

H&M GROUP

Brands: H&M, Cos, Monki, Weekday, Cheap Monday, & Other Stories



COMPANY POSITION ON THE LIVING WAGE:

“A Fair Living Wage, covering workers basic needs, should be paid by all our commercial goods suppliers. A Fair Living Wage should be measured as the workers’ perception of receiving a wage that covers their basic needs.”

“We do not endorse a specific definition [of a living wage], since we believe that this is for workers representative to decide, and conclusion on what specific wage level to bring to wage negotiations.”

WHAT WE SAY:

H&M has taken some big steps forward in its work in the last 6 months, and has come out in support of a ‘fair living wage’. However, its strategy lacks a living wage benchmark. The wage increases that are currently possible at a factory level through negotiation, when the starting point is only a fraction of the amount needed, will not reach an actual living wage sufficient to feed and support a family. The other elements of H&M’s strategy – capacity building with suppliers, advocacy for increased minimum wages, and adjustments in purchasing practices – may help, but the crucial commitment to a living wage benchmark is a necessary next step for making living wages possible.



IN MORE DETAIL:

Has living-wage benchmarks?

No.

Worker empowerment:

H&M delivered a social dialogue project in Bangladesh. The pilot initially covered five factories, but this is being scaled up during 2014 to cover 15% of H&M's supplier factories in Bangladesh, and 100% of its supplier factories by 2018. The pilot has so far achieved the election of three worker-participation committees, and dialogue with management has covered compensation issues such as bonuses and wage-payment dates.

H&M has a limited grievance mechanism, in which phone numbers and email addresses of H&M staff are given to workers during interviews.

H&M has also started a project with the Swedish union IF Metall in Cambodia.

Commitment and practices:

H&M's new 'Fair Living Wage' plan includes the following commitments on purchasing practices:

- By 2014: Improved pricing method, ensuring true cost of labour; improved purchasing plans to reduce production peaks
- By 2018: Reduction of average overtime by 35%; 90% of suppliers to perceive H&M as a fair business partner

H&M's commitment also includes this statement: "We are willing to pay more so that suppliers can pay higher wages." It currently uses open costings with suppliers, but does not break down labour cost as part of pricing.

H&M has a buying tool called the 'Index of Code of Conduct', which "ranks suppliers, and provides incentives for improvement. This is a weighted index, where by FoA [freedom of association] and CB [collective bargaining] together with compensation and working hours is given a higher weight."

Collaborative approach:

H&M is collaborating with Fair Wage Network consultants on its new pilot projects. Some consultation with unions, NGOs and workers was carried out on these plans. An advisory board to oversee the project has some high-level union presence but little involvement of local unions.

Strategy:

H&M says: "H&M will support factory owners to develop pay structures that enable a fair living wage, ensure correct compensation and overtime within legal limits. This will be explored by implementing the Fair Wage Method in our role model factories ..." This will start in 2014 with work on two 'model factories' in Bangladesh and one in Cambodia. At these factories, H&M will have a 100% buying share.

It says: "H&M's strategic suppliers should have pay structures in place to pay a fair living wage by 2018. By then, this will reach around 850 000 textile workers."

It adds: "By 2014, we will expand our existing social dialogue project so that 15% of H&M's suppliers are trained in social dialogue and have freely elected Workers Participants Committees, with the intention to reach 100% by 2018."

Production overview:

Number of suppliers: 785 first-tier suppliers, 1,013 subcontracted suppliers

Main production countries listed as: Far East incl. China, Indonesia and Cambodia (42%); South Asia incl. Bangladesh (28%); Europe, Middle East and Africa (30%)
H&M publishes a full public list of the names and addresses of its supplier factories.

COMMENTS:

We are disappointed that H&M's newly announced Roadmap to a Fair Living Wage fails to clearly state a living-wage benchmark. Although there are many good elements to what H&M has developed, without such a definition it is impossible to create a 'road map' to achieving the payment of such a wage or measure the road map's success.

A key part of H&M's strategy is promoting negotiations at a factory level, based on wage levels proposed by workers. We obviously support the need for wages to be negotiated – this is key. However, factory-level negotiations alone will not achieve 'fair living wages'. The wage increases that are possible at factory level, when the starting position is a minimum wage that is only a quarter or a sixth of a living wage, will never reach an actual living wage sufficient to feed and support a family. A commitment must come from H&M to raise the wage significantly via a benchmark. Such a commitment may open the space in negotiations for trade unions to make wage demands that represent the real needs of workers.

H&M's statement that, in order to achieve a fair living wage, it is willing to pay more to its suppliers marks a commitment that is essential at the heart of any wage improvement. This is welcome. It is also encouraging that H&M is committed to improving its purchasing practices to decrease overtime.

H&M says that as part of the worker assessments of perceived living wage, which will be carried out to calculate wage levels in its new model factories, the following parameters will be assessed: "Food, Accommodation, Health, Education, Clothing and Vacation/leisure." We are concerned that this limited list – which omits family care, transport and discretionary income – will give an inaccurate picture of what a real living wage is. The fact that some workers have to support elderly relatives and children must play a central role in the calculation (a living wage may be three times the amount that an individual needs to survive).

On top of the factory-level negotiations, H&M must go further in ensuring the inclusion of local unions, whose role is critical. Signing the Indonesia Protocol would be a good step and a learning experience. This agreement, already signed by a number of major sportswear brands in Indonesia, is delivering some very concrete actions to enable better workplace representation across many suppliers, and is proving a groundbreaking test bed for how to ensure freedom of association in the industry. H&M could also consider broadening its advisory board to ensure local trade unions have more direct representation.

H&M's statement that it plans to scale up a project to create Worker Participation Committees in 100% of its key supplier factories is a bit worrying. Although helpful for improving factory-level communication at times, these committees can act as a parallel means to worker empowerment and, in fact, prohibit the engagement of local unions in factory processes. Worker committees should only be used in places where trade union rights are prohibited, otherwise local unions engage in these processes via access agreements and issuance of the 'right to organise' guarantee. We hope that H&M will take this important point on board.

We are keen to follow H&M's progress as it moves forward with its commitment to a 'fair living wage'.