

*Junge Wissenschaft
für CSR und Nachhaltigkeit*

Jonathan Dörr

**Living wages in the
garment industry –
a case study on corporate
commitment and
strategy**



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Hrsg. von Harald Bolsinger, Alexander Brink, Thomas Osburg, Matthias Schmidt und Tong-Jin Smith

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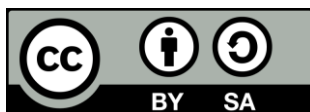
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UVG-Reihe „Junge Wissenschaft für CSR und Nachhaltigkeit“

Hrsg. von Prof. Dr. Harald Bolsinger, Prof. Dr. Dr. Alexander Brink, Prof. Dr. Thomas Osburg, Prof. Dr. Matthias Schmidt und Prof. Dr. Tong-Jin Smith

Die UVG-Reihe „Junge Wissenschaft für CSR und Nachhaltigkeit“ richtet sich an Praktiker aus Unternehmen und der Zivilgesellschaft. Sie umfasst aktuelle Forschungsthemen und -ergebnisse zur gesellschaftlichen Unternehmensverantwortung und Nachhaltigkeit.

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Vorwort

Jonathan Dörr hat mit der Arbeit „Living wages in the garment industry - a case study on corporate commitment and strategy“ ein brandaktuelles Thema der Wirtschafts- und Unternehmensethik adressiert.

Ausgangspunkt sind die gravierenden ökonomischen, ökologischen und sozialen Herausforderungen. Die Klimakrise, steigende Inflation und der Covid-19-Ausbruch setzen Regierungen, Unternehmen und Menschen enorm unter Druck. Die Bekleidungsindustrie sieht sich aufgrund wachsender Konkurrenz bei Preisen und Qualität, zunehmender Komplexität in der Lieferkette und Verstößen gegen Menschenrechte in ihren Lieferketten mit mehreren Krisen gleichzeitig konfrontiert.

Ein Hauptproblem der Bekleidungsindustrie, so die Argumentation von Jonathan Dörr, ist die Praxis von niedrigen Löhnen. Die Clean Clothes Campaign hat gezeigt, dass die meisten untersuchten Unternehmen keinen Nachweis erbringen können, dass ein existenzsichernder Lohn an ihre Arbeitnehmer gezahlt wird. Als Reaktion auf solche Herausforderungen haben Unternehmen zugesagt, in ihren gesamten Lieferketten existenzsichernde Löhne zu zahlen.

Existenzsichernde Löhne sind wichtig, weil sie genug Geld bieten, um die Grundbedürfnisse der Arbeitnehmer zu erfüllen und ein wichtiger Schutzfaktor sind, um schwerwiegenderen Formen von Arbeitsmissbrauch wie Zwangsarbeit vorzubeugen. Die Versprechen der Unternehmen, in globalen Lieferketten existenzsichernde Löhne zu zahlen, haben jedoch wenig oder keine Wirkung gezeigt. Die vorliegende Arbeit untersucht die theoretische und praktische Seite freiwilligen Handelns auf Unternehmensebene und zeigt auf, inwieweit es zu realen Veränderungen in der Industrie führen kann.

Die Arbeit wurde im renommierten „Philosophy & Economics“-Programm unter der Betreuung von Prof. Dr. Dr. Alexander Brink verfasst.

Wir wünschen den Leser*innen eine spannende Lektüre!

Die Herausgeber

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**“Living wages in the garment industry – a case study on corporate
commitment and strategy”**

Submitted by: Jonathan Dörr

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1. Introduction

Today, various new difficulties of an economic, social, and environmental character are being faced by the globe. The climate crisis forces both governments and corporations to reevaluate and adjust their practices. The capitalistic system of today may not be the economic system of tomorrow.¹ A shift from the shareholder perspective is needed, towards an economy that provides profits for all stakeholders.² In times of multiple crisis, social risks are growing quickly. The Covid-19 outbreak and increasing inflation place a tremendous amount of pressure, especially on people with a low income. Businesses are currently dealing with uncertain markets and unforeseen externalities.³ As a result, worldwide textile and garment commerce has become more dynamic in recent decades, resulting in rapid trends in global textile and garment manufacturing. Furthermore, growing competition in prices and quality puts further strain on suppliers and brands.⁴ The necessity to internationalize production began decades ago and has become vital for acquiring or preserving competitive advantages while also growing supply chain complexity to the point where many companies are unable to trace their manufacturing locations and map out their supply chain. Multinational garment corporations have long been criticized for breaches of human rights in their supply chains. Wage theft and other abuses of worker rights have become common in recent decades.⁵ Another problem in the garment industry is the practice of sub-standard wages, which is documented by nearly four decades of research.⁶ A survey conducted by the Clean Clothes Campaign shows, that 19 of 20 of the companies examined cannot show any evidence of a Living Wage (LW) being paid to any worker.⁷ Since the turn of the century, major firms purchasing goods from low-wage nations throughout the world have agreed on paper that salaries should be sufficient to support worker's fundamental necessities. Despite this, employees and their families remain impoverished after two decades. For all of this time, the garment industry has relied on low-wage labor to generate large profits.⁸ Their ostensible 'commitments' to ensure adequate

¹ Delanty 2019: p. 16f.

² Barford et al. 2022: p. 3.

³ Mack et al. 2016: p. 8.

⁴ Mikusz et al. 2016: p. 28f.

⁵ Anner 2019: p. 705f.

⁶ Chan and Siu 2010: p. 171.

⁷ Bryher et al. 2019: p. 23.

⁸ Bryher et al. 2019: p. 4.

compensation have shown little or no effect. Furthermore, the garment industry employs an estimated of 60 million people, with around 80% women, and is concentrated primarily in low and lower-middle income nations.⁹ The geographic extent of value chains is frequently determined by differences in labor specialization, manufacturing cost, productivity, and bargaining strength. The textile and garment industry, in particular, demonstrates the effects of globalization by shifting production from industrialized regions to promising places in emerging countries. This occurs at the expense of increasing the complexity of supply chain architecture and material flows, as well as decreasing transparency and controllability. As one of the world's most globalized sectors, developing an economically viable and stable textile supply chain is one of the most difficult jobs in supply chain management.¹⁰ In the leading garment production countries, mainly emerging countries in Asia or eastern Europe, a strong link between the textile industry's growth and the country's economic outlook can be established.¹¹ To mitigate the negative impacts of the challenges outlined, wage adjustments are a key pillar of the mitigation process, increasing purchasing power and protecting low-income people from poverty and social exclusion.¹²

For more than two decades, civil society, unions, workers, and legislators have consistently pressured multi-national companies that dominate fashion supply chains to address these violations and improve labor standards. In response to such challenges, firms have pledged to pay living wages throughout their supply chains. Living wages are crucial because they offer enough money to meet employees' basic needs and can be a key protective factor in preventing more serious kinds of labor abuse, such as forced labor. They can also help low-wage workers advance their positions in supply networks. As a result, corporate promises to pay living wages throughout global supply chains have the potential to have significant economic consequences for employees and their families. This is particularly true in nations where export manufacturing is a prominent component of industrial strategy. In a context in which multi-national corporations are taking on functions and powers traditionally exercised by states and given the relationship between global supply chains and inequality, pledges to

⁹ LeBaron et al. 2022: p. 100.

¹⁰ Warasthe et al. 2022: p. 2f.

¹¹ Sajib et al. 2011: p. 4.

¹² Fairwear Foundation 2019: p. 5.

provide decent wages by various corporations should be investigated.¹³ With the enhanced focus on Corporate Social Responsibility, corporations need to explain their responsibility for low wages in producing countries. But insights of the corporate side are rather rare. Fortunately, the well-known backpack company Deuter offered the possibility to study their strategic approach regarding their Living Wage pilot project. In this project Deuter aims to increase wages throughout the supply chain. The focus lies here on a production partner in Vietnam. In this work the theoretical and the practical side on corporate level shall be examined. The question remains if voluntary action by corporations, contrary to yet known failures, can lead to real change in the industry.

The work proceeds as follows, first the topic is prepared theoretically with the philosophical foundations and methodological approaches. In the third chapter the company Deuter is presented and important features of their sourcing and sustainability strategy are explained. Then Deuter's Living Wage strategy is analyzed with a focus on wage analysis and implementation.

2. Theory of a Living Wage

In this chapter the theoretical background of a Living Wage (LW) shall be examined. First, the concept is placed in its philosophical and historical context. Second a definition is presented, and corresponding concepts are explained. In the third part of this chapter the motivation and justification, why a LW should be paid, is outlined. Then different methodologies are looked at and furthermore how a LW can be calculated. At the end of this chapter some factors that can inhibit the payment of a LW are illuminated.

2.1 Philosophical & historical Context

The idea of a LW has already been presented in the works of ancient Greek philosophers, namely Plato and Aristotle. They based their arguments for an income based on needs in the context of the common good and the functioning of the state.¹⁴ Plato disliked the competition of the marketplace, he was concerned that the pursuit of wealth was disadvantageous in

¹³ LeBaron et al. 2022: p. 99.

¹⁴ Werner & Lim 2016: p. 436.

creating a functioning society based on virtuous behavior. Plato recognized that a division of labor was needed, but contrary to the idea of a marketplace regulating this process, he believed this process should take place so that each person found the occupation that was compatible with his natural abilities.¹⁵ This also was applicable to the rulers and guardians of the state. To keep them from being distracted by the attraction of money, he proposed that they should live a communal life with only the minimal livelihood they needed. Plato characterizes the basic needs of the minimum livelihood as follows:

“Are not necessary pleasures those of which we cannot get rid, and of which the satisfaction is a benefit to us? And they are rightly called so, because we are framed by nature to desire both what is beneficial and what is necessary, and cannot help it (...) We are not wrong therefore in calling them necessary? (...) And the desires of which a man may get rid, if he takes pains from his youth upward – of which the presence, moreover, does no good, and in some cases the reverse of good – shall we not be right in saying that all these are unnecessary?”¹⁶

We can see these characteristics as an early definition of a LW, based on the indispensable elements of life, and one that does not need a market to define it.

Aristotle focused on the need of households to be self-sustaining. The state had the responsibility to provide for the poor with means to earn an income that would enable them to reach a sustainable livelihood.¹⁷ Household management, *oikonomia*, involved the acquisition of the resources needed by the household, to meet basic needs and be self-sustaining. The best way to satisfy basic needs was to be self-sufficient and earn a living by productive labor that did not rely on exchanges for food supply. Therefore, Aristotle argued that while it is permissible to buy and sell to satisfy the desires of nature, it is not permissible to buy and sell for commercial purposes to satisfy the desires of unnatural luxuries. Aristotle regarded proper earned income as essential to establish self-reliance among all members of society, even though paid employment was not the rule in the ancient Greek city state. This argument takes Plato’s concept of a LW for guardians, rulers and philosophers and makes it more general. It is based on an approach of sustainability as the amount a human being needs to live.¹⁸

¹⁵ Plato as cited in Jowett 2012: p. 78.

¹⁶ Plato as cited in Jowett 2012: p. 335.

¹⁷ Aristotle as cited in Jowett 1905: p247f.

¹⁸ Stabile 2008: p. 14.

Aristotle's ideas had a long-lasting influence. In medieval times, St. Thomas Aquinas developed a system of economic thinking combining the holy scripture with Greek philosophy, especially Aristotle.¹⁹ Aquinas advocated for the payment of a just wage. The idea of a just wage was derived from the notion of a just price. Aquinas believed that it was morally acceptable for mankind to seek for material belongings in order to sustain themselves. He argued that in a money-based society prices had to be just to ensure that all members of society had access to basic necessities.²⁰ As long as there was not an excessive amount of market power on either side of the exchange and no one employed coercion, he considered it appropriate to utilize the market price as the just price.

In order to guarantee producers a living, the 'just' market price also had to cover the expenses of production. A just wage is what results when both the employer and the employee freely and voluntarily agree to the salary, much as a just price is what results from a combination of fair negotiation and informed consent. Worker's prospects of being virtuous were diminished by a wage rate that forced works below the subsistence threshold, therefore it was considered unjust.²¹

Adam Smith is viewed as a central figure regarding the market System with his first systematic study of market economics, his book, *The Wealth of Nations*. Although Smith is considered the first proponent of the free market economy, with his often cited 'invisible hand', he believed in paying all workers at least what today we would call a LW because it would ultimately benefit society in the form of increased productivity, wealth distribution and economic growth, as well as for reasons of fairness.²²

"Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, clothe, and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, clothed and lodged."²³

¹⁹ Stabile 2008: p. 15.

²⁰ Aquinas 1947: p. 3437f.

²¹ Stabile 2008: p. 15.

²² Clary 2009.

²³ Smith 2005: p. 70.

Smith thus adhered to a social measure of subsistence. Social subsistence requires that labor should be able to purchase with its wages those things that allow a person to live a moderately comfortable life and a relatively decent life. Smith argued that labor should receive an equitable share of the output it produces. He made the measure of equity into a relative, social measure that calls for a 'tolerable' provisioning of goods or an income that would enable such a provision by comparing the rewards of labor to those of the entire society. These provisions influence the wage rate, for "the money price of labour is necessarily regulated by two circumstances; the demand for labour, and the price of the necessaries and conveniencies of life."²⁴ Here we see that for defining the wage rate Smith embraced the market price building, but with one important restriction, the wage must cover at a minimum the necessaries of a basic livelihood. The social definition of a LW, Smith sketches, is quite similar to the modern concept of the LW.

In the more recent literature, Ryan, Waltman and Stabile made the most extensive and important contributions to the subject of LWs in the 20th century. Their arguments draw on a range of well-known moral and economic theories and concepts, but in a time of neoliberalism, globalization and weakening of the welfare state, they may take on new importance.²⁵

In his main work "A Living Wage – Its ethical and economic aspects" Ryan's key argument is that the claim of the laborer to a living wage is of the nature of a right, which belongs to all laborers. It is an individual natural right, derived from each individual's rational nature, and not conferred upon him.²⁶ Ryan sees natural rights as absolute, absolute in the sense that does not depend on anyone except the person whom they inhere. "They are absolute in existence but not in extent."²⁷ The LW is needed for the laborer to live a decent livelihood, as Ryan argues that every human has an imperishable right to a livelihood from the common bounty of nature. Which is defined by Ryan as "a decent livelihood for the adult male laborer means a wage capable of maintaining himself, his wife, and those of his children who are too young to be self- supporting, in a condition of reasonable comfort."²⁸ According to Ryan, the

²⁴ Smith 2005: p. 76.

²⁵ Werner & Lim 2016: p. 436.

²⁶ Ryan 1912: p. 43.

²⁷ Ryan 1912: p. 45.

²⁸ Ryan 1912: p. 123.

requirement to pay a LW is primarily a matter of distributive justice rather than production because it aims to enable one group of individuals to secure a portion of the national product that is now routinely obtained by other groups.²⁹

Waltman proposes a different argument in his book 'A Case for the Living Wage'. He based his argument in favor of a LW on civic republicanism and seeks to defend it against the more dominant view of liberal individualism. In short, civic republicanism is a tradition of political thought centered on the combination of individual liberty and civic participation promoting the common good.³⁰ Whereas liberal individualism puts the sanctity of the individual at the forefront and the thereby endowed fundamental right to liberty. It follows, that all individuals should live their lives according to their preferences and no one can define the good life for another.³¹ As Aristotle and Plato already argued, Waltman sees individual citizens embedded in society. The role of a citizen is a natural part of life, and he argues that individual citizens must be intimately connected to the community, and their interests are inseparable from those of the community.³² Waltman holds the view that poverty and severe inequality are unacceptable, which he believes contradicts civic-republican ideas. Following he argues that "the living wage is the most appropriate antidote to the twin problems of poverty and inequality."³³ In terms of poverty, he argues that every citizen should be autonomous and able to make decisions for themselves, and that a LW can help people reach a threshold of autonomy.³⁴ Material inequality, on the other hand, can undermine the foundation for legal and political equality, upon which contemporary nations are constructed. Because radically divergent incomes lead to the separation of the rich and the poor in one society.³⁵ Waltman believes that a LW would decrease poverty radically and make citizens more equal. As a political scientist he stressed the relatively simple design and uncomplicated enforcement mechanisms on a political level.³⁶

The most recent of the mentioned proponents is Donald Stabile. He puts the discussion around the LW in the context between the 'neoclassical' market economy and the moral or

²⁹ Ryan 1912: p. 122.

³⁰ Maynor 2013.

³¹ Waltman 2004: p. 11.

³² Waltman 2004: p. 14.

³³ Waltman 2004: p. 85.

³⁴ Waltman 2004: p. 17.

³⁵ Waltman 2004: p. 24.

³⁶ Waltman 2004: p. 85.

social economy. In market economy theory the value-added approach is widespread. In this thinking “wages represent a market estimation of what a worker adds to the production of goods and services that society wants.”³⁷ In this logic, low wages are associated with low productivity, and if these workers would receive higher wages, that means, that income is transferred from someone else. Moreover, the market system relies heavily on incentives and paying workers a LW may temper with this incentive structure. But for these assumptions to work, market economists refer to the model of perfect competition, which puts workers and employers in equal bargaining positions.³⁸ But this is an unrealistic model, as in the real world employers usually enjoy more power than workers, especially in the ununionized low wage sector.³⁹ Ryan already has vehemently opposed this idea of limitless negotiation with the assumption of equal power between the two parties as the foundation for wage fairness.⁴⁰ Referring to the concept of productivity, Ryan argues that because of ignorance, immobility, or lack of assertiveness, many workers are paid far less than the value of the group's marginal product, and that wages tend to regress to that of its least productive members.⁴¹ Consequently wages are not tightly linked to the productivity of the workers. This also holds true for top end earners where high managerial salaries do not necessarily go hand in hand with high productivity.⁴² In his book “The Living Wage – Lessons from the History of Economic Thought”, Stabile highlights three important themes, on which he grounds his arguments in favor of the LW. The themes are sustainability, capability, and externality. These themes can also be found, to larger or lesser extent, in the writings of Waltman and Ryan. They provide the structure in the following, in which Stabile’s arguments for the LW will be presented. Stabile’s first argument refers to the sustainability of workers. He grounds this argument for sustainability on a systemic, social utility view. He argues that workers should be paid a LW, because it enables them to sustain themselves.⁴³ The argument that wages must be sufficient to maintain labor was also made by Smith.⁴⁴ In the case of low wages, workers would be coerced to work for long hours, which would decrease their strength and longevity. Without

³⁷ Stabile 2008: p. 2.

³⁸ Stabile 2008: p. 10.

³⁹ Stabile 2008: p. 56.

⁴⁰ Ryan 1912: p. 4f.

⁴¹ Ryan 1912: p. 231f.

⁴² Perel 2003: p. 382.

⁴³ Stabile 2008: p. 4.

⁴⁴ Clary 2009: p. 1066.

earning a LW these laborers might not be able to sustain themselves or their families and as a result there might be a decrease of the labor resource. Leaving workers in a precarious situation may also pose challenges for businesses to operate in such a society.⁴⁵ Following thinkers like Marx, Stabile stated that a LW is more than just surviving and sustaining the workforce. Hence, he put LWs and subsistence in the context of relative poverty. The concept of relative poverty looks at the relation, of what goods can be purchased from a low wage in comparison to the goods that can be purchased by the wealthy in a society. An important further point for Stabile is, that subsistent wages should also enable workers to participate in society.⁴⁶ This gives rise to discussion and debate as to what 'subsistence' needs should include.

Additional to the sustainability argument, Stabile argues that a LW should enable workers to improve their capability.⁴⁷ Stabile explicitly refers to Amartya Sen, who coined the capability approach. Sen makes a distinction between functionalities, commodities, and capabilities. He contends that although it is not the sole one, income is a significant means to capabilities. According to Sen's theory, a person's access to certain goods will depend on their environment. As a result, even relative income deprivation (such as being relatively poor in a wealthy country) can result in absolute capability deprivation because more revenue is required to purchase enough commodities to accomplish the same functionings.⁴⁸ The capability approach states that while examining wages, we also need to consider whether those earnings allow employees to expand their capabilities as workers and members of society, as well as the capabilities of their children. At the most fundamental level, it entails skills like reading and writing, good health, the right to vote and the capacity for happiness. In wealthy economies it may include knowledge of computers, access to the internet, expensive running shoes for exercise, and organic tomatoes for wholesome diet. Furthermore, the capability approach goes beyond wages, it carries the idea that working conditions matter. Employees who earn a decent wage und working conditions that reduce their capability as a

⁴⁵ Stabile 2008: p. 4.

⁴⁶ Stabile 2008: p. 55f.

⁴⁷ Stabile 2008: p. 5.

⁴⁸ Sen 1999: p. 73ff.

worker and as a member of society, it may not be considered a LW. In conclusion it means, a LW is not a fixed amount defined by the costs of necessary bundle of goods and services.⁴⁹

The third theme Stabile is grounding his argumentation on is externality. Externality relates to the fact that low wages impose costs on others in society.⁵⁰ Externality refers back to the notion of subsistence. If workers are not payed a subsistent wage, it exhausts workers and depletes the national human resource. A more systemic externality would be, that through paying below subsistence wages, incompetent employers continue to exist instead of more competent employers. In a more contemporary context low wages impose costs on society, as low wage earners often are dependent on the welfare state in subsidizing them to live an acceptable life. In this case the public subsidizes employers who can continue to use workers as a low-cost resource.⁵¹

2.2 Definition and corresponding concepts

There are competing and contested definitions for what precisely constitutes a LW. Most converge around the idea that a LW should cover ‘basic’ needs of both a worker and their family beyond ‘mere subsistence’ enabling participation in society and some scope for workers and their families to insure against unforeseen shocks⁵² in a way that is suitable for their geo- graphical situation.⁵³ The definitions we look at in the following are mostly related to the garment industry. But there are also definitions enshrined in more general institutions like the International Labour Organisation (ILO) or the United Nations (UN). For example, the Ethical Trading Initiative (ETI) defines the Living Wage in its Base Code:

“Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.”⁵⁴

⁴⁹ Stabile 2008: p. 6.

⁵⁰ Stabile 2008: p. 7.

⁵¹ Werner & Lim 2016: p. 438f.

⁵² Parker et al. 2016: p. 1.

⁵³ Anker and Anker 2017: p. 25f.

⁵⁴ ETI 2016:p. 4.

Clary gives a partially more detailed definition as a Living Wage is,

“a wage equivalent to the poverty line for a family of four, or the amount of income generated by such a wage that would allow such a family to secure the food, shelter, clothing, health care, transportation, and other necessities of living in modern society.”⁵⁵

The Fairwear Foundation states more shortly, that a Living Wage should cover “basic needs and some discretionary income”.⁵⁶ Where they refer back to the definition in the ILO Conventions 26 and 131:

“Wages and benefits paid for a standard working week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income.”⁵⁷

While these definitions often rely on similar key concepts, these concepts relevant to LWs are interpreted differently. For example, ‘basic needs’ typically include food, housing and clothing, but definitions used by NGOs differ as to whether these needs include education, health care, childcare and transportation.⁵⁸ The flexibility of component definitions reflects the ‘essential relativism’ and contextual specificity of the LW concept and related living standard concepts, as norms for LWs also vary across regions and industries.⁵⁹ For instance, definitions for the global south often include the condition that a LW must be earned in a standard workweek, also NGO definitions often include the need for discretionary income or savings for unforeseen events.⁶⁰ This is important especially in the context, where workers without savings are exposed to exploitative labor practices.⁶¹ Whereas in definitions more centered on LWs in the global north often account for taxation and focus on the necessary ‘take home wage’⁶², International Organizations fall short in establishing a harmonized definition for key concepts like ‘basic needs’, ‘standard workweek’ or appropriate levels for discretionary income.⁶³

⁵⁵ Clary 2009: p. 1065.

⁵⁶ Fairwear Foundation 2019: p. 5.

⁵⁷ cited in Fairwear Foundation 2019: p. 5.

⁵⁸ Anker 2011: p. 21.

⁵⁹ Parker et al. 2016: p.1.

⁶⁰ Anker 2011: p. 21ff.

⁶¹ LeBaron et al. 2022: p. 102.

⁶² Luce 2017: p. 869.

⁶³ LeBaron et al. 2022: p. 102.

For the purpose of differentiation, some additional terms that play a role in the context of LWs will be explained below. The first concept to differentiate is the national or legal Minimum Wage. The Minimum Wage is a legal threshold, it is defined as the minimum pay during a given period which workers must receive and cannot be reduced by collective agreement or individual bargaining.⁶⁴ Minimum wages should be understood as a 'wage floor' for unorganized labor.⁶⁵ Legal Minimum Wages are not necessarily LWs and are set often well below. Considerations of competitiveness in a global economy often play a role in relatively low Minimum Wages. A very similar concept to LWs is the Living Income. The concept of LWs only applies to wage earners. The concept does not apply to, for example, agriculturists who work for their own account, such as banana or cocoa farmers. The Living Income is defined by Eschborn as, "A Living Income is the net income of a household earned/generated under conditions of decent work, sufficient to enable all members of the (average) household to afford a decent standard of living."⁶⁶ This definition includes all workers, not just workers in an employee employer relationship who earn wages.

A further notion, that goes beyond the requirements of a Living Wage or a Living Income, is the concept of a Fair Wage. Vaughan-Whitehead uses a general definition and an extended definition. His general definition is "Fair wages refer to 'company practices that lead to sustainable wage developments.'"⁶⁷ This definition seems broad and leaves a lot of room for interpretation. Therefore VW gives also a more detailed definition, which is the following, is "Fair wages refer to 'Wage levels and wage-fixing mechanisms that provide a living wage floor for workers, while complying with national wage regulations (such as the minimum wage, payment of wages, overtime payments, provision of paid holidays and social insurance payments) ensure proper wage adjustments and lead to balanced wage developments in the company (with regard to wage disparity, skills, individual and collective performance and adequate internal communication and collective bargaining on wage issues)."⁶⁸

With all these concepts in mind, there a useful figure can be build, the so-called Wage Ladder. This figure sets all four concepts of Income in a relation and adding the actual wages of a

⁶⁴ International Labour Organization 2015.

⁶⁵ Figart 2004: p. 2.

⁶⁶ Bronkhorst 2020: p. 21.

⁶⁷ Vaughan-Whitehead 2010: p. 66.

⁶⁸ Vaughan-Whitehead 2010: p. 66.

worker or the wages in a factory can help to analyze the status quo . The legal minimum wage is often below the LW, but in some cases, it is higher than the LW, going in the direction of a fair wage. The LW is the bottom line for a fair wage. The fair wage can be more than the LW, but never lower, because LW is one of the elements of a fair wage. This is in line with the approach taken by Vaughan-Whitehead. The actual wage represents the pay, that workers actually receive.⁶⁹ The distance between the actual wage and the LW is called the Living Wage Gap⁷⁰. From this analysis goals can be set, and measures applied, to close the Wage Gap.



Figure 1 Wage Ladder⁷¹

2.3 Why a Living Wage should be paid

In this chapter we examine the motivation why a LW should be paid. In the following a philosophical argument and an economic argument will be presented and a legal one in form of international declarations.

Some philosophical arguments were already discussed in chapter 2.1. They range from establishing the LW as a natural right for humans, as Ryan stated, to a more community centered view as the likes of Aristotle, Plato and Waltman discussed. But also, economic considerations play a role in supporting a LW, as Smith saw the LW as an important tool for

⁶⁹ Bronkhorst 2010: p. 24.
⁷⁰ Barford et al. 2022: p. 6.
⁷¹ Adapted from Bronkhorst 2020: p. 24.

sustainable reproduction of labor and economic growth. Stabile made the argument that a LW should be paid to account for the Sustainability, Capability and Externality.⁷²

In a 2022 Research Paper multiple business benefits of paying a LW were identified. The authors categorized the benefits in three spheres, 'core operations', 'value chains' and 'operating environment', with multiple business benefits in each sphere. In 'core operations' they examined that LWs lead to lower staff turnover, which reduces costs because less training and recruitment is needed. Employees stay at a company because they can afford to and want to. They develop better skills and contribute to organizational memory, and also provide on-the-job support for newer employees. Additionally, LWs support a more motivated and more productive workforce, by improving morale and commitment. This benefit is closely linked to better health, reduced absenteeism, and better economic security. An improved relationship between workers and managers were also identified and employee loyalty increased. Overall, there are early signs, that the payment of LWs can lead to increased revenues and profits.

The results regarding the sphere 'value chains' were, that LWs support value chain stability, performance, and resilience and are essential to responsible sourcing strategies. Spending on procurement is being shifted by businesses to dependable suppliers that uphold similar standards and principles. Ring-fencing labor expenses in price negotiations and funding supplier development are examples of ethical procurement practices. Businesses emphasize a link between supplier performance and how they treat employees. The interviewees for this article found that successful suppliers place a strong focus on paying their employees fairly and providing for their wellbeing. LWs provide a quantifiable solution to lower labor management expenses while increasing the transparency of the supply chain and social effect. By minimizing the amount of time needed to manage labor concerns, which frequently result from low salaries, LWs can result in cost savings.

According to the research, LWs create benefits and positive developments in the company's broader operating environment. These are for example, that Consumers look for ethical businesses more and more, and paying a decent wage may have a significant reputational impact. Paying direct employees and those in the supply chain a livable wage can raise their discretionary incomes, expanding the market in important neighborhoods and bringing in new

⁷² See p. 3ff.

clients. The ‘Social’ in the Environmental, Social, and Corporate Governance (ESG) area is now, leading investors are realizing more and more. Investors are particularly interested in the livable wage because of its potential for measurement. Investor indices are increasingly emphasizing the payment of LWs. The main long-term motivation for investors to support action on LWs is to reduce the systemic danger of poverty and inequality. The legal and regulatory context gives LWs more and more priority. Paying LWs proactively might aid in anticipating or preparing for upcoming reporting and regulatory needs. In the future, it is conceivable that firms will adopt the payment of LWs as a new labor norm. Wage rises support social progress by boosting local economies and creating beneficial ripple effects. Paying decent salaries along global supply chains might lessen the pressures that lead young people to leave their home nations in pursuit of employment.⁷³

In addition to the benefits businesses can gain from paying LWs, the argument could be made it is the legal obligation of business or it at least will be in the near future. The right to receive a LW is embedded in the Universal Declaration of Human Rights and in the 1970 ILO Constitution.⁷⁴ For example, Article 23.3 of the Universal Declaration of Human Rights states: “Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.”⁷⁵ Taken into account the developments regarding the German Act on Corporate Due Diligence in Supply Chains and following proposal for a similar more stringent law in the European union, businesses should expect that environmental and social issues in their supply chain become legal issues.

2.4 Methodologies

According to Werner and Lim, there are three methods for ‘calculating’ the LW in the literature. The first approach is that workers negotiate a LW themselves with their employers.⁷⁶ This concept is often embraced by NGOs, as they have a high focus on social dialogue in producing countries.⁷⁷ But this approach can be perceived challenging in countries,

⁷³ Barford et al. 2022: p. 9ff.

⁷⁴ International Labour Organization 1970.

⁷⁵ United Nations n/a.

⁷⁶ Werner & Lim 2016: p. 439.

⁷⁷ Ethical Trading Initiative 2016: p. 24.

where organized labor is discouraged or even forbidden, and workers are often not equipped to engage with the concept of the LW and engage in discussions. For example, in Vietnam, a big producing country in the garment industry, there are no state independent unions allowed, which makes free bargaining between workers and employers almost impossible. The only existing Labor Union is the Vietnam General Confederation of Labour (VGCL) is directly linked to the Communist party in Vietnam.⁷⁸

A second concept of determining a LW, is using a relative Benchmark. Possible relative Benchmarks involve for example, a percentage of median earnings or a multiple percentage of the poverty threshold. However, this method is not often used.⁷⁹

In a third approach the LW is calculated with reference to an absolute benchmark. This absolute benchmark often includes a basket of necessary goods and services that a household needs to live a basic life and a decent standard of living. Regional differences are often considered regarding the varying cost of this necessary basket of goods.⁸⁰

In the following two important methodologies for the garment industry for the third approach shall be explained in more detail. The first method is the Anker methodology and the second is the AFW. The methodologies are mostly used in calculating a LW in Asia, but at least the Anker method can also be applied in other regions.

To calculate a LW, the Anker method uses the three main costs, food, housing, other essential needs, and adds a small margin for unforeseen events, to estimate the cost of a basic but decent living standard for a reference size family. The determination of a reference family size is very important for the Ankers, as they see the LW as a Family Wage. The methodology allows the family size to vary by country and location depending on average household size, fertility rate and child mortality in the corresponding area. For estimating the food cost a low-cost and nutritious diet is used, local prices determine the costs. The housing costs are estimated separately. For estimating the housing cost international healthy housing standards, local housing conditions, and local housing costs are used. To estimate the other essential needs for a household is more complicated. For food and housing costs a normative standard was applied, this is not practical regarding other essential needs. Therefore, the

⁷⁸ Fairwear Foundation 2021a: p. 14.

⁷⁹ Werner & Lim 2106: p. 440.

⁸⁰ Bronkhorst 2020: p. 18.

Anker method relies on secondary data from a household expenditure survey, to estimate the cost of other essential needs. The cost for these needs is estimated by multiplying the ratio of non-food and no-housing expenditures to food expenditures from the mentioned household expenditure survey by the cost-of-living wage model diet. To these three cost groups a small margin for unforeseen events is added. This margin is included to ensure that workers are not easily pressed into poverty by an illness, job loss or other unforeseen events.

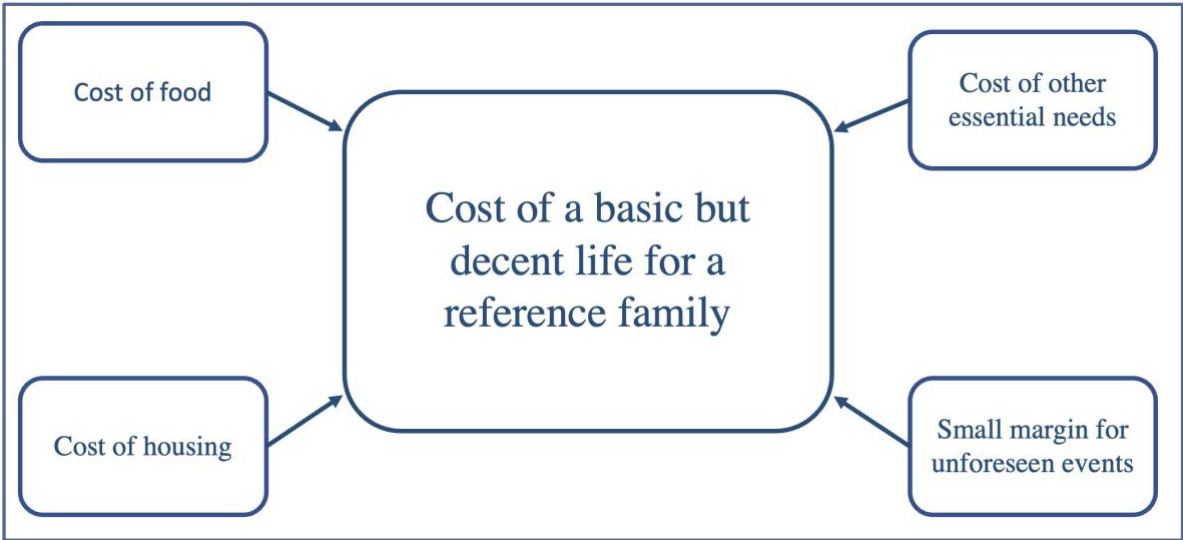


Figure 2 Cost of a basic but decent life⁸¹

To arrive from the cost of a basic but decent life to a net LW, the cost must be adapted to the number of workers per reference size family. This number is always between one and two full time workers per family, which depends on local conditions as labor force participation rates, unemployment rates and part-time employment rates. To get to a gross LW it is needed to add all statutory payroll deductions and income tax that would be assessed on a LW. Workers must receive enough take-home pay to afford a basic but decent standard of living. An important feature of the Anker methodology is that it stresses the differences of the cost of a basic but decent life varies greatly across countries and regions. The cost of housing and spending patterns are very different. Therefore, applying one LW estimate to a whole nation is not reasonable. At the very least, there ought to be different LWs for urban and rural areas. Larger countries need independent estimates of a LW for various areas and key cities. By estimating a LW, one side of the equation for comparing workers' present pay to a LW and assessing whether they are receiving a LW is provided. Prevailing earnings received

⁸¹ Adapted from Anker & Anker 2017: p. 19.

throughout the course of regular business hours make up the other half of the equation. Because compensation takes many different forms and is distributed in many ways, determining prevailing salaries is more complicated than it initially appears. Prevailing wages are calculated by totaling all kinds of compensation, omitting some forms of compensation like overtime and deferred benefits. Due to the debatable nature of in-kind benefits, special criteria are required on how to evaluate them.⁸²

The Asia Floor Wage (AFW) Campaign tries to establish a LW benchmark for all garment producing countries in Asia. First it must be defined, how 'basic needs' are understood in this framework. The AFW Campaign distinguishes in 'food-cost' and 'non-food cost'. In the factor 'non-food cost' all other essential needs, housing and a discretionary income are included. For 'food-cost' a food basket is chosen, which represents a caloric value of 3000, which is the recommended nutritional threshold by the ILO.⁸³ The costs are calculated for a classic working-class diet, e.g., food bought in street markets or local shops and prepared at home. For the 'non-food cost' the AFW Campaign argues that these costs vary greatly over time, climate, state provisions and other factors and it is therefore difficult to come up with a universal basket for 'non-food cost'. But there is a correlation between what a worker spends for food items and non-food items. Based on this assumption, the 'non-food cost' are calculated as a percentage of how much is spent on food. Based on studies in Indonesia, Bangladesh and India, the percentage of 'food-cost' to 'non-food cost' is settled at 50:50.⁸⁴ The AFW Campaign decided that wages should cover three "consumption units": two adults and two children. Children consume less than adults and are therefore charged half the consumption unit (adult). Therefore, the employer-to-dependent ratio is set to 1:3. A LW must be earned in the country's standard work week, but no more than 48 hours per week.⁸⁵ Since the AFW Campaign tries to make a comparable benchmark for Asian countries and only calculates the costs for a few countries, the data must be somehow extrapolated. Therefore, the AFW campaign uses the concept of Purchasing Power Parity (PPP) to maintain comparability through fluctuating exchange rates and different price levels in different countries. It also presents the possibility to extrapolate the AFW to countries where no food

⁸² Anker & Anker 2017: p. 17ff.

⁸³ Merk 2009: p. 48.

⁸⁴ Merk 2009: p. 49.

⁸⁵ Merk 2009: p. 50.

basket studies were done. The AFW for 2019 was set at 475PPP\$ and through the country specific conversion rate the country specific LW can be defined.⁸⁶ These two rather different approaches are embraced by a lot of NGOs and companies. But the different methodologies can lead to vastly different results. For example, the Anker Living Wage for Vietnam in 2020 for an urban area was 7.446.294 VND⁸⁷, as for contrast the AFW for Vietnam in 2020 was at 13,183,848 VND.⁸⁸ This shows a clear disparity between different methodologies, and it stresses the point to be aware of which methodology is used when discussing a LW.

2.5 Inhibiting factors

When looking at the topic of LW, there are some inhibiting or promoting factors for the payment of LWs. In this section some important factors shall be discussed, even though it will not be comprehensive. One big factor influencing the payment of LWs is the political landscape and regulation. Brands often operate on a global scale with insufficient regulation. The great majority of apparel is produced through supply chains that involve production in several legal jurisdictions. Most importantly, there is no unified regulatory framework that holds all supply chain participants responsible to the same set of norms and rules. This is a result of globalized production. Previously, manufacturers, merchants, customers, and employees were frequently bound by a single legal framework, making it relatively simple for all players to understand and uphold their individual commitments to one another.⁸⁹ Another important point related to politics is, that in many production countries the freedom of association and collective bargaining is restricted by law. Wage levels for garment workers are rarely determined by collective bargaining. Wages seldom fulfill employees' basic requirements in the absence of serious wage discussions since the organization of labor helps in power balance and negotiation.⁹⁰ Another important factor inhibiting the payment of a LW lies on the side of brands. Through their purchasing practices and sourcing strategy, they can have a negative influence on wages. Recent studies reveal how large clothing corporations impose enormous pressure upon a wide array of suppliers through their purchasing patterns.

⁸⁶ Merk 2009: p. 54ff.

⁸⁷ Prates et al. 2020: p. 1.

⁸⁸ Asia Floor Wage Campaign 2020.

⁸⁹ Fairwear Foundation 2019: p. 8.

⁹⁰ Fairwear Foundation 2019: p. 8.

This pressure, known as a 'pricing squeeze' or 'sourcing squeeze', can push suppliers to manufacture large quantities of items for the low prices given by lead businesses, which frequently go below production costs, making it hard to maintain wage requirements.⁹¹ Prices paid to manufacturers are based on companies' target margins, rather than the real costs of manufacturing. According to the Fairwear Foundation, businesses frequently evaluate a product's retail value and use expected retail statistics to set the product's target margin. In turn, the target margin affects the Freight on Board (FOB) or Cut-Make-Trim (CMT) pricing that the brand is willing to pay. Fair Wear refers to this as 'top-down pricing', which typically does not take into account the quantity of labor necessary to create the garment and the cost of that employment. Brands have no means of knowing if the prices they pay meet the expenses of living wages until these costs are considered. This fact is further exacerbated by long and diffuse supply chains and a highly competitive garment industry. The garment industry is extremely competitive in price and delivery time. Indeed, garment buyers have grown to anticipate low-cost, ever-changing options, putting significant strain on supply chains that are already stressed due to their length and dispersion. For a given season, several companies distribute manufacturing over 100 or more factories. Such manufacturing arrangements are typically short-lived, as brands compete to supply the demand for new trends while maintaining the largest profit. Furthermore, most contracts between brands and manufacturing facilities are restricted to orders per season or run; long-term contracts and commercial partnerships are the exception rather than the rule. The structure of the supply chains challenge or even block efforts in traceability and accountability for stakeholders along the supply chain.⁹² In the context of living wage debates, it is crucial to emphasize what may appear to be an obvious point: brands rarely own their manufacturing locations. As a result, they do not employ the people who create their products, which implies that brands do not have direct influence over the wages of their employees. Yet, brands often drive pricing conversations with suppliers. In most garment sourcing partnerships, this dynamic produces a mismatch between the entity with the money and power (i.e., the brand) and the business that has legal obligation to pay the workforce (i.e., factory management).⁹³ Another

⁹¹ LeBaron et al. 2022: p. 106.

⁹² Fairwear Foundation 2019: p. 8f.

⁹³ Fairwear Foundation 2019: p. 9.

complicating factor, when brands want to engage in LW projects is that they need production partners to strongly cooperate. This is important to receive comprehensive and credible wage data. But they are also important, to even understand how the wage system works at a given factory. Garment factories often work with a highly complicated incentive system, which is hard to understand for people not directly involved. Consequently, factories are needed to cooperate to understand the wage system at first and obviously to implement pay rises. But this cooperation is often hard to achieve, due to business practices that sow distrust.⁹⁴ At least these obstacles must be overcome to approach living wages.

3. Deuter the Company

In this section the Company of this case study is looked at. First some general facts and the sustainability program of the company is presented. This is followed by the purchasing practices sourcing strategy and the pricing process of the company.

3.1 Deuter facts & sustainability

Deuter is a German manufacturer of backpacks, sleeping bags and accessories, mainly focused on outdoor use. The brand was founded in 1898, by Hans Deuter who supplied the Royal Bavarian Post Service with postage bags and mail sacks. For decades, the backpack specialist has played a vital role in mountaineering history: Deuter backpacks proved their worth under extreme conditions on numerous expeditions – from the first ascent of the north face of the Eiger by Anderl Heckmair in 1938 to the 8.000 m peak climbs of Gerlinde Kaltenbrunner in recent days. Deuter depends on strong cooperation with the best athletes and professional mountaineers in the world to deliver the highest product performance. Among the numerous innovations was the ventilated back system which revolutionized the backpack market in the Mid-eighties. Deuter also introduced the first bike specific backpacks and has developed a complete women's range – all details of the SL packs are engineered for the female anatomy.⁹⁵ Today Deuter has around 150 employees.⁹⁶ 2006 the Schwan-Stabilo Holding incorporated

⁹⁴ Fairwear Foundation 2019: p. 9.

⁹⁵ Deuter 2022a.

⁹⁶ Deuter 2022b.

Deuter and today it builds the subgroup Outdoor of the Holding with other Outdoor brands, like Ortovox and Maier Sports.⁹⁷

For decades, deuter has engaged in social responsibility and worked on minimizing the negative impact of its business activities. Deuter is Member of the Fairwear Foundation since 2011 and is awarded the leader status since the year 2012.⁹⁸ In 2020, Deuter revised the company's entire CSR⁹⁹ strategy in a cross-departmental committee and turned it into a holistic, integrated plan with targeted, risk-based measures. The result is the so called "deuter Promise". Deuter developed quantifiable goals based on the UN's¹⁰⁰ 17 Sustainable Development Goals and defined time frames in which to achieve these. Corporate Social Responsibility spans all departments at Deuter and each and every employee contributes to it. In their holistic approach they identified six actionable areas in the two categories Planet & People. For each actionable area a risk assessment was conducted, and corresponding measures and goals were elaborated. The actionable areas are 'environmental protection', 'climate protection', and 'animal welfare, in the planet category, and 'customers', 'employees' and 'society', in the people category. In the, for this work relevant, actionable area 'employees' deuter identified a risk regarding wages in production countries. Therefore, Deuter set the goal, that 70% of the employees at the backpacking producing company in Vietnam receive a living wage until 2025, according to the Anker Benchmark.¹⁰¹ Further to the Fairwear Foundation Membership, deuter is member of the German Partnership for Sustainable Textiles (PfST) and works there in the alliance Initiative for Living Wages.

⁹⁷ Schwanhäuser Industrie Holding 2022.

⁹⁸ Deuter 2022a.

⁹⁹ CSR = Corporate Social Responsibility

¹⁰⁰ UN = United Nations

¹⁰¹ Deuter 2022c: p. 40.

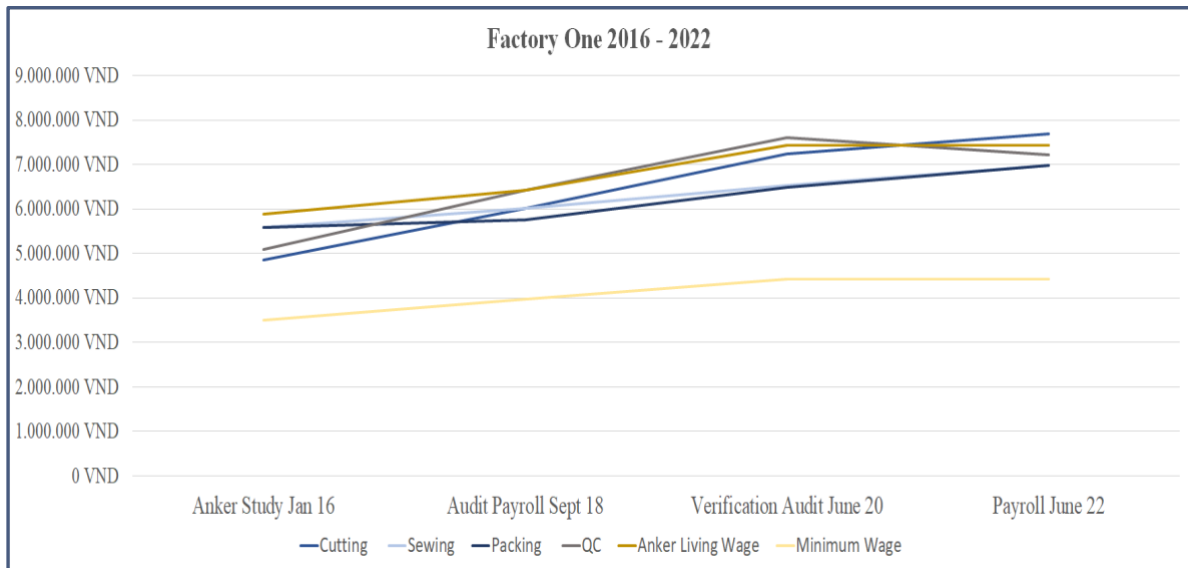


Figure 3 Wage Development¹⁰²

As a longtime member, Deuter endorses the LW definition of the Fairwear Foundation: “workers’ regular working hours should generate enough income to meet the basic needs of workers and their families, including some discretionary income.”¹⁰³

Since Deuter joined the Fairwear Foundation in 2012¹⁰⁴ the Company is working towards higher Wages. As illustrated in Figure 3, e. g. the Wages in one factory Vietnam were rising over the last six years. Wages are developing at least at the rate the minimum wage increases or even a bit more. But the Wage Level is still below a LW. Therefore, Deuter joined the working group ‘Living Wage Lab’ on living wages of the Partnership for sustainable textiles. In this working group Deuter collaborates with other brands and NGOs to reach a LW in a pilot project.¹⁰⁵ For this project Deuter selected its long-term production partner in Vietnam. With the start of this initiative in September 2022 Deuter’s approach towards LW changed. From a standpoint of accepting Wage increases when they were proposed by its production partner, to a more proactive approach in working towards a LW with their production partner in Vietnam.¹⁰⁶

¹⁰² Deuter 2022c: p. 49.

¹⁰³ Fairwear Foundation 2019: p. 5.

¹⁰⁴ Deuter 2022a.

¹⁰⁵ Deuter 2022c: p. 40.

¹⁰⁶ Partnership for sustainable Textiles 2021.

3.2 Sourcing Strategy

Deuter’s sourcing strategy is to obtain all of its products from just two suppliers. The company values long-lasting relationships built on mutual respect and trust. Since 1991, Deuter established a production partnership with Duke, the company that produces backpacks for Deuter. Since 1994, Duke has manufactured the entire Deuter collection of backpacks, producing almost exclusively all of their orders (99%). With the sleeping bag manufacturer Bellmart, Deuter is in a business partnership for 19 years. Bellmart produced in two factories in China and Myanmar. Until recently they shifted all the production to Myanmar.

Deuter’s production partners nominate suitable suppliers for trims and Materials, or they work together with suppliers nominated by Deuter. In this process aspects of quality, sustainability and lead times are taken into consideration. Changes in materials, by the brand, must be made with appropriate lead times and well before the production starts, this allows timely purchasing and eliminates effects on working hours and manufacturing schedules. Deuter does not have a specialized Sourcing Department, as switching or adding suppliers to the production portfolio rarely happens. The supply chain management is responsible for the production planning and stays in close contact to the suppliers.¹⁰⁷

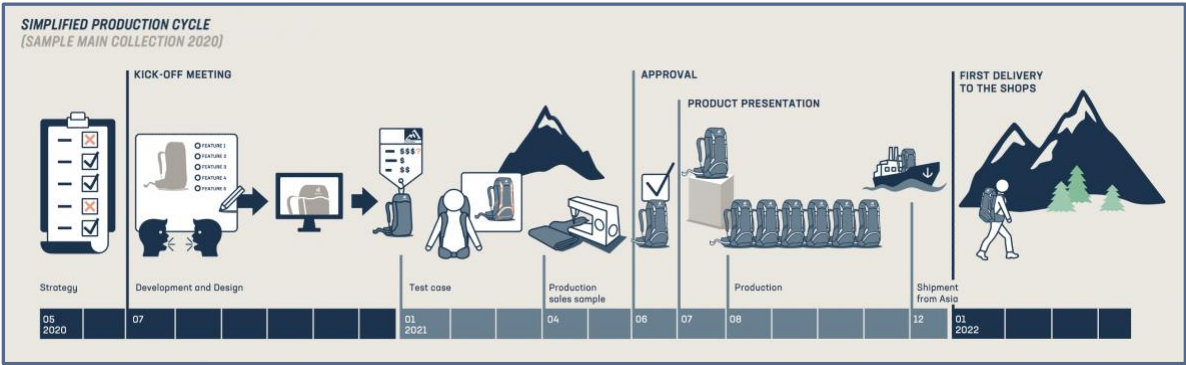


Figure 4 Simplified Production Cycle¹⁰⁸

Deuter releases one main collection each year in addition to a reduced winter range. At the Outdoor by ISPO international sports trade show in Munich, Germany, the main collection is typically on display in the summer. At the ISPO in November the winter collection is presented. About one-third of the collection is made up of new products every year. Most items stay in

¹⁰⁷ Deuter 2022c: p. 15.

¹⁰⁸ Deuter 2022c: p. 14.

the collection for at least three years, with the exception of minor alterations or color changes. For instance, a Deuter classic like the Trans Alpine bike backpack, has been part of the collection for 20+ years now. Long lead times and advanced planning reduces the risk for Overtime and subcontracting because there is enough time to plan the production at normal capacity.¹⁰⁹

3.3 Pricing

The pricing process is based on an open discussion with the production partners. The production partners calculate the price of the products being developed based on Deuter's designs and material requirements. Prices are adjusted during the prototype phase, so are the products to achieve targets and a more competitive price point. In this process, Deuter does not squeeze prices and the negotiation happens on equal footing. Business practices like benchmarking the price of different suppliers in order to find the cheapest offer is not the Deuter conducts business. The fixed costs of materials, wages or wage increases are taken into consideration during price negotiations. Deuter assumes that their partners offer fair prices, because they are in an interdependent business partnership, and they believe that trust is the best foundation and puts them in a good position in the long run. Deuter relies heavily on the know-how, the reliability, and the quality of his partners . Since deuter is dependent on them to a certain degree, they need to assure that the business of their production partners is also running well and financially resilient. Deuter also provides their manufacturing partners all the information and tools they need to be able to set prices and wages in a transparent and fair way.¹¹⁰ In greater detail that means, when it comes to pricing, Deuter works closely with their key Vietnamese supplier. Following product development, sample pricing is implemented in Deuter's PLM system, covering material, labor, and overhead expenses. Deuter establishes an internal target price that is exclusively used within the company. The supplier is then asked for a sample and a price. If the supplier's pricing does not meet the brand's internal price objective, Deuter will redevelop the product to lower material

¹⁰⁹ Deuter 2022c: p. 15.

¹¹⁰ Deuter 2022c: p. 15.

costs or workmanship but will not negotiate the price with the supplier. Deuter decided to set an average labor costs percentages for all of its items from this supplier because it buys 99% to 100% of the supplier's capacity. This enables Deuter to address and monitor wages more effectively on the basis of a total purchasing price. Deuter's Product-Lifecycle-Management (PLM) system includes labor cost percentages per item. The PLM system provides a good perspective of material costs, labor expenses, and overhead costs. Buyers are not permitted to settle on a price without taking these costs into consideration. Furthermore, the Vietnamese manufacturer has a Working Process Analysts Team to advance in more efficient workmanship. This procedure includes time measurement and benchmarking specific workmanship. The CEOs discuss prices twice a year, and developments such as pay rises, currency changes, and material cost increases are mentioned. Because the supplier is the exclusive supplier of backpacks, there is no price competition, resulting in price pressure. Deuter keeps track of actual salary levels as well as increases in legal minimum wage rates. Furthermore, the member brand employs audit reports to ensure that the required minimum wage is paid. Wage increases are always explicitly stated by the supplier and often accepted by the member brand due to the close relationship.¹¹¹

4. Deuter the Strategy

As previously mentioned, deuter made the commitment, that 70% of the employees at the backpacking producing company in Vietnam receive a living wage until 2025, according to the Anker method. This section will look at Deuter's strategy on how the company intends to achieve living wage payments. A big part of the company's CSR engagement circles around the multistakeholder organizations, as the Fairwear Foundation and the Partnership for sustainable Textiles. As a member of the working group on Living Wages, Deuter mostly adopted the strategy guideline proposed by the Partnership for sustainable Textiles. The overall strategy and important steps shall be covered in the next section. In the following two sections, the Wage Gap analysis and the Implementation strategy will be presented in greater detail. In the last section of this chapter problems and the outlook of the project will be discussed.

¹¹¹ Fairwear Foundation 2021b: p. 14.

4.1 Strategy to increase wages

Deuter's strategy for the Living Wage project in Vietnam is based on the suggestions by the partnership for sustainable textiles, which lies near due to the activities of Deuter in the working group on Living Wages of the Partnership for sustainable Textiles. The guideline can be broken down into five steps. These five steps are: 1. Commit to a production partner & factories, 2. Analyze the Wage situation, 3. Analyze Purchasing practices and sourcing strategy, 4. Define a strategy and policies for living Wages, 5. Implement strategy.¹¹² Each of these steps will be explained in further detail and linked to Deuter's practical actions. It is important to note, that the order of these steps is not set in stone. Another important step in the strategy development, aside from the previously mentioned, is to have CEO commitment. CEO commitment was picked up during the development of the sustainability strategy and was codified through the public formulation of the Living wage goal.¹¹³ The next step revolves around choosing a production partner and factories for the project. Since Deuter only has two production partners the choice was not hard. The partnership with the backpack manufacturer accounts for around 90% of Deuter's revenue¹¹⁴ and so the choice fell on this partner and its two factories in Vietnam. Another argument to choose this partner was the long partnership and the fact that the company in Vietnam has its own CSR-Manager to closely work with.¹¹⁵ The second step is the analysis of the wage situation. The comprehensive Wage Gap analysis will be outlined in the next section. But an important step before analyzing the Wage situation is, to commit to a Living Wage Benchmark. Without a well-established benchmark, it is difficult to analyze and judge the wage data, because there is no Living Wage comparison. As noted earlier, Deuter chose the Living Wage Benchmark from the Global Living Wage Coalition for the urban Ho Chi Minh area in Vietnam, which is calculated according to the Anker method.¹¹⁶ Deuter chose this benchmark, because it is one of the only two available for this region. The other benchmark would have been the one by the Asia Floor Wage Campaign. But the advantages of the Anker benchmark are, that it focuses more on regional

¹¹² Partnership for Sustainable Textiles 2019: p. 8ff.

¹¹³ Deuter 2022c: p. 40.

¹¹⁴ Fairwear Foundation 2021b: p. 14.

¹¹⁵ n/a 2022: Background Interview.

¹¹⁶ Research Center for Employment Relations 2016: p. 3.

accuracy and is therefore more applicable. Deuter is using the Anker Benchmark, because the company views it as an appropriate methodology estimating the cost for a decent living for a standard family. Although it is practical because there is already an existing benchmark calculation for the region in which Deuter's partner is operating. Also, the Anker benchmark is almost 5.000.000 VND lower than the AFW. This makes it a lot more practical for the company to work in this direction and eventually reach the goal.¹¹⁷ Even though the discrepancy between the two benchmarks, the Anker benchmark is credible and well established in the industry. This is also shown by the fact, that the Fairwear Foundation approves this benchmark.¹¹⁸ Another crucial step before it was possible to analyze the wage data, obviously was to get the wage data. Due to the long and close partnership with their production partner, Deuter was able to convince them to share their payroll of June 2022, which build the base for the data analysis.¹¹⁹ After those crucial milestones, a comprehensive wage analysis could be conducted.¹²⁰ The next point in the guideline by PfST is the analysis of purchasing practices and sourcing strategy. This analysis was already done by Deuter in 2021. The company analyzed its purchasing practice with tools, developed by the ACT Collaborative.¹²¹ The tools consist of a self-assessment for the brand (Purchasing Practices Self-Assessment – PPSA) and a supplier survey (Purchasing Practices Assessment of Brands by Suppliers – PPA), filled out by production partners.¹²² Deuter also analyzed their purchasing practice and sourcing strategy in line with the risk analysis during the certification process for the Green Button¹²³. The analysis showed that Deuter's practices do not enhance unfavorable working conditions. For example, many risks can be avoided through long partnerships, long lead times in the design process, fair payment terms and no short notice order adjustments.¹²⁴ However, there is a potential for improvement in transparent pricing. As for now prices are set in a rather untransparent way, where the two companies decide prices on an informal

¹¹⁷ n/a, Background Interview.

¹¹⁸ Fairwear Foundation 2022.

¹¹⁹ Deuter 2022d: p. 15.

¹²⁰ 4.2 Wage Gap Analysis

¹²¹ ACT 2022a: Act is an agreement between 19 global brands and IndustriAll Global Union in pursuit of living wages for workers in textile and garment supply chains.

¹²² ACT 2022b.

¹²³ Green Button 2022: The Green Button is a government-run certification label for sustainable textiles.

¹²⁴ Deuter 2021a.

basis. Explicit data like, labor minute costs are not used yet.¹²⁵ These findings are also confirmed in their annual Brand Performance check by the Fairwear Foundation.¹²⁶ After the analysis of the wage situation and prevailing business practices, the next step is to define strategies and policies for Living Wages. The recognition of risks and an awareness of structural challenges to equitable pay are critical for progress. Based on this data, brands should develop a living wage plan and adjust existing policies accordingly. The plan must be carefully adjusted to each brand's business, taking into consideration its unique (company and sourcing) environment, capabilities, and limitations. Numerous elements will come into play here, including the business and sourcing model, size, resources, (local) setup, networks, and the internal maturity of due diligence procedures. There is no single recommended strategy template, metric hierarchy, or time and priority prescription. It is up to each organization to choose a realistic and effective approach.¹²⁷ In 2021 Deuter published a policy statement regarding business conduct and all sectoral risks in the garment industry, social and environmental. It defines practices which are binding for all production partners. It takes stands on issues like forced labor, discrimination, working hours, health, and safety and more. Especially on the topic of wages it states:

“All legal requirements relating to wages and benefits must be met. Wages must equal or exceed the minimum wage required by law or the prevailing industry wage, whichever is higher. In addition to compensation for regular working hours, employees must be compensated for overtime hours at the rate legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate exceeding the regular hourly compensation rate. Every worker has the right to be paid sufficiently for a regular work week to meet the basic needs of workers and their families and to provide some disposable income. Where compensation does not meet workers’ basic needs and provide some disposable income, suppliers must take appropriate actions to progressively raise employee compensation and living standards through improved wage systems, benefits, welfare programs and other services.”¹²⁸

Furthermore, Deuter set up an Action plan for LW, during the work in the Living Wage Lab. Some notable steps in this action plan are to present the results of the Wage Gap analysis and the purchasing practice analysis to the management and to agree on goals, after that a discussion with the production partner should follow and an implementation plan shall be

¹²⁵ Deuter 2021b.

¹²⁶ Fairwear Foundation 2021b: p. 8ff.

¹²⁷ Partnership for Sustainable Textiles 2019: p. 12.

¹²⁸ Deuter 2021b: p. 5.

settled. Another important point is then the monitoring and impact measurement after the implementation phase has started. Another important point is the promotion of social dialogue and the involvement of workers in the process of pay increase.¹²⁹ This process is challenging, because there are no free labor unions or worker representation allowed in Vietnam. Therefore, it is complicated to get workers involved. But nonetheless Deuter tries to promote social dialogue in the factories in Vietnam, one measure is the worker empowerment training (WEP) and the worker empowerment and communication (WEPC) by the Fairwear Foundation.¹³⁰ The crucial last step is the implementation of the aforementioned steps and measures. Important points are here the adjustment of purchasing practices, the promotion of improved pay systems in factories to increase wages, the promotion of freedom of association, social dialogue and collective bargaining as well as monitoring progress and assuring a grievance mechanism for workers.¹³¹ Deuter already addressed the adjustment of purchasing practices, as earlier mentioned, and an effective grievance mechanism is in place, namely the Fairwear complaints mechanism.¹³² The implementation plan for improved payment in factories will be explained in detail in Chapter 4.3. The topic of freedom of association and social dialogue will be discussed further in Chapter 4.4.

4.2 Wage Gap Analysis

In this chapter the Wage Gap Analysis and the following strategic goals and measures are presented. The first step after committing to the goal of paying LWs and choosing a production partner for implementing them is, to make a comprehensive Wage Gap analysis. For this analysis Deuter received the complete Payroll of June 2022 for the two factories in Vietnam from its production partner.¹³³ As a Benchmark for all calculations, the Anker LW for the Ho Chi Minh region in Vietnam was used. Because the last update of the Benchmark was conducted in 2020, the LW Benchmark was adjusted with the inflation rate, to account for

¹²⁹ Deuter 2022e.

¹³⁰ Deuter 2021c: p. 20.

¹³¹ Partnership for Sustainable Textiles 2019: p. 15ff.

¹³² Fairwear Foundation 2021b: p. 29.

¹³³ Deuter 2022d: p. 15.

rising price levels. Consequently, the LW Benchmark for 2022 was estimated at 7.806.856 VND instead of 7.446.294 VND¹³⁴.

Year	2020	2021	2022	2023	2024	2025
Inflation¹³⁵	3,22%	1,87%	3,85%	3,16%	4,00%	4,00%
Living Wage Urban in VND	7.446.294	7.686.065*	7.829.794*	8.121.241*	8.388.188*	8.723.716*
Minimum Wage in VND¹³⁶	4.420.000	4.420.000	4.680.000	4.860.180*	5.013.762*	5.422.885*

Figure 5 Inflation adjustment

* Inflation adjusted

For the Wage Data, the Payroll from the two factories was analyzed. Workers from all departments were included. Workers which worked less than 15 days were excluded from the analysis and the wage of workers, which worked more than 15 days but less than 24 days, was projected to the full 24 days. 24 days represent a full-time working month. For Factory One 1595 workers and for Factory Two 1218 workers were included, which makes in total 2813 workers. All Overtime pay was deducted from the wages, as a LW should be paid in standard working hours. First the Gap between the prevailing Average Wages and the LW Benchmark was calculated. The average wage for Factory One was 7.158.161 VND, which results in a Living Wage Gap of 9,06%. For Factory Two the average wage was 6.436.142 VND, which results in a Gap of 21,3%. Taken the two factories together the total Wage Gap lies at 14,04%. But this Living Wage Gap gives just a first indication of how things are. The Gap can be highly influenced in how the average wage is calculated. For example, some very high wages for office staff or sewing line leaders can distort the calculations. Due to this fact a more in-depth analysis is needed. For a deeper analysis seven wage categories were set (see Figure 6). These categories were used to deeper analyze the wage distribution in the two factories. It is important to analyze the wage distribution in the two factories separately, as the distribution can be, and is, different. In Figure 6 can be seen, that over 20% already earn a Living Wage and another 46,8% are below the LW benchmark by a maximum of 1.3 million VND. That leaves around 33% of the workforce, that earns a lot less than a LW. In Factory Two the picture is worse, regarding the LW. Only 37,8% are in the first three categories, which means that over 60% of the workforce are at least 1.3 million VND away from earning a LW and most of them

¹³⁴ Prates et al. 2020: p. 1.

¹³⁵ Statista 2022.

¹³⁶ WageIndicator 2022.

even more. This analysis paints a different picture than the Living Wage Gap analysis via the average Wage. It can be seen that partially a way higher wage increase than the 9,06% respectively 21,3% is needed. To reach Deuter’s goal of at least 70% of the workforce earning a LW, a wage increase between 1.3 and 1.8 million VND in Factory one and an increase between 1.8 and 2.3 million VND in Factory Two would be needed.

Factory One			Factory Two		
Category	Number of Workers	Percentage of Workers	Category	Number of Workers	Percentage of Workers
More than LW	332	20,8%	More than LW	81	6,7%
Betw. LW & 7m	384	24,9%	Betw. LW & 7m	163	13,4%
Betw. 7m & 6.5m	349	21,9%	Betw. 7m & 6.5m	216	17,7%
Betw. 6.5m & 6m	288	18,1%	Betw. 6.5m & 6m	353	29,0%
Betw. 6m & 5.5m	168	10,5%	Betw. 6m & 5.5m	245	20,1%
Betw. 5.5m & 5m	56	3,5%	Betw. 5.5m & 5m	117	9,6%
Less than 5m	18	1,1%	Less than 5m	43	3,5%
Sum:	1595		Sum:	1218	

Figure 6 Wage Distribution

Based on this Analysis first Scenarios for increasing Wages and estimating the costs were conducted. For each factory, six scenarios were calculated. Three scenarios for increasing wages by a fixed amount and three scenarios for increasing wages by percentage terms. A gradual increase was not taken into account, because of the complicated wage grading and the unlikelihood of such a measure to be implemented. Also, these first calculations were meant to approximately determine the cost, so it was practically to make the scenarios not too complicated. For Factory One the scenario of an increase by 1.500.000 VND led to 74,4% that earn more than the LW, 0% that earn less than 6.000.000 and only 1,1% that earn less than 6.500.000 VND. This scenario estimates the additional costs at 2.392.500.000 VND or 102.878 USD. The second scenario that reached a LW for more than 70% of the workforce, was an increase by 30%. This increase actually led to the same numbers on the lower end, but the share of people earning more than the LW was higher at 84,7%. The costs for this scenario were also higher by a wide margin, the additional costs would be 3.425.179.857 VND or 147.283 USD. For Factory Two the most significant scenarios were an increase by 2.000.000 VND and an increase by 30% due to the lower wage level compared to Factory One. In the first case this would lead to 76,4% of the workforce earning a LW, and in the second case it would lead to 66,5%. For the different outcomes the costs would be quite similar with around

2.400.000 VND, respectively 100.000 USD. These rough calculations lead to the conclusions that it is more cost efficient to increase wages by a fixed amount rather than in percentage terms. For reference the additional costs were put in relation to the projected FOB¹³⁷ for the following fiscal year. In relation to the FOB the Wage increase to a LW level would mean an increase of around 3,5% to 5%. This equals 3,5-to-5-dollar cent increase per Dollar FOB.

4.3 Implementation Strategy

The crucial step, after committing to LWs, analyzing purchasing practices and wage data, and eventually drafting a strategy towards LWs, is to actually implement it. The adjustment of purchasing practices was done in 2021 and not deemed necessary to overdo this again in line with the Living Wage project. The most important point for the implementation is to set a fixed wage increase plan with a timeline. To ensure a probable realization it is practical to set this plan according to the SMART method. The plan should be specific, measurable, assignable, realistic and time bound.¹³⁸ In November 2022 the CEOs, CSR and purchasing department of Deuter and the production partner had a meeting on LWs. In this meeting the two companies agreed to implement Deuter’s LW goal until 2025.¹³⁹ This is a very important step, as earlier mentioned, the buy in by the production partner is incremental for achieving LWs. But the exact plan on how this should be achieved is not fixed yet. For this, some further calculations and a follow-up meeting were deemed necessary. In preparation to this, Deuter drafted two example scenarios how the wage increases could be conducted.

Scenario 1:	Timeline	Q1 2023	Q3 2023	Q1 2024	Q3 2024	Q1 2025	2026-.....
	Actions	Increase 150.000 VND in Factory One / Increase 750.000 VND per worker in Factory Two + Inflation	Increase 500.000 VND both Factories	Increase 500.000 VND both Factories + Inflation adjustment	Increase 500.000 VND both Factories	Inflation adjustment	Inflation adjustment
Scenario 2:	Timeline	Q1 2023	Q3 2023	Q1 2024		Q1 2025	2026-.....
	Actions	Increase 825.000 VND Factory One/ Increase 1.125.000 Factory Two + Inflation	-	Increase 825.000 VND Factory One/ Increase 1.125.000 Factory Two + Inflation	-	Inflation adjustment	Inflation adjustment

Figure 7 Example Scenarios

With both of these scenarios the goal of 70% LW in 2025 would be achieved. For scenario one the exact figure would be 82% over the LW benchmark, and for scenario two it would be 78%.

¹³⁷ FOB = Freight on board
¹³⁸ Doran 1981: p. 36.
¹³⁹ Deuter 2022f.

There are two main differences between these two scenarios. The first one is the number of steps taken, until the necessary wage increase is conducted. The necessary wage increase for Factory One is around 1.650.000 VND per worker, excluding inflation adjustments, and for Factory Two 2.250.000 VND per worker, also excluding inflation adjustments. In scenario one this amount is reached in four steps, one every half year. This approach makes cost management for the two companies easier, because there is more time to adjust for the rising wage costs. Also, it does not immediately distort the wage situation in the industrial area, where the factories are located. This could lead to tensions with other companies in the area. In scenario two only two steps are made, the necessary amount is cut in half and increased one time in 2023 and one time in 2024. This is a straightforward approach, that is easy and practical. There is not much administrative effort needed.

The second difference is that in scenario one, the gap between the wage level in Factory One and Factory Two is harmonized immediately in the first step in 2023. From there on the wage levels in both factories are similar and further wage increases can be implemented simultaneously. In the second scenario the gap between Factory One and Factory Two is decreased gradually. In this scenario the increase for Factory Two is for all the steps higher than for Factory One. According to the CSR-Manager of the production partner, big differences in wage increase between the two factories could lead to tensions at the workforce. If workers of one factory get the information that the pay rise at the second factory is significantly higher, it could lead to discontent and even strikes.¹⁴⁰ The cost for both scenarios are similar, while the additional cost until 2025 for scenario one would be around 3.449.932 VND and for scenario two slightly higher at 3.847.966 VND. All these different factors must be considered when deciding on an implementation plan.

A further important step for the implementation process is to assess where the money comes from. The additional costs presented by the payment of a LW have to be accounted somewhere. According to the Partnership for sustainable textiles there are multiple possibilities to account for the additional costs. Depending on the strategy different stakeholders bear the consequence of a LW. One possibility is to increase the prices of products accordingly, in this case the costs would be forwarded to the consumer. It might be

¹⁴⁰ CSR-Manager 2022: Background Interview.

also a consideration to cut into the margin and increase the efficiency of retailers. This could be difficult for brands to justify and to enforce when retailers are not cooperative. The most obvious options lie in the realm of the brand and supplier. An easy way would be to cut into the margins of the companies, but in a competitive and profit-oriented economy businesses are reluctant to settle for lower profits. The most convenient strategy for brands and suppliers is to increase efficiency on multiple levels to offset the risen labor costs. Efficiency can be increased on the side of the supplier as well as on the side of the brand.¹⁴¹

At the meeting in November between Deuter and its production partner the financial possibilities have been discussed. The practical points, Deuter and its production partner decided to work on to account for rising wage costs, are price increases, improvement of efficiency at the production site and in the design process and general improvement of processes. The general openness to increase prices to a certain level was signaled, but it has still to be decided how much is acceptable for the brand. Further the topic to improve efficiency is preferred by the two companies. On the one side the efficiency of production shall be increased during the next two years. One measure to achieve this is more automation, so it is planned that the production partner invests around 300.000 \$ in modern machinery. Also, general production processes shall be analyzed and optimized in the coming years. On the other side efficiency shall be also considered in the stage of product design. Here one big step is the reduction of different colors and materials for the different products. This project already started. Further the team of the production partner shall be included in the design process at an earlier stage, this way they can give feedback on the products and ensure an optimized production.¹⁴² But agreeing on a strategy and implementation plan just goes so far. It is a necessity to check that the money actually ends up in the worker's pocket. Therefore, a monitoring and transparency program is important. One tool to monitor will be a regular Audit conducted by the Fairwear Foundation, as Deuter already did in the past.¹⁴³ But the brand would like to have the whole process, as well as pricing, more transparent, because there is a lot of money involved. It is important to have a transparent and sustainable way of doing

¹⁴¹ Partnership for sustainable Textiles 2021: p. 42.

¹⁴² Deuter 2022f.

¹⁴³ Deuter 2022c: p. 46.

business. But the two companies could not decide on a mechanism or a process to ensure this transparency yet. This will be a recurring topic in the ongoing discussions.¹⁴⁴

4.4 Results and Challenges

Up to today the biggest achievement of Deuter's efforts to a LW is that the brand and its production partner agreed to the goal to pay 70% of the workforce a LW by 2025.¹⁴⁵ This is a big step in the process towards LWs. But at the same time the implementation is still questionable. There are multiple concerns regarding the costs, possibly tensions in the industry and industrial area, as well as tensions between workers. A big worry expressed by the management of the production partner is, that they think big differences in wage increase could lead to strikes.¹⁴⁶

The introduction of social dialogue and worker involvement remains a problematic issue. There is no independent worker representation in Vietnam and the management at site is not used to social dialogue and not prepared to initiate communication. But this could be a crucial point going forward because it is important for the workers to understand the probable increase of wages and the plan and strategy behind it. This could also be a measure to mitigate the concerns previously mentioned.

Referring back to the inhibiting factors mentioned in chapter 2. Deuter previously addressed its purchasing practices and pricing process, it is not deemed to be an inhibiting factor in this case anymore. Deuter does not practice any 'pricing squeeze' and the production costs of the supplier are always considered. Additionally, Deuter has a small and well-known supply chain, and they just work with two suppliers in the manufacturing stage. Further they established long term partnerships, which helps in the process in the direction of LWs. But there are still factors in place, that inhibit the companies of reaching their goal. One is that Deuter does not own the manufacturing site which makes the implementation a lot harder. Strong cooperation is needed, and open and transparent communication is a must. Even though the two companies have a strong and transparent partnership, there is still a way to go for a more efficient and successful cooperation. Another remaining inhibiting factor is the communist

¹⁴⁴ Deuter 2022f.

¹⁴⁵ Deuter 2022f.

¹⁴⁶ CSR-Manager 2022.

political system and the lack of consistent regulation throughout the supply chain. As previously said, free worker representation is not allowed, and practices of worker involvement are not established. There is also some risk of the government stepping in when businesses try to change and do things differently.

5. Discussion

At the end it is to say, that Deuter started a process that hopefully leads to improved pay and working conditions at their production partner. It is a formidable step by the company to commit publicly to the payment of Living Wages and also start the necessary steps accordingly. But is still to be seen if these efforts are successful. It is a long and complicated process with many people needed to work together communicate transparently and trust each other. Deuter was in a prime position to make meaningful strides regarding LWs, due to their unique supply chain and long-lasting production partnerships. This leads to the question: Is it possible for other brands to follow the direction Deuter has taken? It is at least questionable. Many companies in the garment industry do not have the favorable conditions compared to Deuter. Bigger companies work with hundreds of manufacturers, change them often and are often driven by competitive price mechanisms. Often brands only use a fraction of a supplier's capacity, which lessens their influence. It is hard to imagine brands can overcome these barriers just by voluntary effort. It can be seen that the process is not easy for a company like Deuter, so if the assumption lies nearby it is even harder for other companies in this industry.

Going further LeBaron et al. challenges the activities around corporate social responsibility and opens a discussion that puts these activities in a more negative light. They add further weight to claims that corporations derive legitimacy from CSR commitments that divert attention away from exploitative business models, and that multi-stakeholder initiatives can obscure corporate inactivity in meeting CSR commitments by demonstrating that multi-national corporations strategically use CSR to deflect criticism of their business models and supply chain dynamics while refusing to redistribute value down the supply chain in the form of higher wages for workers. They question the commonly held belief that "something is

better than nothing" when it comes to CSR and emphasize the hazards that these governance dynamics offer to low-wage workers who face severe impediments to exercising their rights. In doing so, they hope to advance political economy scholarship on CSR's negative role, such as its use to facilitate and consolidate the power of large corporations, undermine the sovereignty of countries in the global South, and build superficial forms of governance that preserve status quo business models while failing to promote real change for workers.¹⁴⁷

In conclusion voluntary efforts by individual brands are definitely welcome. But it is unlikely that an industry wide change will come this way. Therefore, it is crucial to further push for local and international regulation. The Act on Corporate Due Diligence in Supply Chains in Germany and the anticipated law by the European union are welcome steps, to lay more responsibility on brands and improve working conditions in international supply chains. But there is still more work to be done to reach decent conditions for everyone. Consequently, it is important to further stress international regulation, but also local government to strengthen the rights of workers. This pressure can be generated by multiple groups like, brands themselves, governments, consumers, and NGOs.

¹⁴⁷ LeBaron et al. 2022: p. 101.

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Jonathan Dörr hat mit der Arbeit „Living wages in the garment industry - a case study on corporate commitment and strategy“ ein brandaktuelles Thema der Wirtschafts- und Unternehmensethik adressiert.

Ausgangspunkt sind die gravierenden ökonomischen, ökologischen und sozialen Herausforderungen. Die Klimakrise, steigende Inflation und der Covid-19-Ausbruch setzen Regierungen, Unternehmen und Menschen enorm unter Druck. Die Bekleidungsindustrie sieht sich aufgrund wachsender Konkurrenz bei Preisen und Qualität, zunehmender Komplexität in der Lieferkette und Verstößen gegen Menschenrechte in ihren Lieferketten mit mehreren Krisen gleichzeitig konfrontiert.

Ein Hauptproblem der Bekleidungsindustrie, so die Argumentation von Jonathan Dörr, ist die Praxis von niedrigen Löhnen.

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