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Nudie JEANS CO

an “odd bird” paying living wage



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ABSTRACT

Low wages in the garment industry is a debated topic but not much progress has been seen in practice the past 20 years. Globalisation and dominating practices within the organisational field result in poor working conditions and low wages. There are many definitions of what a living wage is and not many corporations implement it even though it is stated in their Codes of Conduct. Normative studies within CSR/sustainability are available but research conducted in practice, regarding living wages are scarce. This is one of the first empirical studies of a corporate attempt to pay a living wage. The purpose is to gain a deeper understanding of how and why a locally implemented living wage was paid at an outsourced supplier. The gathered material is based on a qualitative single case study conducted in collaboration with the Swedish clothing company Nudie Jeans and one of their suppliers, Armstrong Knitting Mills (Armstrong). The study was done in Tiruppur, India, one of Asia's largest garment hubs.

The garment industry is complex. The low wages "status quo" is more complicated than arguing that the little extra cost to be paid is too expensive. However, paying a living wage is possible depending on whether ethical values, the willingness and engagement to take more responsibility permeates the organisation, which is shown by the two actors involved in the payment. Even though this is practiced, surrounding organisational processes make it harder to succeed taking the responsibility, in this case to pay a living wage. Therefore, Armstrong and Nudie Jeans tried to avoid these processes challenging the Western bias by taking organisational decisions by practicing common sense and inclusion.

Furthermore, the less powerful supplier got more space to act and take into account the local context during the implementation process. Hence, this study shows how a living wage payment became a reality when the unequal, or North-South postcolonial power relationship, diminished between the buyer and supplier. The payment was affected by and resulted in opposition, from e.g. the international clothing company, H&M and INGOs, due to the existing institutional order, power relationships and dominating organisational processes within the organisational field. It seemed that some actors wanted to maintain their position in the field rather than paying the little extra cost a fair wage comprise. Hence, the existing purchase practices made it difficult for this supplier to pay a full living wage to its workers.

Armstrong did not take advantage of the existing institutional order in the field, being able to pay a living wage, and therefore became an institutional entrepreneur. However, the company did not have the leverage and resources to become one on its own as it was dependent on the resources, power and legitimacy from a buyer. Nudie Jeans made it possible by paying the extra cost. Nudie Jeans and Armstrong became institutional entrepreneurs as they had the desire to change. They became institutional entrepreneurs without having the assumed resources and power. However, they had the willingness to do it and the workers received a fairer wage. As the study looked at organisational processes, it is suggested to do studies regarding implementation of living wages in other fields since they have similar problematic, for example the wine industry.

Keywords: Living wage, garment industry, in practice, postcolonial, power, organisational processes, translation, institutions, India



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ACRONYMS AND EXPLANATIONS

AFW	Asia Floor Wage
BSCI	Business Social Compliance Initiative
CSR	Corporate Social Responsibility
CoC	Codes of Conduct
CEO	Chief Executive Officer and owner of Nudie Jeans
CMT	Cut Make Trim
CMO	Chief Manager of Operations (at Armstrong)
ED	Executive Director (at Armstrong)
FDI	Foreign Direct Investment
FWF	Fair Wear Foundation
FOB	Freight on Board
ILO	International Labour Organisation
INGO	International Non-Governmental Organisation
INR	Indian Rupee
LDP	Landed Duty Paid
LNGO	Local Non-Governmental Organisation
NGO	Non-Governmental Organisation
SAI	Social Accountability International
SA8000	Social Accountability 8000
Premium	living wage bonus = living wage payment
Founder 1	one of the founders and owner of Nudie Jeans
Founder 2	one of the founders and owner of Nudie Jeans
Pro/dev	product and development



1. INTRODUCTION

The purpose of this chapter is to give the reader an overview of the chosen subject. The research question and the purpose of the thesis are described. Moreover, an outline is presented.

1.1 PROBLEM FORMULATION

The process of globalisation has resulted in the majority of corporations having outsourced their production to countries where it is less expensive to produce. For the global garment industry there are constant challenges to face; the threat of capital relocation, falling retail prices, declining trade of terms and lack of global demand (Merk, 2009).

Therefore, poor working conditions, low wages and excessive overtime are words that are associated with garment production. Human rights violations are common occurrences in labour intensive, low wage countries (Mark-Herbert and Stigzelius, 2009; TT Nyhetsbyrå, 2014), resulting in the last two decades continuous public debate regarding low wages, especially in garment production. Every other week there are newspaper articles about the low wages and harsh conditions in the outsourced industry. Nevertheless, it is still difficult to manage a day-to-day life, for factory workers in developing countries, with the paid wages.

As a result of the poor employment conditions as well as trade unions' and NGOs' work to increase labour standards within global production, Codes of Labour Practice emerged in the 1990s (Barrientos and Smith, 2007). The impact of the codes or its effectiveness of improving these conditions are debatable and needs to be discussed according to Barrientos and Smith (2007). It is of importance to highlight that the codes sprung out in the 1980s, an era of economic liberalisation where free trade and flexible labour were "*promoted*" as success factors for growth and development (Barrientos and Smith, 2007). This is also highlighted by Prieto-Carrón et al (2006) and Bartley (2007) argue that the institutionalisation of certification and codes was sprung out of political contestation regarding the "*regulation of global capitalism*" which was affected by the neoliberal rules that were (and are) present. Bartley (2007, p.299) named this as the "*political construction of market institutions*".

The majority of the Codes of Conduct (CoC) only mention minimum wage. Although, a few multinational companies and NGOs have included living wage in their "*corporate codes of social responsibility*" (Anker, 2011). Living wage is one dimension that might be included in CoC under the name Codes of Labour Practice. However, what level is the correct one is intensely debated. The Ethical Trading Initiative (ETI, UK) and Fair Wear Foundation (FWF, Netherlands) are two initiatives that work towards a goal where workers rights are respected around the world. The members of these organisations must have a vision to "*promise to make a progress to pay living wage*" where the member companies themselves should present the work conducted in the area (Merk, 2013). Moreover, there are other international initiatives working towards better working conditions and protesting against the low wages in the garment industry, such as the Clean Clothes Campaign (CCC, Netherlands) and the Asia Floor Wage Alliance (AFWA, India). Business Social Compliance Initiative (BSCI) is another initiative with similar goals,



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however business driven, and is perceived to be an organisation where a “*check box mentality*”¹, tends to be used (CSR manager Nudie Jeans).

Even though there is an international acceptance for the need of a living wage, according to Anker (2011), it is rarely implemented. Anker (2011, p.1) states that “*not many corporations in developing countries actually pay a living wage, even those that accept the principle that they should.*” Miller and Williams (2009) on the other hand mention that the reluctance to accept the principle of a living wage is more common and initiatives, like BSCI, seem to be “*muddying the waters*”. A lot of it might be put on paper and there are discussions but no or little progress is seen in/with regards to the payment of living wages in practice.

There are a many definitions and names of what a living wage is. I have chosen to quote two definitions (in the first definition fair wage); one by the Pope John XXIII, since I find that this definition captures today’s dilemma, extracted from the Mater and Magistra (1961) (Anker, 2011, p.14) following the United Nations Universal Declaration of Human Rights’ article 23 (UN, 1948):

“Remuneration of work is not something that can be left to the laws of the marketplace; nor should it be a decision left to the will of the more powerful. It must be determined in accordance with justice and equity; which means that workers must be paid a wage which allows them to live a truly human life and to fulfil their family obligations in a worthy manner.”

“Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection”.

To clarify, living wage should not be mistaken with minimum wage as they are often fixed at a very low level by the government in a lot of developing countries (Miller and Williams, 2009). A calculated living wage is substantially higher than a minimum wage, in Asia, according to AFW (see CCC’s comparison in Appendix 1). To make it easier to understand the difference of minimum wage versus living wage about a 300 percent wage increase is needed to reach living wage in India, according to AFW’s benchmark from 2013 (see Appendix 1). Anker (2011) means that the main problems in regards to living wage implementation are that there is no general definition of what a living wage is and how to measure it. However, there is also another dimension of the payment of low wages. Developing countries want to attract Foreign Direct Investment (FDI). This is spurred by neoliberal economic policies and neo-colonial relationships, resulting in governments trying to keep minimum wages low through legislation (Merk, 2009). This in turn means that buyers have a lot of influence and therefore, it is interesting to study low wages from a buyer-supplier point of view. Thus, moving the focus from CSR perspectives and looking at the issue of low wages from another angle in line with Levy’s (2008, p.947) observation “*Ethics and CSR perspectives have tended to view corporate practices, prices, and working conditions as matters of managerial discretion rather than an outcome of production networks as economic, political and ideological systems.*”

¹“perform a task with the sole purpose of simply getting it accomplished” (Business insights, inc., 2005)



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Given that there are few examples of companies attempting to pay a living wage, it is no surprise that there are few studies of actual attempts to pay a living wage. In similarity with much other CSR/sustainability research (cf. Egels-Zandén and Ählström, 2008), there are extensive normative discussions about living wages, but this needs to be complemented by studies of actual living wage attempts. This study, thus, contributes to the ongoing academic debate about living wages by offering one of the first empirical studies of a corporate attempt to pay a living wage.

It does so based on a study of Nudie Jeans Co's (Nudie Jeans) attempt to pay a living wage at its Indian supplier – Armstrong Knitting Mills (Armstrong). Nudie Jeans is a Swedish Clothing Company that aim to do business in a fair way in which moral and ethics is part, instead of practicing the “business as usual” dominated in the industry. The company is one of the first, in the garment industry, to have paid a living wage for their production to a supplier, in a globally outsourced apparel value chain, in India (Spauwen, 2013). Hence, it is of interest to look at how it works in practice and not only in theory.

1.2 AIM AND RESEARCH QUESTION

The objective of this thesis is to gain a deeper understanding of the experience of implementing living wages in practice by studying a specific case within the Indian garment industry/manufacturing.

This paper seeks to answer the following research question:

- How and why was a locally implemented living wage possible in the Nudie Jeans and Armstrong case?

This study can be a noteworthy addition to the ongoing living wage debate and future implementation of living wages for companies searching for a sustainable production alternative. Furthermore, the outcome of this thesis might be inspirational and useful for other companies and suppliers, especially the garment industry, interested in the area of research.

1.3 DISPOSITION

First, the reader will get an introduction of the research subject. In chapter two, relevant background information of concepts and the area where the main research was conducted will be described. In the third chapter the theoretical framework is presented. In the subsequent chapter, number four, the methodology and method used will be described. In chapter five the material is presented. The gathered data will be analysed and discussed in chapter six, based on the theoretical framework. In the last chapter, the conclusion of this thesis is presented and the research question answered. Finally, suggestions for further studies are presented.



2. BACKGROUND

The aim of this chapter is to give the reader an introduction of basic and relevant concepts and a background of the place where the majority of the data was gathered.

2.1 CONCEPTS

2.1.1 CSR

The purpose of CSR is to create a just and sustainable society, including economic, social and environmental dimensions (Visser, 2011). However, CSR has been criticised for not being able to tackle the main issues, to fulfil its purpose. Furthermore, the concept has been “used” by many corporations for their own advantage and appearance, in a world of information with constant scrutiny. Hence, the most desired outcomes are yet to be seen argues Visser (2011). CSR is a concept resulting from social and environmental movements’ pressure against corporate violations.

As a result of corporations’ role in society being questioned the concept of CSR emerged in the USA (Preuss, 2008). The widespread use can “...be seen as a political activity by business that aims to redefine its role in society; yet moves by business in this contested area are likely to be met with counter-moves by other societal actors (Preuss, 2008, p.150)”.

2.1.2 Codes of Conduct

Codes of conduct (CoC), also called Codes of Ethics, is a tool, sprung out of the CSR concept, for an organisation to inform their workers about its values, responsibilities and ethical obligations. An organisation designs its own CoC based on the company’s core values, which means that each CoC is individually designed (Magloff, 2014).

What effects can codes have? If an organisation has a CoC that permeates the organisation, it may help to motivate the staff and work in line with the codes. Further, the codes are said to affect how employees feel and improve the work ethic (Magloff, 2014). On the other hand, if the codes are not permeating the organisation culturally and are used only as a guide they prove to be ineffective. They could become an end in itself, thus not have any major effect (Jensen and Sandström, 2012).

2.1.3 Living wage

One dimension in the CoC is wages, where the concepts of "minimum wage", "prevailing wage" or "living wage" are used. As mentioned earlier, Miller and Williams (2009) write that the concept is problematic as there is no definition of what a living wage shall contain, in contrast to the other two, and that the methodology of the best implementation is lacking. He also believes that this results in employees working in the apparel sector to a greater extent receives minimum wages. These are set nationally and compromises between "basic needs", economic conditions and the employers’ ability to pay often occur. (Miller and Williams, 2009)

Merk (2009, p.14) writes; “*the purpose of legal minimum wages should be to provide social protection to vulnerable and unorganised categories of workers*” but they are set too low. In line with Miller (2009)



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Merk (2009) writes that these legal minimum wages are implemented by most global buyers and used as a benchmark for the verification of what suppliers pay. In low-income countries where the clothes are produced, there are different ways to tackle the problem (with low wage) and opinions differ.

According to the international AFWA a living wage is based on a family of four (2 adults and 2 children) where the support of the family comes from one earner, working a maximum of 48 hours in a week, “excluding any payment for overtime or other bonuses/allowances” (Merk, 2009, p.8). In addition to this, a calculation of a living wage will always be subjective and is inevitable according to Anker (2011).

2.1.4 Putting living wage in a context

Barrientos and Smith (2007, p.724) highlight the complexity for suppliers to comply with codes and to meet the buyers’ commercial requirements; “*These pressures included downward movement in prices, shorter lead times between order and delivery, increasingly stringent demands on product specification (often at the expense of suppliers), and insecurity of orders....The net effect was both insecurity of orders and sudden fluctuations in demand.*” Here a problem arises for suppliers where they on the one hand have to find solutions, such as an increase in overtime and increased use of casual and contract labour, in order to produce according to the above conditions. On the other hand, these measures taken or solutions practiced by the suppliers are in conflict or contrary to the buyers’ Codes of Labour Practice. A “double standard” or a “Catch 22” situation arises like some of Barrientos and Smith (2007) interviewed suppliers pointed out. Merk (2009) also mean that many companies’ focusing on collective bargaining and the local market forces increasing wages fail when workers are facing obstacles when organising themselves, the threat of relocation and unstable buyer-supplier relations.

Some of the most powerful and dominant players in the garment industry focuses on educating workers concerning collective bargaining and freedom of association and having a dialogue with governments advising them to raise the minimum wage, instead of paying a living wage. Furthermore, Miller and Williams (2009, p.113) describe Nike's attitude to paying a living wage according to the following statement: “*we do not endorse artificial wage targets or increases based on arbitrary living wage definitions*”.

One question that Miller and Williams (2009) ask is the possibility or potential for organised workers to use collective bargaining to improve wages. In relation to this Coe et al (2008, p.285) addresses the issue of the believed possibility for labour to tackle these forces or the “flexibility” of capital effectively and mean that “*we need to keep the “degrees of freedom” of labour within a globalizing economy in perspective.*” This problem is also highlighted by Blowfield and Dolan (2008). Furthermore, Rutherford and Holmes (2007, p.196) stress the importance the macro level processes have when looking at labour’s agency. Hence, “*the fact that, globally, the level of labour force unionization has continued to decline, though unevenly, and that the share of income going to labour has also continued to decline whilst, at the same time, the effective global supply quadrupled between 1980 and 2005, with 50 % of that increase occurring in East Asia (IMF, 2007, chapter 5) is a major issue*”. This contradiction is also mentioned in the LBL (Label Behind The Label) Report (Mc Mullen and Maher, 2011); retailers show increased profits while the real value of wages in the industry is decreasing. The international clothing company, H&M, has



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been criticised for this phenomenon; paying “starvation wages“, while shareholders split billions in dividends (Sjöshult, 2013).

Furthermore, a study done by Talbot (2004, p.163) shows that: “the distribution of income along the chain is a function of “struggles over the structure of the commodity chain and the politics of its governance”. Moreover, Miller and Williams (2009) argue the payment of the difference in labour costs for a lower wage, and to reach a "nationally determined living wage figure" would not have a major impact for buyers/retailers and even the supplier. However, he mentions disincentives to implement living wage codes such as "aggressive" purchasing practices and the industry’s fragmented and outsourced manufacturing in line with Barrientos and Smith (2007). To create a clearer overview of what the small cost labour accounts for and the costs included in a FairTrade cotton t-shirt the below figure 1 has been copied from Miller and Williams (2009)². The Factory overhead equals 25 percent of the FOB price and accounts for labour, profit and overhead costs. The labour cost is about 5-10 percent of the FOB price and will not make any substantial impact of the total selling piece price (Miller and Williams, 2009).

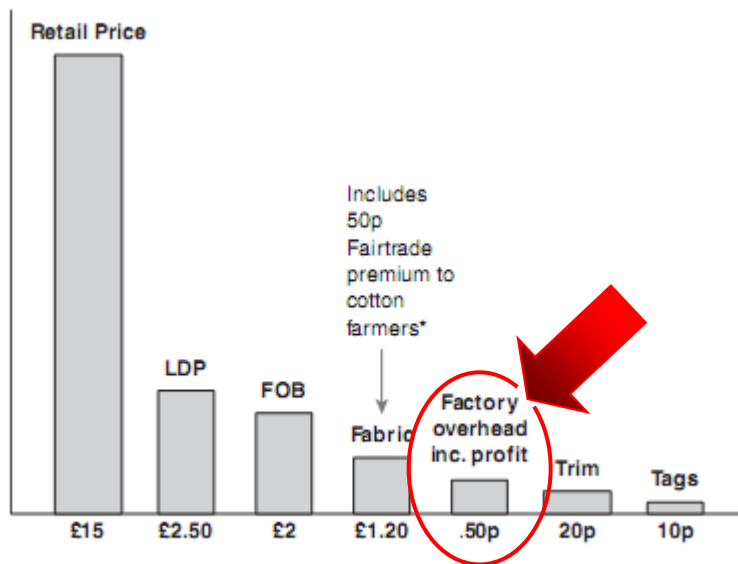


FIGURE 2 Breakdown of a Freight on Board (FOB) for a Fairtrade cotton T-Shirt
Source: Based on figures provided by industry as at April 2008

Figure 1. An example of a cost breakdown included in a FairTrade cotton T-shirt. (Source: Miller and Williams, 2009, p. 103. The red arrow and the circle are added.)

2.2 CASE SETTING: TIRUPPUR, INDIA

2.2.1 Tiruppur – the city of employment

The last three decades of improved living standards for workers have been documented in the region of Tiruppur, in the state of Tamil Nadu. The area has evolved from mainly concentrating on agriculture to

² LDP is an abbreviation for Landed Duty Paid.



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garment production and industry related jobs. Nevertheless, the competition between these sectors has resulted in labour shortage. Alongside with export of knitwear production the local market expanded. From 1984 to 1996 export had risen from 10 million pieces to 257 million pieces per year. In 1996 both migrants and local people worked in the industry and more than 100 000 were employed. Tiruppur became the city of employment opportunity. Communications and transport had been developed and improved a lot since the 80s and was said to be one of the reasons for the industrial growth. The further expansion had resulted in real estate development and increased financial services. (Heyer, 2012)

As a result of the expanding knitwear industry the demand for labour increased and was the major reason for the shortage. The tightening of the labour market also depended on other factors such as increased participation in education, fertility decline, number of young people working decreasing, increase in wages and earning more resulted in workers households not having to work as much as before. In 2008/9 the workers in the industry had increased to approximately 400 000, with about 60 percent migrants. Furthermore, the social welfare interventions had also increased the living standard and had had positive effect of the bargain power of labour. However, Heyer (2012, p.105) also writes that *“trade unions which were powerful in the region in the 1960s and 1970s declined as the industry became more fragmented and relied more on casual and migrant labour...Collective bargaining was generally rather weak in the industries that were important in the 1980s, 1990s, and early 2000s...Organised labour has not played a strong role here.”* Interestingly, the social welfare interventions resulted in keeping the living costs down which in turn weakened the increase of wages and decreased employers’ responsibility in regards to restrictions and obligation for labour. Furthermore, the industry is still dominated by low skilled manual labour and to cite Heyer (2012, p. 91) *“this raises questions about the strategy based on “cheap labour” that the Indian state has been pursuing in the recent period. Alternative strategies would most certainly serve the interest of labour better than this.”*

2.2.2 Neoliberalism, Factories Act and weak law enforcement

De Neve (2009) argue that India’s neoliberal regime and openness in regards to liberalisation policies open up for western companies to form new “regulatory mechanisms” such as corporate labour codes and international standards. Hence, the easy spread of these policies across export industries can be seen as a neo-colonial disciplining project *“mirroring earlier colonial interventions that similarly sought to regulate, educate and classify”* (De Neve, 2009, p.64).

One year after India’s independence 1947, a Factories Act came into play, regulating labour standards in the country (ILO, 1948). In the Factories Act it is stated that a working day should not be more than 9 hours (10 hours and 30 minutes with breaks) or not exceed 48 hours per week (ILO, 1948). Moreover, a Minimum Wages Act from 1948, states that revision of minimum wages whenever appropriate but at least every five years. In addition to this a cost of living index has to be taken into account and a wage is described as (ILO, 1948, p.5); *“a basic rate of wages and a special allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate Government may direct, to accord as nearly as practicable with the variation in the cost of living index number applicable to such workers (hereinafter*



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referred to as the "cost of living allowance") also called Dearness Allowance.³ The "appropriate"⁴ appointed Government, in this case Chennai City, will publish any revision or fixing of minimum wages and cost of living index number applicable in the Official Gazette⁵ specified per employment category (ILO, 1948).

Although, there are laws, embedded in a well-developed system, corruption is generally present (Mark-Herbert and Stigzelius, 2009). According to Transparency International's India corruption study (2005) the state Tamil Nadu was rated "very high" in regards to corruption against the poor. Mark-Herbert and Stigzelius (2009) mean that there is a need for NGO standards to work as an additional tool to make sure that the local labour laws are followed, in a context where weak law enforcement are at hand. They point out that the standard SA8000⁶ is an example of incorporating local and international laws "effectively enforcing norms and rules agreed upon through democratic decision making processes" (Mark-Herbert and Stigzelius, 2009, p.48). Instead of applying the payment of a minimum wage the standard SA8000 uses the following description; "...a discretionary income that is sufficient to meet workers' basic needs" (Mark-Herbert and Stigzelius, 2009, p.48).

2.2.3 The garment industry in Tiruppur

Tiruppur is one of south Asia's major knitwear garment production and exporting hubs. The total export value was around \$ two billion in 2007 (De Neve, 2009). There were about 650 000 workers, in the knitwear industry according to the LNGO, SAVE (Viyakula, 2013). Small and medium size firms comprise the majority of the garment industry in Tiruppur but there are also larger export firms having the whole vertical production. The smaller (small and medium) firms concentrate on one part of the production process, from spinning to garment manufacturing. De Neve (2009, p.64) highlights that "the success of the Tiruppur cluster rests on its dense subcontracting network, in which garment move through a series of production units-often as many as 20 or 30-..."

The industry, in Tiruppur, is characterised by a variety of labour practices. Overall, the large export companies have better (favourable) working conditions than subcontractors. In spite of this, there are common labour issues present in the industry such as the difficulty to control overtime, "12-hour working day being the norm; pension and social insurance provisions are absent in all but the largest companies; freedom of association is severely curtailed across firms; and gender inequality shapes the feminisation of major sections of the industry" (De Neve, 2009, p. 64).

De Neve (2009) points out that few of the above issues would without difficulty be dealt with by international standards or codes. Furthermore, he means that the diverse local workforce has requirements different from those stated in the universal labour standards where, for example, migrants rather work 12

³ See the Tamil Nadu revised minimum wages for 2013, revised every year based on the Consumer Price Index. Two more wages are mentioned but not presented as they are not applicable for this case. (ILO, 1948)

⁴ Central Government or a State Government. (ILO, 1936)

⁵ This is one of two procedures for fixing and revising minimum wages.

⁶ SA8000 is a voluntary international standard for auditing with the intent to improve working conditions. It is based on UN declaration of human rights, ILO and other international labour norms and laws. (SAI, 2014).



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hours shifts to be able to manage a life in town and send home money, and workers avoid companies deducting Employees' State Insurance (ESI) and provident fund (PF) from their wages.

Since the phase out of the Multi Fibre Arrangement⁷ (MFA) and the opening of the market in the 1980s increased subcontracting and price competition have been commonplace all over the world, restructuring the clothing and textile industry. De Neve (2009, p.65) argues that *“at the heart of global production processes lies a rapidly deepening contradiction. Western competition for the cheapest possible products pushes down prices paid to suppliers and their workers, while at the same time, retailers and chain stores claim to be increasingly concern with the conditions of work at the sites of production.”*

The above gave way for an increased CSR implementation the last decade in the garment industry. Global buyers and western organisations were the developers of these “regulatory interventions” whose purpose is to control the employment conditions within their supply networks. Locally, western buyers have gradually called for garment suppliers to act in accordance with their company codes of conduct and voluntary labour standards (De Neve, 2009).

⁷ In 1995-2005 a transition from the MFA to the Agreement on Textiles and Clothing took place (ATC) where the former programme largely controlled the trade in the sector by quotas. (WTO, 2014)



3. THEORETICAL FRAMEWORK

To gain an understanding of an organisation's opportunities and faced obstacles to implement "the idea" of living wage, institutional theory and in turn organisational processes will be described as they are considered to explain and influence an organisation's possibility to act, for example by paying a living wage. Furthermore, the existing institutional order and related power structures will be addressed since they are deemed to affect the creation of e.g. ideas, such as codes of conduct. Finally, three important components that facilitate to take responsibility will be described.

3.1 INSTITUTIONAL THEORY

The concept of institution is described and defined differently within social science. However, Brorström (1999, p.9), means that they have a common starting point in that they consider *"that institutions are crucial in order to explain, understand and change the course of development or established situation."* In the following, institutional theory will be explained from a socioeconomic perspective.

According to the classical organisational theory, an organisation is considered to be rational as opposed to in institutional theory, since organisations conduct alleged to be influenced by their surroundings (also called environment). This means that, an organisation's actions are influenced by other organisations, where there often is taken for granted rules and standards followed. Furthermore, institutional theory highlights how organisations affect the environment. But of greatest importance is the understanding of how organisations influence other organisations and *"how they embrace ideas of change, such as it is fashionable at the moment, and in different ways deal with these ideas"* (Eriksson-Zetterquist, 2009, p.5).

3.1.1 Organisational Fields and isomorphism

Organisations tend to mimic each other which is called isomorphism. This phenomenon is practiced by organisations acting within an organisational field where the relationship between the organisations and its environment contribute to the creation of meaningful activities and processes. An organisational field may be national or international and *"consists of industries within the same branch or industries that are connected to each other through the chain supplier - producer - re-sellers"* (Eriksson-Zetterquist, 2009, p.73). Normative and cultural processes affect organisations in a field where direct interaction is not a prerequisite for influence, and everyone is affected by everyone within the field and the forces therein. These forces or field rules have been organised by the most influential actors, as they have had the ability or power to enforce them and where the dominant organisations are supported to the greatest extent. (Eriksson-Zetterquist, 2009)

In line with Eriksson-Zetterquist (2009) Khan et al (2007, p.1058) argue that *"institutions have never developed and operated without the intervention of interest groups, groups which have different degrees of power"; and that the persistence of an institution is often the 'outcome of a contest between those who want it and those who do not'.*" Hence, within this organisational field, i.e. the global garment production, there are certain basic or ground rules dominating that can be explained as being the basis of poor working conditions.

Furthermore, Khan et al (2007, p.1059) emphasises that it is important to understand how power constellations, with opposing *"politico-ethical projects"*, normalise different values and practices that, can



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be said to form the basis of "the rules of the game". Based on Sjöstrand's (1995) reasoning Brorström, 1999, p.15) points out that the "*present infrastructure favour or prevents (prevent) the coordination and allocation of resources. It steers the individuals and at the same time it is built by the individuals.*"

In relation to the clothing industry Merk (2009) writes in the proposal "Stitching a Decent Wage across Borders: the Asia Floor Wage Proposal 2009" that there are some actors that are considered to have taken advantage of the global production and have considerable power. This is illustrated by the following quote; "*In the global garment industry of today, it is the brand-named companies and giant retailers who wield most power. They have profited hugely from outsourcing production to low-wage countries, capitalising on poverty wages and benefiting from weak enforcement of laws that govern wages, working conditions, and labour rights*" (Merk, 2009, p.7).

How ideas, codes or institutional "external environment elements" could be produced and spread will be discussed next.

3.1.2 Concept of Translation

To understand an organisational change, the concept of translation is of importance, and to clarify the concept of translation, other terms will be explained. Furthermore, this process render possible to study the interplay between micro and macro, and the aspect of power in new ways. Eriksson-Zetterquist's (2009, p.128) interpretation of translation follows; "*Something (that is, not just words) that is moved from one place to another and do not exclude that it changes in this process.*"

The concept of Copying

Copying means to recreate "*something specific as accurately as possible*" Furusten (2007, p.93). Furusten (2007) argues that the copying of organised activity is not possible when there are too many factors that can interfere with a precise implementation or copying, such as interpretations, and the difficulty to accurately convey an organisational process. According to Furusten (2007), the intention is often to copy an idea (living wage) but ultimately becomes an imitation in the form of a translation, disconnection or improvisation. Disconnection will not be explained further.⁸

The concept of Imitation

Imitation is according to Furusten (2007, p 94) an attempt to mimic something and "*It is not about trying to copy, but rather to try to mimic the main characteristics of a role model or in an organisational model.*" When imitating, the intention is that it should be possible to adjust the original without making the fundamental idea unclear. Organisations are trying to emulate/imitate the characteristics of an organisational model that can be associated with success. (Furusten, 2007)

Modifications to an original idea can be perceived as necessary since a person's individual ability or capacity can impose restrictions, where other factors and structures such as ownership, capital, assets, and social relationships affect the ability to implement an idea exactly (Furusten, 2007).

⁸ "By saying that you do in a certain way, certain standards authorities in the world becomes satisfied, while others are content that you continue doing things the same way as before." Furusten, (2007, p.99)



The concept of Improvisation

Improvisation is how to make your own interpretation of an original, which is an alternative to imitation. Copying is not the intention, but the idea is the fundament of documents and own versions, which are temporary. The context in which, a well-known idea is improvised, is the condition for which modifications are possible when only *"that which is within the framework of the structures in this context has the potential to be accepted"* (Furusten, 2007, p.95). Furthermore, Furusten (2007, p.96) means that there are two typical situations where improvisation takes place; 1. *"... When a player feels an uncertainty about which alternative of an original that is in demand in a local context (such as an organisation or audience). 2. "... when for example such members of an organisation are seeking inspiration from various sources to jointly work out a strategy for the future. They then chose from famous models and improvise around them."*

The concept of Translation

Unlike the concept of improvisation, **translation** is somewhat more durable, which is a result of the first. Translation means that an idea is interpreted and adapted to the local context, where the original obtains a new "form". It is a gradual process of change, from the original idea to the new end product (final form), where the development is perceived as meaningful in the organisation's specific context (Furusten, 2007). An organisation's constraints and opportunities will affect the translation, and as Eriksson-Zetterquist (2009, p 133) highlights, *"Between the organisation providing the model and the resulting model (there is) certainly a distance (parenthesis added)."* This adaptation may explain why organisations choose to imitate each other yet are so different (Eriksson-Zetterquist, 2009). It may also be that an idea can largely be copied but that something needs to be translated, according to Furusten (2007) termed **partly imitation**. Furthermore, parts of ideas (information, models or standards) can be linked together to be meaningful in a local context (Furusten, 2007). This adjustment and created meaningfulness of an idea, such as a living wage, is influenced by the rules prevailing, i.e. by the existing institutional order which is why this will be highlighted below.

3.3 INSTITUTIONAL ORDER, INSTITUTIONAL ENTREPRENEURSHIP AND POWER

What effects can a prevailing institutional order have? Within an organisational field, it is argued by the above authors that the dominant actors or stakeholders have power and give rise to the rules that prevail. It makes it interesting to describe the existing institutional order institutions are created from.

Blowfield and Dolan (2008) points out that it is important to reflect on who has the power to create and define standards. They also believe that those in power decide what is ethical and argue that; *"Globalization itself is a moral project that advances particular economic, political, social and not least ethical models"* (Blowfield and Dolan, 2008, p.20).

Khan et al (2007) and Furusten (2007) address factors influencing the creation of institutions such as the environment and structures organisations are embedded in, as well as the influence by the current discourse where the prevailing "truth" is discursively constructed. Khan et al (2007, p.1071) point out that *"What is not seen in conventional approaches is the manner in which power operates hegemonically to identify agents' "interests" and to represent and normalize practices in a particular way. This is*



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particularly the case in “postcolonial” settings, where the values of the colonial power are routinely privileged... ”. Khan et al (2007) argue that power is an aspect that needs to be analysed having in mind competing “politico-ethical projects” affecting the way power operates creating institutions normalising certain values and practices which in turn creates certain conditions and consequences limiting some actors.

In an article, reviewing a book called "The New Africa", in the Swedish newspaper, Dagens Nyheter (Helgesson, 2014), the Western self-image is described as difficult to change and where a "natural" superiority leaves room for moral behaviour and acting. Furthermore, colonialism is described as a "moral project" where the West sympathetic wanted or want to help but where an altered self-image of peers is needed today. This is similar to what De Neve (2009, p.64) expresses in regards to the concept CSR; *”Discourses and policies of CSR have become a central tool through which post- colonial power inequalities are being maintained and reshaped, and often even intensified by dominant players in the global market.”* Furthermore, the documentary film director Göran Olsson pointed out that today’s companies way of doing business are a kind of neo colonising of the world but worse since the exercise of power is harder to see and discover (Morgonpasset i P3, 2014). In his latest documentary “Concerning violence” (2014), based on the philosopher Frantz Fanon’s book “The Wretched of the Earth”, he highlight the problematic of colonialism and the mechanisms causing structural violence and as journalist Bhakti Shringarpure (2014) writes concerning the documentary, in the Guardian; *“Lest our daily brush with the news, with the forces of globalisation, consumerism and capital, with all this new inter-connectedness and our (however valid) criticism of the United States’s imperial ambitions distract us, Fanon reminds us that Europe is at the root of all our problems today, and it is Europe to which we are ideologically and materially enslaved.”* In addition to this, Göran Olsson stressed that, in relation to e.g. garment production *“we live in a bubble in that we still get our resources from another part of the world to an underprice”* (Morgonpasset i P3, 2014).

One reason the prevailing institutions are not challenged may be that certain political, social and economic interests prevail exemplified by a quote from Tool (1998, p.23); *”A social, political and/or economic problem is a normative identification of institutional disjunction, disrapport or disharmony among or between existing institutional arrangements.”* How organisations act and what organisations should do is influenced by many different actors in society. Furthermore actors’ ideas, knowledge and ideologies permeate the conditions that exist in society, which in turn affects an organisation's exercise of power (Furusten, 2007). Furusten (2007) suggests that codes and standards is an example of how organisations should operate.

In relation to this, **institutional entrepreneurship** can be termed, which Maguire et al (2004, p.657) defined as; *”activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones”*. Hardy and Maguire (2008) raise the issue with various actors' ability and willingness to exert influence on existing institutions. They argue that those who do not have as much advantage of the existing institutions are most likely the ones wanting change but it is believed that these actors often lack the resources and power. Furthermore, it is also pointed out that it is difficult for “central” actors to convince others to change their way of doing things within a field. However, Eriksson-Zetterquist (2009) point out that there are exceptions when a



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practice is seen successful and therefore is applied by other more powerful actors mentioning a case from Leblebici and colleagues (1991). This is in line with Khan et al's (2007) reasoning where they criticise analysis of institutional entrepreneurs without taking into consideration the power dimensions and dynamics normalising an institutional practice making some aspects of an issue "invisible" or "routinely protected from scrutiny". Thus, Khan et al (2007) means institutional entrepreneurship is not always of a positive nature, which they name the "dark side", as usually portrayed in institutional theory literature where the power relation dimension is not elaborated. Furthermore, Khan et al (2007) stress the importance of how " 'class', 'gender' and 'postcolonialism' " reproduces dominant power relations when looking at institutions gaining or losing legitimacy. Furusten (2007) uses the term "institutional surrounding world actors" and mean that the products produced from these creates clear structures resulting in limiting organisations acting space. Eriksson-Zetterquist (2009, p.93) mention that neo-institutional theorists, Garud et al (2007), focus on how organisational processes were created by "*institutional forces*" which is contrary to institutional entrepreneurship studies looking at "*organisational processes and institutions created by creative entrepreneurial forces that pursue change*". Consequently, aspects such as power, agency and interests are important for analysing institutional change and actors' possibility to influence this (Eriksson-Zetterquist, 2009). In addition to this, Levy (2008, p.948ff) writes; "*Challenging existing field structures and practices and attempting to construct new institutional forms are political projects led by institutional entrepreneurs.*" Hence, it is of importance to look at the historical and present politics influencing the creation of institutions.

The above review of the existing institutional order shows that there are certain ground rules (interests that control/prevail) creating and forming institutions that in turn affect an organisation's capacity to act beyond or outside these. Virtually the market economy is extended across the world where efficiency and productivity many times is priority in an organisation's actions, where few people live well at the expense of others (Morgonpasset i P3, 2014). The problem may lie in that it is not believed to be, or ignorance and indifference for, achievable and possible alternatives to implement. I have in the following and final section chosen to take out a line of reasoning, the basis for my analysis, which shows that there are **alternatives** to how organisations can act and think in order to take into account the majority of people (like, e.g. workers in the garment industry who do not get paid enough), in a world where options and critically thinking to the prevailing seems to be absent.

3.4 ORGANISATIONAL PROCESSES AND RESPONSIBILITIES

The basic structures and institutions that surround us contribute to injustice in various degrees. How this structural injustice is maintained can be understood by the dominant processes performed within an organisation. Jensen and Sandström (2012) mean that the lack of functional global institutions results in a difficulty to tackle global problems. They say that a "vacuum of responsibility" is created where a lot of the problems have a tendency to not be dealt with. They argue that there are six organisational processes that hinder organisations to act responsibly; 1. "to allow the environment fickleness steer the organisation", 2. "to let the short-sightedness steer the organisation", 3. "to exercise power without responsibility", 4. "production of distance", 5. "gradually instrumentalisation of responsibility" and 5. "objectification and dehumanisation". Jensen and Sandström's (2012) "processes" are relevant for understanding the micro-processes in organisations, which in turn could explain how the payment of a living wage becomes a



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reality. How these processes work within an organisation is affected by social institutional and actual structures described in the previous section. The norms, power relations, discourses, rules prevailing in the field and institutional entrepreneurship in turn affect these “processes” thereby contributing to a potential action becoming natural or institutionalised.

Jensen and Sandström (2012) argue that extending responsibility is problematic because *"all of the processes that we believe prevents increased responsibilities usually are regarded as success factors for the modern organisation"* (Jensen and Sandström, 2012, p. 67). The basic problem is considered to be that organisation scientists and the public debate focuses more on organisations' legitimacy, reputation and confidence than their ethical and moral conduct.

Jensen and Sandström (2012, p.9) argues that the question of responsibility where organisations' responsibilities begin and end, needs to be treated as a result of globalisation and that there are no direct *"comprehensive and supportive global framework."* In contrast, they argue that an organisation is run by *"clear rules, norms and procedures"* arising from bureaucracy and market logic which is perceived to be the *"dominant forms of modern social organisation."* To a great extent the literature appreciates the efficiency of the two, according to Jensen and Sandström (2012). The authors point out that these two concepts are usually studied separately but believe that they work concurrently within an organisation. The concepts are considered to be of central importance both for the organisation and taking responsibility within an organisation, which they believe pervade the six processes that will be described. (Jensen and Sandström, 2012)

The everyday actions mainly performed by an organisation's members is named *"the organisational effectiveness morality"* by Jensen and Sandström (2012) which is the dominant "practice" seen from the perspective of six processes. Thus, they say that people's ability to take responsibility is not as obvious as *"organisational settings and situations have significant impact on how people in organisations take responsibility"* (Jensen and Sandström, 2012, p.12).

Furthermore, Jensen and Sandström (2012, p.24) emphasise that the rules, norms and routines that are present in an organisation, in some cases, might replace and *"organise the morale"* when making decisions. They mention CoC and its problems. By having a set of ethical codes the easiest way result in a "shooting out" of the moral responsibility. As stressed earlier Jensen and Sandström (2012, p.26) highlight that the people who design these rules do not take into account the specific situation and its end-users instead they are created in other environments that contribute to the generally designed rules. This is also stressed by Prieto-Carrón and Lund-Thomsen (2006) who mean that CSR implementation needs to be legitimised by adapting to the specific region or country and be looked upon in a broader structural and contextual perspective. Furthermore, Jensen and Sandström (2012, p.26) say that *"What rules, procedures and norms achieve is not an expectation of something morally responsible but simply an" expectation of obedience."* Codes among others can be seen as a result of more bureaucracy and market, *"in the absence of globally coherent regulatory framework and lack of policy initiatives"* (Jensen and Sandström, 2012, p.66).



3.4.1 Jensen and Sandström's six organisational processes

Jensen and Sandström (2012) argue that six organisational processes to a greater or lesser degree characterises the modern organisation, which in turn reduces the possibility of "taking responsibility". These are;

1. **"to allow the environment fickleness steer the organisation"**; Today's society is characterised by consumption where the consumers' demand for change and renewal is seen as a symbol of fickleness. Where organisations compete for specifically you as a consumer, to choose their products. The process is described as driven outside-in, where an organisation's structure is adapted to the *"outside world's changing demands"*. This is largely made possible by today's information technology, which has led to the identification and mapping of consumer habits (fickle) and changing production conditions (faster). (Jensen and Sandström, 2012)

To respond to this *"steering of fickleness"* of an organisation, rapid changes are required in problem solving and decision making. Hierarchical structures are seen as too slow where more loosely coupled network structures can respond to the need for constant change and where an organisation *"...always has to become something else in order to survive"*. Working life becomes more fragmented, where flexibility, change and temporary are words that characterise it. Individual success is rewarded resulting in: *"Emotional bonds, such as trust and commitment between people in organisations and between people and the organisation, diminish"* (Jensen and Sandström, 2012, p.71).

2. **"to let short-sightedness steer the organisation"**; *"It's about to perform here and now"* which leads to the reflection of the future and history obtaining less space. Measurable immediate results are valued, which prevents long-term thinking and responsible action. Jensen and Sandström (2012, p.72) illustrates this by a quote from Robert Jackall (1988, p.84); *"The pressure for annual, quarterly, monthly, daily, and even hourly "results", that is, measurable progress plausibly attributed to one's own efforts, crowds out reflection about the future... 'Our horizon is today's lunch'."* The inefficient has to be removed to improve productivity in the short term, and where individuals (and groups) are set to compete against each other, even within the same organisation. (Jensen and Sandström, 2012)

3. **"to exercise power without responsibility"**; Jensen and Sandström (2012) argue that a more mobile and efficient bureaucracy exists in today's modern organisations, and describes a re-bureaucratisation where codes and quality system, among others, can be seen as examples of this. Moreover, the authors argue the control in contemporary organisations is more diffuse and "floating" but still top-down managed. The responsibility to deliver measurable results lies within the "peripheral" parts of an organisation, where the threat of punishment is constant, while the power and authority is concentrated to the "middle" or centre. Accountability has been moved to the periphery, and to demand accountability from the "floating" management, those who have the power or authority to control and lead, becomes problematic if not impossible. (Jensen and Sandström, 2012)

4. **"production of distance"**; A value chain today can stretch over several parts of the world where the individual conduct results in diverse consequences. Because of the psychological and physical remoteness, it may be difficult to see cause and effect and the moral responsibility diminishes or "numbs".



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Furthermore, *"the intermediary" forecloses/curtain the action's result from the actors' vision* "(Jensen and Sandström, 2012, p.80) and the ability to follow a decision in a chain is difficult when the distance is large in *"both time and space"*. (Jensen and Sandström, 2012)

5. **"gradually instrumentalisation of responsibility"**; The moral responsibility in an action decreases in relation to the space the instrumental responsibility, based on reasonable assumptions, gets. In this stepwise process objectives and means risk to change positions, which in itself becomes self-producing and self-constitutive, which contributes to other goals becoming meaningless. Questions concerning ethical evaluation will not fit, but instead individuals ask questions concerning efficiency or ability to carry out an act from a technical perspective. The question whether an act is right or wrong does not arise when expressed in technical terms, when seen from a more objective and neutral perspective. (Jensen and Sandström, 2012)

The objective means-displacement problematic can be explained according to the following example in relation to desired certification; *"The process of certification and authorisation becomes an objective in itself. After certification is complete quality and development halt, despite demands for continuous improvement. The goal is reached. The certification, i.e. the means to further develop the business, has become a goal in itself"* (Jensen and Sandström, 2012, p.85).

When this becomes a reality, it is difficult to break the process in which certain goals have no value. Thus, the moral responsibility is replaced with instrumental responsibility and *"the actor's options in his relationship to the other decays into active and inactive, effective and ineffective - even rational and irrational - but not in correct and incorrect ..."* (Jensen and Sandström, 2012, p.86ff).

6. **"Objectification and dehumanisation"**; Through various codifications/encoders, that today's modern organisations depend on as these efficiently can travel through time and space, objects dehumanises where the aim is *"to make human behaviour and everyday life in organisations visible, evaluable and possible to control"* (Jensen and Sandström, 2012, p.87). Individuals who work with data that have reduced people to e.g. a number or social security number tend to become morally blunted. This can be clarified by the following quote from Jensen and Sandström (2012, p 89): *"employees working for organisations do not treat people they encounter (through the codified categories) as persons (especially a holistic concept) but act on "specific traits of persons". Eventually, they start to consider them as mere collections of traits, not worthy of any moral consideration."*

Objective and ethically neutral terms inevitably pervade today's organisations and their processes. Jensen and Sandström (2012, p.90) highlights this by a quote from Robert Jackall where he believes that employees are taught to *"appraise all situations and all other people as he comes to see himself- as an object, a commodity, something to be scrutinized, rearranged, tinkered with, packaged, advertised, promoted, and sold."* However, it is still up to the individual what values he or she applies to others and the degree of objectification and dehumanising techniques embraced by a manager or employee will profoundly affect *"the way other people can fit"* in the decisions made or the action performed. Objectifying and dehumanising techniques contributes to indifference for another person's situation where ethical motivational reactions and assessment becomes absent. (Jensen and Sandström, 2012)



3.4.1.1 Systematically produced demoralising processes – “the organisational efficiency’s morale”

All of the above, "systematically produced" processes contribute to reward irresponsible behaviour as they are "*the basic premise of modern organisations*" mean Jensen and Sandström (2012). This in turn has a demoralising effect that creates a certain kind of people (Jensen and Sandström, 2012).

It is important to emphasise that these processes gradually make it natural and logical to act in some ways which can be seen as absurd or reprehensible from a moral perspective. One reason why this happens can be explained by individuals within an organisation seeing themselves as independent from liability when they act on behalf of another and risk not to mentally reflect on the moral implications of what their actions may cause. They may be said to be in an agent state; "*We conclude that this practice explains organisational actions as morally neutral and therefore put individuals in a state of an agent where morally devastating actions are performed without any orders*" (Jensen and Sandström, 2012, p.61).

"*The organisational efficiency’s morale*" is according to Jensen and Sandström (2012) said to be such a natural part of an individual's everyday life that it is not questioned and taken for granted. By making use of language as a tool to show that these "taken for granted" actions are "*demoralising*". Jensen and Sandström (2012) tries to replace the words naturally associated with success in organisations such as rationality, efficiency, productivity, legitimacy, reputation and trust and instead include ethics, morality and responsibility. Greater responsibility gives way to a more reflective world where what is considered to be natural is challenged or questioned, and where both global and local perspectives are taken into account. (Jensen and Sandström, 2012)

Furthermore, Jensen and Sandström (2012) mentions the problems that organisations are engulfed by moral actions only being performed if there is an ethical principle or rule to follow. Based on the fact that we live in an ambiguous and ambivalent world, they mean that "rigid ethical principles", such as CoCs, hinder organisations' willingness to act responsibly. (Jensen and Sandström, 2012)

Jensen and Sandström (2012) argue that an action space for responsibility-taking is always present where an organisation's individuals hold power. Furthermore, they say that the choice of how you act and what consequences it produces are there, but to go against the "*organisational efficiency’s morale*" can be perceived as impossible. To reconnect to the section regarding institutions and how the institutions that surround us are used, the social psychologist Harald Welzer (2007, p.236) is quoted, inspired by and taken from Jensen and Sandströms (2012, p.100ff): "*...existing social institution and document structures can in principle be regarded as repositories of inherent possibilities, depending on what the pursuit target is, can give rise to completely different realities*". To take advantage of these inherent possibilities and where the goal is to take more responsibility, I have chosen to present Jensen and Sandström’s (2012) three components making it easier to act responsibly in the following section.

3.4.2 "The extended responsibility method"

Identifying and naming, in demoralising importance, the processes that hinder increased responsibility is one way says Jensen and Sandström (2012), but it requires collective action, although the responsibility for enhanced accountability is individual. Moreover, they mean that there are no "*ready-made recipes, no universal tool, and thus is at odds with the*" management ", which is dependent on prescription and



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control" (Jensen and Sandström, 2012, p.104ff). This is because the reality is too complex, although there is potential for the development of organisational frameworks that reward increased accountability. By making use of the language and reformulate "*the foundations of the role and responsibilities for organisations*", the organisational efficiency's morale gets an option. This reformulation of roles and responsibilities in combination with three core elements is named the "*extended responsibility method*" or the development of an organisational framework that promotes individuals' ability to take on greater responsibility. The three core components are described below;

1. "Staging of dialogues": Jensen and Sandström's (2012) research in ethics and CoCs shows that the implementation of these usually occur rapidly, without further discussion and reflection within an organisation and where the priority is often of rhetorical importance. They argue increased dialogue within the organisation opens up a job with liability issues, and that it should permeate the entire organisation like any other important issue that is conducted, not stand alone. Furthermore, they believe it is rare that the motives of these tools are "*to develop members' moral compass, imagination or ability to take more responsibility*". Jensen and Sandström (2012) mention in relation to these tools' implementation two concepts; "practical consciousness" and "discursive consciousness". Their research shows that when the "practical consciousness", which means "just do as it says," is present at the implementation processes, individuals development are neglected to translate what they do into words, the "discursive consciousness".

Jensen and Sandström (2012) argue that organisations depend on their members' ability of critical thinking and inclusiveness, in the long term. Through increased discursive consciousness identification and understanding of irresponsible processes can be critically discussed and "*Discussions and dialogues where different parties are heard equally are powerful instruments for change*" (Jensen and Sandström, 2012, p.106).

The time it takes for an organisation's members to "learn" how to "act more responsibly" (to take greater responsibility), within the organisation, are often considered to prevent the operation, according to reactions Jensen and Sandström (2012) received on their material. Efficiency and productivity improvement is not expected as a result of the above, and the time should be spent on the right things. Jensen and Sandström (2012) are generally not agreeing and believe that the inclusion of members' critical views and enhanced accountability might result in an organisation being more prepared in a global world.

2. "Continuous reassessment of responsibility": An extended responsibility is an ongoing process where "get ready" does not exist. Liability issues must be continuously evaluated and take new forms in a world of ambiguity and ambivalence. Jensen and Sandström's (2012) research in ethics and codes of conduct are seeing a problem with the generalisation of implementation which is applied worldwide, and believes that responsibility as an organisational system cannot be generalised as the moral responsibility depends on the context and is always exercised individually and is situation specific. In accordance with how ideas are translated, as previously described, Jensen and Sandström (2012, p.109) argue that "*It is naive to believe that a code of conduct (or any conceivable system whatsoever) travels unchanged through time and space within the organisation*". This in turn shows that there is scope for increased responsibility and that to



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change a code is unavoidable when it is adapted to the surrounding context and situations. (Jensen and Sandström 2012)

3. "Focus on Opportunities": The third component, which is important for an organisation support of individuals' increased responsibility, is to avoid punishing them and instead give them more responsibility and authority. Organisations often use something that can be called "the obligation model" (according to political scientist Young, 2007, p.206), where they try to find someone who is responsible when something goes wrong and where the focus is on who is "right or wrong", which should be avoided to some extent. Jensen and Sandström (2012, p.110) argue that this obligation or guiltiness model should be questioned and complemented by "the social connection responsibility model". They cite Young (2007, p.211): *"When we say that structural inequalities exist, we mean that at least some of the normal and accepted background prerequisites are not morally acceptable. Most of us contribute to a greater or lesser degree to the production and reproduction of structural injustice, just because we follow the accepted and expected rules and conventions of the communities and institutions in which we operate."* By failing to challenge or go against the expected rules of the game, this helps individuals to enhance or reproduce the structural injustice that exists. (Jensen and Sandström, 2012)

The "model" takes into account the complex world around us, full of ambivalence and ambiguity, and where it is difficult to know what is right or wrong, in the regards to the practice of responsibility. An expanded responsibility, within the framework of the social connection responsibility model, can be seen as a possible and necessary "trial-and-error process", since the prevailing behaviour and organisational processes appear unethical or immoral. Instead of looking at the past and sanctioning behaviour back in time, in accordance with the obligation model the social connection model emphasise an included increased accountability which makes it possible to take a decision "here and now" and understand what the consequences will be by looking ahead. An important assertion Jensen and Sandström (2012) mention is that there are no general global ethical situations and thus no general ethical rules, and where the rules governing the operations of an organisation sometimes needs to be questioned (since they might not take into account the situation and context). Furthermore, they believe that an organisation's conduct of common sense where long distance ethics is included is requiring a continuous ethical and moral debate that permeates the organisation's everyday operations. This "extended responsibility method" is similar to what the Locke et al (2009) study shows about suppliers practicing a "commitment-oriented approach". When having a longer term vision vis a vis supplier-buyer and focus on the worker-factory relationship where traditional behaviour was changed and where trust and problem solving were some of the main factors, factories were performing better in contrast to other suppliers that did not practice this.

Expanded inclusiveness

Jensen and Sandström (2012) argue that organisations are an important part of developing solutions to today's global problems as they have power and can identify, name, and address these. An organisation has the opportunity to act different and is *"a social unit that has great potential to send responsible signals in society in general"*. By having a constant dialogue, within the organisation, the ethical dilemmas develop the individual's ability to recognise them and give them words, where the evaluation of an action of moral significance also is seen from another perspective. This *"expanded inclusiveness"* does not mean that all decisions will take into account everything and everyone but as much as possible we can gather



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information about the "context and situations" which we act within, and try to understand what and how our environment is affected "in different time and space". As a result they create dimensions of responsibility within the organisation where the next step, for the discursive conscious, will be to seek and start collaborations "with other enhanced responsible organisations and thereby putting pressure on the more or less irresponsible actors, both upstream (e.g. patients and consumers) and downstream (e.g. suppliers of goods and services) in the organisation's chain of activities (Jensen and Sandström, 2012, p.113). Jensen and Sandström (2012) argue that it is difficult and takes time to change established "discursive formations" but where a continuous discussion of the development of the existing language and frameworks can help to be replaced by "credible and promising alternatives".

To get a visual picture and summary of how the presented theories are likely to impact a potential implementation of the idea of "living wage", within an organisational field, a simplified model has been created:

"Living wage from idea to end product"

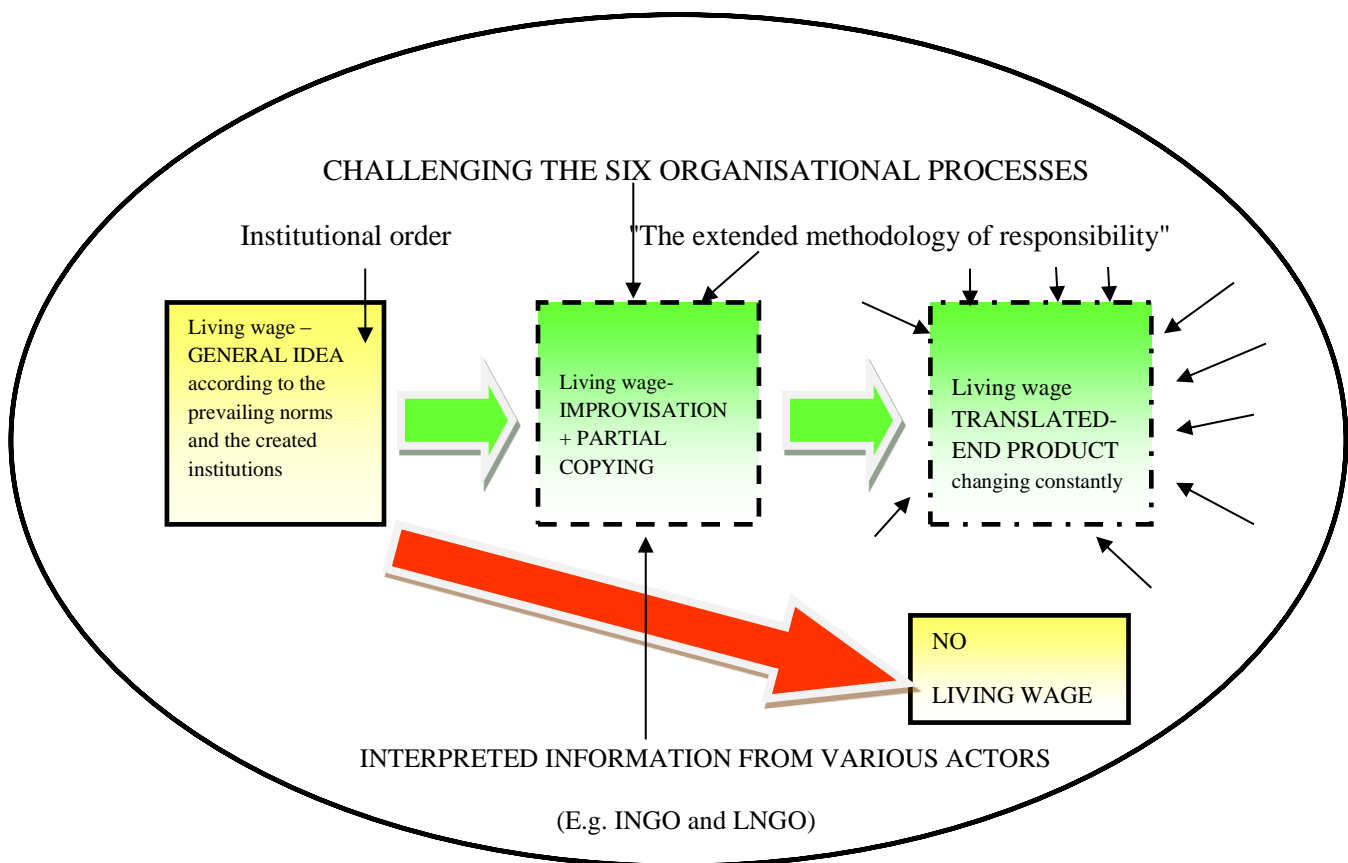


Figure 2 Living wage from idea, adapted to the local context, to end product. (Source: Author, 2014)



4. METHOD

This chapter provides the reader with a description of the choice of method used. Hence, a description of the research process including how the data was collected, systematised and analysed. Furthermore, a section describing the paper's validity evaluating the interpretation of the living wage implementation is presented. Finally delimitations are presented.

4.1 CHOICE OF METHOD

As previously mentioned in the introduction the living wage debate has been ongoing for over 20 years without any immediate or direct results in practice. There are many scientific articles regarding CSR and CoCs, however normative, and studies regarding living wage payment and how it works in practice are scarce. How is it possible to understand why almost no improvement has been seen in the last 20 years and why did it work this time? By studying a case in practice in its natural context, finding out how things are related the reasons can be found. As a deeper understanding of the payment of living wage is the purpose, and due to that the research conducted is based on one case where the scenario has not been studied previously, and where people who have been involved in the implementation can be interviewed, the chosen method for this research is a single case study. Yin (2009) mentions five main methods, or as he calls it "research strategies", which are: experiment, survey, analysis of archival records, history study or case study. The case study strategy is applicable when one wants to find out why and how a social phenomena works. As Yin (2009, p.4) puts it "...the case study method allows investigators to retain a holistic and meaningful characteristics of real-life-events- such as...organisational and managerial processes...".

The strength with case studies is that a lot of material, such as documents, artefacts, observations and interviews, can be handled and available, according to Yin (2009). The gathering of data is done on ground where the implementation took place, which is an argument to choose the case study as method. Furthermore, the main source of information is qualitative interviews with people who have been involved in the process and implementation of the living wage payment. Hence, a broader perspective can be included in the study as information from both the supplier and the buyer can be collected and disclose potential underlying causes and links. The focus of this study is not to look at the frequency of a phenomenon, instead it is of significance to understand how a living wage payment in practice came about in this specific case.

Davidson and Patel (2011) states that qualitative approaches are used when a deeper and greater understanding is the purpose of research, in contrast to a quantitative method which is based on statistical data. Yin (2009) points out the importance of not equalising or confusing case studies with qualitative research, as the first can comprise both quantitative and qualitative information and does not have to include observations. Quantitative answers are numeric and qualitative are not. Within this case study short interviews were conducted, or so called survey interviews, with floor workers (blue collar). However, as the answers were not of numeric character, they were qualitative. For the purpose of this thesis, to look at a situation in depth, a qualitative case study approach was chosen.



4.2 CHOICE OF CASE STUDY

This study is part of a larger research project named "Sustainable Business Strategies" at The School of Business, Economics and Law at Gothenburg University. The research project is led by Niklas Egels-Zandén, associate professor. Nudie Jeans, who is also a partner in the research project, and their supplier Armstrong, have been selected for this purpose. This report analyses the implementation of a living wage in the South Indian garment industry. It is of importance to mention that the thesis was not conducted with Nudie Jeans as the initiator or funder.

4.3 DATA COLLECTION

4.3.1 Interviews

Tirrupur, India

The majority of the interviews were conducted during a field trip to India in March 2013. All interviews conducted in India were done by the author travelling alone. Thus, no one from Nudie Jeans was present at Armstrong at the time of the study. The first week three interviews were conducted (one with the founder and two with the Programme Director of the Labour Resource Center) at a LNGO, SAVE⁹. Furthermore, SAVE arranged interviews with a local social auditor, specialised in SA 8000, and the District General secretary of the national union, HMS¹⁰, upon request. There are several unions (about 7) active in Tirrupur influenced by political parties but the union that was chosen is independent and was said not to be influenced by any party (Viyakula, 2013). This made possible a general overview of the local living wage discussion.

During the coming two and a half weeks, interviews were conducted at Armstrong. Almost all of the interviews were conducted in the two units where the main production, CMT¹¹, was done and the first living wage was paid. In total 58 interviews were conducted with people working for AMK and the interviewed persons are presented in Appendix 2. Interviews were conducted with the managers that had been involved in the implementation, members of the workers committee and floor workers. In addition to this, seven interviews were done in villages in the country side. After the interviews conducted at Armstrong, a follow up interview was done with the Programme Director of the Labour Resource Center, at SAVE. A total of 54 (plus 3 not used) respondents participated in the interviews, where 26 of them were women.

Additional interviews

The author took part in one interview conducted at Nudie Jeans head office with the CSR manager. In addition to this, twenty-three transcribed interviews were done with staff at Nudie Jeans, in Gothenburg, available as part of the material and used for analysis. The interviews were conducted by Niklas Egels-Zandén and other students, for the purpose of understanding how Nudie Jeans work with sustainability, including other areas of interest in addition to the living wage payment, during November 2012 to April

⁹ SAVE (Social Awareness and Voluntary Education) is an NGO based in Tiruppur.

¹⁰ HMS, Hind Mazdoor Sabha

¹¹ CMT is explained in chapter 5 section 5.1.2.



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2013. I also took part in an interview with Jeroen Merk, working with the CCC and author of the AFW Proposal, conducted via Skype with Niklas Egels-Zandén before the field trip to India. In addition to this, I had access to an interview done by Niklas Egels-Zandén during my field study with the International Verification Coordinator, Ivo Spauwen, at FWF, based on questions that came up on ground in India.

Interview technique and design

The interviews conducted were semi structured except for the short interviews where a prepared set of questions were posed (see Appendix 3). Yin (2009) points out the challenge or danger with asking questions “why” and means that they should preferably be posed by asking “how” instead. This was taken into account and the awareness of trying not to ask leading questions minimised this. The semi structure interviews were intended to make the interviewer speak freely about the subject. It was found difficult for the majority of the workers to speak freely without some exceptions of the managers in the head office, at Armstrong. However (therefore), the interviews were held in a respectful and sensitive manner. The interviews lasted from ten minutes to about two hours. A local female interpreter was present at the majority of the interviews.

The interviews were recorded and transcribed to be able to “go back” and obtain reliable data. The short floor worker interviews conducted in the two factories and the villages were not recorded due to the recommendation of the interpreter and to the situation at hand (not fitting with in the village customs). Notes were taken for all the interviews and later written in a document. When interviewing the floor workers it was explained that everything said will be kept confidential and the reason (when recording) was said to be for the purpose of being able to retrieve data when conducting a lot of interviews. The majority of the workers (not the managers) were perceived to be a little bit shy and afraid of being interviewed. It was understood during the first interviews with some of the floor workers that their knowledge about the subject was minor, therefore shorter interviews were done.

The floor staff was randomly chosen without direct presence of managers. The intention was to interview the same number of men and women. However, equal number of men and women was not of significance for this case, instead the importance was the ability to select whomever to interview, thereby avoid bias from the management’s decision. Although, it could be interesting to study at the wage difference and job positions available in the factory based on gender for future projects. The interviews with the management in the factories (both units) were mainly focused on the living wage process whereas the knowledge and understanding of the actual living wage payment became the main questions posed to the floor (blue collar) workers. Even though, there were quite a few interviews conducted with the floor workers, this information has not been the main focus of this thesis. The gathered data was summarised in one section due to that the purpose and aim of this thesis was to understand how this payment became a reality. Thus, the answers given were enough to summarise in one section.

Yin (2009) points out that interviews in general is a central source, as a case usually is about humans. It is of importance to take into account factors that can affect the answers from respondents such as bad memory, difficulty to express an idea or themselves. To improve communication an interpreter, as pointed out earlier, was present in the majority of the interviews. She worked at the LNGO, SAVE and she holds a



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Master in Development Administration. Considering that she worked for an NGO this was believed to minimise the risk of her being biased and she was used to conduct interviews with people within the garment sector. Furthermore, she speaks the local language (Tamil) and another language called Kannada. Several interviews were done to follow up unclear information and in some cases documents were looked upon and the information regarding the implementation was triangulated. Throughout the production of the report the language barrier, “on ground” in India, was challenging, however it did not affect the result in a negative way.

Some informal direct observations were noted but due to the interviews covering most of the days spent in the factory and the fact that no payment was done while the data collection was conducted, no direct observation was used in the study. However, being on ground, meeting the people involved and affected by the payment, gave a picture of the environment, the atmosphere in the factory and a sense of the attitude towards the implementation.

4.3.2 Documentation

Documents were received from Nudie Jeans, Armstrong and the LNGO, SAVE, relevant for the living wage implementation, to understand and confirm what was said in the interviews. Armstrong provided copies of documents, reports and guidelines they had used when calculating their living wage benchmark, including local and regional wage agreements. Furthermore, they extracted information from files in excel (from the economic department) to be able to explain how they had calculated the living wage cost to be paid by Nudie Jeans. Moreover, I received copies of the latest wages paid by Armstrong, to check how much the employees had been paid. In addition to this, I received copies of the written note inside the envelope for the living wage payment. Some of the information was double checked with information gathered from the LNGO, SAVE.

Nudie Jeans provided copies of the pilot project report and a FWF audit report done at Armstrong. The information therein was useful for facts and comparing the calculations done by FWF and Armstrong. Moreover, I had access to an excel file “Amnesty¹² living wage distribution plan” specifying that 689 employees had received 310 Indian Rupees (INR) sent from Armstrong to Nudie Jeans which was used for triangulation. For more information see Appendix 4.

4.4 DATA ANALYSIS

Information was gathered both from the buyer, Nudie Jeans, and the supplier, Armstrong, regarding the implementation of living wage, which made it possible to triangulate the information. The case study data has been analysed by building up an explanation of the case in which pattern matching has been part of the analysis process. That is, the assumed causal relationships and connections seen affecting the payment of a living wage at Armstrong (Yin, 2009)

The transcribed data were studied several times to find categories or themes of interest. Hence a manual coding was done. From the Nudie Jeans’ interviews the information regarding the living wage payment

¹² Amnesty is an international NGO working or campaigning for human rights in the world. Their vision is “for every person to enjoy all the rights enshrined in the Universal Declaration of Human Rights and other international human rights standards.” (Amnesty International, 2014)



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and other relevant areas (such as their values) were highlighted and put in separate documents, that were later compiled into one document and inserted in the report. Furthermore, the related information in Armstrong's interviews was highlighted. Thus, the extracted information in the interviews were done separately and thereafter put together. In addition to this, the structure of the presented data, as can be seen in the review of the table of contents, provides a picture of my analysis (Yin, 2009).

The main outcome of the research was written as a temporary conclusion which was used as a guideline for the production of the theoretical framework and problem formulation of the thesis. Rienecker and Stray Jorgensen (2008) mean that this is a good procedure to follow if the author is aware of the overall outcome of the case.

4.5 VALIDITY

Validity does not mean the same for qualitative and quantitative studies. Hence, in qualitative research it is of importance to study at the complete research process instead of only describing the data collection. Thus, did the researcher succeed or manage to collect data to be able to interpret the phenomenon studied? (Davidson and Patel, 2011)

Internal validity

Based on the knowledge and understanding before the start of the study, "there was a thought" that the absence of CoCs, CSR, standards and the additional cost of paying a living wage were some of the main underlying factors for non-implementation of living wages. During the study, a different set of problems or explanations developed regarding the two organisations' acting space to pay a living wage, hence the study's overall direction and focus became; institutions, processes and power structures. Furthermore, the gathered material analysed with the chosen theoretical framework showed underlying factors for the maintenance of these structures, processes and possible explanations for why higher wages are not paid. This is my subjective interpretation, which could be perceived differently by someone else, hence further studies in this area would be of great interest. Therefore, it is up to the reader to judge the interpretation of the case studied.

As the gathered data was triangulated to confirm, strengthen or weaken views about same events or facts, and the use of different sources of data, and not only one, this can be seen as a procedure that increase the study's validity and reliability. Yin (2009) means that case studies with the use of multiple data sources will usually be evaluated as more qualitative. The thesis, focusing on the material section, was sent to managers at Nudie Jeans involved, for comments of the described companies and processes. The managers did not have any comments or suggestions for misinterpretations. Furthermore, the thesis will be sent to Armstrong and SAVE.

The transcribed data was approximately 1500 pages and the material included in this study was carefully selected. The number of interviews done and the vast amount of information to analyse could have resulted in relevant information not being included or left out in the thesis. A "database" with folders containing the transcribed interviews, written observations, documents from the oral interviews and the



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received documents and some physical copies are available for anyone to look into. This data is argued to be of importance in regards to the study's reliability (Yin, 2009).

The study was done in collaboration with Nudie Jeans which might have had an impact on the answers given by the interviewees, as the workers knew that it was in Armstrong's interest to keep or increase orders. However, the topic was of a positive character. Moreover, the author is aware of the bias that could have been created from a desired positive outcome or conclusion, both from the buyer and the supplier.

External validity

In regards to validity when doing a case study, one has to ask the question of how it is possible to generalise from one specific case. Yin (2009, p.15) mean that; "...case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes". Furthermore, Yin (2009) mentions that there are two different types of generalisations; statistical and analytical. When using a general theory it is of interest for the researcher to compare this with a set of results and make analytical generalisations. However, the results have to be replicable in more than one area to support the theory. (Yin, 2009)

In this case it has been a challenge since there are no other case studies found to compare with and only a limited amount of related normative theories. However, as mentioned in the introduction, this single-case study is unique and interesting in itself, whit an unknown phenomenon explained. I therefore argue that it is of less importance to be able to generalise. Thus, the generalisation aspect has a greater role when more cases can be or have been studied in the area. However, the same organisational processes and created institutions can be seen in other fields where these results, the possibility to pay higher wages/living wage, are seen applicable to other fields (for example the wine industry, see the following Swedish newspaper article as well, Delin, 2013).

4.6 DELIMITATIONS

The main study, in India, was conducted during a one month period due to limited resources and time constraint. No other factories were visited due to the aforementioned reasons. There are more dimensions, 12 dimensions mentioned by Merk (2013), e.g.; wage discrimination, wage theft, possibilities for promotion, in relation to the issue of fair wages but these have not been included in the study as this would have created a more complex and dense paper. Thus, other aspects of CSR more than living wage were not analysed. However, this might be of interest for further studies and projects.

As the field study was conducted during a one month period it resulted in not being able to study the long-term effects, results and forthcoming processes or outcomes of the living wage implementation. However, it is not seen as a disadvantage as the thesis' aim is to explain how and why it was possible to have paid living wage in this specific case. Furthermore, the information from the social auditor and the district general secretary from the national HMS union was excluded in the thesis since this information was not relevant for the question of interest but contributed to a better understanding and the bigger picture of the situation.



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Are there other brands paying a living wage in developing countries? The answer is yes but these brands own their production, e.g. a Swedish brand called Dem Collective (Dem Collective, 2013). Alta Gracia, a factory in the Dominican Republic, is one example of implementing living wage but with a different “ownership” or production constellation, where one brand purchasing the output and supporting the factory financially. The payment started in 2010 and the possible success or failure is yet to be seen (Kline, 2010). This thesis will only analyse a company with outsourced production.



5. MATERIAL

*In this chapter the two main stakeholders involved in this study will be presented and their initiation of the living wage payment. The living wage implementation process will be described and the related main challenges and risks. In addition to this, the main effects or believed outcome will be presented. To make it easier for the reader to segregate the different respondents I have chosen to write the ones from Nudie Jeans bold and italic. Furthermore, the three owners of the company are named; **founder 1**, **founder 2** and **CEO**.*

5.1 PRESENTATION OF THE TWO MAIN STAKEHOLDERS

5.1.1 Nudie Jeans- the Swedish buyer- an “odd bird” in the garment industry

Out of the frustration of how big companies work (in general), where the decision maker usually is an economist only interested in “the last line” the design, ideas and love of the craftsmanship of the products are often forgotten, Nudie Jeans was created, 2001.¹³ The **founder 1** wanted to build a company where ideas, products, brand strategy and basic values were created and communicated throughout the whole organisation, not dealt with separately.

Nudie jeans is mainly selling jeans. The product is not affected by the short- term perspective the majority of the garment industry in the western world face with fast changing fashion and trends. The **founder 1** highlighted that jeans are something that grows more beautiful the older they get and that the item lasts longer than most other clothes. They are age and sexless and not something that is short term. Something that has been in the company since the start is a philosophy based on anti-fashion. Nudie Jeans was said to be “an odd bird” sometimes in coalition within the traditional fashion industry. (**founder 2**) In addition to this, Nudie Jeans work with products that are there for several seasons, therefore the cycles are longer. Hence, the suppliers and wholesalers will get more stable orders if the product demands are fulfilled and the market demand is not decreasing.

The **founder 1** had an upbringing where she learnt how to take care of the resources available. It was pointed out that when being involved in a production process one is responsible for a lot of people, the environment affected by the process and the thought of doing cheap products based on egoistic choices, has never crossed her mind. Moreover, the **founder 1** points out that the way of doing business includes working with people which means that there are relations that has to be maintained for a longer term perspective. Trust, having fun, win-win are words that are connected to being able to do good business. The **founder 1** stated that “*I ve never wanted to be the person who calls and shouts at his/hers suppliers that you are stupid and you have to deliver. These are people you respect and like and want to develop things with.*” Even though, Nudie Jeans is growing, the aim is to keep the number of suppliers low so it is possible to nurture the relationships. This is not possible if you have 3-400 suppliers, in one country, like other big brands have means the **founder 1**.

¹³ The turnover for Nudie Jeans was about EURO 40 million (profit EURO 5 million) with about 50 employees, 2012 (Largestcompanies, 2013).



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In relation to the development and realisation of ideas and products the **founder 1** means that “*you don’t have to earn a single penny on absolutely everything, you can also give and share.*” Nudie Jeans is a company that wants to earn money without being bad. The **founder 2** point out that the production industry should be responsible to function in the long run but at the moment the situation is “*black and white*” and “*the alternative should not have to be fair-trade or totally maximising where you kill the earth*”. However, the alternatives to “destroying earth” are seen as good temporary solutions (organic cotton, fair-trade). The clothes business today is commercial where the value of “CSR/sustainability” is not that interesting according to the **founder 2**. Nudie Jeans is a company that wants to offer this to their customer even though they are not ready to pay for it. The **founder 2** argued that people sooner or later will be. In addition to this, the **CEO** pointed out that being 100 percent transparent might result in people’s willingness to pay the extra cost where the consumers pay for it themselves. To win this battle on its own is not easy but Nudie jeans is doing its best. The foundation of Nudie Jeans is “*based on an idea to wanting to do it*”. (**founder 2**)

The company owner structure – decision process

As a result of three friends owning the company, the decision process is not always logical and rational within Nudie Jeans, but they share the same vision and values of how to run the company. The company has worked with ad-hoc solutions throughout the years and worked hard not to involve any external capital. The **founder 1** and the **founder 2** mean that there is a freedom to (be financially independent) be able to make your own decisions where no one is there to tell you what to do. Nudie Jeans can take decision that might just feel right where making money is not the objective, as there are no other shareholders to interfere with their decisions. And as the **founder 2** said “*the possibility to be able to do totally fucking stupid things...because it feels, I want to do this...we are not going to earn anything on it but don’t give a damn.*” Hence, there is room for the management to follow their heart as the money is there, although within limits. In addition, the **founder 2** pointed out that “*we still own our company and we still have an idea that we own*”. The decision process can be quick and driven by the owners’ personal opinions. The development and ideas of the company are in the hands of a few people, which makes it top managed. In addition to this, the **CEO** pointed out that Nudie Jeans still act as if they were the same small company as when they started which is believed to be an advantage in the long run. This is in line with the **founder 2’s** quote: “*we are big enough to implement things, make a difference. But we are small enough and self-owned to be able to roll it out in a way that is a little bit uncommercial*”.

Nudie Jeans goes (one hundred percent) organic

Nudie Jeans has been working with a sustainability and ethical vision from the start in 2001 (**founder 1**) and as stated in their booklet (given when buying a pair of Nudie Jeans); “*we do not envisage a trade-off between profit and people, or between manufacture and environmental responsibility*” (Nudie Jeans Booklet, 2013). In, 2012 Nudie jeans reached their goal to be one hundred percent organic. The **CEO** pointed out that the evolvment had to do with the demand in the market of organic cotton and the possibility to find a supplier being able to produce organic. Hence, it was problematic to find (capable/reliable) suppliers offering organic produced garment in the start up of the company. Moreover, the **founder 2** pointed out that the products would have been too expensive and not as good quality due to



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the low volumes produced in the beginning. After years of hard work the volumes are now bigger and orders for organic produce are possible, the necessary capital is there and well established contacts. The main problem here was not the consumers' willingness to pay it was due to that "you can't change if the market is not ready to change" stated by the **CEO**.

5.1.2 Armstrong – the Indian supplier – a frontrunner in sustainability

Armstrong is a garment production factory situated in Tiruppur, India. The factory was established in 1969 by a teacher who had a vision that he wanted to contribute to the community. Armstrong had its own brand and produced for the domestic market. Later on they changed from having their own brand to merchant export and today the factory only produces for direct export.

Armstrong consists of four units which is named the "Armstrong Group". These are: the Armstrong Spinning Mills Private Limited (Knitting Unit), the Armstrong Process (the dyeing unit) and Armstrong Knitting Mills and Armstrong Knitting Mills Unit 2 (two Cut-Make-Trim factories). The production process involves the four units and starts with spinning (the raw cotton is processed to yarn) then the yarn is converted into knitted cloth, also called knitting. After this the knitted material is sent for dyeing and are either stored or manufactured to knitted garment, which is named Cut-Make-Trim. The living wage payment was done in the CMT factories, from now on the two will be called unit I and II. The factory is a "well-recognised export house" and the annual turnover exceeds \$ 30 million. The factory is family-owned and run by the founder and his son. (Nudie Jeans Audit Report, 2011)

Armstrong wants to be the front runner company in sustainability. The factory started to differentiate itself by producing organic cotton garment in 1999. A European customer asked Armstrong to produce organically. Hence, Armstrong wanted to differentiate themselves from other competitors and satisfy the customer so they started with organic cotton. The CMO, stated: "That time like our mindset was like we want to impress the customer more, we want to be little bit different and want to be big different." In addition to this, Armstrong saw other positive effects (good for the air, environment) of working with organic cotton and they wanted to put more effort in this direction. If you differentiate it is likely that you get more orders stated the CMO. The same pointed out that there is no discrimination due to what cast you belong to and there are signs everywhere where it says that everyone is equal.

It was a tough road to go but today almost all customers buy organic from Armstrong. Armstrong stated they have long term relationships with most of their customers and is usually recommended (for example by customers, FWF and FairTrade) for their "service and quality" and their sustainability work. According to the ED the production capacity is about 20 000 to 25 000 t-shirts per day depending on the style. The profitability is fluctuating due to variable factors not possible to foresee within the industry, it is complex and constantly changing (in nature). Armstrong is not producing one single product (as in other industries) which results in constant changes; fashion, fabric, different customers and sizes. In addition to this, some (external) factors out of Armstrong's control are mentioned to be drought (high cotton prices), raw material cost, demand, pollution issues (factories shut down), foreign currency and workers not returning in time after vacation/not showing up without noticing. Moreover, the ED pointed out that getting orders is involving a lot of compromises and adjustment and some orders might be settled with a price not in



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favor for Armstrong like he states in the following quote: “*They say if you give us this price only then we can give you the rest of the programme,..*”.

The number of employees working in the factory is changing day to day. The employee turnover is about one third per year but every month it is about five to ten percent according to the CMO. The reasons for leaving the factory could be salary too low, they want to work for piece basis or wanting to work more over time (they want to work more to earn more). There were a lot of different reasons stated by the CMO. The wages paid in Armstrong are just above the minimum wage as per the local law, at this time.

The workforce for the whole vertical production was about 1200. The two factories/units where the CMT (Cut Make Trim) production is done consisted of about 550 (unit I) and 250 (unit II) workers. Armstrong is a member of the Tiruppur Exporter Association. Armstrong does not collaborate with any union as the management think that issues/problems can be solved without their involvement.

Armstrong wants to be the leader of sustainable textile and in general it is believed that the locals perceive the factory as one of the few companies in India working towards these goals (ED). Armstrong is trying its best to reach the goals and have the mindset of learning from their mistakes and are open to new knowledge. Armstrong’s engagement can be seen through the continuous work with organic products and the certifications they have achieved in the last ten years and their involvement in different pilot projects. Even though, it is more expensive according to the CMO.

Certifications

FairTrade, SA 8000 and GOTS are examples of Armstrong’s certifications that are in place. The reason for having all these certifications is to have a third party legitimising the work done at Armstrong and as the ED stated: “*we feel that even if we are doing a good job, a third party has to certify that you are good person. So only then people recognise you...So that's why we need to have certification.*” Moreover, one of the managers said that Armstrong’s key strength is the certifications, which are covering environmental and social aspects for example. (The main one is the SA 8000).

5.2 LIVING WAGE PROCESS INITIATION – NUDIE JEANS

5.2.1 Armstrong collaboration

Armstrong was the one trying to convince Nudie Jeans to start collaborating with them. They have had several meetings since 2009 but the answer from Nudie Jeans always came back negative. Not until the involvement of the pilot project (which was conducted during June and July, described in section 5.3) in 2011, Nudie Jeans decided that they wanted to start working with the company. Nudie Jeans started to cooperate with Armstrong in 2011, ordering FairTrade certified cotton t-shirts (Spauwen, 2011).

5.2.2 Moving production outside Europe

Nudie Jeans’ main production is in Europe and at the moment Nudie Jeans was only ordering from two suppliers outside Europe, and Armstrong (Armstrong Knitting Mills) in India is one of them. Nudie jeans initial philosophy was to produce only in Europe to have better control of the process and wanting to produce in countries that respect the human rights and where democracy is present or is a vision.



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Nudie Jeans started their production in Europe due to the reasons above as well as closeness, organised factories and the trustworthy people found to work with. As a result of the brain drain of garment production in Europe, a couple of years after the start, Nudie Jeans faced difficulties to find suppliers with the required knowledge to make their products. But they stayed. The situation within the industry in Europe was said to be challenging with high competition from production in Asia. Thus/therefore, Companies in Europe can't afford to do investments necessary for product development (*founder 2*). The *founder 2* argued that *"everything is so fucking black and white. Either you pay a lot in Europe or nothing in Asia. Can't you pay ok in Asia and get everything? But it is a naïve thought in this world. So that's what we try to do, find a way to pay fair."*

However, the collaboration with Armstrong and FWF changed their way of looking at it. Moving to India did not mean that they had to compromise their core values in the company instead they could be the first company in the world paying living wages and at the same time make a difference. The *CEO* pointed out that if they pay other (big) companies also have to pay, hopefully. Furthermore, it was said that there is a great resistance to pay due to the competition in the industry. Hence, the *CEO* understands that there is a lack of courage but means that companies earning billions would not even feel the small amount to be paid. The *CEO* hope that more companies will follow the same path and as stated *"it can't be someone here and there it must be a movement where everyone wants to take the responsibility because then there will also be a fair competition situation in a way"*.

As per FWF's rating Italy and Portugal, where 90 percent of Nudie Jeans' total purchasing volume is sourced from, are considered as low risk countries where the garment production is not audited instead a FWF low risk policy is implemented (Meurs, 2012). Although, of course there are problems present there as well. The main reason for Nudie Jeans to move their knitwear production to India was that they could not find a supplier with all the wanted requirements and added values (organic, fair-trade, quality) for a good price in Europe (Portugal), without putting pressure on the supplier. However, the social engagement from the management and the SA 8000 and GOTS certifications was of importance (*CSR manager*).

Nudie Jeans got a substantially lower price in India, compared to Portugal, and therefore they were able to add the extra cost to pay what they considered a fair price. As pointed out by the *founder 2*; *"we don't have to force the price in absurdum"* or as the *product development manager* stated *"the price is not pressured down to the shoelaces"*. However, it was pointed out by the *CEO* that the payment will only be done if it doesn't risk Nudie Jeans's business. In relation to this, a hypothetical example was given of the possibility of H&M to increase wages. The *CEO* meant that it would not have been an issue for H&M to pay for it but resulting in a lower shareholder payment which would probably not be accepted by the shareholders. Moreover, there would be a problem of being able to compete with their rivals, like Zara, according to the *CEO*.

In addition to this, it was highlighted that Nudie Jeans aim is to produce clothes involving fair business and making money in the process (*CEO*). Furthermore, the *CEO* pointed out that we are not "Mother Theresa" but we want to do good business where all the people and the environment are considered and it is nothing wrong making profit as long as you have the ethics with you in the back pocket. It was again pointed out that you have to take care of your partners (different stakeholders) within the business to be



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able to maintain a long term relationship. Nudie Jeans is a company that is successful and the staff is well paid. Giving a reasonable pay for the work done is a fundamental idea within Nudie Jeans (*founder 2*).

5.2.3 FWF membership

Nudie Jeans became a member of FWF in November 2009 (pilot project report). One key reason for working closely with FWF is to make sure that fair, safe and ethical working conditions are implemented for factory staff, and that they are in line with Nudie Jeans' codes of conduct, where the production take place.

The reason for the initial collaboration with FWF was that Nudie jeans wanted a helping hand with their CSR work and needed someone to control it and *"because we are not best and we would like people to copy us because we are not going to be able to change the world ourselves"*(CEO). Furthermore, *the CSR manager* highlighted that FWF's way of working towards change is based on having a dialogue and cooperate with the supplier rather than ticking boxes when doing an audit, which was said to be done by the BSCI. The *CSR manager* pointed out that the FWF way of working through dialogue was believed to be a basic requirement for real change and to quote her *"we liked the actual method they are working with. That dialogue plays a bigger role than just having a checklist and yes ... then you put a lot of responsibility on the supplier side also while this is actually largely our responsibility... to ensure that the conditions improve."*

To open up for production outside the European market without violating Nudie jeans' core values was an important step. The *CEO* meant that they were reluctant at first but due to that FWF wanted Nudie jeans to participate in a pilot project, where payment of living wage was one of the main concerns, it was pointed out that FWF were the ones taking the decision to move not Nudie Jeans. (*CEO*)

5.2.4 Amnesty t-shirt project

Nudie Jeans has had an ongoing collaboration with Amnesty (Sweden) since 2002, producing/selling t-shirts where ten euro per t-shirt was given to the NGO. The *founder 1* pointed out that *"the industry is simple and has its dirty backsides"*, an industry where a lot of companies close their eyes pretending not to be aware of the negative impacts their production cause. Is it really necessary to consume as much as we do? Is the price for this product enough to be produced in a fair way? These questions are not usually present in people's mind according to the *founder 1*. Furthermore, it was pointed out that it must be possible to include sustainability in regards to the environment and the people when doing business in this industry. Some of the reasons to initiate the project were to make people aware of human rights and increase the engagement and membership at Amnesty, communicating the message on an organic t-shirt.

In 2012, a new collaboration took place. This time the theme was empowerment. Nudie jeans had moved the t-shirt production to India and Armstrong, at the time, which was previously produced in Portugal. As the production had moved to India, Amnesty was really concerned that a living wage was paid for the produced t-shirts. At first they thought that the t-shirts had been made in Portugal and did not want to be part of anything that was produced in India. Nudie Jeans had to convince them that the factory was *"exceptionally good"* and that they had better control there than in Portugal. (*CSR Manager*) Nudie Jeans understood their concern and was aware of the problem of the payment of low wages and was in the



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process to find a way to go about it. This resulted in a discussion of how to do a correct implementation. Consequently, the implementation was postponed due to Amnesty's hesitation and the possibility to do a fair payment with the situation at hand. In addition to this, Armstrong was the factory that had been scrutinised the most and Amnesty took part of the audit reports done there and a lot of staff in Nudie Jeans had been involved in the living wage discussions (*founder 2*). Furthermore, the *founder 2* pointed out that Armstrong is a model factory in India where a lot of things are good but where there is an issue of low pay and therefore we have to put our effort in that direction.

Questions have been raised in regards to the implementation of living wage but as the *founder 2* stated "...there is no book of rules written of how to do this. Instead it is some kind of moral compass that will lead the way." The management at Nudie Jeans tried to look at the implementation from a pragmatic way and the *founder 2* pointed out that no one has done this before and that it is about finding a way that is possible but if a smarter implementation will be discovered, it can be done that way.

5.2.5 The living wage discussion within Nudie Jeans

The fairness aspect has been a constant area of discussion within Nudie Jeans and the owners said that the awareness of issues related to garment production has been there since the start of the company. The *founder 2* stated that "*the living wage discussion is not, is both, is a non question in that sense because it is a logical result of the thousands of talks we have had through the years*". Furthermore, the *CEO* pointed out that to be able to sleep at night everyone involved in Nudie Jeans business has to be paid a wage that is possible to live on. That vision has been in the company since the start.

However, the issue of low wages came on the agenda as the collaboration with Armstrong started and as the current *CSR manager* started working at Nudie Jeans in October, 2011. In November 2011, the *CSR manager* visited Armstrong and discussed with the management how to put in practice a living wage for their production. From the initial meetings to the actual payment it took about 1.5 years and the main person who communicated with Armstrong regarding the living wage payment was *the CSR manager*. However the *pro/dev manager* was also involved and continuous meetings between the two Nudie Jeans employees were conducted and there were sporadic talks with the *founder 2* in the corridor. The pilot project report was said to be an eye opener as the calculation was "black and white" what the cost would be and how much you have to add to the consumer. Due to this report it was easier to understand what the cost would be and to be able to show the owners something concrete. (*CSR manager*)

The *CSR manager* pointed out that Armstrong were the ones that had been pushing Nudie Jeans to pay and made it a reality as they worked out or designed their own living wage calculations (described in section 5.5 and 5.6) in comparison to applying for example the AFW. Armstrong took a lot of initiatives on their own and were motivated (*CSR manager*).

When Nudie Jeans looked into the issue in detail they found out that the extra cost to pay a living wage would not be that big. Nudie Jeans realised that it will only be a small increase of three to five percentages within their price category. In comparison, it was highlighted that another famous brand in a lower price range might face difficulties as the percentage increase will be higher to reach the same living wage (*pro/dev manager*). As stated by the *pro/dev manager* "*we are a brand that has a certain price level that*



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makes it possible for us to add something to the product and at the same time we can also pay these living wages due to the price level we have.”

At first Nudie Jeans decided to pay living wage for the Amnesty empowerment t-shirt production. However, a discussion in the autumn of 2012 took place and hypothetical calculations for the whole production were made and the meeting also included reasoning about the implementation not having to be perfect from the start. The discussion involved paying for the rest¹⁴ of the products produced, at Armstrong, in the autumn.

After the first payment for the Amnesty t-shirts had been done in January 2013, Nudie Jeans had to make a decision whether they should continue with the payment or not. This was the first meeting where everybody, especially the owners, had sat down and discussed the subject living wage “in a structured manner” that could bring about a decision (*CSR manager*). This was pointed out to be a challenge by the **CSR manager. The CEO, the founder 1, the founder 2, the pro/dev manager, the CSR manager** and the **CFO (chief financial officer) and product developer/buyer** looked at the calculations Armstrong had given them for the extra cost that had to be paid per piece combined with calculations made in the economic department (at Nudie Jeans). The main focus in the meeting was not on the margins but instead the amount of money to be paid. As the products for the autumn 2012 and spring 2013 had already been produced and sold, Nudie Jeans decided to pay the extra cost to reach a living wage for those products as well. Hence, the living wage cost was added to these products, but the margins were not recalculated and it was also decided that the same will be done for the autumn 2013 order according to the **dev/pro manager**. The **founder 2** argued that the money that the payment involved was not that substantial and stated in one of the interviews that “*Why only pay for certain collections it will be greedy, “...yes but let’s do it now...while we’re on the go.”* As a result, the management decided to pay living wage for all products produced at Armstrong in the future. However, the **pro/dev manager** said that the products made at Armstrong will be priced as any other clothes sold within Nudie Jeans, a margin will be added. Depending on the quality, style and added values included in the garment the price will be decided thereafter.

According to the **CSR manager** the decision was taken quick and to quote her: “*it did not take long to decide that we would do it but then we still discussed things.*” However, the **CSR manager** pointed out that “*...if we would have said that we should pay living wage for everything right now it would not have been as easy to get through with the owners, I would think, because it's about a million jeans per year.*”

In addition to this, the **CSR manager** mentioned that the small number of suppliers involved in Nudie Jeans production makes a difference in comparison to other companies and as stated; “*so we have other prerequisites to work from in contrast to other companies. Things moves pretty quickly here. We have worked with this for one year now and half a year more practical.*”

¹⁴ In addition to the t-shirts Nudie Jeans placed orders for their entire backbone collection with 17 styles. About 100 000 (two orders per year) garments were produced in 2012 and new styles were under development at Armstrong. All made from FairTrade-certified organic cotton.



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As the gap of the paid minimum wage compared to a living wage in India is bigger than in Europe, Nudie Jeans started with the payment at Armstrong as a first step. It was highlighted by the *founder 2* that the act is not something that has to do with charity it all about taking responsibility for Nudie jeans' products and as stated "*it is business, it is just that it should somehow be ok business.*" However, the *CSR manager* pointed out that she thought that the biggest difference would be in Turkey but that the cooperation is a little bit "shaky" there and the order is small and not stable. The reason the payment was done in India as a start, and made it possible, was due to that they have the best relationship there, with Armstrong. Furthermore, she mentioned the issue of corruption and the culture of double book keeping in Turkey which she felt was a challenge. Even though, if the relationship would improve paying living wage there could be possible. (*CSR manager*) Moreover, the *CSR manager* tried to initiate discussions regarding living wage payment with other buyers producing at Armstrong. There was one buyer in the UK that was positive to the idea, although, the company said they were not ready to make the payment yet. The *CSR manager* believed that it was involving a lot of money.

Would it have been possible to pay living wage if all Nudie jeans (the jeans) had been produced in India? The *founder 2* meant that it would have been a lot of money involved but that the knowledge to make jeans does not exist in India. However, the *founder 2* gave an hypothetical example where he explained that if Nudie Jeans would have had a well-functioning production in for example China, with the competence needed, which would give them a 30 percent lower purchase price, there would not have been a problem, "at all", to pay the living wage cost for the total production. However, it was pointed out that if the lower purchase price was used to set lower selling prices, the cost would have been substantial/expensive for a mid-price company. In addition, *the founder 2* highlighted that they don't want to have production in China as it is a non-democracy and that human rights are not respected and violated. If Nudie Jeans would have taken advantage of the above example of lower production costs, it was pointed out by the *founder 2* that "*then we would have been a totally different company today*". In the bigger picture, the *founder 2* wants to have fixed selling prices where the origin of production doesn't matter but where the products are in line with the company's ideology of how to make products in a fair and just way.

5.2.6 Brands knowledge of the extra cost to be paid

Nudie Jeans has been part of "round the table" discussions regarding living wage implementation and the issues associated with it. In 2011 and 2012, the *CSR manager* and the *prod/dev manager* attended meetings in Stockholm (with FWF and ETI members) and Oslo, with representatives from other companies in the garment industry. The understanding or knowledge internally and in the overall business was considered minimal. The impression according the two Nudie Jeans managers was that it was too complicated to pay living wages for the other brands, mainly due to the equality aspect/dilemma for their production in developing countries and that this was the reason not to act. Furthermore, people did not know that the wage is such a small part of the whole garment cost and believe that the wage increase will lead to the same increase on the product price. If the wage has to be increased four times it doesn't mean that the price of the product will increase as much. However, this resulted in people thinking that the products will be substantially more expensive according to the *pro/dev manager*. And as the *pro/dev*



manager stated “*I think this is the most discouraging/frightening for the whole business...which we have found out is not the case.*”

Nudie Jeans presented their own calculations at the meeting in Oslo. No one had done their own calculations and did not know what it was all about and thought that the Nudie jeans increase was low. To quote the *pro/dev manager* “*I think there are a lot of figures and rumours going around so there is no one who sits down and look at the exact details of what this would mean for their specific product*”. In addition, the *CSR manager* felt that Nudie Jeans were way ahead in regards to the issues discussed in the meetings. She pointed out that the other companies were discussing how to convince the management. In contrast, Nudie Jeans wanted to pay now and saw the need of discussing practicalities and challenges implementing it instead. Furthermore, *the CSR manager* said that living wage is included in the FWF’s codes of labour practice but that a lot of companies are not acting and that the reason for other companies not doing their own calculation might also be that the suppliers does not want to show the working cost for a garment and it might not be easy to find a supplier that wants to be transparent.

5.2.7 Additional challenges

The *founder 2* means that living wage is not a reality in the garment industry today and there are no other examples of where it is done in the world. The concept is sprung out of big groups that mean that this should be offered to workers. NGOs are the ones that have been the driving force. At the start of the collaboration with Armstrong they did not pay living wages but Nudie Jeans thought it was a good company to start the implementation with and “put it on the map”. However, there is no defined idea or way of how to implement it in practice. (*founder 2*) And as the *CEO* stated “*...but you have to start somewhere. Are we supposed to sit and wait until everything is set? That’s what I mean we have not reached the whole way...we are open, we’re not saying that we are the best in class but we have a goal.*” In line with this the *CSR manager* pointed out that everything that Nudie Jeans do does not have to be totally correct and there are always things that can be improved but at some point someone has to do something.

The main challenge throughout the living wage implementation has been to answer the question of “what is a living wage?” argued the *pro/dev manager*. This is due to the several benchmarks which differ greatly. Which one is the correct one to use? The *pro/dev manager* said that Nudie Jeans has chosen the AFW benchmark which was the highest set living wage for India and the most credible. However, the *CSR manager* pointed out that in regards to make something happen, and as there has to be a wage increase, it doesn’t matter which benchmark to use because it can be changed later on.

5.3 THE LIVING WAGE PROCESS INITIATION AND IMPLEMENTATION - Armstrong

Armstrong started with FairTrade certification around the year 2004/05. Fairtrade International¹⁵ (FLO) wanted to revise their standards two three years back and initiated a pilot project. The purpose of the

¹⁵ FLO is “a global organization working to secure a better deal for farmers and workers.”(Fairtrade, 2011).



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project was to look at the possibility to include FairTrade standards¹⁶ which includes paying a living wage, to all workers in the garment supply chain, not only the cotton farmers. The project was done in collaboration with FLO, FWF, Armstrong and three European brands, including Nudie Jeans. FLO and FWF contacted FWF members that had FairTrade certified cotton produced garments or were considering to start working with it. Out of ten shortlisted companies Nudie Jeans were among one of three who wanted to join the project. The reason as to why FLO chose Armstrong to be part of the project, according to the ED, was the achieved certificates and the aim to be a frontrunner in sustainable textile.

The initiation of the living wage project started with the FLO empowerment training, in 2011 (June 2011 to April 2012) which was part of the pilot project. The training was conducted for the CMT workers in unit I and II. FWF conducted the project and it was supported and facilitated by representatives from the LNGO, SAVE, Ethical fashion UK and a consultant from Resonate, an NGO in Mumbai. During this training the issue of low wages was raised by the workers.

Two main questions were asked during the empowerment training to understand the best way to go forward with the programme and find out how to make people working within Armstrong satisfied: *“what do you want from this company and what will you do for this company?”* The majority of the people in Armstrong said that if they earn more money they would want to give more back to the company, which was stated by the CMO: *“So, more money more to this company... first the company needs to do more, our people will give more first to the company, then company will pay, then again this debate, you know, so, thinking again from this point and, it's been like the living wages is around the corner there because we will know this, we study little bit this Asian flow, this studies and we used to get this kind of studies from different people, it means because we are engaging it NGO's in Swiss.”*

According to the CMO and the “Customer relations/supply chain/communications manager” there had been a discussion about living wage the last three years. However, it was the last year that people have been talking about it and customers/buyers were asking if Armstrong pays living wage to the workers. In addition to this, the CMO said that the living wage idea had been there before but that they chose not to address the issue due to difficulties to achieve it. After the pilot project it was evident/clear that all the workers wanted to have increased wages and the project pushed the living wage issue to the management’s agenda.

The first step of the implementation of living wage was for the CMO to convince the ED and the owner that this concept will be successful and fruitful in the long run, both for the company and the workers. At first a new concept like the living wage might seem overwhelmingly “scary” and if implemented too early it can be harmful for the organisation according to the CMO. The project’s advantages and disadvantages were discussed and it was decided to go ahead/forward with the implementation. According to the ED the living wage initiation was discussed with the production department, human resource department, the CMO and the buyer Nudie Jeans.

¹⁶ FairTrade standards are designed to tackle poverty and empower producers in the poorest countries in the world. The standards apply to both producers and traders. (Fairtrade, 2011)



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Nudie jeans was the first customer showing serious interest in the living wage payment proposed by Armstrong. They were involved in discussions and asked questions regarding the implementation. Nudie jeans wanted to try it out as an initial step for the Amnesty t-shirt production. Due to the fact that Nudie Jeans is a small customer Armstrong proposed to pay a premium instead of paying a full living wage as it is not practically possible to pay living wage to the workers if only one brand is paying for two percent of the production (ED). And as the CMO said they chose a term already in coined: *“So, then we decided that we want to find the right name, so living wage which was already there, also then we pick that name the living wages. So, because don't want to come up with other names, so living wages is already there, existing. So, that we would like to go with the living wages.”*

Nudie jeans decision to pay this premium/bonus had a big impact on Armstrong's motivation to extend the project further and *“go into the next level”*. However, Armstrong considered/saw it as a challenge to implement the living wage and to understand the different calculations. Armstrong (The CMO) said they were doing their own “model” and that *“we can't claim it is a good one at the moment but it is not a bad one either”*. (CMO)

In total 689 workers were given the premium/bonus, in January, 2013. It was given separate from the wage and was not specified on the pay slip. The living wage bonus was paid in an envelope with a written note (in the local language Tamil) inside. Each worker had to sign a list when receiving the living wage bonus. Some of the workers had left the company before the distribution was conducted and the money was said to be added for the next payment. As the payment was done retroactively the money was split by all the employees (blue collar) currently working in the CMT. Posters describing the living wage project were put/hanging at some places in both units, at Armstrong.

5.3.1 Only payment to unit II

Nudie Jeans had an idea of paying the workers only doing the Nudie Jeans' production. The **founder 2** said that he had not discussed with Armstrong himself but that it was understood that Armstrong knew how Nudie Jeans wanted to do it and were open for discussion. Even though, the **founder 2** saw the payment as problematic and sort of apartheid he pointed out that it might put pressure on the supplier internally. The **pro/dev manager** said that it was Armstrong's idea. However, the **CSR manager** had given the responsibility to the management at Armstrong to solve any problems that came up (*pro/dev manager*).

As a result, the Armstrong management had a discussion regarding only paying the workers in Unit II where there are fewer workers (about 250). The Nudie Jeans production was proposed to be moved to that factory. According to the CMO, this was not feasible as all the workers would want to work in that factory and the payment will be biased. The initial discussion was about the possibility to reach a full living wage for the unit II workers but Armstrong saw it this way: *“if your way is long then you think a lot, you know. You think a lot and you always like find some solution and you also like think that the given solution is permanent or tentative, you know, if it is very tentative shops only sell. They always get the problem. So we want to find the permanent solution. We want to make sure that the people will get this money. So we want to go with the permanent solution so I think that so giving all the sewing workers means like without*



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bias...” Giving to only one factory was not a sustainable solution. Armstrong wanted to find a permanent solution and therefore, they choose to give to all the workers within CMT.

Living wages could easily have been achieved, with the money received from Nudie Jeans, if only paid to 250 people in the factory but this was not the right way to proceed according to the CMO. It can be used as a marketing tool if it is done this way but the CMO highlighted that Armstrong want to be more concept oriented and *“want to become the real model to others.”* Again it was pointed out that the intention is to pay all the workers in the vertical production.

“If you have this (living wage payment) as a marketing tool you will definitely fail” according to the CMO. Furthermore, he said that Armstrong is not going to take that path- *“we want to set a benchmark”...that's what our aim and we don't want to like, you know, hide the model if we succeed then we would like to give this, you know, people like share with the SAVE and Foundations and you know UN.”*

As there is no model or certification to look at or implement the implementation of the living wage done in Armstrong is a learning process and if there would be a better method or certification available the factory would do it that way according to the ED. Moreover, it was mentioned that this learning process could be a way of fixing a (certification) standard for the living wage implementation.

5.3.2 Why CMT

Armstrong chose to start paying the living wage bonus to the workers in the CMT production. The management decision to choose the CMT workers was due to the small amount of money to be paid if it would have been divided to all 1000 (approximately) blue collar workers. Moreover, an additional point (said by some of the managers) was that the main production, depending on people and not on machines, was done in the CMT and that the empowerment project was conducted within this area. It was also highlighted that the implementation was in its initial phase and the aim was to be able to pay living wage to all workers in the vertical production, from spinning to packing. Moreover, FairTrade and FWF were included in the discussion about who to give as an initial step. At first Nudie Jeans objective was to give to all workers in the vertical production but realised that the impact would not be so big with the money split by all the workers. The *CSR manager* gave Armstrong the choice to decide and believed that they took the decision that was most appropriate to their context and situation suiting the company best.

5.3.3 Payment to all

The management at Armstrong decided to pay to all the blue collar workers, unskilled and skilled and not only those who were below the Armstrong living wage benchmark (Armstrong’s own calculation described further down in section 5.5). The reason for this was to avoid discrimination and to be biased (CMO). If the premium was to be paid to a particular group these would feel that they are treated in a special way and the equality aspect will arise. There is no *“fixed formula”* and the ED stated that *“We have made an attempt to give living wages to all the people without showing a difference. **Maybe this is correct, maybe this is not correct, I don't know, but we have made an effort to show that everybody will get living wages and benefits will be shared equally.**”*



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Furthermore, it was pointed out that workers might not work as hard if they don't receive the premium in comparison to a group that has been given (CMFinance). If only some will receive the living wage bonus/premium the CMO meant that there will be problems faced. Another challenge related to the choice of paying all is based on the incentive for workers to develop their skills. If all workers are paid the same wage where will the motivation be to go from a helper to become a tailor? This was pointed out by the CMO.

As the solution to give everyone an equal amount of bonus money (not to confuse with the same wage paid) is the most practical and the payment is in its learning phase a differentiation is necessary between different skill levels, according to both the LNGO, SAVE, and FWF (Spauwen, 2013) in the future, which was in line with the CMO's concern.

5.3.4 NGO involvement for the first living wage premium distribution

At the first living wage payment, in January 2013, of 310 INR¹⁷, representatives from the LNGO, SAVE, were present. The CMO said that this was due to be able to show Nudie Jeans that the distribution was done correctly. Armstrong will invite SAVE to attend the coming payments. The CMO mentioned that he had seen that it was stated somewhere (unclear from where in the interview) that an NGO has to be present at the distribution. In addition to this, it was also mentioned that Nudie Jeans had asked how the payment was going to be distributed and controlled and they were positive that Armstrong had invited SAVE to attend. There had been a discussion between the *CSR manager* and the *pro/dev manager* regarding the payment and the *CSR manager* stated the following; "...of course we trust Armstrong but it always feels a little bit better that there is someone else who actually can see it too. Since we do not have anyone in place ...they've also had contact with Armstrong before and additionally SAVE have contact with FWF as well so it was that link. In some way they are an organisation that is credible in that way."

According to the CMO there is, in general, a suspicion regarding NGOs in the industry that they will search for and find issues. Armstrong sees it as an advantage to work with NGOs as they can come up with ideas and solutions with the experience they have, instead of seeing them as a threat. The CMO stated that his mindset had changed the last five years and before he used to do "firefighting" but now he has a softer attitude and is open for new ideas, input and feedback to make things better in the factory and prevent the "fires" from occurring in the first place.

The *CSR manager* pointed out that if it would have been another company where the trust and motivation from the management to do something good for the workers had been lacking and if the project would have been bigger a more controllable way of payment (where it is automatically specified on the payslip) was said to have been put in place (*CSR manager*). To quote the manager; "now, we trust them and it feels really good ... we find it very difficult to believe that it would not go the way that we just found out that it has happened."

¹⁷ Equals 4 Euro (December 2013) Minimum wage is 51.70 Euro and 195.30 is a living wage according to AFW, 2013. (See CCC's comparison in Appendix 1).



5.4 OTHER CHALLENGES FACED BY THE IMPLEMENTATION OF LIVING WAGE

The CMO said that there will always be challenges to face and you have to set your mind for challenges to come. Furthermore, the CMO pointed out that *“you cannot claim that I am 100 percent done even though if I achieve like living wages”* and mentioned that things can change and therefore you have to adapt to the situation. For example a downturn in the economy can result in Nudie Jeans not being able to pay. Although, the CMO mentioned that other customers are approached and that Armstrong are trying to take measures and find ways to minimise or cut costs and are determined to achieve paying living wage with support from others *“but we are not totally dependent on anybody”*.

5.4.1 Purchasing practices

It is a constant struggle to convince the buyers to pay living wage according to the ED and the CMO. Most of the western buyers were interested in the subject and had asked a lot of question but were not willing to pay the extra cost at the moment as some of the buyers did not think that their customers, the consumers, want to pay the additional cost. Nudie Jeans way of reasoning was different. They wanted to do something and they did not need to have all the answers before they chose to act, according to Armstrong. The major concern from the customers was the price increase and as companies in general are demanding requirements at a set price it is a big challenge to convince the customers to be part of the living wage implementation. Although, it was highlighted by the ED that the cost for paying a living wage is a minor *“up charge”* from what the customers pay for the product today. Moreover, it was stated by the ED that *“People are concerned because of the heavy competition. Everybody wants to have a better price than their competitor.”* and that this is the *“main driving factor”* for the customers. Hence, the risk of increasing the price, to be able to pay living wage, is there and pressure is put to the company (Armstrong) trying to implement a living wage (ED).

It was pointed out that the norm is to compare the prices in countries like Bangladesh, India and Vietnam and go for the cheapest one (the cheapest is usually Bangladesh). Customers want cheap products with a lot of requirements that is not always at the advantage for Armstrong and the pressure to meet the requirements are there (ED). There are situations where the management of Armstrong has to accept orders even though the price (of the order) is not enough, to meet the margins, to be able to keep the factory occupied. Normally customers agree on small increases in price for example when they want something extra or if it is organically produced. But in regards to the payment of living wage the ED stated *“people accept, but when it comes to making decisions for the little up charge or little cost what they have to pay then I think many times this reason holds them back.”*

One of the Armstrong managers pointed out that if a fair price or *“right price”* for the garment is paid and continuous orders are placed there will not be any reluctance to pay living wage from the suppliers' point of view. However, it was highlighted not to force anyone to pay living wage *“then nobody will pay”*. (Customer relations/supply chain/communications manager)

Customers or brands purchasing from Armstrong had pointed out that the only option they are left with is to increase the selling price but they believed that the consumers are not going to pay that extra cost. The brands are positive to the initiative but the manager quoted them saying: *“we (the brands) need some more*



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time to study the market and how we can increase our selling price.” Furthermore, the merchandising manager meant that the purpose of paying living wage has to be highlighted and understood by the customers/brands, hence the employees’ benefit.

In the industry there is a widespread contradiction with big companies talking a lot about CSR work without really caring at all according to the *founder 2*. The *founder 2* said that a big brand wanted to put orders at Armstrong for an organically produced t-shirt. They had offered 50 cent but Armstrong said that it was 5 dollar and Nudie Jeans pays 6 euro. In the end there was no fulfilled commitment but they might have offered 1 dollar at maximum said the *founder 2*. There are two sides of a coin and a credible CSR work is not possible without paying a fair price according to the same.

The clothing industry is characterised by unstable orders. The *CSR manager* saw it as a disadvantage in regards to creating trust towards the supplier and pointed out that a relationship based on stable orders as for the backbone collection¹⁸ is ultimate.

5.4.2 Other brands willingness to pay and reactions from stakeholders

After the decision to pay living wage for all Nudies Jeans’ products produced at Armstrong, Nudie Jeans felt that it was appropriate to inform the public about the step they had taken toward a fairer business. In the end of January 2013 an article was publicised in the local newspaper, Göteborgs Posten, and a press release was posted on the company’s website. Nudie Jeans usually does things without informing the public but in this case the *CEO* pointed out that “*what the hell (va fasen), are we going to be able to set a global change then we have to inform about what is happening*”. The interest from the media and public was almost zero. This was a surprise as there had been a discussion about H&M a few days earlier in the Swedish national television concerning the issue of low wages in the garment industry. However, the purpose, according to the *CEO*, was not to increase sales or use the payment as a marketing tool, it was to show that Nudie jeans is trying to make a change and doing what the company believes is right. However, the effect or consequence could become a marketing tool even though it was not the motive from the beginning.

As Nudie jeans mentioned the name of the supplier where they paid living wage on their website, the reactions were mixed. Armstrong was informed about Nudie jeans putting their name on the website but they had not publicly announced that they were part of this living wage payment. As a result of this the supplier received negative reactions from one of its customers, *customer x*, not prepared to pay living wage, and Armstrong was afraid of losing orders (about 15 percent) from that customer in particular. On the other hand, the *customer x* had pointed out that he/she was worried about decreased orders as his/hers customers could now go directly to the supplier, Armstrong. Furthermore, the *pro/dev manager*, at Nudie Jeans, pointed out that the customer of Armstrong might be afraid of a big company, like H&M, taking over the whole production and therefore not wanting to be associated with this living wage payment. The *customer x* wanted Armstrong to ask Nudie Jeans to remove the supplier’s name from the website and the CMO agreed but wanted to come up with a solution. The CMO said that he will not compete with the *customer x*’s clients and that he was open for discussion but stated: “*I will not allow you to stop my way*”.

¹⁸ “Never out of stock” products.



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The buyer had previously been convinced to go from buying conventional to organic and the CMO had the same idea about the living wage initiation. The CMO presented an example for the buyer and how to change the customer's mindset. A suggestion was to start giving Armstrong two cents per piece instead of 20 cents per piece like Nudie jeans. The CMO strategy was to slowly change the mindset of customers like he did when the organic cotton was introduced.

On the one hand, Armstrong decided to implement living wages and Nudie Jeans was willing to pay for it. On the other hand, other customers, at Armstrong, were not ready to pay the increased price. Customers might not choose to produce at Armstrong if they know that the price is higher and losing orders was mentioned by the ED, as one of the risks.

Based on the above and after the press release Nudie Jeans got a phone call from Armstrong asking Nudie Jeans to remove their name from the website. Nudie Jeans were at first reluctant and did not understand the logic, as they thought it was something positive to be associated with. But after having discussed with Armstrong, Nudie Jeans removed the supplier's name as they did not want to jeopardise the supplier's business. (pro/dev manager) The unexpected outcome was explained by the **founder 1** of Nudie Jeans as: *"it is sensitive the other way around. It says quite a lot about the industry as a whole."* However, in the end it put pressure on buyers and that was one of the things Nudie Jeans wanted to achieve. Nudie Jeans was aware that Armstrong was facing a risk of losing customers due to the living wage concept, but Armstrong was always positive to the payment even though Nudie Jeans only had a small percentage of their total production. Moreover, it was pointed out by the **founder 2** that Nudie Jeans is a small buyer that has to have in mind that *"...we are not H&M when we show up. We buy all production here for three years. We are not like that."*

H&M's perspective

Another result of the publication of the newspaper article and the press release was that H&M called Nudie Jeans. The representative was curious about the implementation process although, the fairness aspect became the main subject of the call. It was pointed out that it was problematic and unfair only to pay certain workers. It was explained that this problem arose due to that Nudie Jeans only has a small percentage of Armstrong's production. However, Nudie Jeans agreed on and understood the criticism. Furthermore, the representative said that *"it should be fair when you start working with it"* (quote taken from the pro/dev interview). The **pro/dev manager** pointed out (to the representative) that Nudie Jeans does not have the capacity to pay everyone so the people working with Nudie Jeans' production will receive a bonus. As the aspect of fairness/equality was the focus **the pro/dev manager** asked the representative *"isn't it fair/equal to pay living wage to all your suppliers then?"*. The representative did not give a proper response for that. Although, the representative pointed out that if H&M were going to pay living wage the whole factory had to be paid, it has to be fair and everyone has to be paid. This might be possible with a turnover like H&M's according to **the pro/dev manager**. Even though, the H&M representative said that they could not do/have done as Nudie Jeans did (as they will be criticised then) they still showed interest in the case pointed out by the **CSR manager**.

There had been discussions with the **CSR manager** and the management at Armstrong regarding moving the production to one unit where only workers, involved in Nudie Jeans production, should have been paid



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(as described previously in section 5.3.1) and therefore presented like this in the release. However, on ground in India, the management at Armstrong realised that this would be impossible to do due to the discrimination and bias aspect (described earlier). The problem of unfairness was solved by deciding to give to everyone in both CMT units, even in the future. Hence, no payment was paid to certain workers only producing Nudie Jeans' products. However, it is still not paid to the full vertical production.

In addition to this, Fillipa K, a Swedish brand, was also interested in the implementation and the initiative had been mentioned in an environmental report (*CSR manager*)

FWF's reaction

Additionally, FWF sent an email to the *CSR manager*, at Nudie Jeans, and they were not happy that they went to media and shared information about the payment/project. FWF wanted Nudie Jeans to wait until the outcome was known and when a FWF report about living wage had been publicised in April 2013. Nudie Jeans was surprised about the reaction from FWF as they were the ones pushing members to pay living wage and as this is one of the main dimensions in FWF's CoC. FWF was not consulted before the press release, or mentioned in it, which was said to be a possible reason of the negative reaction but the *CSR manager* said she had answered FWF the following: *"I just wrote that I got tired of waiting for all reports, or we wanted to do something and now we have done something and it is clear that we were a little hasty but we wanted to take the opportunity when it was up to date in the Swedish media."*

FWF had another ongoing living wage pilot project with a buyer producing in Bangladesh. FWF (Ivo Spauwen, FWF) invited the *CSR manager* to be part of a conference to discuss living wage implementation and to show their calculations. However, Ivo Spauwen did not want Nudie Jeans to discuss the issue with others and had mentioned how Nudie Jeans should present or express themselves externally. The *CSR manager* and the *pro/dev manager* talked about it and pointed out that they did not want to work in that way and agreed on answering people who asked about it and the *CSR manager* stated that she wrote the following to him: *"he may take part of the calculations, but we cannot promise that we will not say something."* The *pro/dev manager* and the *CSR manager* went to the conference even though they felt that they did not act in line with FWF's wish, to be able to be up to date about the subject. The *CSR manager* pointed out that FWF should be a verifying part but for this case, the living wage implementation, they had been more involved which she felt was a little bit strange. In regards to this the same stated; *"That it is so very important that everything must be investigated and clear and analysed from different angles before we get started. And get everyone on the train and it must be fair, etc ... It is of course good that they come with recommendations but at the same time, we have not experienced them before as being so preventive it has been in such a way that we have worked in our own pace and then they have verified it. That is how you really should be working, I think, or so that's the way they explained it earlier."*

The *CSR manager* thought that FWF's way of acting was due to that living wage is a dimension that they see as important and want to be part of the potential success story. Furthermore, the manager pointed out that: *"There are some mixed feelings about how much to share with FWF."* Nudie Jeans felt that they did not want to take into account what FWF had said. Moreover, the reason why Nudie Jeans wanted to be a member of FWF from the start was to get support from a more experienced organisation and not being



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faced by resistance when trying to make change for the better and the **CSR manager** said: “so it was a bit like this, a little strange I think, in a way, when their entire code is to be like we have living wage and now that we are trying to do something, they are not so positive. While I also maybe realise that they become afraid that we have done something that we do not know/have control over or something like that ... But you ought to think that all initiatives are pretty good but yeah ...”

Nudie Jeans acted and did something and wanted to be an inspiration, role model, for other companies to do the same and as the **CEO** stated: “maybe we can push bigger companies (H&M) to make some change as we cannot change the world alone”. One thing mentioned, by the **founder 2**, was the challenge of doing something good. The more good you do, the more scrutinised you will be in comparison if you don’t care at all (**founder 2**). However, during the field study the CMO informed that he had held discussions with customers and that a Swedish textile company and one buyer in UK wanted to be part of the living wage payment scheme. Even though Armstrong had met some resistance the CMO had told the **CSR manager** that “we will continue the Golden Way of Living Wage.”

5.4.3 Once you start paying you can’t stop

The CMO, highlighted several times that as soon as the living wage bonus payment has been initiated it cannot be stopped, it has to be paid continuously as the workers expectations are there. This was also pointed out by the ED and in relation to this he mention the issue of not knowing if the orders will increase or decrease the next month because there is no formally written commitment with the customers. The additional cost will be difficult to pay for Armstrong without the support from the customers in the long run and the success of the payment is dependent upon them. To be able to pay the living wage will not be possible without the cooperation and commitment from the buyers according to the ED.

5.4.4 Living wage premium as a start

The intention of Armstrong management is to pay a full living wage to all the workers but due to the present reluctance from the majority of the buyers (to pay) a living wage premium was decided to be paid. As stated previously once a salary/wage has been raised it is not possible to reduce it as this will create misunderstandings and problems which is not in favor for neither the company nor the employees. Therefore, for those brands who want to pay (full living wage for their production) a premium will be paid once their order is completed as an initial step towards the payment of living wage (ED).

5.4.5 The reason for giving the bonus to the workers as per Armstrong’s “idea”

The Management chose to present the living wage bonus/premium to the workers as money given by Nudie Jeans due to their on time and quality work delivered as the CMO said it was difficult to give money for not “doing anything”. The management chose not to say that it was the buyer that wanted to give the extra money in respect that it is a human right to be paid a fair wage. This was Nudie Jeans purpose/motive with the payment, that everyone should reach a certain standard of living. However, the **CSR manager** knew that the workers had received a note that Nudie Jeans is giving this money but that they had not been involved in how it was or should be presented.

5.4.6 Unknown outcome

As presented earlier there are perceived risks and experienced challenges with the implementation of



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living wage at Armstrong. The uncertainty of the beneficial and non-beneficial effects was present but Armstrong chose to go forward with the project because they want to be a frontrunner in the area. The ED stated: *“We are not sure what will happen, but we involve ourselves into this experiment trial. We don't know if everything will be positively in our favor or everything will bring difficulty, we don't know but we are trying to learn...”*

5.5 THE COST OF LIVING- ARMSTRONG'S LIVING WAGE BENCHMARK

“There is no very clear cut definition of the living wages” stated by the CMO. The cost of living calculation was mainly done by the HR/CSR/Admin manager with some input from the CMO and finally discussed and accepted by the ED. The main source of how to calculate a living wage was taken from the SA 8000 standard.

One issue mentioned by the CMO was the gap between a living wage and the current minimum wages, as per the law, stated in the national wages act. It is in Armstrong's interest to reduce the gap as buyers/customers would be more reluctant if the difference is high (more money has to be paid by the buyers). The CMO pointed out *“If I am asking Nudie Jeans one Euro extra (per garment, author's insertion) then Nudie won't give us”*. If the gap is smaller it is easier to achieve and will attract and make people act. Moreover, it was pointed out that *“living wage is just a name and you find the way to go beyond this.”* Although, the intention is to give a fair remuneration it is taken step by step and the positive results might be seen in one or two years according to the CMO.

Armstrong decided to calculate its own benchmark, which they had revised twice in a year. The calculation done in June 2012 came to a figure of 8560¹⁹ INR per month and the one conducted in December, the same year, resulted in a similar figure of 8550 INR per month. During the field study, conducted in March 2013, a revision was ongoing.

The HR/CSR/Admin manager collected information from various sources. Trade unions and the LNGO, SAVE, were consulted and a copy of the Collective Bargain Agreement (CBA) for the area was received. SAVE gave instructions on how to proceed and referred to the SA 8000 guidelines when the HR/CSR/Admin manager had asked for advice. FWF's policy and practice regarding living wage and the SAI guidance for remuneration for the SA 8000 standard were the major input for the calculation of the local living wage.

Armstrong had had access to a living wage ladder, produced by Zurich University based on a FWF tool, for the area. The wage ladder was from 2011 and had calculations from for example the LNGO, SAVE, and the international organisation, AFWA, (see Appendix 5).

The HR/CSR/Admin manager mentioned two issues faced when trying to calculate Armstrong's own living wage benchmark. The manager could not find out how the local Tiruppur wage ladder was calculated and pointed out that the ladder did not take into account the area where the people working in Armstrong comes from (some outside Tiruppur where costs are lower). The local living wage demand

¹⁹ Equals 106 Euro (December 2013). Minimum wage is 51.70 Euro and 195.30 is a living wage according to AFW, 2013 (see CCC's comparison in Appendix 1).



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(resulting from figures done in a survey by trade unions in the area from 2009) from the above wage ladder 2011 came up with a figure of 8610 and the Armstrong calculation for 2012 resulted in a living cost of 8550 INR (pointed out by the manager).

The cost of living estimation was based on interviews with the floor workers regarding their food costs. Roughly 100 workers were interviewed for a food basket survey based on a balanced diet recommended by a doctor, by the HR/CSR/Admin manager and HR manager in unit I and II. The information regarding other cost such as rent, clothes, petrol, medical, school, a market survey, was gathered by the HR/CSR/Admin manager (from unit I) from informal discussions with the workers and his knowledge of cost in general for the specific categories.

Moreover, the living wage benchmark was based on a working week of 57 hours where 9 hours are overtime (see Appendix 6 for Armstrong's calculations). The living wage is calculated based on one person working even though more than one working in the family is common in Tiruppur (according to the HR/CSR/Admin manager two or three people working is common). Hence, every individual will get the living wage regardless of the number of people working in the family. The living wage was calculated based on a family of four which is the most common constellation of a local family according to the HR/CSR/Admin manager.

The initial calculation was done during a period of two to three months and the second revision took about 15 days due to the achieved experience. Nudie Jeans had not been involved in the calculations and thought that Armstrong had used the AFW benchmark as the living wage. Nudie jeans "choose" AFW benchmark as it was the most expensive and credible. Moreover, the *CSR manager* stated that no one knows how to calculate a living wage, and what it includes, at the "head office" in Nudie Jeans.

5.6 THE COST CALCULATION TO REACH A LIVING WAGE – THE PREMIUM TO BE PAID

After the cost of living calculation, or benchmark, is done one has to calculate how much the additional cost will be to reach the living wage and how much the buyer, in this case Nudie Jeans, has to pay. The pilot study done by FWF in 2011-2012 had a section on how to calculate the additional cost to be paid per piece, for a t-shirt in Armstrong, to reach the living wage benchmark as per AFW (see calculation in Appendix 7). Armstrong had not been involved in the calculations according to Spauwen, FWF (Spauwen, 2013).

In the instruction from FWF, a measure of factory working minute value was used. The CMO pointed out that they do not work with this calculation system, and mentioned Standard Minute Value (SMV) and instead they use their experience to calculate the cost per piece. Moreover, he said that it is impossible to use SMV's calculation as there will always be fluctuations in the production. Companies like H&M and Walmart use this kind of calculation but Armstrong did not want to. The CMO stated that this creates time pressure and Armstrong want to have an approach which is participatory. However, Armstrong has targets to reach per day but they are based on the workers available that day. The production manager and the costing department in charge consult each other to come up with a figure for the day.



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The first living wage cost calculation had been done for a (the Amnesty) t-shirt. The second living wage cost was calculated per style. Nudie Jeans had 17 different styles produced at Armstrong. Some styles produced are more complicated to do than others which results in various prices. Both calculations were done after the clothes had been produced and sent to Nudie Jeans. Armstrong went back and looked in their documents how much the people were paid and how many pieces produced. This is the same way of calculating the working minute cost used in the FWF calculation based on payment per piece (Spauwen, 2013).

The average wage paid per department was compared to Armstrong's living wage benchmark. This resulted in a percentage that had to be increased to reach the living wage. The CMO consulted the costing and production department and the amount/cost that Armstrong came up with is not exact but a starting point (according to the ED). The **CSR manager** described the wage calculation as the following: *"There is an uneven difference but then there is a median what most earn in Armstrong's sewing factory and it is the one that we have taken."* An excel sheet with the costs for the different styles was sent to the **CSR manager** in Nudie Jeans. The cost was discussed with the members of the board at Nudie Jeans. Nudie Jeans accepted, and trusted that Armstrong had done the calculation correct, and sent Armstrong the money as a separate cost. Nudie Jeans did not question the calculation. Although, it was highlighted by Nudie Jeans' **CSR manager** that the cost should be included in the FOB price in the future.

The living wage cost was put in a separate account and Armstrong decided to document the premium as a gift, and not specified on the pay slip, or else statutory benefits had to be deducted from the money. Hence, this would have resulted in more money having to be received from the buyers and the CMO stated: *"They don't want to give an extra, already we have covered that insurance, why should they have to give that extra money to the government, better we can give, if they get some living wage this much, we don't want to give."* However, the **CSR manager** was hoping that it could be specified on the pay slip as soon as possible and did not understand the problematic as she had not been told about the issue of having to pay the statutory benefits. Armstrong had said to her that it would be possible to have it on the pay slip if more companies were paying.

The first payment was done for about 15 000 t-shirts produced in cooperation with Amnesty International. The living wage cost was calculated to 20 cent (Euro) per garment. Nudie Jeans accepted the cost as it was in line with the figure FWF had calculated in the pilot project's hypothetical living wage cost calculation for a fair-trade cotton t-shirt (see Appendix 7). The **CSR manager** understood it as Armstrong had looked at this calculation and that it was the reason Armstrong presented the same figure.

Moreover, Nudie Jeans felt that it was difficult to claim that we pay a living wage as the workers are not receiving one and that it is only a small step to the payment of a full living wage and to quote the **CSR manager**: *"we know what they earn in Armstrong and we know what the living wage is according to the Asian Floor Wage which is the one we have taken as a benchmark. In between is a major difference. And then the step we are taking now is to raise it a little bit and not up to the living wage as a whole."*

In addition to this, the **founder 2** stated that: *"we don't go further to pay for others sins, it does not feel ok."* It was pointed out by the **CSR manager** that it requires that all buyers pay this cost to reach full



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living wage for the workers and as it looks now we are far away from achieving that. In addition to this, it was highlighted that Nudie Jeans was aware of that the above issue of not being able to pay full living wage to the workers could be a point of criticism (from other actors). However, Nudie Jeans gave their trust and the responsibility to Armstrong to come up with the additional cost to reach living wage for their production and was not directly involved in the calculation. Furthermore, the *pro/dev manager* pointed out that Nudie Jeans appreciated Armstrong's openness showing how they calculated and their willingness to be transparent. The *CSR manager* pointed out that they did not know if they had calculated correctly but when she compared to the FWF/FLO pilot project calculation it was almost the same and to quote her: *"if Armstrong had estimated 0.30 we would have paid it anyway. So it's not so much about the fact that they calculate exactly right, but that we just start somewhere."* The *CSR manager* had checked so that the figure was reasonable and said that it is up to Armstrong to do the most suitable calculation and then Nudie Jeans will pay.

5.7 POSSIBLE AND BELIEVED EFFECTS OF THE LIVING WAGE IMPLEMENTATION AT ARMSTRONG

One might be able to say that the living wage bonus payment has already made an impact. The HR/CSR/Admin manager said workers could change work places if the payment per shift differs (and according to him this is most probably due to that they don't pay the statutory benefits) with only 5 INR which is also stated by a former floor worker now staff: *"...only Armstrong is giving 350 INR to the workers. For her knowledge no other companies have given this amount. Her colleagues those who are all working with another factories and they now they are working in Armstrong, they said that before in the former companies or other factories they are not giving 350 INR, this practice is not existed in other factories, but it's a new one to us."*

In addition to this, workers motivation and Armstrong's popularity might be a positive effect of the living wage premium as stated by a former floor worker now staff: *"if we receive rather than receiving once in a year, if we receive two times or three times in a year in the sense it will motivate us to produce more and also we will share this information to our neighbour factory workers, it will create some kind of mass in the sense like it will be popular, and the workers working in the Armstrong workers will be popular."*

5.7.1 Decreased turnover and change of attitude

The management at Armstrong changed their attitude towards the worker and expected a positive outcome; *"...we made some changes inside like increase, the wages. And ask like productions guys to work closely with the people like, you know, train them, it's better and sure and we made this kind of changes in the production also, in the HR and we ask them to go very friendly with them, don't go with the lot of punishment and all then please change the climate. We have to create that very friendly atmosphere inside. So, whenever they come up with any complaint, don't treat this is an complaint and you know, take them, even it is beyond your reach or beyond our company issues or something just listen to them, then tell them that we will take care of this and discuss them again what you tried with this kind of complaints and, you know, what is the result and everything, so that we change this kind of like climate and increasing the wages and we change our attitude and mindset and then we feel like there is some response from workers side also."* Consequently, the CMO and the management expect the workers to "pay back" by being more



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disciplined and that their attitude will change if their wages increase. The CMO means that the turnover can be controlled if the workers' wages will be increased. Hence, the wage increase will result in that the workers will concentrate more and therefore this will lead to fewer rejections which in the end will mean that Armstrong saves money. The CMO said; *"if rejection percentage gets reduced, I save some money and I take this money to pay the workers' wages in the CMT"*. Armstrong is prepared to pay a part of the increased wage if there are improvements seen throughout the production like for example less waste, less rejections.

Moreover, it was pointed out by the CMO that the people will change their attitude if they know it is going to be paid continuously. This is stated in the following quote by the CMO; *"We give everyone the premium. It's the premium we have given. At least we have to give this one year. Then only people will definitely like understand or they believe you that this is going to be continued. Once they get the taste it is going to be continued then only like their attitude will also will change the more. I am waiting for the day. If their attitude will change more as I said before if I cut my rejection, cut my rejection so we ourselves will like increase our salaries, you know. Yeah.*

Armstrong can pay more than what now we are paying if they cut the rejection percentage less. So that's why we are waiting so this is like mind game also. It is more into psychological, it is not only the money, you know, the money is there, but also the psychological like, you know, some change also there. The people even if you are giving them money and you scold them they won't like, you know, this is the result. Even if you praise them, if you are giving the money, like you said that you always praise, you will not give a single penny so that it has to be the mixture. The money and mind, money and psychology - money and psychology so there has to be the real blender to bring some create some better things."

The CMO mean that the buyer, Nudie Jeans, and Armstrong works towards the same goal from two different ends. Nudie Jeans has paid the first amount of the living wage and there is a trust between the two actors/stakeholders according to the CMO. Furthermore, Armstrong believes that Nudie Jeans will continue to pay as they did the first payment. A continuous payment of living wage is believed to affect (decrease) the turnover rate positively according to the ED. There are different reasons for employees leaving the factory but if a premium is paid some might be more reluctant to leave the factory and return. As pointed out by the ED people might *"be more responsible and stay back"*.

5.7.2 Increased productivity and quality work

The overall view from the interviewed managers, at Nudie Jeans and Armstrong, was that the premium paid will result in workers becoming more motivated and enthusiastic creating a mindset of responsibility of the workers and strive to increase the production quality. The CMT workers are directly involved in the production process and there is a believed positive correlation between the payment of the premium and increased productivity (finance assistant).

"Generally everybody knows that when people get more money they will be happy." stated by the ED. Hence, if the workers are happy this may result in better production which might lead to continuous orders from the costumers. This was also stressed by the merchandising manager that the output was believed to improve if the workers are happy which they were expected to be after receiving the living wage



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premium. The production manager at Armstrong had not been involved in the living wage decisions. However, motivating the workers to do qualitative production and on time delivery was his responsibility. Moreover, the manager pointed out *“if I am motivating the workers then only we can able to cover the buyers for giving living wage.”*

5.7.3 Higher retention rate

Labour shortage is present in the garment factories, in Tiruppur, and as a competitive strategy factories increase wages by as little as 5 INR per shift (Finance Assistant). One reason for the possibility to offer higher wages was said to be due to that those factories are not covering the statutory benefits. Consequently, this is one reason for fluctuating turnover rates. Armstrong is regularly trying to attract more people to start working in the factory. On one sign in the factory it was stated that anyone who recruited a tailor to Armstrong will receive a reward of 500 INR.

The living wage payment has spread by the word of mouth and new employees have joined Armstrong due to this reason. Some of the newly joined workers have asked their peers if they had received the money and got an affirmative answer according to the HR manager in unit II. Moreover, some of the old workers had informed the new workers about the paid premium.

5.7.4 The impact of the pilot project/empowerment programme

Due to discussions, code meetings and the empowerment programme the mindset at Armstrong has changed and the workers felt that they were seen and that their opinion is taken into consideration or is important pointed out by the CMO. Earlier, the situation was described as the following by the CMO: *“wherever you go in the factory, that you know, the supervisor always ruling and these people are, you know, like slaves, that was that the mindset, general mindset...”* The pilot project/empowerment programme had been finalised but the CMO pointed out that *“we are really beginning now, it is not completed...we just begin now, we want to like take into the next level.”*

5.7.5 Reactions from local stakeholders

The CMO pointed out that there will always be reactions from the society and some will be negative. Employers in the same business might be afraid of losing labour but it was highlighted that Armstrong can only accommodate up to 1500 workers. Moreover, it was pointed out that the increase of wages would not make any substantial impact on the garment rate (said to be around 10-15 %) as the raw material/fabric cost is the major expenditure (about 65 %). In addition to this, he said to be able to create a “good model” it is necessary to get feedback from the society and stakeholders.

At the moment the awareness is mostly with the workers as it has only been paid once. Although, the response is believed to be positive from the local stakeholders there might be some perceived threat from the local factories but Armstrong cannot make that big impact as the factory has limited capacity and orders fluctuating according to the ED. Moreover, the ED pointed out that if living wage is paid by the majority of firms in the future then those who is not paying will face difficulties.

The management has understood the future and is one step ahead in comparison to other factories according to the costumer/relations/merchandising manager. If all factories will implement this concept it will be beneficial for the workers and they will have a good life according to the same manager.



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Moreover, the manager highlighted that it is not easy to change people's mindset and that this adjustment takes time. However, other factories might not know what a living wage is due to the fact that they do not hold a FairTrade certification. A domino effect might arise if the living wage premium implementation at Armstrong is spread to other organisations. Hence, the society of Tiruppur will profit from it according to one of the involved staff (the Finance assistant).

5.7.6 Other brands want to pay

During the field study the CMO informed that he had had (during the days the study was conducted) discussions with customers and that a Swedish textile company and one buyer in UK wanted to be part of the living wage payment.

5.8 WORKERS KNOWLEDGE AND INVOLVEMENT IN THE LIVING WAGE IMPLEMENTATION

The majority of the workers interviewed did not know what a living wage is and had not been involved in the living wage process. Few of the workers recalled that they had been to the empowerment training in the head office and that the issue of (low) wages was discussed. During the interviews there was occasionally a problem of understanding regarding the word living wage bonus. Most of the workers understood it as the "buyer bonus/amount". There were some confusion regarding who paid the living wage bonus but most of the workers knew that it was paid by a buyer.²⁰ When asking the workers if they knew why they received the living wage about a third of them answered that it was due to that the buyer wanted to pay for the timely qualitative production and as one worker answered: *"he/she was informed that one of our buyer is insisting us to give the living wage bonus because our factory has produced a very qualitative product to the buyer so it sell more and they earn more profit so they wants to give living wage bonus to the workers to encourage as motivating part that's what"*.

All the workers interviewed had received the living wage amount except for one who joined the factory after the payment plus one who didn't know. There were some difference regarding the amount said to have been received (between 300- 350 INR) but most of the answers given were 310 INR. There was one worker who mentioned the issue of increased prices, he/she said that he/she is receiving 160 INR per shift and that he/she works one shift per day²¹: *"Due to price hike we cannot meet our cost of living with our wages so I borrow money from others. The wage I am receiving now is not satisfying to meet my expenses. I want 5000²² INR per month for family expenses. If I receive 5000 INRs per month it will be satisfying."*

For the workers given the question *"if the management had asked anything extra in order for you to get the bonus?"* one employee answered the following: *"To complete to finish the order and we have to deliver the order on time. So, the workers, we have the thing in our mind, so we are trying to finish the order on time. So, we are trying to do – we are trying to do more our level best."* All in all, the workers were happy (and excited) to having received the "living wage bonus" and as one of the workers said: *"even if we receive ten INR it will be more helpful for us"*.

²⁰ When producing the garment the buyer only has a number that the worker sees.

²¹ Based on the information given he/she earned 4160 INR per month. Working 26 days in a month.

²² Approximately 62 Euro (Minimum wage is 51.70 Euro and 195.30 is a living wage according to AFW, 2013. (See CCC's comparison in Appendix 1).



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5.9 A NEW PROJECT

A proposal from FWF to Nudie Jeans to be part of a new living wage project

After the field trip a meeting with the **CSR manager**, at Nudie Jeans head office in Gothenburg, revealed that FWF had asked Nudie Jeans to participate in a new pilot project regarding payment of living wage at Armstrong. As there were two other buyers, and members of FWF, giving orders to Armstrong wanting to implement living wage FWF wanted to do their own living wage project. The FWF did not give much attention to the way Nudie Jeans and Armstrong had done the implementation of the living wage up to date. FWF wanted to implement its own calculations without consulting Armstrong. This was experienced as awkward from the **CSR manager** point of view at Nudie Jeans. The manager expressed that she would have wanted to consult Armstrong before and ask about their opinion. The outcome was yet to be seen. *No further development has been included in this thesis due to the finalisation and production of the same.*

In addition to this, Amnesty contacted the **CSR manager** and told her that they wanted to start buying from Armstrong directly as they pay living wage and asked for advice how to proceed. They had put more pressure on their suppliers lately and they had asked if they pay living wage. They had answered that they pay due to that they are members of FWF, which was unclear but as the **CSR manager** put it, it doesn't have to be that way due to that you are a member. Moreover, FairTrade Sweden collaborates with Amnesty and according to the **CSR manager** they were planning a meeting where they were going to discuss living wage in India and Nudie Jeans payment. They seemed to aim for production at Armstrong (**CSR manager**).



6. ANALYSIS AND DISCUSSION

Based on the theoretical framework and the material gathered this chapter will address the research questions formulated in the first chapter. Hence, analyse how and why the implementation of a living wage became a reality in this case. Furthermore, Armstrong and Nudie Jeans drive for change in the field is discussed.

6.1 CHALLENGING THE WESTERN BIAS

Previous research, which has been described in earlier chapters, shows that there is an unequal power relationship between North and South, where the North has a dominant influence. This inherent power or influence, which is not always conscious or conscious oppressive, has arisen through the institutionalisation of "what is considered right," which is rooted in Western cultural and economic development and may be called as a post-colonial North-South behaviour.

Organisations' acting space is influenced by the institutions they are surrounded by, which in turn affect other organisations' behaviour and willingness to adapt, within an organisational field (Eriksson-Zetterquist, 2009). Many institutions, which prevail, are created from the dominant western actors. CSR and Codes of Conduct are examples. In the clothing industry, the Southern producers have no choice but to embrace them in order to compete in the market, which in turn are difficult to follow because of the purchase practices that prevail. The focus on CSR and Codes of Conduct has created a "natural" approach to global justice, largely controlled by Western profit companies. Hence, this has resulted in an alternative way of looking at ethical practitioners, from a southern perspective, tends to not fit in or is "forgotten". (Barrientos and Smith, 2007; Blowfield and Dolan, 2008; De Neve, 2009; Khan et al, 2007)

Western values and practices are institutionalised when their power is predominant and a "taken-for-grantedness of the moral necessity" is the result (Khan et al, 2007). When companies say they take responsibility, they work with CSR and set up their own CoC or Codes of Labour Standards but no living wages, or fair wages are paid. Making use of codes can be said to be a way to get western (northern) companies to control and maintain the power they have over the southern producers, which reinforces a post-colonial behaviour. (Barrientos and Smith, 2007; Blowfield and Dolan, 2008; De Neve, 2009; Khan et al, 2007)

Nudie Jeans and Armstrong are partly controlled by the postcolonial North-driven institutions because they work with CSR, CoC and implementation. But in the specific case of the payment of a living wage the identified north-fuelled dominance found in previous research is not so clear. Instead large parts of the living wage project appear to be South-driven, which challenges the argumentation in previous research.

Nudie Jeans and Armstrong focused on the possibility of making a living wage payment and where the implementation, was a trial and error process, in which no one claimed to know what was right or wrong. Both Nudie Jeans and Armstrong focused on a wage increase and how it was achieved did not play a greater role. Armstrong and Nudie Jeans collaborated with partners who have "dialogue and solving problems" as their methodology. The FWF/FLO pilot project contributed in starting a dialogue within



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Armstrong where the wage issue came up and the workers got their voice heard. The work with liability issues started and Armstrong did not "just do as it says" in the codes/standards (Jensen and Sandström, 2012) by enforcing a living wage bonus payment to the workers, where Nudie Jeans behavior contributed to making it possible.

Due to the prevailing rules and price pressure in the "field", where the predominant power is vested in the Western buyers, Armstrong "translated" the idea of a living wage to the local context and what they considered to be feasible (Eriksson-Zetterquist, 2009). Armstrong made their own calculations and choices based on their own situation and idea of what suited them and their buyers. The moral conduct, payment of a living wage, included an ongoing discussion within both organisations and based on trying to understand the other actor's perspective, the decision was made.

Furthermore, Armstrong's and Nudie Jeans' strong common will and same basic values, close and equal collaboration made the payout possible. However, they were opposed by other players when they challenged the prevailing rules of the game in the "field" and translated the Western idea of a living wage to a local Armstrong Tiruppur idea.

Jensen and Sandström (2012) argues that by continuing to set "us" up in the ranks processes that reduce an expand responsibility, in this case a payment of a living wage, will be reproduced and reinforced and "we" become a part of the immoral actions. However, by not accepting the prevailing norms and rules Armstrong and Nudie Jeans have reduced the "structural injustice", in the context of fair wages. Some workers got increased salary. Although it was little it makes a difference according to the workers. The following explains how Nudie Jeans and Armstrong acted by not "ingratiate him in the ranks" (Jensen and Sandström, 2012) and reproduce the Northern post-colonial domination or accept it to a certain extent.

6.2 AVOIDANCE OF RESTRICTING ORGANISATIONAL PROCESSES

For a more detailed understanding and explanation of how North- South postcolonial morality projects are not repeated and reproduced, I discuss the case based on Jensen and Sandström's organisational processes. Jensen and Sandström (2012) argue that those in the "West" are able to take more responsibility and that it is possible to act morally if these processes are not followed. The below analysis supports this claim, with Nudie Jeans and Armstrong not acting in accordance with several of these processes. Furthermore, the concept of translation and present power relationships will be discussed to question and explain why these processes are adhered or not by organisations.

6.2.1 Divided and expanded responsibilities instead of "to exercise power without responsibility"

Jensen and Sandström (2012) writes about decision making and steering not being as clear in an organisation today where different manuals, systems and codes are said to be a kind of re-bureaucratisation and where accountability and measurable performance tends to flow out to the peripheral parts. Armstrong can be seen as a "victim" of the modern bureaucracy that gives expression in the buyers' demands for codes of practice and quality systems. Certification is a requirement from the Western world and the responsibility to monitor and hold these is with the supplier. Moreover, when something goes wrong, it is customary to "punish" instead of helping. The possibility of increased responsibility, living wage payment in this case, may depend on how an organisation's governance looks



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like. Hence, as Armstrong has the entire vertical production (and Nudie Jeans has so few suppliers), in the neighbourhood, it's not as easy to blame someone else in the "periphery". (Jensen and Sandström, 2012)

Armstrong had a different attitude in the past where fire fighting and punishment was at hand but realised that everyone, the company, the environment and the workers, will "cash in on" or benefit of a different attitude. This, however, was only possible when Armstrong's western buyer, Nudie Jeans, "got on the train" or was ready to take more responsibility. Nudie Jeans and Armstrong have, by sharing and expanding their responsibilities, through a living wage payment reduced the unequal power relationship between the Western buyer and the southern provider. (Jensen and Sandström, 2012)

6.2.2 Direct communication instead of "production of distance"

The practical execution of an action may differ at large from how it was intended to be performed. This implementation is influenced by the number of players involved, or so-called middlemen, and the consequences of our actions will be more difficult to follow. Hence, this contributes/contributing to physical and psychological distance that weakens the moral responsibility. (Jensen and Sandström, 2012)

Nudie Jeans does not have such a large number of suppliers in relation to other major firms, and strive to work closely with the suppliers they work with. Furthermore, the CMO at Armstrong emphasised that they have good and long term cooperation with most of their buyers. As Nudie Jeans and Armstrong communicated directly, without any intermediary, and where their relationship was based on trust and openness it gave space to follow what Nudie Jeans and Armstrong's actions resulted in (as the Armstrong has the entire vertical production), payment of a living wage in this case. Nudie Jeans and Armstrong's close collaboration and Armstrong's control of the entire vertical production made it harder not to act morally. This is in contrast to having many intermediaries, which is common in the garment industry and in Tiruppur (De Neve, 2009). The Northern dominance decreased as the close cooperation existed and the long distance ethics got some room. (Jensen and Sandström, 2012)

6.2.3 Not letting "the fickleness of the environment and short-sightedness steer the organisation"

To perform here and now and follow the fickle demands are two processes that make it difficult for organisations to take an expanding responsibility argue Jensen and Sandström (2012). Flexible organisations tend to be fragmented in which fast decision making and problem solving leads to weaken people's trust and commitment, within and between organisations. (Jensen and Sandström, 2012)

Armstrong and Nudie Jeans are both exposed for the garment industry's fickleness when other companies or organisations allow themselves to be guided by it, and where the most powerful companies, which are mostly from the west, create the rules of the game in the "field". Competition is fierce and prices are pushed. Armstrong is affected by this and put in a position where it is sometimes difficult to act responsibly even if they want to because of the industry's purchasing practices, also called "race to the bottom", and other buyers' reluctance to pay a "fair" price by exercising business as usual. However, Nudie Jeans paid a higher price and placed orders that were relatively constant and had no intention of looking for a cheaper producer that others in the "field" have a tendency to do. Nudie Jeans gave Armstrong better conditions for not having to be controlled by the ambient fickleness which is considered to be one of the reasons that increased responsibility could be taken and that the payment was successful.



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A further argument for Armstrong acting in contrast to be controlled by the fickleness is the refusal of a large Western buyers' bid, or "hostile bid". (Jensen and Sandström, 2012)

Moreover, Armstrong saw that a sustainable and long-term approach may be beneficial. The CMO believed that the payment of a living wage in the long run will benefit both the worker and the company. He was not looking for a measurable fast result but believed that the benefits will become visible in a few years. Fickleness and the search for short-term results were not allowed to control the companies, to a greater extent, maybe because both organisations are controlled and owned by few people, where no external stakeholders or shareholders may oppose projects that cost money or where the output or outcome is uncertain (Furusten, 2007; Jensen and Sandström, 2012).

The fickleness is largely controlled by Western buyers' influence of consumers' perceived needs and changing purchasing power, this may in turn be said to affect the Northern dominance when contradictory demands are made on the southern producers. Nudie Jeans' living wage payment made it easier for Armstrong to take responsibility and pay a more reasonable salary to the workers. (Jensen and Sandström, 2012)

6.2.4 Dominant western players- "demoralised" or maintaining their power?

The management at Armstrong pointed out that the biggest challenge to be able to make the payment of living wage a reality had to do with the buyers' constant struggle to find the lowest price, which was said to be the main factor to be able to be competitive in the industry, and that this was the reason the buyers were not ready to pay a higher price. Furthermore, Nudie Jeans pointed out that companies in lower price ranges might face difficulties as the cost would have a bigger impact.

However, western companies in the industry (in this study) were not conscious of the small cost of labour in a garment, and had not looked into calculations (Miller and Williams, 2009). They were surprised by how small percentage it actually comprised after Nudie Jeans had presented their calculated costs. I would like to point out that this is because "the organisational efficiency's morale" has made people accustomed not to question the practices prevailing in the field (Jensen and Sandström, 2012; Khan et al, 2007), where the Western participants believe that second alternatives are impossible because they are assumed to be too expensive. Hence, that might be why they did not even make an effort to understand the issue, as Jensen and Sandström (2012) argue.

On the other hand, it enables you to question if it really is about not being able to pay the cost when players in the field are spending twenty million dollars on advertising and receive several billions paid in dividends (Mc Mullen and Maher, 2011). Is it about maintaining power? Or do they really think it is too expensive and that they cannot pay a living wage? Whatever the answer to these questions are the companies who do not pay a living wage, reproduce and maintain the power that western players have when they *can* ignore to find out how things actually are (Merk, 2009). Nudie Jeans did the opposite, which contributed to a more reasonable salary to the workers and the unequal power relationship between the Western buyer and the Southern supplier narrowed/decreased. (Jensen and Sandström, 2012) Had an implementation come about without Nudie Jeans having paid a higher price? A further discussion about buyers' possibility to pay a higher price, in regards to different price ranges and margins, will not be



debated here due to space limitation and that it is not the purpose of this thesis. However, it would be interesting to discuss the “feasibility” to pay this extra, morally justified, cost selling clothes within low price ranges like e.g. H&M.

6.2.5 Southern "translation" of the living wage project "allowed" by the western actor

Within the organisation field, one can see that there was a problem about what is right or wrong, what is fair or not where Western players take the Western "truth" for granted, which dominate the current discourse and where things must be done in a certain way. The post-colonial thinking "we" and "them" was not as applied and the power Nudie Jeans had as a buyer was not used to the same extent as in other cases (Blowfield and Dolan, 2008; De Neve, 2009; Khan et al, 2007) The Western buyer, Nudie Jeans, accepted the local solution and gave Armstrong personal responsibility and free rein, which can be seen as an exception to the norm in the "field" (Furusten, 2007; Eriksson-Zetterquist, 2009). Nudie Jeans' way of acting by not taking over Armstrong's initiating of the living wage implementation and even letting the design of payment to the supplier gave the payment of a living wage a realisation. Yet, it is important to point out that Nudie Jeans still holds a post-colonial relationship where initiation of the payment was in their power, which is relatively intact.

Armstrong chose to do their own benchmark since they wanted to keep the living wage cost as small as possible to attract more buyers to pay and for fear of Nudie Jeans not wanting to pay more. Nudie Jeans wanted to pay based on the highest set living wage of one of the most legitimate organisation, AFWA. However, to apply the big wage difference was seen as impossible from Armstrong's point of view. Armstrong meant that they had to start with a lower amount and later on reach a higher level once continuity could be assured. Here there is a tendency of a North- South postcolonial behaviour. Nudie Jeans wanted and thought Armstrong followed AFWAs benchmark but when they realised that Armstrong had brought its own calculation they accepted Armstrong decisions as they considered that the implementation should be done in accordance with what suited Armstrong best and the payment became largely South driven. Or it was a mixture as Armstrong adapted itself to the north and then Nudie accepted this adaptation. (Blowfield and Dolan, 2008; De Neve, 2009; Khan et al, 2007)

However, one can see that there was a desire to implement a living wage as "right" as possible and take into account the Western requirements, i.e. by copying (Furusten, 2007). The two actors mentioned "they might not do it right." Here we see an uncertainty that can be said to come from the North- South postcolonial dominant "truth" of how things should be done in the field (De Neve, 2009; Khan et al, 2007). Furthermore, Armstrong's and Nudie Jeans' use of a third-party verifier, the LNGO SAVE, to legitimise their conduct further confirms that they abided by (one of) the rules that prevail in the West, even though Nudie Jeans said that they trusted Armstrong.

CoC and "Codes of Labour Conduct" are mostly of a general nature and designed in dissimilar contexts then where they are implemented (Jensen and Sandström, 2012) and those who will have to abide by the codes are often not included (or not) at the design of the codes, which in this case is confirmed (by FWF action) and shows the opposite (Nudie Jeans behaviour). Armstrong's approach or behaviour was not always valued equal and a post-colonial North- South power relation is assumed or considered to have been practiced. FWF's approach is an example where they did not include Armstrong in the pilot



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programme computations and they had not planned to ask or involve Armstrong before the second pilot project start. Armstrong saw difficulties in making the calculations which may have been facilitated had they got to be part of the first FWF computations. Why did not FWF include Armstrong from the beginning when they were one of those who possibly would implement the calculated living wage? Hence, an example of an unproblematic uneven power relationship where the FWF unknowingly or knowingly reproduces this relationship (Jensen and Sandström, 2012).

Furthermore, the calculation of the premium to be paid could have been criticised by a buyer caught in the post colonial thinking/moral project (as a result of the existing discourse) as Armstrong used their own local “experience” to come up with the figure. Armstrong did not use the FWF calculation which could have been seen as more (accurate and clear) legitimate, as the organisation is international and is working with these issues, depending on who is looking at the calculation. However, Nudie Jeans did not criticise the calculation and the *CSR manager* pointed out that the cost was within a reasonable price increase as she could compare with the calculation done in the FWF pilot project calculation and no issues arose. This is another case of not practicing the post colonial power relationship/mentality while implementing the living wage pay at Armstrong (that is usually present when implementing codes of conduct/codes of labour practice). However, Nudie Jeans still compared Armstrong’s calculation with the FWF calculations.

Nudie Jeans and Armstrong both knew that they were getting into something that would not be perfect in the beginning, but decided to do it anyway. Interestingly, Nudie Jeans was somehow discouraged by the organisation, FWF, who was supposed to support them through the implementation. Moreover, Amnesty was reluctant to the production being done in India in the beginning which resulted in delaying the initiation of the payment. Nudie Jeans were also subjected to criticism from other external stakeholders, such as the international clothing company, H&M. This confirms how deeply rooted, naturalised and institutionalised “the rules of the game” are (Khan et al, 2007).

Another translation into the local context was that Armstrong chose to present the payment as a result of hard and qualitative work and where they chose to pay all (Eriksson-Zetterquist, 2009; Furusten, 2007). Not as a Western project in which a reasonable salary to be paid is a human right and only to those who will come up to a living wage. Nudie Jeans’ intention was to come up to a certain level of salary for workers at Armstrong. Nudie Jeans had the power to intervene or to protest against the way Armstrong introduced/explained the reason of the payment for the workers and that it would only be paid to those who have not reached the level of a living wage (or those who had the lowest) but again Nudie Jeans let Armstrong decide for themselves what was best for them (Eriksson-Zetterquist, 2009; Furusten, 2007). Moreover, it was expressed by the CMO that it would have been problematic for Armstrong if some had been paid and others not. Additionally, he emphasised that the motivation to develop individually would be hampered if everyone gets equal pay and by just giving a few it would be perceived as discrimination. This might not have been possible to have considered if the implementation was controlled from the West, as this was a situation that arose and was understandable from a local perspective.

However, the initiation of the scheme might not have been as “easy” to put in practice if it was about paying living wage for all products produced for Nudie Jeans. Hence, the small scale production involved



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might have made it easier to face the risk of failure. Furthermore, it can be seen that the membership in FWF and the collaboration with Amnesty influenced and pushed Nudie Jeans to initiate the payment.

Jensen and Sandström (2012) describe CoCs as "rigid ethical principles" contributing to an organisation's moral actions which tend to be exercised only if one exists. In this case, this problematic is present and we can see the idea of living wage seen from a general perspective fails. In this case, Armstrong did not follow the general CoC "word by word" unlike other organisations and something happened in practice.

In addition to this, it is seen as important to point out that this extended liability would probably not have been possible if the two organisations had followed "*the organisational efficiency's morale*" as Jensen and Sandström (2012) describes. Furthermore, with the terms of the objective in mind they saw the full potential of the existing social institutions and structures of action which resulted in the successful payment.

6.3 NUDIE JEANS AND ARMSTRONG AS INSTITUTIONAL ENTREPRENEURS

Hardy and Maguire (2008) and Eriksson-Zetterquist (2009) discuss the possibility to change existing institutions and the difficulty to do this if you are lacking resources and power. In this case it is clear that Armstrong did not take advantage of how some of the existing institutions in their field worked, e.g. the harsh purchasing practices in the field. Still, they did not have the resources and power to implement a living wage without the involvement and engagement from buyers, Nudie Jeans in this case.

6.3.1 Motivation and resistance to becoming institutional entrepreneurs

Both Nudie Jeans and Armstrong wanted to make the payment to increase the workers' living standard. By satisfying an identified need of the workers they saw some possible positive outcomes such as increased motivation, which was believed to lead to increased productivity and product quality. Additional potential positive effects of the living wage payment was assumed to result in lower employee turnover, increased retention rate, better working climate and happier workers. Armstrong had to convince a similar minded actor to collaborate with them. Nudie Jeans moved from Portugal to India due to the fact that they wanted to work with a company who had the same engagement and values to work with sustainable fashion. The motivation for achieving change can be said to be the believed positive effects of paying living wage to the workers. Nudie Jeans and Armstrong became institutional entrepreneurs since they wanted to change the prevailing practice in the field. They had discussed the problem of low wages years before this implementation but had not found a reliable and trustworthy partner to implement it with earlier.

Khan et al (2007) mention the "dark side" of institutional entrepreneurship. In this case we can see that Armstrong and Nudie Jeans were opposed or criticised when they did something that was not in accordance with the dominating interest existing in the field (Eriksson-Zetterquist, 2009). The implementation did not receive legitimacy from powerful actors such as H&M and the reluctant *customer* x. Even the NGOs, Amnesty and FWF, working towards better working conditions, where paying a living wage is a must or something that they want to institutionalise, were reluctant at first or not taking into account the calculations Armstrong did. Armstrong as a institutional entrepreneur were not legitimised by



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FWF, the initial institutional entrepreneur. When Armstrong adjusted the living wage payment to the local context and situation it challenged the institutionalised CoCs created in the West and FWF lost some of their control. When Armstrong, the “South”, was given more power it was questioned or ignored. In one way this can be seen as a “dark side” of institutional entrepreneurship as FWF unconsciously or consciously maintained their postcolonial power relationship focusing on doing it “right” according to the western “truth” counteracting the living wage payment. Furthermore, the existing international benchmarks can be seen as a “dark side” making it more difficult for the outsourced supplier to obtain legitimacy and acceptance from other buyers as there is a big gap from existing minimum wages to pay living wages. However, this did not stop Armstrong and Nudie Jeans from implementing the living wage. Therefore, we turn to the “bright side” of Nudie Jeans’ and Armstrong’s institutional entrepreneurship. Eriksson-Zetterquist (2009) mentions the creativeness of institutional entrepreneurs which we can see in Armstrong and Nudie Jeans work with the living wage implementation. They saw possibilities to go against the dominating organisational processes paving way for alternatives and creating new ones making it possible by inclusiveness (Jensen and Sandström, 2012). The CMO in Armstrong mentioned that he wanted to create a standard for living wage implementation sharing it with other organisations as e.g. UN showing the companies engagement.

6.3.2 Success factors becoming institutional entrepreneurs

For Armstrong it has proven to be crucial if a buyer or stakeholder acts by “inclusion”, where the Southern perspective is given space, or if they want to maintain the power relations that are present in the garment industry, namely through a North- South post-colonial behaviour, to be able to pay a living wage (Jensen and Sandström, 2012). To be able to carry out increased responsibility reflection that never ends, or “*Continuous reassessment of responsibility*”, is required according to Jensen and Sandström (2012). The CMO at Armstrong pointed out that just because they pay a living wage it did not mean they were ready. Thus, there was no “target- agent displacement” present. This can also be seen in Nudie Jeans who, since the start, constantly has discussed and dealt with responsibility issues. Both Armstrong and Nudie Jeans have had an ongoing agenda regarding responsibility issues which resulted in a payment to the workers and successfully becoming institutional entrepreneurs. Again Jensen and Sandström’s (2012) argument is pointed out saying the problem of general performance of CoCs in which a moral responsibility is difficult to take without an individual and situation-specific perspective.

The living wage payment at Armstrong can be attributed to Armstrongs and Nudie Jeans “*Focus on Opportunities*” where a questioning of the prevailing behaviour in the field and the organisational processes that surrounded them came to fruition. Hence, this contributed to them not accepting the non-moral actions that have become “normal” in the field (Khan et al, 2007). They described the first payment as a trial and error process in which decisions were taken with the focus on the unknown but hopefully improved future (Jensen and Sandström, 2012). In this case, having this mindset paved way for successful institutional entrepreneurship.

6.3.3 Result of being institutional entrepreneurs

Jensen and Sandström (2012) argue that it is difficult to change “discursive formations” when there is no “credible and promising alternative.” Nevertheless, as Armstrong and Nudie Jeans have paid an initial “living wage bonus” other companies and operators have seen that it is possible and a concrete example is



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there. Furthermore, Jensen and Sandström (2012) emphasise that an extended responsibility is individual but to make it work it requires collaboration with others. In this case we can see that both Armstrong and Nudie Jeans first took individual responsibility that led to increased responsibilities as they sought out partners with similar values, which can also be said to have been done through inclusiveness. Furthermore, by the "*staging of dialogue*" within the company Armstrong has opened up the climate and expanded the work with responsibility issues when the CMO listened to the workers voices within the pilot project. The CMO at Armstrong also mentioned that voices from outside, often considered as negative in the field, such as NGOs can contribute to new knowledge and greater understanding. Jensen and Sandström (2012) mean that organisations are dependent of critical thinking and inclusiveness, in the long run, which helps to identifies irresponsible processes and pave way for change. The successful living wage payment can be said to be a consequence of Armstrong's transparency work. Armstrong also saw that a payment could benefit long term efficiency when efficiency and rational thinking got less space than usual, in the short term. A substantial amount of time (and dialogue/communication within Armstrong) has been spent implementing and participating in the pilot project. In this case ethics, moral and responsibility got to stand for what could possibly create success for a company and living wage implementation. (Jensen and Sandström, 2012)

Jensen and Sandström (2012) write about the role of organisations solving today's global problems, where an "extended inclusive" is one part to be able to solve this. By partnering with other like-minded players, who wanted to take more responsibility Armstrong and Nudie Jeans pressured and influenced "other smaller irresponsible actors" to pay a fair price and the implementation proved to be of interest. They "sent responsible signals" in the field and showed that there is a choice (Jensen and Sandström, 2012). Nudie Jeans and Armstrong questioned what is considered the norm in the "field" which contributed to the reactions from the field, subjecting both organisations to risks and unexpected criticism (Eriksson-Zetterquist, 2009, Khan et al, 2007, Levy, 2008). Due to the paid living wage Armstrong has gained new customers or has more customers in the pipeline who are willing to pay such as; Amnesty International Fairtrade Sweden, a Swedish and an English buyer (former clients of the Armstrong). Armstrong and Nudie Jeans has put the payment of a living wage "on the map" and revealed that there are options if you want to act morally. (Jensen and Sandström, 2012) Moreover, the well known international clothing company, H&M, showed an interest in Nudie Jeans' initiation of the implementation. Although, there was critique, they were still interested in the way Nudie Jeans had chosen to implement the wage.

In the studied case the workers have not been involved more than that their dissatisfaction of low wages emerged to the surface during the empowerment pilot project. The modest involvement from the workers can be discussed. However, their voices were heard which resulted in a payment. Furthermore, it is argued that it is extremely difficult for workers agency to win over the power of capital, which the western companies exercise, and therefore the small increase of the workers wage, through the living wage bonus payment, contributed to a change (for the better) which has not happened during the last twenty years. (Blowfield and Dolan, 2008; Coe et al, 2008; Miller and Williams, 2009)

Nudie Jeans and Armstrong became institutional entrepreneurs as they had the desire to change. They became institutional entrepreneurs without having the assumed resources and power. However, they had the willingness to do it and the workers received a fairer wage.



7. CONCLUSIONS

This final chapter will discuss the findings, the purpose of the thesis and answer the research questions presented in the first chapter. Moreover, suggestions for further studies will be presented.

The presentation of this research has been a qualitative single case study to understand the reasons of implementing or not implementing a living wage in outsourced production. This paper has shown that the uneven postcolonial power relationship between a western buyer and an outsourced supplier makes it difficult for a supplier to pay a living wage to its workers, in today's globalised world.

As previously mentioned, it is problematic to focus only on codes and CSR in regards to the issue of low wages (Khan et al, 2007). In this study, one can see that the difficulty to pay a "reasonable" salary is embedded in the institutions and organisational processes that surround us. These are in turn affected by globalisation and the dominant neo-liberalistic politics dominating. Thus, it can be said to be structural and institutional causes why wage increases have stagnated. The study highlights that poor working conditions, or in this case absence of living wage payment, in low-wage countries can be linked to Jensen and Sandström (2012) organisational processes that dominate. When they are followed they greatly affect an organisation's actions, where ethics and morals do not get enough space resulting in the lack of paying a living wage.

It can be concluded that the living wage payment became possible because the buyer and the supplier violated some of the processes Jensen and Sandström (2012) describes, and because they challenged the rules present in the organisational field. In this case the payment became a localised and translated version of taking an "increased responsibility" and the unequal postcolonial North-South relationship decreased.

The Western morality project, expressed or defined as a living wage, and the postcolonial power relationship changed when the supplier got its own acting space where the buyer let this happen. However, some post-colonial practice could be noticed from both Nudie Jeans and Amnesty but especially FWF. On the one hand Armstrong tried to adapt and copy the north driven approach to living wage calculations and instructions, but on the other hand, they challenged it by making their own version, through translation (Eriksson-Zetterquist, 2009; Furusten, 2007). In the end, the payment became more south driven where no internationally agreed standard was available. Perhaps the implementation would have been different and more north driven if an elaborated standard had existed?

The study shows that Armstrong had difficulties paying living wages to the workers when buyers were pressurising prices. This corresponds with the reasoning (Barrientos and Smith, 2007) that suppliers are often facing catch 22 situations where much of the power is possessed by the buyer. Hence, it seems to be more relevant to look at the power relationships between the buyer and supplier in regards to the issue of increased wages than to look at the expenditure of paying a living wage, when labour costs represent such a small part of the garment (Miller and Williams, 2009). In this case the buyer was willing to pay more for the garment than other customers producing at Armstrong. Hence, it paved way for the success. In addition to this, the ownership of the two companies can be said to have affected the payment as they did



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not let the fickleness and short-sightedness steer the organisations when the outcome was unknown, risky and could not be presented as profitable.

Furthermore, the case has shown that there are dominant rules of the game present where the most powerful are determining them, to a greater extent. These post-colonial rules delayed and made the living wage implementation more difficult and when challenged resistance arose from "the most powerful", which in this case were from Europe/West/North. The western buyer got criticised by their own partners but also other actors and the question of legitimacy and fairness arose. Unfortunately there is not enough collected data in order to draw a conclusion if their reactions were based on being afraid of losing their power position, unconsciously or consciously. However, the rhetorical question mentioned in the analysis "Are the dominant western buyers demoralised or do they want to maintain their power?" is worth further study.

Moreover, the implementation has actually resulted in other actors becoming more aware and Nudie Jeans and Armstrong has shown that it is possible to pay living wage in practice. During the study the successful payment attracted other buyers to start paying living wage. Even though Nudie Jeans and Armstrong are not the largest actors their way of acting may have had more impact than expected. The implementation might have started a snow ball effect in the organisational field as interest was showed from one of the dominant actors in the field. The clothing industry structure is complex and dynamic and therefore you cannot control everything, but as Jensen & Sandström (2012), De Neve (2009) and others point out, this study also shows that the industry needs flexibility to respond to local needs, such as a payment of a living wage in practice.

As it has been outlined above there have been a lot of challenges in this first trial of implementing living wage. Doing business in a fair way within the political, ideological, economical and social systems business is embedded in is not easy. However, the workers received their money in the end which was the aim of the implementation and as one of the workers said; "*even if we receive ten INR it will be more helpful*". Nudie Jeans and Armstrong have challenged the uneven postcolonial power relationship between Northern buyers and Southern suppliers by paying more to the workers. Therefore, Armstrong and Nudie Jeans have contributed to not reproducing the structural injustice that is present, to some extent. However, the success or failure of the expansion of "*the golden way of living wage*" is yet to be seen.

Further research

As the same purchase practices and organisational processes can be seen in other organisational fields this research's result, the possibility to pay higher wages/living wage, are seen to be applicable to other "fields" as well. Therefore, it would be interesting to look at the issue of low wages within other industries based on the same theory and compare the garment industry with for example low wages in the wine industry in South Africa.

Moreover, study the outcome or impact of the living wage implementation in the long run. For example if the retention rate and the turnover rate changed due to the payment. In addition to this, look at the aspect or issue of overtime (OT) worked in the factory. Do the workers choose to work less due to the increased pay? And other possible challenges or possibilities with the implementation?



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Furthermore, study the evolution of the FWF second project regarding living wage implementation at Armstrong. Why did not FWF include Armstrong from the beginning (first project) when it was them who would implement the calculated living wage?

Look at how much money is spent on advertising in relation to the amount of money that is needed to pay living wages to workers in less developed countries. Furthermore, study a buyer/brand (brands) in the lower price range.



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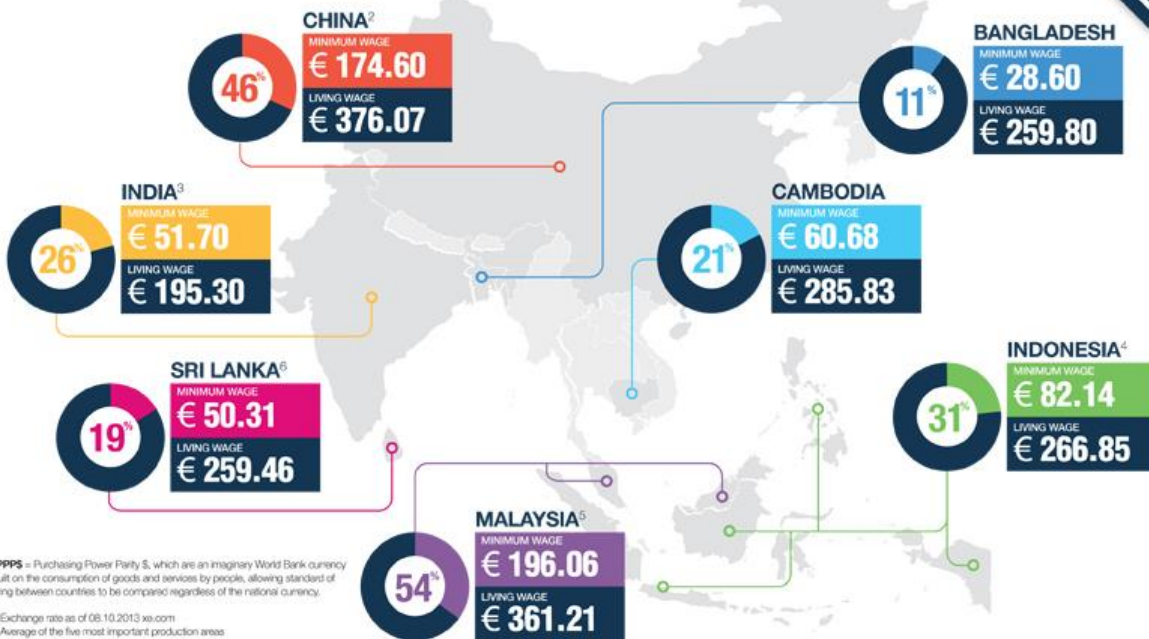
Viyakula M., (2013), Programme Director of the Labour Resource Center , SAVE, Tiruppur, Interview, 4th, 7th and 23rd of March



APPENDIX 1 Living wage versus minimum wage according to CCC 2013

MINIMUM WAGE VS LIVING WAGE

The difference between the minimum wage¹ and a living wage.
To say instead - The Living Wage is based on the Asia Floor Wage 2013 figure of PPP\$725.



*PPPS = Purchasing Power Parity \$, which are an imaginary World Bank currency built on the consumption of goods and services by people, allowing standard of living between countries to be compared regardless of the national currency.

¹ Exchange rate as of 08.10.2013 xe.com

² Average of the five most important production areas

³ Average of key regions: Tamil Nadu, West Bengal, Maharashtra (Unskilled, Zone III)

⁴ Average of all provinces

⁵ In July 2012 the Malaysian government announced that workers in Malaysia would receive minimum wages of RM 900 (USD291) for Peninsular Malaysia and RM800 (USD256) for Sabah and Sarawak

⁶ Lowest entrance wage for first year, grade IV and without any bonuses



APPENDIX 2 Interviews conducted at Armstrong

Staff interviewed at Armstrong

Staff (unit I)	Interviews	Female/Male	Staff(UnitII)	Interviews	Female/Male
Executive Director	1	0/1	Human Resource Manager	1	0/1
Chief of Operations manager	2 (plus informal talk)	0/1	Production Manager	1	0/1
Human Resource Manager	4 (plus informal talk)	0/1			
Merchandising manager	2	0/1			
Customer relations/supply chain/communications manager	2	0/1			
Chief of finance	1	0/1			
Finance assistant	1	0/1			
Head of costing department	1 (plus informal talk)	0/1			
Floor workers (short interviews)	11	7/4		10	5/5
Workers committee members+ floor workers	6+4	6+3/0+1		4	2/2
Floor workers (outside factory, Unit I and II)	7	5/2			
In total interviews and respondents by gender	42	18/18		16	7/9
In total respondents		36			16
In total interviews and respondents for both unit I and II		58			52



APPENDIX 3 Interview questions at Armstrong

Interview questionnaire floor workers and (some staff)

Background and basic information

Name, position

How did you end up here in Armstrong? How long have you worked in the factory?

How do you get to the factory? Is it far away? How long? Where do you live?

What grade/job do you have?

How much did you get paid last time (do you get paid weekly or monthly)?

For how many days did you get paid (this question was added after realising that they had maybe not worked full time?)

Did you get It cash or in an account? Did you get a pay slip?

Do you know the minimum wage for your position?

What is your wage per shift?

How many hours do you work per day? Do you get paid by piece or by shift?

Living wage process and implementation

Have you been involved in the living wage project? Are you aware of the living wage discussion? How did you become aware?

Do you know what a living wage is? Can you (try) to explain? Where did you get the information (who told you)?

Do you know that a “living wage bonus” (a part of a living wage has been paid as a “bonus”) has been paid in the factory?

Do you know who paid it? Did you get the bonus? (If, so) How much did you receive and when was it?

Has the management asked/demanded anything in order for you to get the “living wage bonus”?

If bonus received:

What did you do with the money? Did it help you? Was it useful?

Have you been informed what a living wage is?



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Have you seen the sign about the living wage bonus payment?

When do you start and finish?

Main questions asked to managers at Armstrong (unit I and II)

Background

Name, position, How did you end up here in Armstrong? How long have you worked in the factory?

Armstrong

Development of the company?

When did you get certificates related to CSR/sustainability/fair-trade/organic?

FLO/FWF project? Why did you want to participate?

How are the wages set? How are the wages compared to other factories in the area? Payment?

Workers turnover? How do you tackle this?

Living wage process and implementation

How did the discussion start? Other actors involved?

How did you decide who to pay the living wage?

Challenges and possibilities with the living wage payment?

Are you aware of the AFW benchmark for India 2012? Do you know what the living wage is in India according to them?

Other actors involved and when?

Living wage benchmark and living wage bonus calculation

How was the living wage (benchmark) calculated?

Who is doing the calculations?

Why did you want to do your own calculations? Who decided that you should do your own calculations?

Where did you get the food basket survey toolkit from?

Who conducted the food basket survey and where?

In addition to the food basket survey what other calculations or research did you do? How was the living wage bonus calculated that Nudie Jeans is paying?



APPENDIX 4 Various documents from Armstrong, Nudie Jeans and SAVE

Various documents

Documents for the calculation of the living wage benchmark:

- Guidance document for social accountability 8000; this document is a help for organisations that implement the Social Accountability 8000 standard. For this purpose the minimum wage fixing (ILO's Minimum wage fixing convention 131 (1970), p.108-112) and wage analysis had been looked upon at Armstrong.
- "Food basket analysis for Tirupur on Dec- 2012 (as per SAI guidance); The living wage benchmark calculation was done on this sheet.
- Mahesh vitamin chart
- Midlothian social inclusion forum- "food basket survey toolkit".
- "Food basket survey's"; Got a copy of the form that they had used when gathering information to set the living wage benchmark.
- A copy of "Cost of living" categories specified (originally from SAVE received from Armstrong)
- A copy of a wage ladder for Tirupur, India for 2010/2011. (Had been received from a person Armstrong had had contact with who worked at the University of Zurich)
- Extract from the Tamil Nadu Government Gazette²³ regarding rates of minimum wages-employment in tailoring industry.
- A copy of Tirupur Garment Labour's Union wage agreement
- An extract from the local CBA (Tripartite Agreement on wages) regarding basic wages.
- Armstrong Knitting Mills "department salary list" (unit I) and Armstrongs Knitting Mills (unit II) "grade wise wage list"; to look at how the wages were set.
- Living Wage: FWF policy and practice – November 2010

Documents for the payment of the living wage bonus:

- I got copies of all employees' wages; "The payroll for the month of February 2013" and some of the employee's signatures after receiving their wages from unit II. In addition to this I asked for the payroll in unit I. I received and extract from excel "worker final register February 2013" and "worker final register, week date from: 31-Jan-2013 to: 6-Feb-2013". To compare what the interviewees had said that they received in the interviews.
- "Living wage for all Backbone styles"; a paper copy of 17 garment styles where the cost for different departments were specified in euro. A total sum for each garment was also specified. This was presented to Nudie jeans.
- "Cutting consolidation report for 20.12.2012 to 26.12.2012"; this was extracted from excel. Trying to explain how Armstrong calculated their cost per style depending on the quantity, different costs and wage pay.

²³ A book that is published by the Government every year in the region Tamil Nadu stating rates of minimum wages in different industries.



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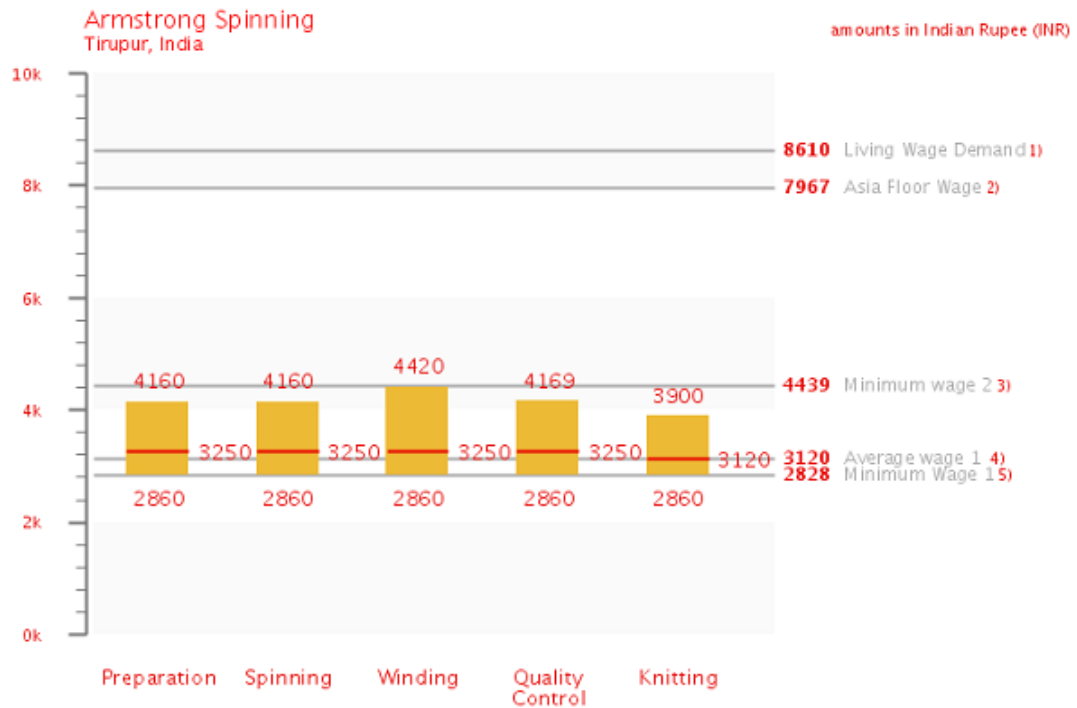
- Another sheet without any name; specifying the cost per department per the 17 Nudie Jeans styles, with a breakdown of old wage per piece, new wage, the living wage increase in percent and the new price with the living wage included specified in rupiees and euro. Trying to explain how they calculated the living wage bonus to be paid by Nudie Jeans.
- A copy of 160 employees wages specifying for example the difference of the living wage benchmark and the wage to be paid.
- Knitting Together, Januari 2012 issue. Published by the local NGO, SAVE.



APPENDIX 5 Wage ladder for Tiruppur, India

Wage ladder taken from the audit conducted by FWF in June and July, 2011, at Armstrong.

Wage ladder



1) Trade unions' survey for India's Garment and Textile Workers in Coimbatore

2) Asia Floor Wage as of May 2011 (as of: May 2011)

3) Minimum wage Textile mills (apprentice) defined by national government Tamil Nadu (as of: August 2011)

4) For spinning mills according to a survey by SAVE (as of: August 2011)

5) Minimum wage: Tailors defined by national government for tailoring industry, Tamil Nadu (as of: August 2011)



APPENDIX 6 Armstrong's benchmark calculation

Armstrong's benchmark calculation is described below:

*Food basket consisting of 5550 INR (46.25 INR (this figure is the based on the most common answer by the interviewees not an average of all collected figures) *4 person*30 days)*

Other expenditure (housing etcetera): 3000 INR

The total living wage cost is: 8550

Hence, the living wage (the benchmark to be used to calculate the increase of wage) to be paid per shift based on 26 working days per month according to Armstrong's own calculation including OT will be the following:

*A normal working week: (6 shifts*8 hrs=) 48 hrs plus OT (overtime) (1.5 hrs*6=) 9 hrs= 57 hrs*

*OT per week (is paid double): (1.5 hrs is paid as 4 hrs=) 0.5 shift*26= 13 shifts*

*The total living wage per shift calculated include the double pay of OT: 8550/ (26 shifts+13 shifts=) 39 shifts= **219.23 INR***

*(General shift rate= 26*219.23=5700 INR, OT shift rate= 13*219.23=2850))*



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APPENDIX 7 FWF's hypothetical wage increase for a FairTrade cotton t-shirt produced at Armstrong

Annex J: Calculations on hypothetical wage increase
Fairtrade cotton T-shirt

Description	Rs	Present situation			Increase CMT mode salary to AFW without escalation		Increase CMT mode salary to AFW with escalation		Increase CMT mode salary to AFW with escalation, but with same factory gross margin	
		€	%	% retail price	€	% retail price	€	% retail price	€	% retail price
Material input (fabrics, lining, trimming, packing)		3.40		12%	3.40	12%	3.40	11%	3.40	11%
Total salary cost as part of factory minute cost		0.18	41%	1%						
Total factory working minute cost		0.45		2%						
Current wage CMT (mode)	3302									
Asia Floor wage for India	7967									
Increase salary part of factory working minute cost	141%									
New total salary cost as part of factory minute cost					0.45	2%	0.45	1%	0.45	1%
New factory working minute cost					0.71	2%	0.71	2%	0.71	2%
Manufacturing cost		3.85			4.56		4.56		4.56	
Factory gross margin		1.15	30%	4%	1.15	4%	1.23	4%	1.15	4%
FOB Price		5.00		17%	5.26	18%	5.34	17%	5.26	17%
Customs, transportation, warehouse, license fee, etc.		2.19		8%	2.19	7%	2.19	7%	2.19	7%
Selling agent provision		1.20	10%	4%	1.20	4%	1.26	4%	1.26	4%
Gross margin		3.61	72%	12%	3.61	12%	3.85	13%	3.79	13%
Wholesale price (excl. VAT)		12.00		41%	12.26	42%	12.64	41%	12.51	41%
Distribution, retail margin (incl. VAT)		17.00	142%	59%	17.00	58%	17.91	59%	17.72	59%
Retail price (incl. VAT)		29.00		100%	29.26	100%	30.55	100%	30.23	100%
increase retail price					0.9%		5.4%		4.2%	

Annex I: Calculations on hypothetical wage increase
Fairtrade cotton T-shirt

Description	Rs	Present situation			Increase CMT mode salary to AFW without escalation		Increase CMT mode salary to AFW with escalation		Increase CMT mode salary to AFW with escalation, but with same factory gross margin	
		€	%	% retail price	€	% retail price	€	% retail price	€	% retail price
Material input (fabrics, lining, trimming, packing)		2.41		19%	2.41	18%	2.41	16%	2.41	16%
Total salary cost as part of factory minute cost		0.36	70%	3%						
Total factory working minute cost		0.52		4%						
Current wage CMT (mode)	3536									
Asia Floor Wage for India	7967									
Increase salary part of factory working minute cost	125%									
New total salary cost as part of factory minute cost					0.82	6%	0.82	6%	0.82	6%
New factory working minute cost					0.98	7%	0.98	7%	0.98	7%
Manufacturing cost		2.93		23%	3.38	25%	3.38	23%	3.38	23%
Factory gross average margin		0.29	10%	2%	0.29	2%	0.34	2%	0.29	2%
FOB Price		3.22		25%	3.68	27%	3.72	25%	3.68	25%
Transport / Insurance / import tax		0.15		1%	0.15	1%	0.15	1%	0.15	1%
Landed Cost		3.37		26%	3.83	28%	3.88	26%	3.83	26%
Fairtrade license fee		0.24		2%	0.24	2%	0.24	2%	0.24	2%
Warehouse, brand margin, etc.		2.59	77%	20%	2.59	19%	2.97	20%	2.94	20%
Wholesale price (excl. VAT)		6.20		48%	6.66	49%	7.09	48%	7.01	47%
Distribution, retail margin (incl. VAT)		6.80	110%	52%	6.80	51%	7.78	52%	7.69	52%
Retail price (incl. VAT)		13.01		100%	13.46	100%	14.87	100%	14.70	99%
increase retail price					3.5%		14.3%		13.0%	