

INDITEX

Brands: Zara, Bershka, Stradivarius, Pull & Bear, Massimo Dutti, Oysho, Zara Home, Lefties, Uterqüe



COMPANY POSITION ON THE LIVING WAGE:

Inditex says: “Wages should always be enough to meet at least the basic needs of workers and their families and any other which might be considered as reasonable additional needs ... In the International Framework Agreement Inditex have signed with IndustriALL it states the union will work with Inditex to ensure full compliance to codes and standards including Clause 5 of the ETI [Ethical Trading Initiative] base code: ‘Living wages will be paid.’ ... Inditex understands that any collective agreement on salaries that have been freely negotiated between employers and freely elected trade unions representatives constitutes a fair wage reference for a country / region / city / factory.”

WHAT WE SAY:

Inditex’s commitment to working with trade unions to increase pay, demonstrated by its International Framework Agreement, is commendable. While the focus on freedom of association is very welcome, the focus on delivering improvements to wages needs to be improved and developed if workers in the company’s supplier factories are to start seeing concrete improvements to their economic well-being.

IN MORE DETAIL:

Has living wage benchmarks?

Inditex cited benchmarks in some countries, including Morocco, Spain and Portugal. For Asia, no benchmarks have been established.



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Worker empowerment:

Inditex says: “Manufacturers and suppliers shall ensure that their employees, without distinction, have the right of association, union membership and collective bargaining. No retaliation may arise from the exercise of such right and no remuneration or payment whatsoever may be offered to the employees in order to hinder the exercise of such a right. Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers’ representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace. Where the rights to Freedom of Association and Collective Bargaining are restricted under law, the appropriate channels to ensure a reasonable and independent exercise of such rights must be designed.”

Inditex has worked to proactively promote these rights through trainings and meetings with local trade unions in a number of key production countries, through trainings of suppliers on freedom of association, and through issuing ‘right to organise’ guarantees in Turkey, Cambodia and India.

Commitment and practices:

Inditex has started to address the way it manages its supply chain by reducing the number of suppliers used, increasing production in suppliers with more ethical practices and taking steps to reduce the need for subcontracting. Although it has started to include labour costs in its price calculations, there is no commitment to addressing its own pricing practices – a key factor in ensuring living-wage levels can be met. Inditex has yet to produce clear living-wage benchmarks for each of its production countries.

Collaborative approach:

Inditex has realised the importance of working collaboratively on these issues. It is the only international garment retailer to have signed an International Framework Agreement with IndustriALL, the global union representing garment and textile workers. Joint work with IndustriALL in South America, Europe and Far East Asia was cited. It has also worked with local unions in Cambodia, Bangladesh, Turkey, Portugal, Brazil and Spain. Collaboration with other brands is also a key part of its approach, both through its membership of the Ethical Trading Initiative and within separate pilot programmes.

Strategy:

Inditex is working on a number of pilot projects that address issues fundamentally linked to wages, including freedom of association and short-term contracts. Inditex says it is taking part in a project in Turkey with Next and Arcadia: “The programme aims to establish or improve a sustained worker representative system to strengthen social dialogue & communication between employer and employees ... [and] to improve overall productivity and efficiency on the basis that financial benefits will be equally shared ...” No results are yet available.

Inditex also cited an agreement to work with the International Labour Organization (ILO) on a number of projects including: “Project to spread out the ILO Conventions throughout the supply chain; Projects devoted to living wage; breakdown of labour costs, proper calculation of Living wages in different sourcing countries under the ILO provisions.” These projects have not yet started.

Although Inditex has identified the living wage as “one of the key priorities for the coming years”, to date, the company has not published an overall strategy to deal specifically with living wages, has no systematic benchmarking of living-wage standards, and no time-bound commitment to improve wages to a specified living-wage level.

Production overview:

Number of suppliers: 1,434 first-tier suppliers, 2,878 subcontracted suppliers

Main production countries listed as: Asia (42%), Europe and Morocco (55%), Rest of the World (3%)

Inditex does not publish a full public list of the names and addresses of its supplier factories, but a full supplier list is provided to the unions.

Note on subcontracted supplier figure: Inditex says it has reduced suppliers by more than 30% in recent years, but has also increased internal supply-chain transparency. The subcontracted figure is large (and has increased) because it also now includes laundries, dyeing facilities, packing and other units.

COMMENTS:

Inditex continues to merge its responsibility to ensure workers are paid a living wage with its commitment to freedom of association. While we certainly agree that collective bargaining between management and trade unions is a fundamental part of improving and maintaining wages, this approach relies on strong trade unions within all workplaces and countries. This is simply not the case in many of the regions where garment production takes place. The long-term strategy of supporting trade unions needs to be supplemented by work to increase wages urgently in the short term.

Inditex states that any collective agreement freely negotiated between employers and elected trade union representatives counts as a fair wage. We both agree and disagree with this statement. Certainly any negotiated agreement on wage must be respected. But even where trade unions do exist, they often do not have the political space to demand real living wages at the factory level or in national minimum-wage negotiations, especially when the starting point is a minimum wage that is only a quarter of the amount needed. The downward price pressure exerted by international buyers denies the space for workers to negotiate a real living wage based on actual need.

This is why it is essential that Inditex develops benchmarks based on the real cost of living for workers and ensures these are included in the prices paid to factories. We hope that work with the ILO on “proper calculation of Living wages in different sourcing countries” will play a part in Inditex making this important step.

Developing benchmarks does not and should not undermine the work of a trade union. In fact, knowing that key buyers have a commitment to moving toward a living-wage figure may actually assist trade unions in making wage demands that represent the real needs of workers, and open up space in negotiations.

We were shocked to see that the living-wage benchmarks that Inditex did provide (for Europe and Morocco only) were so low – just above the minimum wage.

Inditex also lacks a strategy to address the problem of poverty wages where trade unions are not yet well established. It would be more than possible for Inditex to look at improving wages in the short term, alongside its programme of trade union rights. This would require a clear, time-bound strategy for reaching a living-wage level in its key supplier factories in major production countries.

Inditex is able to demonstrate efforts to address other related issues, such as homeworking and short-term contracts, and has proved willing to collaborate with key stakeholders to deliver pilot projects, which is great. Unfortunately, to date, Inditex has been reluctant to engage with the Asia Floor Wage proposal. This is disappointing. Given its commitment to engagement and the buying power Inditex has in key Asia Floor Wage countries, the company would be a good candidate for working with the trade unions involved and testing the implementation of the Asia Floor Wage benchmark.