IS H&M MAKING PROGRESS TOWARDS LIVING WAGES?

NOVEMBER 2018

A CLOSER LOOK AT H&M’S FIGURES ON WAGES AT ITS SUPPLIER FACTORIES
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.
THE H&M WAGE DATA AND ITS LIMITATIONS
H&M publishes an overview of wages in factories.

Data not verified.

Data not complete (missing countries and details).
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.
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.
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, Navteq, Wikipedia.
KEY FINDING #1

H&M IS FAR AWAY FROM SECURING WORKERS AT ITS SUPPLIER FACTORIES A LIVING WAGE.
THE LIVING WAGE GAP (2017)
AVERAGE WAGES AT H&M SUPPLIERS VS. ASIA FLOOR WAGE

<table>
<thead>
<tr>
<th></th>
<th>Legal minimum wage</th>
<th>Average wage at H&amp;M suppliers</th>
<th>Living Wage (Asia Floor Wage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>$ 67</td>
<td>$ 95</td>
<td>$ 464</td>
</tr>
<tr>
<td>Cambodia</td>
<td>$ 170</td>
<td>$ 199</td>
<td>$ 479</td>
</tr>
<tr>
<td>India (Bangalore)</td>
<td>$ 124</td>
<td>$ 133</td>
<td>$ 362</td>
</tr>
</tbody>
</table>
KEY FINDING #2

WAGE INCREASES IN H&M SUPPLIER FACTORIES ARE LARGELY DUE TO THE INCREASED LEGAL MINIMUM WAGES.
The amount that factories pay above the legal minimum has contributed less to the higher nominal wages than the minimum wage increases. In the case of Bangalore this amount even decreased.
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.
EXAMPLE BANGLADESH:

WAGES AT H&M SUPPLIERS (IN USD) AND INFLATION

Average wage at H&M suppliers, as reported by H&M, in USD

— Inflation (2012=100)
EXAMPLE BANGLADESH:

WAGES AT H&M SUPPLIERS (IN BDT) AND INFLATION

Average wage at H&M suppliers, as reported by H&M, converted in LCU

Inflation (2012=100)
EXAMPLE BANGLADESH:
INFLATION AND CURRENCY ADJUSTED WAGE DEVELOPMENT (IN BDT)

Inflation adjusted wage development, based on 2012.
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%.
EXAMPLE BANGLADESH
H&M REPORTED NOMINAL VS. REAL WAGE DEVELOPMENT

- **Nominal wage development (based on USD)**
- **Inflation and currency adjusted wage development**

<table>
<thead>
<tr>
<th>Period</th>
<th>Nominal Wage Development</th>
<th>Inflation and Currency Adjusted Wage Development</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-2017</td>
<td>48%</td>
<td>27%</td>
</tr>
<tr>
<td>2013-2015</td>
<td>33%</td>
<td>19%</td>
</tr>
<tr>
<td>2015-2017</td>
<td>16%</td>
<td>9%</td>
</tr>
</tbody>
</table>
EXAMPLE INDIA (BANGALORE)

H&M REPORTED NOMINAL VS. REAL WAGE DEVELOPMENT

Nominal wage development (based on USD)
Inflation and currency adjusted wage development
EXAMPLE CAMBODIA

H&M REPORTED NOMINAL VS. REAL WAGE DEVELOPMENT

2013-2017
- Nominal wage development (based on USD): 101%
- Inflation and currency adjusted wage development: 92%

2013-2015
- Nominal wage development: 54%
- Inflation and currency adjusted wage development: 52%

2015-2017
- Nominal wage development: 47%
- Inflation and currency adjusted wage development: 40%
THE LIVING WAGE GAP
H&M SUPPLIER WAGES AS A SHARE OF A LIVING WAGE (ASIA FLOOR WAGE)

BANGLADESH

0% 100%

19% 22% 20%

2013 2015 2017

CAMBODIA

0% 100%

25% 38% 42%

2013 2015 2017

INDIA (BANGALORE)

0% 100%

41% 44% 37%

2013 2015 2017
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.
THE 2015-17 TREND BASED PROGNOSIS

WILL AVERAGE H&M SUPPLIER WAGES REACH A LIVING WAGE?

Prognosis

Cambodia  Bangladesh  India (Bangalore)
PROGNOSIS BASED ON THE MORE POSITIVE 2013-15 TREND

WILL AVERAGE H&M SUPPLIER WAGES REACH A LIVING WAGE?
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.

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TURN AROUND
H&M
LIVING WAGE