CSR in the fashion industry

Working conditions on supply chain factories of global fashion brands - The cases of H&M and Nike

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Abstract: Behind the glamour, the fashion industry is characterized by long working hours, monotonous tasks and hard labor conditions. These working conditions can pose some serious ethical issues if they are not addressed and there is where Corporate Social Responsibility strategies matter. Fashion brands are currently moving towards the fast fashion, a new trend within the industry that challenges the way fashion companies used to manage fashion industry requirements and working conditions without generating ethical issues. This study aims to analyze the conditions that lead fast fashion companies, such as H&M and Nike, to create good working conditions for their employees, keep the pace of the fashion industry and remain ethical companies throughout this process.

Keywords: CSR, working conditions, H&M, Nike, fast fashion, ethics, abuses, human rights
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<tr>
<td>Corporate Social Responsibility</td>
<td>CSR</td>
</tr>
<tr>
<td>Et alii – and others</td>
<td>et al.</td>
</tr>
<tr>
<td>Ethical Trade Initiatives</td>
<td>ETI</td>
</tr>
<tr>
<td>Exempli gratia – for example</td>
<td>e.g</td>
</tr>
<tr>
<td>Hennes &amp; Mauritz AB</td>
<td>H&amp;M</td>
</tr>
<tr>
<td>Ibidem – In the same place</td>
<td>Ibid.</td>
</tr>
<tr>
<td>International Labour Organization</td>
<td>ILO</td>
</tr>
<tr>
<td>Not applicable</td>
<td>n.a</td>
</tr>
<tr>
<td>SIDA</td>
<td>Swedish International Development Cooperation Agency</td>
</tr>
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</table>
1. Introduction

1.1 Background and problem description

The fashion industry currently employs more than 75 million people (Stotz et.al 2015) and as such it is considered to be one of the largest employer around the World.

Global leading retailers such as H&M, Nike or Inditex are increasing their efforts to communicate their commitment to sustainable development. In this context, companies have widely embraced Corporate Social Responsibility (CSR) as effective strategies to contribute to the economic, social and environmental aspects of a society. But considering how labor and resource intensive this industry is, it is particularly difficult and challenging to imagine how CSR practices can actually be implemented.

The move towards fast fashion added new challenges to an already fierce competition industry, which everyday accounts with more demanding customers and the need to produce better, cheaper and faster. These are some of the reasons why fashion retailers tend to turn to low-cost resources, such as cheap labor or non-sustainable materials. Bearing in mind economic, social and environmental aspects of a society, the aforementioned practices can be considered unethical especially vis-à-vis their workers who have to endure excessive working hours or unsafe workplaces among others. Disastrous events such as the Rana Plaza, a factory that collapsed in Bangladesh, are some of the examples that highlight the serious problems of this sector in the XXI Century.

Workers of textile supply chains are particularly vulnerable to labor abuses and hard working conditions in developing countries in Asia, South America and Africa. This is why special attention is drawn to these low-wage countries e.g: China, Bangladesh among others, where most retailers have been outsourcing their production.

This research will mainly focus on the social aspect of CSR, on the current status of the working conditions, the main challenges faced by workers and companies and the possible corrective actions that can be adopted in this particular context. The research will address the topic on a general way based on practical examples of two giant retailers: Nike and H&M.

These case studies were chosen because of some contradictions that arose during the research: they are giants of the apparel industry who strongly communicate their efforts in terms of CSR, but despite their communication efforts they have been accused of unethical practices.
Furthermore, it is not to be forgotten that the environment of retailers is also influenced of course by the companies themselves but also by the consumers, factory owners and public institutions of the countries, where factories are located.

Considering that H&M and Nike are fast fashion brands, to what extent are they trying to create a suitable and working environment for their factories’ employees?

1.2 Method and Research

The study will perform a qualitative analysis based on academic literature, including books and articles.

As for the analyses of companies, their sustainability reports are mainly used but also other relevant documents such as the code of conducts of H&M and Nike.

The literature offers a wide range of information about the current situation of Corporate Social responsibility. The fashion industry is also a topic where many authors have written about. However, the topic of working conditions on the global supply chain at H&M and Nike’s factories is a little but more specific and required more research on other sources than company’s reports as for example the Clean Clothes Campaign, the International Labour organization website and journal articles to have a broader perspective on the issues. As many opinions differed about the situation of working conditions within Nike and H&M, it was important to find different sources that could offer different views on the topic.

For these reasons, the thesis contains many different sources, which try to make the paper as neutral and reliable as possible.

Adding to this, an interview with an expert on labor conditions in the industry was conducted in order to have a more practical point of view on the labor standards’ conditions in fashion factories.

1.3 Limitations

1.4

Although this study is based on practical and real examples that consider two leading companies within the fashion industry, conclusions cannot be applied to the whole industry.

Moreover, it is important to mention the complexity of addressing the issue of working conditions in the fashion industry or in any industry of that matter. As the information is not primary (taken by visiting the factories for example) and there is no other choice than to try to
get reliable information from other authors/experts and websites of companies. Of course there is also the question of the reliability of the information taken from reports of companies because we would have to remember that they cannot always be trusted completely since companies will try to influence the reader in a positive way towards their own company. Even if it represents already a big challenge to conduct a research, this is however not the only difficulty. The topic of “working conditions” is complex by nature as experts have been searching for quite some time to come up with solutions and better practices. Of course, new ideas for improvement can arise but the results will never be guaranteed. Also, implementation takes time and results may only be seen after months or years.

Also, the study only considers one of the three dimensions of CSR: the social aspect.

2. Corporate Social Responsibility

2.1 Introduction & definition

It seems that CSR is a new term because it is widely spoken nowadays making it the “hot topic” of the 21st Century. However, this movement started to show up decades ago, more precisely in the 60’s with the creation of the Organization for Economic Co-operation and Development (OECD) “to help governments foster prosperity and fight poverty through economic growth and financial stability” (oecd.org). In that time, it was suggested that CSR had mainly an economic responsibility based on economic growth, living standards and financial stability. Then, the social feature was added and CSR was defined as “the search for an effective fit between businesses and the societies in which they operate” (ibid). By adding the social aspect to the definition, it was recognized that businesses and societies were dependent of each other. Today, CSR includes the economic, social and the environmental aspects, many times referred as the “triple bottom line” for the three mentioned aspects (Milne et. al 2013: 17).
The social responsibility “refers to relationships with stakeholders- any group or individual who is affected by the activities of an organization- beyond shareholders” (Strategic Management Unit 13 by Mr. Wortmann WS 2013/2014) such as employees, customers, suppliers, society (...) to name a few.

Also, the environmental activities of CSR are all about the healthy and efficient use of natural resources. For example, this can be the use of eco-friendly materials such as organic cotton, reduction of wastes and the use of pesticides and chemicals (widely used in the manufacturing of clothing) as well as the reduction of usage of natural resources such as water and energy in the supply chain of the products.

Finally, the economic responsibility refers to the fact that one of the main roles of a business is to be profitable. This implies that the business has, in general, the responsibility of bringing money to its shareholders as a first goal.

It is until today difficult to define the term. As some authors say it, “Corporate responsibility is a contested term” (Haynes et al. 2013: 10) because there is not a fixed definition of the concept and many authors define the term differently. For the authors Haynes Murray and Dillard, corporate responsibilities are “the responsibilities (duties, obligations) of corporations as social institutions” (Haynes et al. 2013:1) which some main areas of focus include: sustainability, environmental management, business ethics, human rights, corruption (...) among others.

For others experts, however, CSR can be defined as “the view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit
maximization and a responsibility among a firm’s stakeholders to hold the firm accountable for its actions” (Werther et al 2011:5) In other words, with CSR, firms expect to maximize their profits and at the same time to be responsible with their stakeholders groups. To recall a firm’s stakeholder of a firm is “any group of individual who can affect or is affected by the achievement of the organization’s objectives” (Werther et al 2011:3).

It is also important to know that CSR “is not a stagnant concept” (Chandler et al 2013:16) as the standards composing the concept vary according to the society, culture and time. Hence, CSR cannot be applied in the same way in every country and time, which again complicates the definition a little more.

Businesses have a different degree of commitment and apply CSR practices in different manners... For some businesses it is purely for economic reasons while others are more focused on doing business the right way, in other words by respecting social and environmental rules. In fact Caroll (1991) distinguishes four different levels of social responsibility, as shown in the figure below.

Figure 2: Levels of Corporate Social Responsibility by Caroll

As we can see at the bottom of the pyramid, the first responsibility of a business is to be profitable. The next level of CSR is to act within the law as the further step is to be ethical, in other words “to do no harm to its stakeholders and within operating environment” (Werther et al 2011:7)
Finally in the highest step are philanthropic responsibilities: a proactive strategy that is meant to benefit not only the firm but also the society to become a “good citizen” (Caroll’s pyramid of CSR). The highest the firm is on the pyramid, the more committed to the society it is.

2.3 The importance of CSR for companies

CSR is particularly important because it affects all aspects of the company’s operations (Werther et al 2011:19) and stakeholder groups as we can see in the following table. To keep the different stakeholders’ groups happy is not only a challenge but also a necessity for the health of every company. This is not to say, that unethical companies are also unhealthy but as CSR affects different stakeholders’ groups, which then affect important aspects of the company such as sales and company’s reputation among others, it is thought that a positive impact of CSR on the stakeholders will then also positively influence the health of the business.

Table 1: How CSR affects stakeholders groups

<table>
<thead>
<tr>
<th>Stakeholder group</th>
<th>Want to</th>
<th>Affects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Buy from trustworthy companies</td>
<td>Sales and profits</td>
</tr>
<tr>
<td>Suppliers</td>
<td>work with reliable companies</td>
<td>Supply chain management and effectiveness</td>
</tr>
<tr>
<td>Employees</td>
<td>work in respectful companies</td>
<td>Quality of products and corporate image</td>
</tr>
<tr>
<td>NGO’s</td>
<td>work with companies seeking common goals</td>
<td>Reputation of company</td>
</tr>
<tr>
<td>Investors</td>
<td>Support socially responsible firms</td>
<td>Economic health of the firm</td>
</tr>
</tbody>
</table>

Source: self-made table based on information retrieved from Werther et al 2011:19

As we know, customers are more and more aware of the negative impacts of the products they consume. Not only their awareness is increasing but also they have become more demanding
about the products they consume and want to buy from responsible sources putting more pressure on companies to do the right thing. Customers have an important role for every firm as they are the ones to drive sales and profits since the more consumers the firm gets, the highest the profits will be.

Suppliers are another driving force, since they affect directly the supply chain management. Companies aim to work with long-term suppliers due to several benefits such as better pricing and better quality of their products. Also firms develop a closer relationship with long-term partners who allow them to have more control and influence over them.

As for employees, CSR affect not only their willingness to work and retention but also the way employees are treated at the company affects the company’s reputation. For instance, in the 1990’s, Nike faced a scandal because of the working conditions of their workers in Asian countries (Nisen 2013). For many years the giant footwear and apparel retailer was accused of unfair practices towards its workforce using sweatshops, child labor and unsafe factories to manufacture its products. Consumers responded with protests and boycotts, which damaged the reputation of the company and reduced the sales.

2.4 The purpose of a business

For a long time, the question whether CSR practices are a must in a business is subject to debate between economic and moral arguments.

On the one hand, the Nobel prize-winning economist Milton Friedman argues that the only and main responsibility of a business is to increase its profits. On the other hand for the British author Charles Handy, a company should not only pursue economic profit but also meet “a need that society as a whole values” (Werther et al 2011:56) in other words, companies shall have other motivations than purely economic “to achieve a larger end” (ibid).

It is true that even with the growing attention drawn to CSR nowadays, most companies are still pursuing economic profits as their main goal, which is understandable since a business that is not profitable will simply run out of the market.

However no business can live in isolation as they heavily rely on other parties (consumers, employees, suppliers etc..) to survive. In this sense we could argue that business have the obligation to contribute to the society welfare since they are affecting other parties through their operations.
Also, it cannot be ignored that the relevance of CSR is nowadays stronger and businesses have more pressure than before when it comes to show they are ethical.

In the Harvard Business Review, C. Handy (2002) argues that implementing CSR practices is very important for the environment because of consumers but most importantly because “neglecting people’s lives may drive away key members of the workforce”. As a business could never survive without employees, they become one of the most important points to pay attention to. Following this mindset, every business, and especially businesses operating in industries that employ millions of workers such as the fashion industry, should prioritize the creation of a suitable working environment for all their workers across the supply chain.

2.5 CSR in the fashion industry

Generating almost 1.5 billion USD in 2008 (Jones et. al 2012: 120) the textile industry is one of the most important and dynamic sectors in the World Economy (ibid).

The apparel industry is generally divided into five different markets: “the haute couture; the luxury market; affordable luxury market; the mass market; and discount brands” (ibid).

Table 2: the different markets in the fashion industry

<table>
<thead>
<tr>
<th>Market</th>
<th>Product shelf life</th>
<th>Brand example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Haute couture</td>
<td>Forever</td>
<td>Channel</td>
</tr>
<tr>
<td>Luxury market</td>
<td>very long time</td>
<td>Armani</td>
</tr>
<tr>
<td>affordable luxury market</td>
<td>long time</td>
<td>Ralph Lauren</td>
</tr>
<tr>
<td>mass market</td>
<td>short, one or two seasons</td>
<td>Nike, H&amp;M</td>
</tr>
<tr>
<td>discount brands</td>
<td>very short, some weeks sometimes days</td>
<td>Primark</td>
</tr>
</tbody>
</table>

*Source: self-made table based on information retrieved from (Jones et. al 2012: 120)*

Brands such as Nike and H&M belong to the mass market group meaning that their products are oriented to reach as many customers as they can. Their goal is also to adapt to current trends of their customer segments (children, teenagers, women, men etc...). Nike is focused on
sportswear and is a little bit pricier than H&M as this latter is known to sell low cost clothing having as lemma “fashion and quality at the best price” (h&m.com) to also reach price sensitive customers.

This industry is in general, characterized by a fast moving and innovative atmosphere and influenced by constant changes in customers tastes and styles (Jones et.al 2012: 120), which makes the environment extremely competitive. Also the goods offered are products that have a short life particularly in the mass market and discount retailers that are often associated to fast fashion retailers. In other words, “lower manufacturing and labor costs mean lower costs overall, which result in lower prices, which, in turn, equal higher volume” (Joy et. al 2012: 275). As fast fashion is many times encouraged by compulsive buyers, low prices are an important requirement.

Indeed, as the name says, fast fashion brands are focusing on producing the latest trends to satisfy fast changing customer demands and are supported by a fast production and supply chain with high capacity to cover several varieties of products and with a high need to meet high quantities in really tight deadlines. To cope with mass production, in other words large levels of outputs, the fashion industry has agglomerated its manufacturing factories in developing countries, mainly in Asia where they can reduce costs by employing cheap labor.

The consequences of the characteristics of these fashion retailers are often sweatshops conditions (D’Ambrogio 2014:4) where workers are often subject to long working days without breaks for a wage that sometimes does not even cover their basic needs (ibid). Long working hours and low wages are not the only issues that workers of textile fabrics have to face. Workers often have to work in fabrics that are not adapted or have all the safety procedures required by the law to operate as textile fabrics creating a very unsafe workplace. In fact a case that received a lot of media attention was the Rana Plaza scandal in 2013, a fabric in Bangladesh where more than 1200 workers died due to the collapse of the fabric, leaving in evidence the danger that many workers face day by day in textile factories. The Rana Plaza scandal was only one of the many accidents that happened over the last years due to unsafe factories.

Added to the working conditions problems the fashion industry has environmental problems which are a growing concern as the textile industry is not the most environmental friendly industry due to the extent use of pesticides and chemicals as well as a high amount of energy and water consumption (Jones et.al 2012: 121) in the manufacturing process.
The fact that the production of clothing is concentrated in developing countries (especially in Asia), this represents a big opportunity for the fashion industry because it allows them to cut costs. However to produce the goods in those countries, where employees are more vulnerable to bad treatment and working conditions is also a big challenge for the brands that want to be known as sustainable and responsible. Moreover many retailers such as H&M and Nike outsource their production, which makes it more difficult for them to oversee the treatment that workers are receiving there. Even if the factories’ workers are not Nike’s or H&M’ direct employees (because the fabrics in most cases are not owned by these retailers) this does not make them less responsible, in the eyes of consumers, which can in turn harm the reputation of the companies.

The relationship between the fashion industry (especially the fast fashion industry) and CSR seems rather controversial due to the fact that, on one hand, retailers want to take advantage of the opportunities, increase their profits and do not seem to have real control over the factories and on the other hand, consumers put pressure on companies to do the right thing incentivizing retailers to improve their reputation, yet staying competitive.

For the many challenges that companies faced not only in terms of social and human rights but also environmental problems, an actual implementation of CSR in the fast fashion industry with significant results seems rather hard, if not impossible.

3. Working conditions in fashion retailers

3.1 The fashion industry today

The fashion industry has been very impacted by globalization. Indeed, the industry faced major changes in the last 25 years, one of the most important changes being the geographical locations of fashion factories. Hence, the production of clothing is mainly concentrated in Asia but those same goods are sold all over the globe, turning the fashion industry into a global business. In 1970, the move became evident through “employment losses in Europe and North America and important gains in Asia and other parts of the developing World” (ILO 1996). For developing countries, the garment industry represents a big opportunity, especially for young and low educated women, to enter the labor market by offering jobs to millions of workers (ilo.org). Employing many unskilled people, this industry shows a “great potential to contribute significantly to economic and social development” (ibid), which is a chance not only for garment workers but also for the country itself to reduce its unemployment and poverty rates.
Furthermore, the fast fashion business model has considerably changed in the past few years and it has been adopted by more and more clothing retailers. In general clothing from fast fashion retailers change according to seasons and does not last for long. The cycle from “design to store availability” (Mihm 2010: p.55) takes about 4 weeks for a fast fashion retailer against approximately 6 months for another apparel store that does not use such a model. It also does not have the same value than from a luxury brand as prices are much lower allowing consumers to increase the purchased quantity. Also the clothing is only used for “one or two seasons” (Mihm 2010: 56) as trends change which motivates consumers to buy more frequently through the idea of “here today, gone tomorrow” (Bhardwaj et. al 2010: 166) which incite impulse buyers. Moreover, it is important for fashion brands that they are able to deliver a quick response to their customers.

Fast fashion retailers aim to reach as many customers as it can (mass market), providing clothing for women, men, teens and children and focus its manufacturing process in countries where the work force is less expensive and economies of scale can be used.

Some well-known retailers that have adopted this model include companies like Zara, Mango or Forever 21 as well as H&M and Nike. But although these companies are operating in the fast fashion sector, they also differ in the way of producing theirs goods.

When it comes to manufacturing the products, garment companies have two main strategies that are opposites to each other: they can either choose to outsource their goods or to produce them depending on the involvement of the retailer in the supply chain.

Figure 3: Fashion companies supply chain’s commitment

![Source: self-made chart based on information retrieved from Mihm 2010: p.60](image)

With a more vertically integrated supply chain (e.g: Zara) the brand controls every step from the design and manufacturing process, until the distribution of the end product (ibid). This means that the brand also owns the factories where the products are made. On the other hand, an outsourcing technique implies that products are made in factories that do
not belong to the brand. Products are designed by the brand but their production is under the responsibility of independent suppliers, which may, in turn, subcontract other factories to manufacture the products of the same brand. H&M and Nike use such a technique. However it is important to notice that although these two mentioned brands do not produce their own products, hence they use an outsourcing strategy, not everything about their end product is outsourced. For instance, the design of the products is made by the brands themselves and not by external companies.

Both strategies (vertical integration as well as outsourcing) have positive and negative points but one of the main reasons that many fashion companies choose to outsource their products is to reduce costs by concentrating their production in countries where they can employ cheap labor that is especially needed in labor-intensive industries. Also, if trade (e.g: costs of shipping) is advantageous between the manufacturing countries and the selling countries, many companies are better off with an outsourcing strategy.

3.2 Current conditions of the supply chain in the fast fashion industry

The consequences of the move towards fast fashion, which lead also to a geographical move to developing countries, especially in Asia, raised several ethical issues for players of the industry. This sector, which is characterized by “dynamic consumer demand, shorter product life cycles and concentrated retail channels” (Locke 2013: 126) leads, retailers to produce more, better, faster and cheaper. Added to the fierce competition that fashion brands face, they have to re-organize their supply chains in order to become more efficient and “minimize financial and reputational risks” (ibid) that could affect their business.

The constant pressure such as the competition and the need for efficiency have been creating a working environment, which often violates several human rights, especially in the contract factories of the companies.

The working environment of global brand in the supply chain often include sweatshops conditions, which refers to a working environment that is dangerous and/or extremely difficult and where human rights laws are often violated. In these factories, workers face very bad working conditions, which include:

- Unsafe work: many buildings are used as fabrics although these have not the infrastructure or even the required permits to perform as textile factories. Many have exceeded the safe level of employees and machinery and perform with equipment that are outdated and do not have the protective equipment to prevent short circuits, fires and fabric collapses. As said earlier, one of
the most well-known cases was the Rana Plaza scandal on April, 24 2013 in Bangladesh that revealed the safety issues that many employees face in the fashion environment, causing the death and injuries of many workers.

- No freedom of expression: in general, trade unions are suppressed or, if they exist are somewhat weak. Freedom of expression is important as they allow workers to have a voice and express when conditions are not how they are supposed to be.
- Abuses and harassments: According to the Briefing of the European Parliament of 2014, union organizers are many times intimidated by managers. Verbal abuses from managers are common as well as other kind of punishments such as working standing instead of sitting, in a hotter place etc…
- Overtime: the overtime is one of the first problems that arise when we think about the supply chain of global retailers. Due to very tight deadlines, workers are often confronted to very long working hours without a break. It is common for workers to work 10 or 12 hours per day and sometimes even until 18 hours a day. Moreover many retailers say the overtime is voluntary but it may not be the case for the majority of them (Fishmann Interview on 20.06.2016)
- Low wages: the tasks on global supply chains do not require high skilled employees. However, the wages earned by manufacturing workers are still very low in comparison to the working hours of workers. Also overtime is often not paid. Moreover, wages are often far below the living wage. “A living wage should allow a garment worker to be able to feed herself and her family, pay the rent, pay for healthcare, clothing, transportation and education and have a small amount of savings for when something unexpected happens” (Clean Clothes Campaign 2014: 31). In 2014, the minimum wage in Bangladesh, an important manufacturing country was 49.54 euros per month and the living wage 259.80 euros. For China the minimum wage was 174.60 against 376.07 euros per month as living wage.
- Hiring issues: this refers to all kind of issues in the hiring process concerning the workers. “They are on various forms of contracts which might be that they are not eligible to full benefits under the law”, which means that they are sometimes not even considered and treated like real employees. In most cases, workers are not even aware of their rights and prefer to stay quiet for fear of losing their jobs, which is also an opportunity for employers.
- Child labor: the use of children is another common issue that can be found in most factories. According to the International Labor Organization 170 million of children are working and many of them are operating in the garment or agriculture sector as cotton pickers. Countries such as Egypt, Pakistan, Bangladesh, India, China, Thailand and Uzbekistan were founded to be the most notorious for child labour in textile and garment industry Although the child labour
rate decreased by 30% between 2000 and 2012 according to the UNICEF this is still a current issue on fashion factories., many factories are still employing persons below the minimum age required by the law

3.3 Implementation of CSR practices in global retailers

3.3.1 Hennes and Mauritz

If there is a giant and incontestable leader the fast fashion industry, it is Hennes and Mauritz (H&M), that has more than 1500 stores in the US and Europe and an impressive record of sales of 13.1 billion USD in 2007 (Plunkett 2010: 20). In the first half of 2016, sales reached 12.3 billion USD (H&M Six-month Report 2016:1). This Swedish multinational retail store founded in 1947, with headquarters in Stockholm, is known for offering “fashion and quality at the best price” (h&m.com) for men, women and children. The company forms a group of six brands; H&M, COS, Monki, Weekday, & Other Stories and Cheap Monday, H&M being the most important with the highest amount of stores and the most profitable until now (H&M Six month Report 2016: 6).

As the other retailers in the same industry, H&M adjusts to fast changing customer tastes and wants to offer their end consumers a wide range of collections and styles. The Swedish retailer works with about 820 suppliers and a little less than 1900 factories employing around 1.6 million of workers (ibid). In one of the 21 production offices located in Europe and Asia, merchandisers identify which suppliers to choose and place orders with (h&m.com). The auditors responsible to monitor supplier compliance are also in the production offices. H&M as many other fashion store employs first tier suppliers (suppliers chosen by the own company) but also indirectly second tier suppliers, which are the suppliers employed by their first tier suppliers.

H&M is the second largest retailer only surpassed by the giant Spanish clothing retailer Inditex, provide two main collections per year (spring and fall) which then have their own sub-collections, that refresh their inventory and adapt quickly to changing demand and tastes.

H&M general approach to CSR

As for the general commitments towards their stakeholders, the famous retail brand has seven commitments, which can be read on the sustainability report or the website of the company. The Code of Conduct (most recent version published in 2010), which is the main tool to help H&M suppliers improving working conditions and environmental practices, is divided into eight sections. These sections concern legal requirements, child labor, safety, workers’ rights,
factory conditions, housing conditions, environment, monitoring and compliance rules that should be applied by H&M suppliers.

The seven commitments focus on consumers, business partners as well as environmental issues such as wastes, natural resources and climate change (H&M Sustainability report 2014: 2). The first commitment is called “Provide fashion for conscious customers” (H&M CSR Report 2015: 13) and focus mainly on the sustainable use of materials (e.g: cotton), animal welfare and the training and the employees directly employed by the company (e.g: employees in the production offices, store managers, store employees etc.). The second point, which focuses the most on the social aspect of CSR is “to choose and reward responsible partners” (Sustainable Commitment, Commitment Two) and refers to all the factories producing goods for the H&M Group.

It is important to know that H&M does not own any of the suppliers around the World which represents a big challenge for the company in terms of compliance with the code of conduct, drawn up in 1997 and “applies both to the suppliers with whom they have a direct business relationship and to all their production units and subcontractors where production for H&M takes place” (H&M CSR Report 2008: p.18).

The company is committed to be sustainable in several aspects in the workplace, the ecosystems and the animal welfare according to its sustainability commitment (H&M website). In terms of workplace, the main focus is on ‘Health and safety’ ‘Discrimination, diversity and equality’ ‘Recognized employment’ ‘Fair Living Wage, benefits and working hours’ ‘Freedom of association and collective bargaining’ ‘Child labor and young workers’ ‘Forced labor’ (Sustainability Commitment. January 2016) but it seems a big challenge to respect those aspects specially since the high amount of collections (between 30 and 50 collections per year) require cost reduction techniques that lead to bad working conditions.

H&M is one of the retailers that advertise and communicate the most its sustainable values. According to Forbes, the Swedish company figures on the list of the most ethical companies of 2015 (Adams 2015) thanks to their social and environmental efforts.

H&M provides a detailed sustainability report every year since 2002 in addition to their conscious actions highlights, supplier compliance, supply chain data and GRI Index reports.

The brand aims, through their seven commitments, to become more responsible towards the environment by, for example, recycling (commitment 5) and use natural resources responsibly (commitment 6). The commitments that are more focused on working conditions are the second
(choose and reward responsible partners) and the third (be ethical), which focus on very different aspects. The Swedish fashion retailer joined forces with several external organizations to accelerate the improvement towards the working conditions and make significant changes. Since 2014, H&M has a partnership with the International Labor Organization (H&M Sustainability Report 2014: 47) to jointly work on industrial relations and wages, to improve the training and skills development in supplier factories and to strengthen employees and workers’ organizations. They have also partnered with the Swedish International Development Cooperation Agency (SIDA) in Bangladesh (H&M Sustainability Report 2014: 48) with the purpose of promoting fair living wages and freedom of association.

Where are CSR practices implemented

When it comes to the social aspect of CSR at H&M, the brand focuses on three different points that are meant to improve the working environment conditions.

The first one is the supply chain management, which is essential for every fashion brand but is also a delicate part since it encompasses most issues concerning working conditions. This aspect is meant to improve the whole manufacturing process by improving the strategy ensuring fair business partnerships with the suppliers, auditing the suppliers, implement anti-forced labor training with the Ethical Trading Initiatives (ETI) among others (H&M Sustainability Report 2014: 29).

Like most fashion retailers, suppliers and factories of H&M are mostly located in South Asia (e.g.: Bangladesh, India, Pakistan and Sri Lanka) and far East Asia (e.g.: Cambodia, China, Indonesia, South Korea, Taiwan, Thailand and Vietnam). Of their 820 suppliers who sometimes own or subcontract one or more factories (H&M Sustainability Report 2014: 30), 261 are in South Asia and 374 are located in far East Asia (ibid). The rest are in Europe, Middle East and Africa (EMEA region). As for the manufacturing and processing factories they are in total 1926 in the following regions: 534 in EMEA, 552 in South Asia and 840 in Far East. Strategic partners, which are H&M favorite suppliers, have long-term partnerships and make around 60% of the products. Strategic partners are suppliers that have “the best performance in all areas including sustainability” (Supplier Factory List 2015) so they are not only the best suppliers but also the ones that meet with higher accuracy the compliance rules in terms of sustainability and working conditions. H&M works with 153 strategic partners and 681 strategic factories (H&M Sustainability report 2015:37). The brand has three different levels of ranking for their suppliers and factories. Best suppliers (strategic suppliers and factories) are ranked with platinum or gold.
Next are the ones graded with silver, meaning that they have long-term relations with the Swedish brand. The lowest level is “Others”, which designs the new or test factories and suppliers.

Table 4: H&M suppliers and factories in 2015

<table>
<thead>
<tr>
<th>Suppliers (total)</th>
<th>Factories (total)</th>
<th>Strategic partners</th>
<th>Strategic factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>820</td>
<td>1882</td>
<td>1530</td>
<td>681</td>
</tr>
</tbody>
</table>

*Source: self-made table based on information retrieved from H&M Sustainability report 2015 p.37*

As said earlier, most suppliers (352) and factories (814) are located in the far East region. Also most strategic partners are distributed between Cambodia, China, Indonesia, South Korea, Taiwan, Thailand, Vietnam and Myanmar. Nevertheless, other countries such as Bangladesh (from the South Asian region) are considered equally relevant in the supply chain of H&M since they have there more than 830 manufacturing factories and more than 300 of them are ranked with platinum or gold.

When choosing a supplier, the brand focuses on partnering with responsible suppliers, in other words, suppliers or subcontractors that have signed their sustainability commitment. If a factory does not show willingness to apply CSR practices or improve their process, H&M reserves the right to terminate their business relationship (see H&M monitoring process section).

The second focus of the retailer are fair living wages. H&M distinguish between four different players that play an important role in achieving fair living wages: governments, factory employers, brands and factory owners.

Some challenges are that factories often work for many different brands and of these brands only few request fair living wages.

As every retailer H&M has critical points and tries to focus on those main problems, that are also typical for the industry.

Table 5: Main problems at H&M concerning working conditions
How are CSR practices implemented

CSR practices concerning working conditions are especially applied in the supply chain. The company has minimum requirements when it comes to choose its suppliers. The firm’s auditors visit the potential new factory in order to see if the requirements are met. These latter are:

- Absence of forced labour
- A ban on child labour
- No detectable breach of freedom of association
- Payment of at least the relevant minimum wage
- Fundamental safety provisions
- No use of banned chemicals in accordance with H&M’s Chemical Restrictions
- Wastewater treatment (for factories with wet processes)
- Full transparency
- Access to all relevant factory areas

Moreover, the compliance of the factories is measured with the index of the code of conduct (ICoC). The code of conduct includes the following main points, which have sometimes their own subpoints:

1) Legal Requirements
2) Child Labor
3) Health and Safety
4) Workers rights
5) Housing conditions
6) Environment
7) Systems approach
8) Monitoring and enforcement

The code of conduct was, in 2015, transformed into a new document called sustainability commitment. This later has three sections: healthy workplaces, healthy ecosystems and animal welfare. The relevant section towards the social aspect is treated in the first one, which has distinct sub categories:

- Health and safety
- Discrimination, diversity and equality
- Recognized employment
- Fair Living Wage, benefits and working hours
- Freedom of association and collective bargaining
- Child labor and young workers
- Forced labor

This new document, which the most current version was published in January 2016, shows two level of sustainability commitment: the fundamental (required by law and international standards) and aspirational (goes beyond law requirements and is willing to impact positively outside their own operations) was changed to adds expectations and provide guidance for the suppliers (H&M Sustainability report 2015: 33) so that H&M and its suppliers move up towards the CSR pyramid achieving a CSR commitment that goes beyond the required by the law.

Although the new sustainability commitment breaks down more the social issues of H&M, special attention is given to the main problems of the brand, which stay the same (see main problems at H&M table above).

- Health and safety: in the code of conduct, this section focuses on four different points. Suppliers should provide safe buildings with no hazardous equipment (building safety), with clearly marked emergency exits unlocked during working hours and employees should have training to know how to act in case of fires (fire safety). Moreover first aid should be able to be found during working hours (accidents and first aid). The last one is to provide clean and maintained premises (working environment). According to the supplier compliance level in 2015 the South Asia region scored 89% compliance on the health and safety section, followed by the EMEA region (87%). The less compliant region is the far East (82%) having as main problems the additional safety requirements (58% of factories in the Far East region have all the additional safety requirements) and. the cleaning of factories (only 44% of factories in this region are clean and free of dirt).
Excessive overtime: H&M has a direct impact on excessive overtime on their supplier factories due to their demands; this is why one of their approaches is to provide reasonable lead times. To influence this aspect, the retail company offer seasonal production plans to their suppliers to plan their capacity use and staff planning ahead, in order to avoid production peaks that will lead to really tight deadlines and excessive overtime for the employees. Moreover, the brand continually tries to improve the purchasing tools to avoid production peaks that could negatively impact the working hours of the employees. The excessive overtime is one of the most current issues in factories in developing countries and in the case of H&M factories, one of the least compliant points. In 2011, only 20% in EMEA region, 10% in Far East and 16% in South Asia of the overtime hours were within the legal limit. In 2015 the situation has only significantly improved for the EMEA region, reaching 56% of overtime hours within the legal law (H&M Supplier Compliance in Detail 2015). For the other regions, the situation remained the same (10% and 17% for far East and South Asia respectively), which suggests that even if the processes of H&M have improved, these improvements do not reach Asian factories yet.

Wages: H&M encourages their factories to pay a fair living wage, which has to be reviewed every year and negotiated with elected trade unions. The “fair wage method” is currently being implemented in role model factories and wanting to be extended to all strategic supplier factories by 2018. According to the sustainability report, this fair living wage “should cover worker’s basic needs and a discretionary income” (H&M Sustainability Report 2015: 40). According to the sustainability report of 2015, we can notice a wage structure reformation between 2012 and 2015 in different H&M factories such as in China, Bangladesh, Cambodia, Vietnam among others. As we can see, H&M suppliers pay the workers of the supply chain, at the selected factories (the countries of the chart were randomly selected by H&M), an amount that is higher than the minimum wage to cover their needs.

Chart 1: Wage levels at H&M factories in selected countries
In 2011, only 56% of the overtime hours above legal limit were voluntary in the far East region against 98% in the other two regions. In 2015, the percentage of voluntary overtime in the far East increased to 75%.

● Freedom of association: this issue is depending on the countries as in some of them (China and Vietnam) it is restricted by the law and this latter has to be followed (H&M Sustainability Report 2015: 51) freedom of association is still a requirement of the sustainability commitment of the company and plays an important role in the work relations. From 2015, H&M is asking directly if trade unions are created instead of asking if workers have freedom of association. In general, the percentage of trade unions is rather low in the three manufacturing regions, however the least compliant in this aspect is not the Far East region as in previous points but the EMEA region with only 3% of trade unions represented in the factories in 2011 against 75% in Far East (5% in South Asia). In 2015 the situation has somewhat changed in the regions: 17% of factories have representations of trade unions in EMEA, 60% in Far East and 6% South Asia implying that trade unions force is quite dispersed in Asian factories. In the countries where associations are restricted or difficult, the brand focuses on increasing worker’s awareness about rights and responsibilities. Collective bargaining agreements are the ultimate goal of the brand (H&M Sustainability Report 2015: 51).

● Industrial relations: for the brand, industrial relations are believed to be the key to achieving fair living wages and good working conditions. However, the big challenge concerning the industrial relations is that the brand has to implement a local strategy since national laws are
sometimes in the way of collective bargaining agreements or workplace representation for example.

H&M monitoring process

To monitor the performance of their suppliers, H&M has besides a very specific process some other small steps.

Signing the sustainability commitment means that the supplier accepts the requirements set by the company and is committed to improve its sustainable actions. This is the first requirement of H&M to start doing business with a supplier. Not owning any factory, the Swedish giant reserves the right to choose its supplier, to check and to monitor the way their manufacturing factories are progressing in terms of CSR. The company can request sustainability performance data from Business partners and conduct unannounced visits to the factories.

Before June 2015, the monitoring process was mainly based on the code of conduct (that every supplier had to commit to before entering in a business relation with H&M) and the Index Code of Conduct (ICoC) that measured the supplier’s sustainability performance with scores going from 0 to 100. The main tool to monitor supplier’s compliance against the code of conduct was the Full Audit Programme, which was implemented in 2005 and consisted of audits, system analyses (e.g: from recruitment systems that help prevent discrimination), safety and capacity building programs (representing all the supplier improvement activities within H&M’s roadmaps, such as water, climate and energy, fair living wages, industrial relations and chemical management). These activities are supposed to help prevent causes of non-compliance among suppliers (H&M Sustainability Report 2015: 38). However, the process of monitoring has now changed. The code of conduct, the index code of conduct and the full audit programme have been or will be completely replaced during 2016 by the sustainability commitment, the sustainability index and the Sustainable Impact Partnership Programme (SIPP) respectively, to better assess and support suppliers towards their sustainability performance. The new SSIP approach assesses the factories in three different levels and is supposed to guide suppliers with aspirational goals. Moreover, the SIPP want to change “from a one-way compliance communication to a two-way dialogue about business improvement” (H&M Sustainability Report 2015: 35), meaning that the supplier will not only be assessed by H&M but it has the opportunity to assess itself before being validated by the brand.
What has changed with CSR implementation

The oldest and first CSR report of the company was published in 2002 so the social responsibilities can be measured from that year on. From the first year, the sustainability reports of H&M were based on the third generation of the Global Reporting Initiative (GRI) Guidelines and this has not changed until now (H&M Sustainability Report 2002: 66)

The reports have somewhat changed over time. The first six years, the reports were simply named CSR Report and in 2009 “Style and Substance Report 2009”. In 2010 the “conscious actions”, a program that reunites all the sustainable actions was launched, which helps the brand to communicate CSR values in a stronger manner than before.

If we stay focused on the main problems of the supply chain of the brand we can see following development comparing the last years that the company applied CSR practices.

Table 5: Comparison of main problems of H&M factories in the years 2006 and 2015

<table>
<thead>
<tr>
<th>Section</th>
<th>2006</th>
<th>2006</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance question</td>
<td>Europe and</td>
<td>Asia</td>
<td>Europe and</td>
<td>Asia</td>
</tr>
<tr>
<td></td>
<td>other markets</td>
<td>(South</td>
<td>other markets</td>
<td>(South</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Asia and</td>
<td></td>
<td>Asia and</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Far East)</td>
<td></td>
<td>Far East)</td>
</tr>
<tr>
<td>Health and safety</td>
<td>All basic safety requirements are met</td>
<td>54.8%</td>
<td>28.9%</td>
<td>96%</td>
</tr>
<tr>
<td>Excessive overtime</td>
<td>Overtime hours are within the limits set by law</td>
<td>54%</td>
<td>56.5%</td>
<td>56%</td>
</tr>
<tr>
<td>Wages</td>
<td>Correct wages are paid regularly and punctually</td>
<td>18.3%</td>
<td>22.9%</td>
<td>96%</td>
</tr>
<tr>
<td>Freedom of association &amp; industrial relations</td>
<td>Right to form or join any organization and to bargain collectively</td>
<td>0.6%</td>
<td>20.3%</td>
<td>100%(^1)</td>
</tr>
</tbody>
</table>


Freedom of association and industrial relations were separate problems (see main problems of H&M table above) but the same question groups both sections. In order to compare both years, we have chosen the same or similar compliance question for both years. However, to monitor the right of association and bargaining, there was an additional question added (is there a trade union represented in the factory?) which was only included in 2015. For this question, the results was that 18% of factories had a trade union representation for all regions combined. Most problematic countries being Bangladesh, India, Pakistan and Sri Lanka.

In general, the sustainability reports of the brand show a continuous and positive progress in the supplier compliance that show that working conditions for employees of H&M supplier factories have improved, except for the excessive overtime issue in Asia that has worsen in 2015 in comparison with 2006, showing that workers of factories endorse even longer overtime hours than before.

Nevertheless, according to the clean clothes campaign, the situation may not be as improved as it seems especially in the safety and wages related topics. The Clean Clothes campaign reproaches to the Swedish retailer not to be as advanced as they pretend to be specially in the fields of safety requirements of factories and in achieving fair living wages but if we believe the progress published in the reports of the firm, we can think that a huge improvement was achieved in all the regions towards safety and better wages.

In general, we can say that the company shows commitment towards improving the situation of their workers.

3.3.2 Nike

Nike is another major player in the apparel industry and producing for masses. However, the brand has a much more focused perspective, targeting mainly the sporty customers group. This

\(^1\) In 2015 besides the right to join association the variable is if there is a trade union represented in the factory but this new question was only asked from 2015
retail store founded in 1964 under a different name (Blue Ribbon Sports) in Washington started primarily with the footwear market and became rapidly one of the most powerful brands over time. Now it “controls more than 36% of the global athletic footwear market” (Locke 2013: 47). But more than designing and manufacturing shoes and clothes for sporty customers, Nike is playing a huge role in the fast fashion industry because the brand offers many collections per year and tries to cope with the volatile fashion trends, which makes it challenging due to the specificities of the fast fashion business. At his creation, the company was outsourcing production to lower-cost Japanese producers to break into the market (ibid) but it had also some fabrics in the USA. By mid-1980’s Nike close its fabrics in the USA and concentrated its production in Asia taking advantage of the low production cost in countries such as Korea and Taiwan which countries produced 86% of the athletic footwear of the company in 1982 (ibid).

As every brand that tries to cut cost by manufacturing its products in developing countries, Nike was sensitive to the increase of prices within the countries of production and had to relocate the production to lower cost countries such as China, Taiwan and Indonesia concentrating its suppliers in Southeast Asia.

Although Nike was primarily a footwear company controlling 36% of the global athletic footwear market in 2008 (ibid), it soon competed in very different sectors. The brand had, in 2011, more than 930 suppliers from 50 different countries from which only 73 are focused on the shoe production (Locke 2013: 48). Today Nike sources from over 692 factories. As well as H&M, the brand does not own any factory except for 67 manufacturing centers located in the US. One million workers are employed in contract factories across 42 countries (Nike website about Nike-Frequent questions section).

**General Approach to CSR**

In the 90’s, Nike faced many protests and boycotts concerning the bad working conditions that the employees at their factories where living. These boycotts criticized the sweatshops conditions employed by the company and affected the amount of sales as well as the company’s reputation. Nike, as many other apparel brands, has focused its production in Asia to decrease manufacturing costs and typical issues of low-cost countries arose such as overtime, low wages, unhealthy fabrics etc.... However, the company has tried to turn things around mainly through the CSR implementation. With the latter, Nike has divided into three sections its main goals calling those sections “minimize environmental footprint” (focusing on environmental impact and energy, water wastes among others), “transform manufacturing” (dealing with the factories
and working conditions) and “unleash human capital” which aims to impact communities in a positive way” (Nike.com). The projects for each section are described extensively in the latest company’s sustainability report (2014-2015).

The Code of conduct introduced in 1992 was the first step that the company took towards corporate social responsibility as the company asked its suppliers to meet “basic labor, environmental, and health and safety standards” (book p.49). Moreover, Nike was one of the first in the industry to publish a complete list of all their suppliers’ factories, in an intent of transparency to their customers and business partners.

To be more effective, Nike has partnered with international organizations such as Better Work, (from the ILO) and the International Finance Corporation to improve labor standards and competitiveness in global supply chains (Nike CSR Report 2014-2015: 58).

Where are CSR practices implemented

With more than a million factory workers in 42 different countries, to attend working conditions is a huge challenge for the global company. Although the company is primarily known for its shoes, most factories are actually manufacturing the apparel products that Nike sells. The company has also relocated its manufacturing plants and factories in Asia to take advantage of the low cost production of the region. From the first CSR reports until the year 2011, factories were divided into four regions (Nike CSR Report 14-15:62): Americas, EMEA, North Asia (China, Taiwan, Hong Kong, Japan and Philippines) and South Asia (Indonesia, India, Bangladesh, Pakistan, Sri Lanka, Malaysia, Singapore and Australia) and into product category (footwear, equipment and Apparel) most factories being in North Asia. In 2015 a new region was added called South East Asia consisting of Cambodia, Laos, Thailand and Vietnam and congregates most factories and also most employees.

Table 6: Contracting factories at Nike in 2015

<table>
<thead>
<tr>
<th>All factories</th>
<th>Apparel</th>
<th>Equipment</th>
<th>Footwear</th>
</tr>
</thead>
<tbody>
<tr>
<td>692</td>
<td>406</td>
<td>140</td>
<td>146</td>
</tr>
</tbody>
</table>

Source: Self-made table based on information retrieved from the CSR Report 14-15 p.62

The section of the Nike’s report dealing with the factories is called “Transform manufacturing” and aims to be achieved through three mains points: innovating the
role of the worker, innovating the role of technology and transparency and compliance in other words through the empowerment of workers, improvement in technology and with performance incentives. Nike encourages their factories “to invest on the skills and capabilities of workers” (Nike CSR report 2014-15: 58) and has initiated pilot research studies in two factories in Indonesia to improve worker’s engagement and communication types. As for the technology the company launched modernization centers to reduce manual work and improve the quality of the products (e.g: the use of robotics technologies). Finally, the brand aims to become more transparent over time. To publish the entire list of the location of the contract suppliers in 2005 was the first step that Nike took in that direction. Continuing on that path, it prioritizes multiple checks and balances combining internal and external audits, as well as investigations (ibid)

As every retailer company, Nike also has its specific problems that again are very common to the industry where Nike operates.

Table 7: Nike’s most common problems of non compliance on the supply chain

<table>
<thead>
<tr>
<th>Top issues at Nike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive overtime</td>
</tr>
<tr>
<td>Wages</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Hiring</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>Freedom of association and bargaining</td>
</tr>
</tbody>
</table>

How are CSR practices implemented?

The year 1992 marked the introduction of Nike’s Code of conduct and the first big step for the company towards CSR requirements. This code is used as the first rule for Nike’s suppliers. To become a supplier, the factory has to fully respect the code of conduct. This latter contains 11 basic rules concerning issues such as working hours, age, health and safety etc… (see full code of conduct in appendix). Additionally, Nike also has another code called the Code of Leadership Standards (Nike CSR Report 2014-2015: 53), which is a 154 pages document not only extensively describing what is meant under each rule of the code of conduct but also providing a detailed description of the standards, responsibilities and requirements of other environmental issues that the sportswear company addresses. The purpose of this code is to help factories implementing the CSR rules required by the brand.

- Excessive overtime: the most common problem in Nike’s supply chain is with no doubt the hours that employees have to work in the factories. However according to the CSR report, only 4% of contract factories had excessive overtime issues (Nike CSR report 2014-2015: 63) as defined in the code (the limit is 60 hours per week), which represents an improvement from the year 2014 when 11% of the factories had reported such incidents. In order to reduce overtime at their factories, Nike prioritizes sourcing from factories that have eliminated overtime issues.

- Wages: the second most common problem is wages. “Nike requires suppliers to pay workers at least the locally mandated minimum wage and benefits” (Nike CSR Report 07-09: 56). As the value of an equitable wage differ depending on countries, the company believes the local wage is best set by negotiations between workers, labor representatives, the employer and the Government this is why Nike tries to partner with these latters to attack the wage issue.

- Other: this category includes “issues of dishonesty, such as coaching workers to lie about conditions, denial of auditor access, falsifying statements and unwillingness to comply with standards has decreased from 20% to 13% of incidents over five years” (Nike CSR Report 10-11 p.52) and is still in 2015 the third most common problem at Nike’s factories with 12% of non-compliant factories. This became a focus point since 2012 (Nike CSR Report 12-13: p.38).

- Hiring: these types of problems refer to all the issues concerning contracts, benefits and the hiring process. Often, the form of contracts does not allow workers to get all the benefits that a normal employee would. Moreover, discrimination (especially for women) happens sometimes already in the hiring process when women are asked if they are married or pregnant and then and then rejected if they are.
• Age: child labor is still a top issue at Nike and one of the aspects that caused the company a very bad reputation some years ago although the percentage of non-compliant factories concerning this aspect is lower than 1% in 2015. Nike requires all its suppliers to respect the age standards (18 years for the footwear and 16 for apparel and equipment factories). However, Nike’s age standards are often above international and local conventions so that it can be the case that factories are not compliant with the Nike standards but are respecting the national laws (Nike CSR Report 04: 46). Also it can happen that workers falsified their age documentation. To prevent child labour, the company tried to discover the cases at their factories and works closely with governments and international institutions to eliminate this issue.

• Freedom of association and bargaining: Nike encourages actively the freedom of association and collective bargaining right working directly with factories to improve the worker management dialogue, sharing best practices and directly intervening when needed. Moreover the brand has developed Freedom of Association training for their compliance staff so that they can deliver the training to factories.

**Nike’s monitoring process**

The sustainable process of this company mixes internal and external monitoring. Factories are first of all measured against both codes of the company (code of conduct and code of leadership standards) “which are designed to protect the rights of workers and create a safe working environment” (Nike CSR Report 14-15: 53). Contract factories are categorized in five groups from the more compliant factories to the least compliant one: gold (world-leading manufacturing standards and innovation), silver (exceeds the standards), bronze (basic level, the factory is compliant with the codes), yellow (inconsistent but can be helped through a remediation plan to meet compliance) and red (unsuccessful, under review for exit).

In 2015, 86% of Nike’s contract factories have achieved bronze (Nike CSR Report 14-15: 58), in other words, more than the half of factories were at least compliant with the requirements of both codes (e.g: pay a fair living wage). Moreover between 2013 and 2015 the number of factories decreased by 11.8% (Nike CSR Report 14-15: 51) as Nike let go of several suppliers for being noncompliant with their codes (red category). The rating and performance of contract factories is measured through the Sustainable Manufacturing and Sourcing Index (SMSI) introduced in 2012. This index combines labor and environment standards as well as traditional measures of quality, cost and delivery. It is meant to increase the transparency while creating
targets and incentives for factories to go beyond compliance (Nike CSR Report 14-15: 54 & 58).

Furthermore, Nike factories are submitted to audits controls by Nike itself and by independent organizations such as Better Work and the FLA. Factories showing good audits results will be less frequently audited than factories in the yellow or red category. In 2015, Nike conducted 615 audits, the FLA 14 and Better Work 25. The results showed that most factories had the typical issues of the industry such as overtime, wages etc. (see table of most common problems at Nike supply chain above).

To rate factories according to their sustainable performance concerning workers’ conditions, the company divides its factories in four different categories: A, B, C and D. Factories obtaining the A-grade are compliant with Nike’s codes or experienced only few and not critical violations. On the contrary, factories achieving a D-grade are not compliant and have shown unwillingness to cooperate and comply with the code of conduct and leadership standards: working hours exceed the legal limits, the accorded wages are not paid, under aged workers are used, workers are physically or sexually abused etc… (Nike CSR Report 05-06: 36). From the CSR report 2010-2011 however, the rating A-B-C-D was replaced by the rating Gold, Silver, Bronze, Yellow and red.

What has changed with CSR implementation?

We can with no doubt say that Nike was one of the retailers companies that took advantage of its CSR implementation as the latter helped the company reconstructing its previous damaged reputation.

In 2006, most factories in Nike’s supply chain were in North Asia but the majority of the apparel factories were located in South Asia. The main apparel products were manufactured in China, Malaysia, Thailand and Turkey (Nike CSR Report 2006: 25).

It is important to highlight some important aspects from Nike’s performance in 2006: according to the CSR Report of that year, the retailer was then experimenting the lean manufacturing, a system where workers produce in teams and are more empowered to supervise the production (ibid). Moreover the audits focused on finding the roots causes of two major issues concerning working conditions of factories workers: wages and hours (Nike CSR Report 05-06:31) so that other top issues of 2015 (such as the age of the workers at factories, for example), are not represented in the audit's results.
The fact that two of the top issues in 2006 and 2015 differ, could be explained by different reasons: either the problem was not considered a top issue in that year and the company decided not to focus on it (e.g: abuses of worker incidents were rarely reported in 2015) or that the problem was already existing but became more critical after some years (e.g: hiring issues) and became then a critical issue.

Table 8: Top issues at Nike in 2006 and 2015

<table>
<thead>
<tr>
<th>Top issue in 2006</th>
<th>Non-compliant factories (in %)</th>
<th>Top issue in 2015</th>
<th>Non-compliant factories (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freedom of association</td>
<td>n. a³</td>
<td>Freedom of association</td>
<td>1%</td>
</tr>
<tr>
<td>Excessive overtime</td>
<td>55%</td>
<td>Excessive overtime</td>
<td>56%</td>
</tr>
<tr>
<td>Wage level too low</td>
<td>50%</td>
<td>Wage level too low</td>
<td>27%</td>
</tr>
<tr>
<td>Age</td>
<td>n.a</td>
<td>Age</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Abuse of workers</td>
<td>42%</td>
<td>Abuse of workers</td>
<td>n.a</td>
</tr>
<tr>
<td>Hiring</td>
<td>n.a</td>
<td>Hiring</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: self-made table based on information retrieved from Nike’s CSR Report 05-06 and 14-15

The progress of Nike in the last years seems quite disperse and some focus points have also changed While some points have worsened a bit (such as the excessive overtime) others have improved quite a lot (wages). Others issues have become more critical in 2015 as for example hiring problems or worker's harassment.

The target for 2020 is that Nike will source 100% of its products from factories that meet the sustainable requirements of the retailers e.g: factories that have achieved bronze or better.

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² N.a means that no percentage could be found in the company reports concerning a particular issue on that year.

³ Not applicable (n.a) because some percentages could not be found in the reports of a particular year mainly due to the fact that the problem in question was not a focus point on that year.
According to the CSR report 2014-2015, 589 factories achieved a bronze score in 2015, which in 2006 was represented by the rating B scored by around 300 contract factories in May of that year (Nike CSR Report 05-06: 37).

3.4 H&M and Nike comparison

As we have seen, these two giant brands and leaders of the fashion industry have many similarities in their business model. They both focus their manufacturing process in Asia to reduce their costs and their contract factories experience basically the same issues that are also common to the industry: excessive overtime, wages, freedom of association, worker’s safety etc… Both companies have also some similarities in the way they implement CSR practices. The companies have some kind of code of conduct which factories are measured against it. H&M is transforming its code of conduct into a sustainability commitment and Nike has its code of conduct and the code of leadership standards. Moreover, they also have partnered up with international organization such as the ILO and the retailers themselves submit their factories to audits as well as third parties (FLA and Better Work).

Table 9: H&M and Nike’s CSR implementation

<table>
<thead>
<tr>
<th></th>
<th>H&amp;M</th>
<th>Nike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers focus</td>
<td>Strategic partners</td>
<td>Bronze suppliers</td>
</tr>
<tr>
<td>Document(s) to monitor CSR</td>
<td>Sustainable Commitment (from 2015)</td>
<td>Code of Conduct and code of leadership standards</td>
</tr>
<tr>
<td>Index used</td>
<td>Index Code of Conduct</td>
<td>Sustainable Manufacturing and Sourcing Index</td>
</tr>
<tr>
<td>Audits</td>
<td>Full Audit Program</td>
<td>Internal and External audits</td>
</tr>
<tr>
<td>External Partners</td>
<td>Better Work (ILO), SIDA, ETI</td>
<td>FLA and Better Work (ILO)</td>
</tr>
</tbody>
</table>

Self-made table based on information retrieved from CSR report of H&M and Nike of 2015
It seems that both brands are doing many efforts to become more responsible towards their workers and to manufacture and source their products from suppliers that respect their requirements. With these efforts Nike was able to improve its reputation (Nisen 2013). The fact that the sportswear brand was the first one to publish a complete list of its suppliers and accepted the accusations of sweatshop conditions in asian countries contributed to making the company more transparent and to its emergence as a “Global Sustainable Brand” (Sharma 2013). H&M is on the current Forbes list of the most ethical companies in the World.

Table 10: Common problems of Nike and H&M in 2015

<table>
<thead>
<tr>
<th>Issue</th>
<th>Non compliant factories of H&amp;M (in %)</th>
<th>Non compliant factories of Nike (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>9.75%</td>
<td>27%</td>
</tr>
<tr>
<td>Overtime</td>
<td>34.75%</td>
<td>56%</td>
</tr>
<tr>
<td>Freedom of association</td>
<td>0%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: self-made table based on information retrieved from source Nike CSR Report FY 14-15 p 63

As we can see, H&M and Nike have different results when comparing their common problems and most critical issues which are also the most typical problems in the fashion industry. When it comes to wages, we can see that less than 10% of H&M factories still pay a lower wage than what is recommended against more than a quarter for Nike’s factories. However for the overtime hours, which is still a very critical point where no retailer really made a progress over the last years, both retailers have still very high percentages of overtime hours which exceed the limits set by the law. The average of all factories shows that factories at H&M have less overtime issues than Nike’s factories. However if we take only the percentage of compliant factories in Asia, we can see that the situation is much more critical with only 13% of H&M factories respecting the hours set by the law (see H&M part). As for the last point, we can see

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As Nike and H&M have more or less the same production countries, we assume that both companies have also similar variables to make their percentages for comparison purposes.
that workers in all factories have the freedom of association in H&M factories and only 1% of Nike’s factories have not yet respected that right.

We could say that workers of H&M factories are experiencing better working conditions in general when we compare their percentages of compliance to Nike’s percentages as they are better paid, work less overtime and everyone has freedom of association. However it is hard to say that workers in H&M factories are better treated as percentages depend on what exactly is measured (the variable or compliance question) as well as the tool used and the reliability of those numbers.

As for the wages between these two companies, they both say to be working towards fair living wages that would allow the workers to cover their basic needs. Both retailers state to pay at least the minimum wage in most factories to achieve this goal.

In the following table, we can see the minimum national wage of each selected country in the textile industry in 2014, which is also in many cases a relevant manufacturing country for H&M and Nike. We can also see how much the workers of the supply chain of each country earn in that same year at H&M and Nike’s factories.

Table 11: Monthly wages in the textile industry and monthly wages at H&M and Nike’s factories in selected countries in 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum monthly national wage in USD (ILO)</th>
<th>Average monthly wage at H&amp;M factories in USD</th>
<th>Average monthly wage at Nike’s factories in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>70</td>
<td>79</td>
<td>36</td>
</tr>
<tr>
<td>Cambodia</td>
<td>100</td>
<td>137</td>
<td>82</td>
</tr>
<tr>
<td>China</td>
<td>150</td>
<td>442</td>
<td>109</td>
</tr>
<tr>
<td>India</td>
<td>50</td>
<td>119</td>
<td>76</td>
</tr>
<tr>
<td>Indonesia</td>
<td>90</td>
<td>154</td>
<td>n.a</td>
</tr>
</tbody>
</table>
As we can see from the table it is immediately visible that workers at H&M factories are paid above the minimum wages of each country. In Nike however the minimum wage is only exceeded in India, where the company sources from 15 factories.

It is interesting to mention, that the average wage of factories could be found directly in the CSR reports of H&M but as for Nike, those numbers are not published in the reports.  

4. The role of other institutions in improving working conditions

Brands such as H&M and Nike are in most cases taken for main responsible for the treatment and conditions that workers face in the factories supplying these two companies, even though these brands are not the owners of the factories in where their products are manufactured. Of course, it is not to say that brands do not have a big responsibility in improving working conditions at the factories, however they are not the only ones capable of influencing labor practices. Other actors such as international organizations or the government of each country among others also play a huge role towards improvements on the social level of the fashion industry.

4.1 The role of the ILO towards better conditions

The International Labor Organization created in 1919, as a United Nations agency is an international body working with governments, employers and workers’ representatives of 187 states, and promoting through labor standards, policies and programmes, decent work for men and women (ilo.org). This goal is mainly reached with four different approaches: setting and promoting standards and rights at work, create opportunities for everyone to decent employment and income, improve social protection and reinforce social dialogue.

Although the ILO is the mother organization taking care of labour topics, there are other programmes more specific such as the Better Work Programme. This latter was created in 2006,  

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5 Wage numbers for workers on Nike’s factories are from a journal article published in 2014 in the Portland Business Journal. Wages may not be accurate.
through a partnership between the ILO and the International Finance Corporation (IFC) with as main aim to improve “labour standards and competitiveness in global supply chains” (ibid) and focusses on workers in developing countries of labor intensive sectors such as the apparel among others. The Better Work Programme works closely with 30 private companies such as Nike, H&M, Gap, Inditex (etc.) to improve their compliance levels at more than 1250 garment factories, reaching more than 1.5 million workers.

Garment companies can have two kind of relationship to the program: be participant or buyer. The first kind of relationship is more loose and less collaborative as companies purchase reports of suppliers’ factories (Fishman Interview on 20.06.2016). The other type of relationship is much more collaborative and companies are much more associated with the programme. Some benefits brands gain from this collaboration are to gain access to assessment and progress reports, a higher impact on working conditions through the joint work with governments and other stakeholders as well as to be associated not only with the programme but with the ILO as well among other benefits. The second relationship type also requires that the companies sign an agreement where they commit to certain points as for example to stop auditing suppliers in order to avoid the multiplicity of assessments (very costly and time consuming for factories) and the use of different measures (Fishman Interview 20.06.2016) which could lead to different results.

As an international and focused Programme supported by the ILO, the Better Work Programme plays an important role in improving working conditions as they work in developing countries where workers are particularly vulnerable and is the only tripartite unit working with different stakeholders to have a higher impact.

Until today, this Programme was able to reach more than 1.5 million workers and improved conditions of several factories in different countries such as Vietnam, Jordan, Haiti (etc.) by its actions in the factory as well as the country level.

4.2 The role of national governments in manufacturing countries

The government of each producing country has an important role in improving working conditions in the sense that they not only act as supporters for companies and international organizations in terms of implementing programs and standards but also have their own influence towards better working conditions. Hence, they “have a responsibility to enforce their laws, governments have the responsibility to create an enabling environment, to allow workers to collectively represent their own interest” (Fishman, Interview on 20.06.2016) among others.
The efforts from private companies or other actors on issues such as the collective bargaining or the freedom of association for instance, will not provide any improvement if the government of the country itself is not willing to cooperate by making it legally possible for workers to express themselves. Indeed, sometimes the national law does not support workers creating unions and in this case, the national law has to be followed before companies’ laws. As national laws differ depending on the country, it represents a big challenge for private companies who have to adjust to different laws as workers may not have the same rights in all the countries. In China and Vietnam, “freedom of association is restricted by the law, whereas in Cambodia, union representation is common but negotiations often result in conflicts” (H&M Sustainability Report 2015: 51). In those countries, states have the role to make it possible and encourage workers to express their rights so that working conditions can really move forward.

Moreover, governments are responsible for ratifying certain conventions that are meant to help workers on key issues on the global supply chain (e.g: ILO conventions such as C087 Freedom of Association and Protection of the Right to Organize Convention, C100 Equal Remuneration Convention etc…) which impacts directly the improvement of working conditions and workers’ rights. If states do not ratify these conventions, to move further towards improvement is rather difficult or simply impossible, as private companies cannot go against national laws.

4.3 Have working conditions in factories improved through CSR implementation?

For the studied brands (H&M and Nike) the first measurable traces of CSR implementation dates back to more than 10 years ago, through their first report published on their websites and accessible by third parties.

As already stated earlier, the fashion industry has, many challenges that are typical to the industry including overtime, low wages, unsafe factories, human rights abuses among others, which creates a difficult working environment for workers in the textile and footwear industry. Also in these last years, the fashion industry has somewhat changed and many brands have turned to the fast fashion model, changing their lines almost every month, which creates spikes of productions. These latters are “becoming more constant and this creates much more pressure on producing factories, which is then put on their workers” (Fishman Interview on 20.06.2016) which makes it, nowadays, additionally complicated for good working conditions and global supply chain to coexist.

Furthermore, as the garment industry is, generally, characterized by “low skilled, low education sector” (Fishman Interview on 20.06.2016) this makes workers even more vulnerable to abuses
at the workplace, due to the fact that sometimes they are not even aware of their rights and those jobs represents the only opportunity to gain independence as well as a way to support economically their families (ibid).

In general CSR practices implementation takes time and results can only be seen after years of implementation, especially in the social sector. However, we can see that through consolidated and constant efforts, some progress in such as challenging industry can be achieved.

In the case of H&M and Nike, we could say on the one hand, that these brands with huge supply chains were able to improve the situation of their workers on certain aspects since their first CSR reports. Whether it is because of different pressures affecting their brand reputation or simply the willingness to do the right thing, companies have started to take their social responsibilities more seriously and many aspects indicate a trend towards improvement in working conditions, which shows that a relationship between good working conditions in the fashion supply chain is not impossible.

On the other hand, we can highlight that looking at other aspects (e.g: overtime), the situation has stayed the same and in some cases has worsen probably because of the pressures coming from the fast fashion and the increasing competition faced by retailers. Some aspects such as the monotony of the jobs in the global supply chain or the level of education of the workers, which are key characteristics of the fashion industry (Fishman Interview on 20.06.2016) are also influencing a part of the working conditions and are aspects that are very difficult to change in the short term.

Additionally, the working together of several institutions such as governments and Better Work Program among others have also contributed “in some measurable improvement” (Fishman Interview on 20.06.2016) of working conditions.

We can, however say, that in general CSR implementation have improved working conditions in the fashion industry, especially based in the cases of H&M and Nike but of course, all the brands including these two have still a long way to go and must pursue their efforts in these domains, but we can at least be positive about them pointing in the right direction.

4.4 The reliability of CSR companies reports

Companies’ reports about CSR usually contained extensive and detailed explanations about ethical issues in different domains. In most cases, these documents are “controlled by PR departments and one of the purpose of these reports is to demonstrate success and progress”
(Fishman Interview on 20.06.2016). Based on this, there is a risk that companies take this chance to influence readers and try to convince them that their progress in terms of becoming a very ethical company is important and sometimes even bigger than in reality. For brands, it can be very easy to manipulate information and make it look like the company is improving every aspect although it cannot be true.

The question whether, these reports are really reliable is complex and other sources have already demonstrated that the progress of the firm may not always be as advanced as it wants people to think it is. The Clean Clothes Campaign, for instance, has in many opportunities published articles where they denounce fashion brands to be delayed concerning CSR projects (e.g: H&M concerning health and safety in Bangladesh in 2015 or abuses and harassment of workers at Nike factories in 2002), which sometimes contradicts the information reported on the company’s documents. Nevertheless, some information was also confirmed to be true by the same source, which at the same time, states that the reports contain information that is true.

Although we can see CSR improvements in the reports when comparing percentages or other variables from previous and recent reports of a same company, it is probably safe to say that these reports have to be handled carefully and with skepticism (Fishman Interview on 20.06.2016). Surely, they seem to contain relevant information as numbers were in most cases based and obtained from continuous research but it is still difficult to know how transparent these reports really are.

Nevertheless, to be transparent is slowly becoming a requirement for many firms. Many external sources such as the Clean Clothes Campaign and even more critical consumers are putting more and more pressure on companies to be more transparent in their reports and actions. Through these pressures, we can expect more transparent reports in the future.

5. Conclusion and suggestions

The fashion industry is naturally, a labor and resource intensive industry. As the fast fashion became more popular in the last years, global supply chains experienced more competition and focused their production in low wage countries. As market pressures increased and are passed on to workers, unethical practices become more and more apparent. Hence, social responsibility does not seem to rime with workers on the global fashion factories but yet brands such as H&M and Nike try by all the means to be considered ethical and sustainable. For these companies as well as for the whole industry, the main issues remain the low wage level and the overtime
hours that workers have to face, despite the numerous efforts that both companies are making to achieve improvements in these domains.

As we could see, companies such as the above mentioned fashion brands have tried to implement in the factories where they source from, ethical practices to improve working conditions.

Indeed, one of the most important findings of the thesis is that these two brands were able, in the last few years, to improve some aspects of the working conditions of their factories, most of them located in Asian developing countries. Although these improvements are also somewhat dispersed (e.g: wages are higher in some countries but still remain low) we could still say there was a general improvement of several aspects. It could be imagined that in the near future, Asian countries will become more expensive and companies will have to move their factories to other newer countries, where cheap labor can be found.

Furthermore, we could observe that in terms of improvements, one company (H&M) seems more advanced than the other (Nike) which makes us believe that the level of commitment towards CSR may be an influencing factor.

Finally, we could also remark that working conditions improvements are mainly achieved by the joint work of companies, national governments and international organizations as they all influence conditions. But even though this is known by consumers, the companies will still be taken as main responsible for bad working conditions on the factories at the international level.

To be able to achieve significant progress in the next years, it is imperative that global apparel companies keep focusing on ways to receive more support from local governments and other institutions as they cannot go a lot further without their support, especially in helping workers gaining a stronger voice.

It is also important that companies increase the reliability level when it comes to their reports. Although there is not a lot of literature or studies about the validity of information that these reports contain and this could definitely be another topic of research for the future, it is imperative for stakeholders, to be able to find accurate information. For the firms themselves, it is important to find numbers and facts that show the real status of the situation in order to better attack the issue. A way of increasing validity could be to rely more and more on external monitoring programs such as the Better Work Programme or Ministries of Labor of the countries where factories operate, for example, to assess the factories. As this programme and
institutions are not being managed nor influenced by the company, a result could be that the reported numbers will be much more transparent and accurate than those reported by the own brand. It is of course, understandable that brands want to show improvement of their working conditions issues, however showing the truth should how serious it really is and allow them to better attack the issue.

Moreover, giant brands such as H&M and Nike should use the power their have as leaders of the industry, to act as examples for other brands in the fight against poor working conditions.

Many issues are specific to the industry and will take time to improve. But if the company is strongly committed to achieve improvements and has a proactive response to tackle issues, working conditions will certainly improve.
Appendix

Appendix 1: Interview with Phillip Fishman from the Better Work Programme on the 20.06.2016.

Mr Fishman is the Programme Manager of Better Work Jordan programme since 2008 and has an extensive experience on international labor issues as he actively participated in the enforcement of international labor standards laws being a member of the US delegation to the ILO. Moreover, Mr Fishman worked with unions, companies as well as non-governmental organizations along his career (betterwork.org).

1. In which countries is it particularly challenging to see good working conditions?
Well in some ways it's a relative question. It is also hard to measure. The global supply chain in garment is generally speaking a low skilled, low education sector and you have relatively low educated people entering the sector. Because of the pressures of the global supply chain, often they are not earning much more than the minimum wage and working long hours. There is a lot of pressure in the global supply chain. With that said, there is also a glass half full side of it. In many countries the garment sector represents the only possibility for relatively poor uneducated people to enter the labour market and this is particularly true for women, young and low-educated women. It provides them with the opportunity to gain some independence, to get out of the house. The income they make, as low paid as these jobs are, can often supplement family income in a measurable way and it provides them the opportunity to perhaps increase their skills and once they are in the labour market move onto other jobs as they get older and gain more skills. Again generally speaking the global supply chain is characterized by long working hours, low pay, jobs that are pretty monotonous. In some countries like Bangladesh, factories may not be safe and so on. But it isn't all just a negative picture, I think there are other aspects that are also quite important to take into account.

2. What are the main challenges in the fashion industry apart from overtime, long hours and low wages?
Have you seen this documentary True Cost? It was done about a year ago and it is about the fast fashion industry and one of the interesting things is that has happened is that up until relatively recently, the industry went seasonally. Often, in countries that produce garments, you saw a real push for production in the summer for the Christmas season. So there was a spike in production, in working hours, in pressure and so on and so forth. The industry was sort of characterized by these periodic spikes that happened once or twice a year, usually twice a year. With fast fashion it is now happening almost every month, where brands are changing their
lines almost every month or so, as the global market has changed. These spikes are now becoming more constant and this creates much more pressure on producing factories, which they put on their workers: It creates pressure for longer working hours. You don't have the down periods as much as you did in the past. This move towards fast fashion has become very popular with most brands such as H&M on one hand. On the other hand, I think it has created pressures that if not handled carefully can bring back some of the most exploitative practices that were in the global supply chain ten years ago.

3. Are there new challenges or issues in the fashion industry or are there always the same challenges?

There are always challenges for these workers. Basically speaking most garment workers are not making much more than the minimum wage and in many countries they might not even be making the minimum wage. So, because they are sort of at the bottom rung of the labour market, they often are the most vulnerable to different kinds of exploitation. There are issues with regard to their labour contracts. It's an issue in many producing countries that these workers are not permanent employees. They are on various forms of contracts which might be that they are not eligible to full benefits under the law and there is this sort of attitude on the part of many employers that these jobs are temporary, that women take these jobs and they are young and do it for 3 or 4 years and then they go off and get married so we don't have to treat them as they are formal workers. That is a chronic issue. There are serious issues with regards to safety and health. Both in terms of the production process itself but also in terms of the facilities, where this factories are located as we seen it in countries such as Bangladesh and despite some of the progress has been made, I think a lot of people are just waiting for the next accident to happen. Because of the pressures on workers and on factories to work according to constant deadlines, the issue of working hours continues to be a major issue and it puts workers in an awful quandary because on one hand they want to try to earn as much as they can and their families want them to. On the other hand a lot of the overtime isn't voluntary. Employers say it is but in fact, it isn't. It is very hard for workers to say I'm tired and don't want to work, I can't continue to work 80 hour a work week or whatever it is. There is a lot of forced overtime, which raises issues of forced labour. Things have improved but generally speaking I think you can still find these things in the garment global supply chain.
4. Would you say there was a general improvement of working conditions in developing countries the last years or has the situation stagnated or it has gotten worse?

I think it has improved; there has been an improvement for a number of reasons. I think that various efforts made. I think many brands are taken their responsibilities a bit more seriously such as Nike and H&M. If you look at where Nike was 20 years ago, I think there has been a major change, in their outlook on such issues. And I think that is true with many other brands. I would not overstate this as I think the brands have a long way to go. But with that said, I think there has been improvement. There is a number of schemes such as Better Work and others that have brought more sunshine and transparency to practices and so, that resulted in measurable improvement. There are now workers’ rights provisions in many bilateral trade agreements that encourage brands and factories to take responsibilities more seriously. I think there are a number of things you can point to that indicate that there has been improvement. Again, I think there is a long way to go and it is another glass half full, glass half empty question but I do think that it is beginning to trend in the right direction. And the other thing I would add, that I did not mention before is that, for a variety reasons, garment workers often have a hard time gaining a collective voice through organizing into a trade union on their own. That is discouraging and that is difficult for most workers of this world these days but it's particularly difficult for garment workers giving their lack of education, power.. The fact that garment workers continue to struggle to gain any voice with regard to the decisions that affect their daily lives, is an ongoing problem.

5. What would be the main focus points of the ILO concerning working conditions? Do you focus on top issues or particularities?

The ILO has a number of different approaches. Generally speaking, the ILO works closely with its social partners to create an environment in both law and practice that is consistent with ILO standards, both core labour standards and also those standards that have been ratified by each country. There is an effort to create an enabling environment in both law and practice. That is generally speaking. I think with regard to some of the supply chain and garment is the one where the ILO has done the most effort, there has been innovative and some a ground-breaking efforts to work with all the stakeholders in the global supply chain, to work together to bring about measurable improvements, to give workers voice in the global supply chain and to make ILO standards a reality on the ground, which is very, very challenging.

The Better Work Programme is quite innovative for the ILO and in the countries where Better Work operates, you can see a measurable impact.
6. The Better Work programme works in cooperation with several fashion brands such as Gap, H&M, Nike, Primark among others. Are there some retailers that seem particularly committed to good working conditions or are they all equally advanced in this topic?

Oh no, there is a big difference between brands. I think some brands take their responsibility more seriously, others less seriously. Some of it, it depends on experience. A company like Nike, 10, 15 years ago was taking on the world. This was no one’s business but they realize it was a losing proposition for them. Their brand is quite image sensitive and they had to do something about it. I think a company like Nike has come a lot further than other companies. There is a continuum of brands as to how serious they take their responsibilities in the global supply chain. Then again, I would emphasize that is not to say that Nike cannot do much more. I think pressure should continue for companies to do even more because I still think there is a long way to go.

7. In the specific case of H&M and Nike, would you say the progress was major?

Major? I don't know but significant or measurable, definitely. I guess I will be willing to use these words. But major, I think we have a way to go before I would use that word.

8. Which one of these two brands (H&M or Nike) is the most advanced and committed to good working conditions in your opinion?

I can't answer that in the sense that my experience has been mostly with American brands. Better Work does work closely with H&M. In my experience with Better Work H&M was not in countries I was in. I know that H&M is a partner of Better Work, I know that H&M is on the advisory board and I know generally speaking that in a lot of these issues, the European brands are probably ahead of the American brands. So, I presume they are both among the better brands. But it is a little bit comparing apples and oranges in the sense that H&M to some extent is a European big box brand, it is a sort of equivalent target of Walmart in the States. They are doing a lot of mass production. Nike is too, but Nike is more a specialized brand.

9. I worked a lot with the reports of these two companies and a question that was always in my mind was how reliable the CSR reports are in reality. Do you believe in the reliability and transparency of CSR reports of the companies, as they are writing them and have the power to influence the reader?

I think you should read all these reports that are controlled and written by the companies themselves with a little bit of scepticism. Even now, I think they have come a long way and that is not to say there is not good information in them, like stories and so on but generally speaking,
they are controlled by PR departments and one of the purposes of these reports is to demonstrate success and progress. I don't think you would ever see in these reports any admission when something has gone terribly wrong. I would read them with a little bit of scepticism. Again not that they don't contain valuable information.

10. To enter the Better Work programme, a fashion brand has to sign a commitment. What does the commitment entail? One of the requirement is to stop doing own assessments?

There are now two types of relationships between brands and Better Work. One is called participants, which is sort of a traditional relationship, where the brand purchases reports from Better Work of their supplier factories. The degree to which there is actual collaboration between the brand and Better Work to work together to bring about improvements is less spelled out and in many cases is very loose.

In the last couple of years, Better Work has created a partnership agreement with brands. I don't know what the latest is, it might be 25 or 30 brands that are partners, I think H&M, I don't know about Nike. Partnerships in a much more explicit way spell out what the responsibilities are of both parties. I would say in the past, Better Work was trying to establish itself, it was trying to sell itself to the brands. Now, I think that Better Work has established itself to the point that they are basically saying: “Listen, we need your collaboration on a lot of things if we are going to have the impact that we think we can, and if you want to be associated with the Better Work Programme and be able to identify yourself with the ILO, this is what we need from you”. Partnership agreements spell out a number of different ways, some of them are quite positive. If you look at a company like Nike, Nike is much better than Better Work is, or the ILO is, when it comes to building more efficiency in factory operations. In a partnership, Nike can work not only with their suppliers but perhaps with the sector as a whole in a particular country to building or to introduce more efficient factory measures. There is a constructive side this. In terms of the assessments there is always been sort of a principle that one of the challenges that the producing factories have always had is this multiplicity of assessments in their factories. If they have 10 customers often, they have 10 different assessments and 10 different measures that were not always the same. Part of what Better Work tries to do is to reduce the number of assessments that a factory has to face because it's costly and time consuming for factories and to rely more and more on Better Work assessments. Generally speaking, with a number of brands that has in fact happened. Brands still have the right to go in obviously whenever they want and when there is a crisis or particular situation that they want to look at but I think that
in many countries the duplication of assessments has gone down in those factories participating in the Better Work Programme. And that is a commitment as part of the partnership.

11. The main tool to measure the progress of working conditions would be factory assessments?
Yes, that is to measure the improvement but when you take a look at the better Work Programme in general, the general percentage in most countries is that about $\frac{1}{3}$ of the resources is spent on actual factory assessment. Better Work factory assessments are quite good and they are quite independent. But $\frac{2}{3}$ of the resources goes into working with stakeholders: factories, unions, joint committees, governments to develop and implement improvement plans at the factory level. One of the innovations of the Better Work programme compared to most other monitoring schemes is that Better Work is basically saying: “we are going to be assessing your factory independently, unannounced, professionally. We are not going to be influenced by what you want us to see or not want us to see or report”. On the other hand, once issues are uncovered, Better Work stands ready to work with stakeholders to develop and implement improvement plans and will do whatever it can to bring its expertise to the table, to help solve problems once they are identified. Factories have come to appreciate this approach and this is all done in a confidential way. There is no attempt to bring a lot of publicity to any of this, it's just a real problem-solving, multi stakeholder effort and this is one of the things that I think is unique about the Better Work programme.

12. Would you say the government has a big influence on improving working conditions in private companies such as H&M and Nike and other brands?
Yes, I think governments do. Some of this has to do with the challenge of enforcing their laws. Unfortunately a lot of governments don't really have that capacity. I would say that the global supply chain demands even more.. If you look at Better Work for example, Better Work is in factories almost every month. This is not possible for any national inspection system. Governments also have the responsibility to create an enabling environment, to allow workers to collectively represent their own interests. There are many roles that governments have to play that are important. In the countries where Better Work has been successful, governments have been supporters and partners.

13 Are there any specific goals that the organization aims to achieve in the next five years? For example eliminate child labor or a really specific goal?
That is tough. I would generally say, the trending towards improvement needs to continue. There are three issues I can think of as priorities. One is continuing improvements in occupational in safety and health so that accidents such as what happened at Rana Plaza don't happen again. I think that is a big issue for a lot of brands and in the global supply chain. Second, with the pressures coming from fast fashion, there needs to be a renewed effort to try to take a look at the issue of working hours and to try to eliminate those situations where working hours are really excessive, beyond 60 hours a week. And then the third priority has to do with this whole discussion now on living wages. In a sense the latter two are related (working hours and living wage) and trying to find ways where workers don't have to feel fortunate because they are making the minimum wage and can earn more. A lot of brands are now participating in living wage discussions and we will see where they lead. Nike can make a strong case that generally speaking within the global supply chain, workers that work at their factories are treated better and earn slightly more but I think you can make that argument that it's fairly marginal. So, Nike workers are making 10% more than others. Not that I would minimize this but on the other hand, Nike is showing quarterly profits in the billions so the question is what can Nike do even more to try to help create decent work in their supply chain, which I think it's to both the issue of working hours and trying to get wages, not only at minimum wage but significantly beyond minimum wage. So those are the three issues: living wage, working hours and safety and health.

14. What is, in your opinion the best way to achieve good working conditions? Would you have some advice for private organizations to improve working conditions in their factories?

I think the best way is, one, transparency. The trend towards bringing more sunshine to what is happening in the global supply chain needs to continue. Two, I think that you need to really take proactive steps to allow workers in the supply chain to organize themselves and to be able to have an impact on decisions that affect their lives. I think that is key. And the third thing would be that social dialogue is promoted, both at the factory level, at the sectoral level and the national level. Often if the parties can come together and discuss issues, solutions can be found and it's a top priority of the ILO to promote social dialogue. There is a growing body of evidence to show that where social dialogue is effective, working conditions improve.
Appendix 2: Nike’s Code of Conduct

NIKE, Inc. CODE of CONDUCT

At Nike, we believe that although there is no finish line, there is a clear starting line. Understanding that our work with contract factories is always evolving, this Code of Conduct clarifies and elevates the expectations we have of our factory suppliers and lays out the minimum standards we expect each factory to meet.

It is our intention to use these standards as an integral component to how we approach NIKE, Inc. sourcing strategies, how we evaluate factory performance, and how we determine with which factories Nike will continue to engage and grow our business. As we evolve our business model in sourcing and manufacturing, we intend to work with factories who understand that meeting these minimum standards is a critical baseline from which manufacturing leadership, continuous improvement and self-governance must evolve.

Beyond the Code, Nike is committed to collaborating with our contract factories to help build a leaner, greener, more empowered and equitable supply chain. And we will continue to engage with civil society, governments, and the private sector to affect systemic change to labor and environmental conditions in countries where we operate.

We expect our contract factories to share Nike’s commitment to the goals of reducing waste, using resources responsibly, supporting workers’ rights, and advancing the welfare of workers and communities. We believe that partnerships based on transparency, collaboration and mutual respect are integral to making this happen.

Our Code of Conduct binds our contract factories to the following specific minimum standards that we believe are essential to meeting these goals.

EMPLOYMENT is VOLUNTARY
The contractor does not force labor, including prison labor, indentured labor, bonded labor or other forms of forced labor. The contractor is responsible for employment eligibility fees of foreign workers, including recruitment fees.

EMPLOYEES are AGE 16 or OLDER
Contractor’s employees are at least age 16 or over the age for completion of compulsory education or country legal working age, whichever is higher. Employees under 18 are not employed in hazardous conditions.

CONTRACTOR does NOT DISCRIMINATE
Contractor’s employees are not subject to discrimination in employment, including hiring, compensation, promotion or discipline, on the basis of gender, race, religion, age, disability, sexual orientation, pregnancy, marital status, nationality, political opinion, trade union affiliation, social or ethnic origin or any other status protected by country law.

FREEDOM of ASSOCIATION and COLLECTIVE BARGAINING are RESPECTED
To the extent permitted by the laws of the manufacturing country, the contractor respects the right of its employees to freedom of association and collective bargaining. This includes the right to form and join trade unions and other worker organizations of their own choosing without harassment, interference or retaliation.

COMPENSATION is TIMELY PAID
Contractor’s employees are timely paid at least the minimum wage required by country law and provided legally mandated benefits, including holidays and leaves, and statutory severance when employment ends. There are no disciplinary deductions from pay.

HARASSMENT and ABUSE are NOT TOLERATED
Contractor’s employees are treated with respect and dignity. Employees are not subject to physical, sexual, psychological or verbal harassment or abuse.

WORKING HOURS are NOT EXCESSIVE
Contractor’s employees do not work in excess of 60 hours per week, or the regular and overtime hours allowed by the laws of the manufacturing country, whichever is less. Any overtime hours are consensual and compensated at a premium rate. Employees are allowed at least 24 consecutive hours rest in every seven-day period.

REGULAR EMPLOYMENT is PROVIDED
Work is performed on the basis of a recognized employment relationship established through country law and practice. The contractor does not use any form of home working arrangement for the production of Nike-branded or affiliate products.

The WORKPLACE is HEALTHY and SAFE
The contractor provides a safe, hygienic and healthy workplace setting and takes necessary steps to prevent accidents and injury arising out of, linked with or occurring in the course of work or as a result of the operation of contractor’s facilities. The contractor has systems to detect, avoid and respond to potential risks to the safety and health of all employees.

ENVIRONMENTAL IMPACT is MINIMIZED
The contractor protects human health and the environment by meeting applicable regulatory requirements including air emissions, solid/hazardous waste and water discharge. The contractor adopts reasonable measures to mitigate negative operational impacts on the environmental and strives to continuously improve environmental performance.

The CODE is FULLY IMPLEMENTED
As a condition of doing business with Nike, the contractor shall implement and integrate this Code and accompanying Code Leadership Standards and applicable laws into its business and submit to verification and monitoring. The contractor shall post this Code, in the language(s) of its employees, in all major workspaces, train employees on their rights and obligations as defined by this Code and applicable country law, and ensure the compliance of any sub-contractors producing Nike branded or affiliate products.

August 2010
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