Let’s take a closer look at the wages in H&M’s supply chain based on H&M’s own data.

H&M publishes information on average wages in some of its supplier factories.

What do these figures tell us about the possibility for workers who make H&M clothes to have a decent life?

In other words, how close are the reported wages in H&M’s supply chain to a living wage? Or, put yet differently: how large is the living wage gap?
SUMMARY OF FINDINGS

1. H&M is far away from securing workers at its supplier factories a living wage.

2. Wage increases in H&M supplier factories over the last few years are largely due to the increased legal minimum wages. What factories pay above the legal minimum has contributed far less, or has even decreased (India).

3. Because H&M does not account for inflation, real wages at H&M supplier factories have increased considerably less than one may think when first looking at H&M’s wage data.

4. In the period 2015–2017 wage progress slowed down substantially compared with the previous two years. In the case of India (Bangalore) real wages at H&M suppliers even dropped (by 4%).

5. If things continue at the 2015–2017 pace, wages at H&M supplier factories in Bangladesh and India (Bangalore) will never reach a living wage level, and in Cambodia it will take another 20 years.

⚠️ Average wage figures at supplier factories according unverified data from H&M.
In sum, what do the H&M wage data show us?

• Firstly, the latest available information (for 2017) shows that average wages at H&M supplier factories are far from living wages levels.

• Secondly, nominal average wages at H&M supplier factories have increased over the last five years, but when inflation and currency conversion are taken into account the progress was considerably more limited than it appears at first glance.

• Especially worrying is the latest development. In the period 2015-2017 wage progress slowed down substantially compared with the previous two years. In the case of Bangalore real average wages at suppliers even fell by 4% during this period.

• If the trend from the last two years were to continue, wages at H&M supplying factories in Bangladesh and India (Bangalore) would never reach a living wage level, and in Cambodia this would not happen for another 20 years.

• Even if H&M returned to the more positive trend of 2013-2015, average wages at supplier factories would only reach living wage levels in 2039 in the case of Bangladesh, 2021 in Cambodia, and in 2044 in Bangalore, India.

• If H&M has any intention to ensure living wages for workers in its supply chain, it needs to turn around and get going on the right track, and at a far faster pace.
THE H&M WAGE DATA AND ITS LIMITATIONS
This is how H&M publishes its wage data.
It’s just one page posted on the corporate website.

It must be acknowledged that H&M at least publishes an overview of wages in its supplier factories, unlike many other fashion companies.

However, caution is also required. Namely, the data presented by H&M is not independently verified and it is far from complete. Many countries and details are missing altogether.

In addition -- as we learned from H&M when we asked for further information -- the data was collected through H&M’s own «Sustainable Impact Partnership Programme». This is based on self-reporting by suppliers and verification through H&M. Details about the methodology remain unclear.

We will look into some of these pitfalls in more detail.
Let us begin by looking more closely at how H&M presents its wage data. The graphs we see here are accompanied with little explanation. We see that, according to H&M, the graphs are based on average monthly wages at H&M group supplier factories. These wages are compared with applicable minimum wages in selected countries.

In a footnote H&M states that the data is based on assessment results from representatively-selected factories. The footnote also says that average wage is based on basic wages applicable for machine operators without overtime. The one caveat that H&M points out is that piece-rate systems often apply in China, therefore data for China is not fully comparable.

Average monthly wages at H&M group supplier factories vs. applicable minimum wages in selected countries in USD*

* Data based on assessment results from representatively-selected factories in each country/region. Average wage is based on basic wages applicable for machine operators (usually the largest group of employees), excl. overtime. In China, piece-rate systems often apply, hence wage data for China is not fully comparable.
We asked H&M to provide some clarifications on how they collect and process their average wage data. Here we list some of the explanations we received and the blind spots in that picture. Further explanations provided by H&M include:

In the “Sustainable Impact Partnership Programme” (SIPP) workers and trade unions are seemingly not systematically included as part of data collection and verification. H&M referred to doing worker interviews often and generally asking questions about workers’ wages during the validations.

H&M explained that the reporting on Ethiopia was discontinued after just one year (2016) because this is currently not among the most important sourcing markets, which seems like an abrupt change of priorities.

Next, according to H&M they do also collect data regarding the average wage for some of the workers who earn the lowest wages. However, this data is not included in the wage progress report sheet.

H&M says it used annual averages of currency exchange rates.

WHAT H&M SAYS ABOUT THE DATA (II)

- Average wages presented are for machine operators as most common category. Higher paid line managers are excluded. There are also workers (such as helpers) who earn less than machine operators.
- In-kind benefits, bonuses and overtime are reportedly excluded but we got no details on how this is done.
- The presented wage figures do not include any inflation adjustment.
- The data is collected through H&M’s own “Sustainable Impact Partnership Programme” (SIPP). SIPP is based on self-reporting by suppliers and validation by H&M.
- The collected data is from representatively-selected factories in each country/region. Details of the sample are not clear.
- Countries for which data is published are the priority sourcing markets.
THE PROBLEM WITH AVERAGE WAGE FIGURES

- H&M explains that its wage figures are based on average wages “applicable for machine operators (usually the largest group of employees), excl. overtime.”
- H&M gives no information on the actual range of wages in this group, nor on the lowest wage level.
- Both minimum wage and living wage benchmarks represent a floor under which no wage should fall.
- In order to assess to what extent the human right to a living wage is respected in H&M supplier factories, the lowest paid wage would have to be known, but H&M does not publish this data.
NO WAGE DATA AVAILABLE FOR THE MAJORITY OF H&M’S PRODUCTION COUNTRIES

DATA AVAILABLE
Bangladesh, Cambodia, Indonesia, Myanmar, Turkey, Vietnam.

DATA PARTIALLY AVAILABLE
China (only one region), Ethiopia (only 2016), India (only one region).

DATA NOT AVAILABLE
Bulgaria, Czech Republic, Denmark, Finland, France, Georgia, Germany, Great Britain, Greece, Hungary, Italy, Kenya, Lithuania, Luxembourg, Morocco, Netherlands, Pakistan, Poland, Portugal, Romania, South Korea, Spain, Sri Lanka, Sweden, Taiwan, Thailand, Tunisia, USA.

Map developed with MS Excel with assistance of Bing, © DSAT Editor, DSAT for MSFT, GeoNames, Microsoft, NavInfo, Navtrq, Wikipedia.
KEY FINDING #1

H&M IS FAR AWAY FROM SECURING WORKERS AT ITS SUPPLIER FACTORIES A LIVING WAGE.
So, where do H&M supplier wages stand in comparison with living wages? To be able to look into details, we will focus on Bangladesh, Cambodia and the Indian state of Bangalore.

Here you can see the difference between workers’ wages as presented by H&M, and a living wage benchmark.

The top part of each bar is the gap between the reported workers’ wages and the amount that a worker would need for her- or himself and the family to cover basic needs.

The benchmark used in this graph is Asia Floor Wage that accounts for the basic needs of a family.

As we can see, the living wage gap in all four countries is quite large. The lowest is in Cambodia, where it still stands at 58%. In Bangladesh it is as much as 80%!
KEY FINDING #2

WAGE INCREASES IN H&M SUPPLIER FACTORIES ARE LARGELY DUE TO THE INCREASED LEGAL MINIMUM WAGES.
Increased legal minimum wages account for the larger part of the reported wage increases. The amount that factories pay above minimum wages has contributes less or has even decreased (Bangalore).
KEY FINDING #3

BECAUSE H&M DOES NOT ACCOUNT FOR INFLATION, REAL WAGES AT H&M SUPPLIER FACTORIES HAVE INCREASED CONSIDERABLY LESS THAN ONE MAY THINK WHEN FIRST LOOKING AT H&M’S WAGE DATA.
Let us take a closer look at the data presented by H&M from another perspective, using the example of Bangladesh.

You can see the reported wages in USD increased over time.

H&M says that in the period from 2013 to 2017 wages at its supplier factories increased by 48%.

There are two big problems.

Firstly, H&M’s data is only in USD, which does not take into account currency volatility.

Secondly, the published wage data at face value shows a sizeable increase does not take inflation into account, but in most countries consumer prices increased rapidly in the observed period.
Here you can see both, the reported nominal wages and inflation development in Bangladesh, which is shown as a black line.

From 2012 to 2017 consumer prices increased by nearly 40%.

This means that the wage increase is far less positive in real terms than it appears at first glance.
Next, let us turn to the question of currency volatility.

As mentioned, H&M presents all data in USD, but workers’ expenses predominantly occur in local currency.

In addition, inflation data usually also refers to price changes in local currency, while of course prices (especially of imported goods) are influenced by exchange rates.

For this graph H&M's average wage figures are presented in local currency, based on a conversion from the published data in USD.
This is what we get once we adjust H&M’s reported wage data based on inflation and local currency:

quite a different picture from the graphs which show the nominal wage increase.

The wage increase is clearly much smaller than it appeared in the earlier graphs that were not inflation and currency adjusted.
KEY FINDING #4

In the period 2015-2017 wage progress slowed down substantially compared with the previous two years. In the case of India (Bangalore) real wages at suppliers even fell by -4%.
This is an overview of wage increases in Bangladesh over time. On the left you can compare the 48% percent nominal wage increase over four years presented by H&M with the far lower increase when figures are currency and inflation adjusted. On the right side you can see this development broken down to shorter time periods. In the first two years after H&M's living wage commitment, the development was far more positive than in the last two years, 2015 to 2017. Wage increases slowed down by about a half. And as the following slides will show, this is not only the case in Bangladesh.
This is the case of the Indian state of Bangalore. Again, the nominal wage increase is far lower with the currency and inflation adjustment. You can also see that, again, the development differs between the more positive period from 2013 to 2015 and the less positive period from 2015 to 2017. Inflation adjusted, the real wages of workers at H&M supplier factories in Bangalore even decreased by 4%.
The development in Cambodia is more positive, mostly because inflation was lower there.

Wage increases are overall higher than elsewhere but it is still notable that the increase is lower in 2015-2017 than in the previous period.
The last few slides focused on the wage development.

Now we are going back to the gap between the reported workers' wages and a living wage.

Looking at the data for Bangladesh, Cambodia and Bangalore, you can again see that reported wage increases slowed down in the latest period.

While from 2013 to 2015 the gap between average workers' wages and living wages narrowed, it then widened again from 2015 on. The only exception is Cambodia where the positive trend continued, but it did so at a notably slower pace.

All this means that H&M is overall on a wrong course if it actually wants to ensure that workers making H&M clothes today live to see a living wage on their pay slips.
KEY FINDING #5

IF THE WAGE TREND CONTINUES AT THE 2015-2017 PACE OF DEVELOPMENT, WAGES AT H&M SUPPLIER FactORIES IN BANGLADESH AND BANGALORE WILL NEVER REACH LIVING WAGE LEVEL, AND IN CAMBODIA ONLY AFTER AROUND 20 YEARS.
This is what the future looks like if H&M lets things continue in line with the 2015-2017 trend.

On the left you can again see how the gap between the average workers' wages that H&M reports and living wages has developed over the last years. And on the right hand side you can see a prognosis for how that gap would develop over time in Cambodia, Bangladesh and India (Bangalore).

If the development continued unchanged, then workers in Bangladesh and India (Bangalore) would never reach living wages, and in Cambodia only in 2038. This shows how crucial it is for H&M to turn around and get going in the right direction if living wages are ever to materialize. And if the current generation of garment workers should benefit from living wages, as H&M announced they would, than wages would need to increase at a yet far faster pace than that in the earlier years.
As shown before, the trend in the previous two years was notably more positive than in the period from 2015 to 2017.

So, what would happen in average wages were to rise in line with the 2013-2015 trend?

This prognosis clearly shows that it would still take a long time before average wages would reach a living wage, but H&M would at least get there considerably sooner than at the most recent pace of development.
FURTHER INFORMATION AND SOURCES

For background information and points on how H&M needs to move to fulfill the commitment that workers would be paid a living wage, go to:
cleanclothes.org and TurnAroundHM.org.

SOURCES FOR THIS ANALYSIS:


• Currency exchange rates: Oanda (using annual average rates).

• Asia Floor Wage (AFW): Asia Floor Wage Alliance.

AUTHOR: David Hachfeld (Public Eye / CCC Switzerland)
david.hachfeld@publiceye.ch
ADDITIONAL SLIDES
WHAT IS THE ASIA FLOOR WAGE (AFW)

The Asia Floor Wage (AFW) is calculated based on the following assumptions:

- **A worker is supporting themselves**
  - 1 worker
  - 2 adult dependents
  - 1 adult + 2 children
  - 4 children

- 40% clothing, housing, travel costs, children’s education, health costs.
- 10% towards discretionary income (some entertainment, savings, pension or if main earner loses their job).

50% of monthly salary goes towards food, based on 3,000 calories a day per adult.

www.cleanclothes.org
PROGNOSIS BASED ON 2013-17 TREND
WILL AVERAGE H&M SUPPLIER WAGES REACH A LIVING WAGE?

Prognosis

Cambodia  Bangladesh  India (Bangalore)
DETAILS ON INDIA (BANGALORE)

- Average wage at H&M suppliers, as reported by H&M, converted in LCU
- Inflation (2012=100)
- Inflation adjusted wage development, based on 2012
DETAILS ON CHINA

WAGE DATA NOT COMPARABLE DUE TO THE PIECE-RATE SYSTEM

- **Average wage at H&M suppliers, as reported by H&M, converted in LCU**
- **Inflation (2012=100)**

![Chart showing wage data and inflation](chart.png)
DETAILS ON MYANMAR
H&M AVERAGE WAGES REPORTED FROM 2013 ONWARDS ONLY

![Graph showing average wages and inflation adjusted wage development in LCU from 2012 to 2017.](image)

- **Average wage at H&M suppliers, as reported by H&M, converted in LCU**
- **Inflation (2012=100)**
- **Inflation adjusted wage development, based on 2013**
DETAILS ON TURKEY
DUE TO CURRENCY VOLATILITY HUGE DIFFERENCES BETWEEN USD AND LIRA

Average wage at H&M suppliers, as reported by H&M, in USD
Inflation (2012=100)

Inflation adjusted wage development, based on 2012

Average wage at H&M suppliers, as reported by H&M, converted in LCU
Inflation (2012=100)

Inflation adjusted wage development, based on 2012