

October 2016



# Garment companies and living wage

Sustainable investment and social impact  
measurement: the case study of ASN Bank

Executive summary

This publication is the result of a joint effort by the Impact Centre Erasmus (Erasmus University Rotterdam) and ASN Bank.

**More information**

[www.asnbank.nl/leefbaarloon](http://www.asnbank.nl/leefbaarloon)

**ASN Bank:**

Hansje van der Zwaan-Plagman and Charlotte Scheltus  
[sustainability@asnbank.nl](mailto:sustainability@asnbank.nl)

**Impact Centre Erasmus:**

Karen Maas  
[maas@ese.eur.nl](mailto:maas@ese.eur.nl)  
Marjelle Oosterling-Vermeulen  
[mvermeulen@ese.eur.nl](mailto:mvermeulen@ese.eur.nl)



## Pioneering in social impact measurement

This joint publication of the Impact Centre Erasmus and ASN Bank focuses on social impact measurement. What is it and how is it done? The report presents a view on this while also giving practical guidance to everyone wishing to learn more about social impact measurement. It has been written on the basis of ASN Bank's case study: living wage in the garment industry.

## Committing assets to sustainability

ASN Bank has been investing in sustainable development ever since its foundation in 1960. Its loans and investments only go towards future-oriented companies, sectors and countries, which are selected for the ASN Investment Universe on the basis of ASN Bank's sustainability policy (consisting of the pillars 'human rights', 'climate change' and 'biodiversity'). In this way, the bank contributes to ensuring responsible business practices at the companies it invests in and the projects and institutions that receive loans from it. This report discusses the bank's long-term human rights goal.

## Long-term human rights goal: a living wage in the garment industry

A living wage is a human right, as shown, for example, by the Universal Declaration of Human Rights. However, in most countries the minimum wage is too low to live on. In other words, the minimum wage is not a living wage. This affects the living conditions of workers in low-wage countries and applies to many industries. ASN Bank has decided to tackle living wage issue in the garment industry, setting itself the following long-term human rights goal:

*All garment companies in the ASN Investment Universe to have introduced a living wage by 2030.*

This concerns the fourteen garment companies included in the ASN Investment Universe on 1 April 2016: Adidas, Amer Sports, ASICS, Asos, Esprit, Gap, Gildan Activewear, H&M, Inditex, KappAhl, Lojas Renner, Marks & Spencer, Nike and Puma.

## Social impact measurement

As the objective's essence lies in measuring the social impact of ASN Bank's investments in the garment industry, the Impact Centre Erasmus made its expertise available. Together with ASN Bank, the Centre performed a baseline measurement at the fourteen garment companies in 2016. The measurement not only provided insight into the current situation, but was also useful in formulating the long-term goal.

## Open source

Social impact measurement is still in its infancy. A key precondition that ASN Bank has set regarding the long-term goal is for the methodology developed to be accessible to other interested parties. The Impact Centre Erasmus, too, is convinced that it is imperative to share not only the results but especially also the road travelled to get there. In this way, we help build the collective knowledge on living wage and the knowledge on social impact measurement.

## Relevance to banks

This is relevant to anyone engaged in social impact measurement. We are highlighting its relevance to the financial sector in particular. Research has shown that a positive correlation exists between sustainability initiatives and financial performance at banks. Despite this, the banking sector still lags behind in the development, introduction and evaluation of corporate sustainability strategies. While banks most definitely also have a social responsibility – as increasingly pointed out to them by their stakeholders – there is still insufficient recognition in the sector of sustainability as an instrument to achieve financial profits.

The baseline measurement: points of departure

The baseline measurement we performed in 2016 identified where the fourteen garment companies currently stand.

The main choices we made during this process are the following:

- We based our measurement on desk research and data received directly from the companies by telephone and email.
- We assessed companies' policies as well as their practices.
- We confined ourselves to their activities in the top 25 textile and garment producing countries, as designated by the International Labour Organization (ILO).
- We surveyed the production of the companies themselves and that of their first-tier suppliers.

### The baseline measurement: vision, policy and implementation

Our first question was: do companies have a living wage vision and/or goal, and has it been embedded in policies and procedures? Policy is an important first step to ensure payment of a living wage. In this process we also assessed companies' transparency on this point, since a key starting point for change is to render account to stakeholders.

The report includes scorecards for each company. The total scores of the companies are presented below. These scores only pertain to their visions, policies, implementation and transparency. The list says nothing about the wages they actually pay.

figure 4: Total scores on ambition, policy and implementation (scale of 0 to 5)

Ranking	Score	Company
1	4,00	H&M
2	3,86	Puma
3	3,50	Adidas
4	3,42	Inditex
5	3,40	Marks & Spencer
6	3,28	Esprit
7	3,25	Gildan
8	3,10	Asos
9	2,86	KappAhl
10	2,60	Nike
11	2,43	Gap
12	2,30	ASICS
13	1,14	Lojas Renner
14	1,10	Amer Sports

#### Main conclusions:

- While 'living wage' was not a new concept for twelve companies, they did sometimes use terms and definitions such as 'fair wage' and 'fair living wage'.
- Most companies collaborate with initiatives that work on living wage, such as the Fair Labor Association (FLA), the Ethical Trading Initiative (ETI) and the ACT Process.
- Five companies regard collective bargaining – which includes wages – as a key strategy to achieve a living wage.
- Eight companies state in their policies (or through initiatives they have joined) that they pay the industry average wage if it exceeds the minimum wage.

### The baseline measurement: practices

It has proven very difficult to obtain information on practices. In order to gain a better understanding of the fourteen companies' practices, we took stock of the countries where each company produces its garments and shoes. In the report, we included information on the minimum wage, the industry average wage and the living wage in all 25 production countries.

#### Some conclusions on practices:

- Five companies can make major strides towards a living wage by introducing the industry average wage if it exceeds the minimum wage.
- Certainly not all companies are transparent about the locations and activities in the supply chain.
- It has proven difficult to obtain accurate information about the number of workers in the supply chain, the wages paid, the types of contract, the types of production and production volumes per country and/or production sites.

### Plans for the future

This report is not the end. The methodology we have developed for the baseline measurement presents a starting point for measurements to monitor the progress being made by the garment industry. As it is our belief that it will be easier to obtain information on practices in a few years from now, we aim to fine-tune our methodology. The Impact Centre Erasmus and ASN Bank intend to perform a follow-up measurement in a year or two. We expect this measurement to yield more insight into garment companies' practices as well as information about the progress they have made in respect of living wage.