Accessed 6 December 2008)
- 94 Internal study, document held on file.
- 95 Labour Behind the Label. 2006. *Bangladesh Wage Board Announces New Minimum Wage*. [Online]
Available at: <http://www.labourbehindthelabel.org/campaigns/urgent/archive/41-bangladesh/144> (Accessed 6 December 2008)
- 96 *Daily Star*. 2008. *Settle RMG wage-hike issue, govt asks trade bodies*. [Online] 9 September.
Available at: <http://www.thedailystar.net/story.php?nid=55321> (Accessed 6 December 2008)
- 97 *The Financial Express*. 2008. *Tk 4500 sought as minimum wage for garment workers*. [Online] 1 September.
Available at: http://www.thefinancialexpress-bd.info/search_index.php?page=detail_news&news_id=44250 (Accessed 6 December 2008)
- 98 All figures from Paycheck.in. 2008. *Minimum Wages in India*. [Online] Available at: <http://www.paycheck.in/main/officialminimumwages> (Accessed 6 December 2008)
- 99 Study by GATWU, document on file, August 16, 2008, p.3
- 100 Board of Investment of Thailand. 2008. *Cost of doing business in Thailand*. [Online].
Available at: <http://www.boi.go.th/english/how/demographic.asp> (Accessed 6 December 2008)
- 101 Yimprasaert, J.L. 2006. *The Life of Football Factory Workers in Thailand*. [Online] Thai Labour Campaign.
Available at: http://www.cleanclothes.org/ftp/Life_football_workers_of_thailand.pdf (Accessed 6 December 2008)
- 102 Samaraweera, D. 2008. Rs 30 million campaign for garment workers. *The Sunday Times Online*. [Online] 9 March.
Available at: <http://sundaytimes.lk/080309/FinancialTimes/ft339.html> (Accessed 6 December 2008)
- 103 Samaraweera, D. 2007. Garment workers in ‘Living Wage’ campaign to raise wages. *The Sunday Times Online*. [Online] 23 September.
Available at: <http://sundaytimes.lk/070923/FinancialTimes/ft328.html> (Accessed 6 December 2008)
- 104 CCC field research report, Sri Lanka, August 2008, page 21
- 105 Centre for policy dialogue. 2003
<http://www.cpd-bangladesh.org/publications/dr/DR-54.pdf>
- 106 CCC field research report, India, May 2008, page 16
- 107 CCC field research report, Bangladesh, August 2008, pages , page 39, 51
- 108 *ibid*. Seven out of ten had workers earning a basic wage of Tk 1662
- 109 *ibid*, page 46
- 110 *ibid*, page 37
- 111 *ibid*, page 37
- 112 CCC field research report, India, May 2008, page 34
- 113 CCC field research report, India, May 2008, page 56
- 114 CCC field research report, Sri Lanka, August 2008, page 21
- 115 *ibid*, page 41
- 116 CCC field research report, Bangladesh, August 2008, pages 13-16, 23-25
- 117 *ibid*, page 16
- 118 *ibid*, pages 14, 24
- 119 *ibid*, page 20
- 120 CCC field research report, India, May 2008, page 52
- 121 *ibid*, page 52
- 122 *ibid*, page 75
- 123 *ibid*, page 74
- 124 *ibid*, page 20
- 125 *ibid*, page 52
- 126 *ibid*, page 54

- 127** *ibid*, page 53
- 128** *ibid*, page 57
- 129** *ibid*, page 58
- 130** CCC field research report, Sri Lanka, August 2008, page 22
- 131** *ibid*, page 42
- 132** International Trade Union Confederation (ITUC). 2007. *Annual Survey of Violations of Trade Union Rights*. [Online] Available at: <http://survey07.ituc-csi.org/getcontinent.php?IDContinent=0&IDLang=EN> (Accessed 6 December 2008)
- 133** *ibid*
- 134** *ibid*.
- 135** *ibid*.
- 136** *ibid*.
- 137** *ibid*.
- 138** *ibid*.
- 139** *ibid*.
- 140** *ibid*
- 141** CCC field research report, India, May 2008, page 78
- 142** *ibid*, page 65
- 143** CCC field research report, Bangladesh, August 2008, page 49
- 144** *ibid*, page 49
- 145** *ibid*, page 36
- 146** CCC field research report, India, May 2008, page 64
- 147** *ibid*, page 39
- 148** CCC field research report, Bangladesh, August 2008, page 32
- 149** *ibid*, page 32
- 150** *ibid*, pages 40-32
- 151** CCC field research report, India, May 2008, page 39
- 152** Alam, K. et al. *op.cit*.
- 153** CCC field research report, India, May 2008, page 61
- 154** *ibid*, page 25
- 155** CCC field research report, Sri Lanka, August 2008, pages 13, 18
- 156** CCC field research report, India, May 2008, page 62
- 157** CCC field research report, Thailand, July 2008
- 158** CCC field research report, India, May 2008, page 75
- 159** *ibid*, page 58
- 160** *ibid*, page 58
- 161** *ibid*, pages 74-75
- 162** *ibid*, page 76
- 163** *ibid*, page 76
- 164** *ibid*, page 40
- 165** The ETI code can be found at: http://www.ethicaltrade.org/Z/lib/base/code_en.shtml
- 166** *ibid*, page 63
- 167** CCC field research report, Bangladesh, August 2008, page 11
- 168** Carrefour Group. *The Group and its Suppliers*. [Online] Available at: <http://www.carrefour.com/cdc/responsible-commerce/our-social-and-ethical-approach/the-group-and-its-suppliers/> (Accessed 6 December 2008)
- 169** Crabbé, C. & N. Leroy. 2007. *op.cit*.
- 170** Walmart Stores, Inc. 2006. *Report on Ethical Sourcing*. [Online] Available at: http://Walmartfacts.com/reports/2006/ethical_standards/documents/2006ReportonEthicalSourcing.pdf
- 171** *ibid*
- 172** CCC has discussed what it means by 'rigorously and effectively' elsewhere. See Pruett, D. 2005. *op.cit*.
- 173** CCC field research report, India, May 2008, page 63
- 174** *ibid*, page 63
- 175** *ibid*, page 31
- 176** CCC field research report, Bangladesh, August 2008, page 40
- 177** CCC field research report, India, May 2008, page 31
- 178** Crabbé, C. & N. Leroy. 2007. *op.cit*.
- 179** CCC field research report, India, May 2008, page 72
- 180** Wick, I. 2007. *op.cit*.

- 181 CCC field research report, India, May 2008, page 72
- 182 *ibid*, page 73
- 183 Another recent report notes that, “some manufacturers with weak labour standards preferred dealing with agents rather than with retailers’ or brands’ regional sourcing offices since some agents have a reputation of being less strict on labour standards.” Impactt and Traidcraft Exchange. 2008. *Material Concerns: How responsible sourcing can deliver the goods for business and workers in the garment industry*. [Online] Available at <http://www.impacttlimited.com/wp-content/uploads/2008/10/garment-report.pdf> (Accessed 6 December 2008)
- 184 CCC field research report, India, May 2008, page 11
- 185 *ibid*, page 11
- 186 *ibid*, page 27
- 187 For example, workshops on “Fundamentals of Retail Link® Software” from Delta Associates Inc. More information at: <http://www.delta-assoc.com/RetailLink.htm> (Accessed 6 December 2008)
- 188 CCC field research report, India, May 2008, page 71
- 189 *ibid*, page 73
- 190 *ibid*, page 14
- 191 *ibid*, page 77
- 192 *ibid*, page 24
- 193 *ibid*, page 25
- 194 *ibid*, page 15
- 195 *ibid*, page 12
- 196 *ibid*, page 13
- 197 *ibid*, page 56
- 198 *ibid*, page 14
- 199 *ibid*, page 51
- 200 *ibid*, pages 51-52
- 201 Competition Commission. 2000. *Supermarkets: A report on the supply of groceries from multiple stores in the United Kingdom*. London: Competition Commission
- 202 The Poultry Site. 2008. *Polish Branch of Tesco Pressures Producers*. [Online] 7 November. Available at: <http://www.thepoultrysite.com/poultrynews/16380/polish-branch-of-tesco-pressures-producers> (Accessed 6 December 2008)
- 203 Mirdha, R.U. 2008. Wal-Mart wants rebate on garment orders. *The Daily Star*. [Online] 8 September. Available at: <http://www.thedailystar.net/story.php?nid=53804> (Accessed 6 December 2008)
- 204 Rigby, E. 2008. Tesco to change payment terms for suppliers. *Financial Times*. [Online] 24 October. Available at: http://www.ft.com/cms/s/0/4be57cb4-a20d-11dd-a32f-000077b07658.html?ncllick_check=1 (Accessed 6 December 2008)
- 205 Hearson, M. & D. Eagleton. 2007. *Who Pays? How British supermarkets are keeping women workers in poverty*. London: ActionAid. [Online] Available at: http://www.actionaid.org.uk/doc_lib/actionaid_who_pays_report.pdf (Accessed 6 December 2008)
- 206 *ibid*
- 207 CCC field research report, India, May 2008, page 50
- 208 *ibid*, page 50
- 209 *ibid*, page 51
- 210 *ibid*, page 51
- 211 CCC field research report, Thailand, July 2008.
- 212 *ibid*
- 213 CCC field research report, India, May 2008, page 28
- 214 *ibid*
- 215 Jacquiau, C. 2000. *Les coulisses de la grande distribution*. Paris: Editions Albin Michel. pages 27-35
- 216 *ibid*, page 63, author’s own translation
- 217 Correlation between quality of the factory and quality of working conditions cited in CCC consultant interview, November 2008.
- 218 CCC field research report, Bangladesh, August 2008, page 50
- 219 CCC field research report, Sri Lanka, August 2008, page 39
- 220 CCC field research report, Bangladesh, August 2008, page 10
- 221 *ibid*, page 32
- 222 *ibid*, page 24
- 223 *ibid*, page 48

- 224** *ibid*, page 49
- 225** *ibid*, page 49
- 226** *ibid*, page 29
- 227** *ibid*, page 39
- 228** *ibid*, page 51
- 229** *ibid*, page 19
- 230** *ibid*, page 47
- 231** CCC field research report, Sri Lanka, August 2008, page 42
- 232** CCC field research report, Bangladesh, August 2008, page 40
- 233** *ibid*, page 15
- 234** Clean Clothes Campaign. 1998. *Code of Labour Practices for the Apparel Industry including Sportswear*. [Online]
Available at: <http://www.cleanclothes.org/codes/ccccode.htm>
(Accessed 6 December 2008)
- 235** See Pruett, D. 2005. op.cit. and Clean Clothes Campaign. 2008. *Full Package Approach to Labour Codes of Conduct*. [Online]
Available at: http://www.cleanclothes.org/ftp/Full_Package_Approach.pdf (Accessed 6 December 2008)
- 236** ILO Conventions 1, 29, 81, 87, 98, 100, 105, 111, 122, 131, 135, 138, 154, 155, 159, 175, 177, 182, 183, 190.



Few companies dominate the lives of consumers and workers as much as the giant retailers of the world, global companies often known as supermarkets, big box retailers, or – as we call them here – the Giants. Giant retailers are known for their low prices, large shares of the retail market, and the huge volumes in which they sell products. Increasingly the Giants are becoming important players in the global garment industry. In this research report the Clean Clothes Campaign takes a look at working conditions in the supply chains of five Giants – Carrefour, Walmart, Tesco, Aldi, and Lidl – and also considers the impact of their purchasing practices on the workers who produce the garments they sell.

CCC found that workers are paid wages much too low for them and their families to live off, forced to work long hours of overtime to make ends meet. More and more workers are employed on temporary contracts, with no guarantee of a future income. In practice workers have no right to join a trade union, no one to defend their rights. Women – the majority of the workforce – are more vulnerable to these abuses of their rights due to gender discrimination. Far from lifting women out of poverty, the Giants are cashing in on it. Purchasing practices that increase pressure on suppliers rely on women workers' disempowered, disadvantaged position to ensure that these workers continue to subsidise the giant retailers' profits.

Included in this report is a set of recommendations proposed by the CCC to address the key issues highlighted by this research.

www.cleanclothes.org