



Action
Collaboration
Transformation

QUESTIONS AND ANSWERS

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OVERVIEW ON ACT

WHAT IS ACT AND WHO IS INVOLVED IN IT?

ACT is a joint initiative of global brands and the Global Union Federation IndustriALL. Its goal is the payment of living wages in the garment, textile and footwear sector. This is to be achieved through national collective bargaining agreements at industry level supported by improved purchasing practices on the part of the ACT member brands.

All [ACT member brands](#) have signed a [Memorandum of Understanding](#) with IndustriALL Global Union committing themselves to ensure that their purchasing practices facilitate the payment of a living wage. ACT member brands expect from their suppliers to fully respect freedom of association and comply with the sectoral collective bargaining agreements (CBAs) that will be signed. Higher wages will be incorporated into the purchasing prices of brands paid to suppliers.

Collective bargaining at industry level means that workers within a country can negotiate their wages under the same conditions, regardless of the factory they work in, and the retailers and brands they produce for. Linking it to purchasing practices means that payment of the negotiated wage is supported and enabled by the terms of contracts with global brands and retailers.

Employers' organizations and trade unions in garment-producing countries know the conditions best and can find joint solutions to common concerns in the industry. That's why wages and working conditions should be set through collective bargaining between employers and workers' organizations at country level. At the same time, manufacturers need to be sure that higher wages and better working conditions will be supported by their buyers. By working with employers, trade unions and governments in key garment producing countries, ACT brings together all relevant actors to achieve a sustainable and productive garment industry based on wages and working conditions that are freely negotiated and meet people's needs.

WHICH BRANDS AND TRADE UNIONS ARE MEMBERS OF ACT?

You can find the full list of ACT member brands [here](#). ACT is a collaboration of global brands and IndustriaALL, the Global Union representing garment and textile workers from around the globe. All ACT members are committed to working together to help transform the way wages and working conditions are currently set in the global garment and textile sector. ACT is open to all companies in the industry that share this common vision and commitment. Click [here](#) to find out how to become an ACT member.

WHY IS ACT NEEDED?

ACT was founded because the issue of ensuring a living wage under conditions of global competition cannot be tackled on a company-by-company basis. It requires cooperation among companies as well as between employers and trade unions, to arrive at workable, achievable solutions.

Collective agreements at the national level provide also a level playing field for all employers within a sector. To address the challenge of international competition, this approach will be pursued in key sourcing

countries simultaneously. Meanwhile, special [supportive purchasing practices](#) by international brands for the first countries signing a collective bargaining agreement at industry level will mean that higher wages will not lead to international competitive disadvantages. A global supply chain needs a global approach. ACT provides that. You can find more information on the economics of the ACT approach in our [background brief](#).

HOW IS ACT MANAGED?

ACT is governed by the Member Council, composed of all corporate signatories and IndustriALL Global Union, and operates through the ACT Foundation, an independent non-profit foundation acting as the ACT secretariat. The work of the ACT Foundation is overseen by a Governing Board composed of two representatives each from corporate signatories and IndustriALL Global Union.

WHAT DO YOU MEAN BY A "LIVING WAGE"?

There are different concepts of living wages and the proposed figures vary considerably. There is a broad consensus that current wages in most garment-producing countries are below anything that could be meaningfully called a living wage. ACT defines a living wage as "the minimum income necessary for a worker to meet the basic needs of themselves and their family, including some discretionary income. This should be earned during legal working hour limits and should not include overtime."

HOW WILL ACT ACHIEVE LIVING WAGES?

ACT abides by the principle that a living wage can best be achieved through collective bargaining at industry level between employers and trade unions. Regular and substantive wage increases negotiated by the parties will enable the transition from low wages to living wage levels. Such agreements are legally binding and enforceable for the signatories. They can be extended to the whole industry within a country, in which case they will cover every worker within the sector. ACT member brands will support continuous and substantial wage growth by incorporating the higher wages into their purchasing prices and will support efforts to increase productivity and efficiency through measures like better forecasting and planning. The negotiated wages will differ according to national contexts.

ACT members will incorporate higher wages into the prices they pay to suppliers and will help to increase efficiency in the industry. ACT brands have agreed country-specific sourcing commitments in consultation with producing countries that are the first to engage in negotiating a collective agreement at industry level. Supportive measures, such as guaranteeing sourcing volume, will depend on employers and workers agreeing wage growth that exceeds inflation and productivity growth. At the same time, ACT will work with manufacturers at country level to develop and implement improvements in manufacturing standards and systems, such as efficient human resource management, skills development, and wage management systems.

WHAT DO YOU MEAN BY COLLECTIVE BARGAINING AT INDUSTRY LEVEL?

Collective bargaining at industry level means that representative organizations of employers and trade unions make a binding agreement on wages and working conditions that covers all their members, both workers and employers, in a certain sector or industry. ACT was created out of the recognition that lasting improvement of wages and working conditions can best be achieved through national collective

bargaining at industry level supported by international purchasing practices. You can find more in the section on collective bargaining at industry level and in our [background brief](#).

WHAT DO YOU MEAN BY PURCHASING PRACTICES?

Purchasing practices are the way that global brands and retailers interact and do business with the manufacturers that supply their products. They encompass strategic planning, sourcing, development, purchasing and the underlying behaviours, values and principles which impact workers. Good purchasing practices of global brands and retailers are essential to promote better working conditions. Poor purchasing practices can have a negative impact on suppliers and workers in the global supply chain and can contribute to poor working conditions, unauthorised subcontracting, labour disputes and strikes and wages which do not cover the basic needs of workers and their families in garment producing countries. The member brands of ACT recognize the strong link between purchasing practices, working conditions and the payment of a living wage.

2. LIVING WAGES AND INTERNATIONAL COMPETITION

HOW IS ACT DIFFERENT FROM OTHER INITIATIVES ON LIVING WAGES?

The crucial difference is not the aim, but the means. The Asian Floor Wage approach for example has done much to raise public awareness of the low wages in many textile-producing countries. And over at the Living Wage Coalition, Richard and Martha Anker have developed convincing statistical methods for calculating the costs for living wages. But neither of these approaches answers the question of how to achieve higher wages in a context of global competition. That's where ACT is decisively different. Linkage between international purchasing practices and national collective bargaining is the mechanism that gives national bargaining partners the economic leeway and the institutional framework they need in order to agree on continuous, substantial improvements in working conditions and wages.

WHY ARE BRANDS NOT SIMPLY PAYING HIGHER WAGES TO GARMENT WORKERS?

There are a number of reasons why this apparently simple solution is not as simple as it looks. Most brands do not own factories. They buy ready-made garments from suppliers who run the factories, employ the workers and pay the wages. Therefore, if brands pay higher wholesale purchasing prices to their suppliers, this will not automatically lead to higher wages, if there are no mechanisms or checks to ensure that workers really do receive higher wages. That is why it is of critical importance to have workers' organizations negotiating the wages and representing their members vis-à-vis the employer. Also, most factories supply numerous buyers and in the current environment, companies paying for higher labour costs would actually cross-subsidise their competitors, who place orders at a lower price at the same factory. Individual suppliers will also experience peer pressure from other suppliers if they pay higher wages, while others cannot do so because they do not get the same support from the brands they supply. Without a level playing field and a common wage standard, brands paying a higher purchasing price will face a built-in competitive disadvantage, as there will always be businesses who try to gain market share by underpaying workers.

WILL BRANDS NOT JUST LEAVE AND PRODUCE ELSEWHERE IF WAGES IN A COUNTRY BECOME TOO HIGH?

There are many factors that determine the production location. But the less that a country is able to compete on quality, skills, timely delivery, infrastructure, and high social and environmental standards, the more labour costs will become its one and only competitive advantage. Competing just on labour costs in the rapidly changing garment industry is a dead-end road for any country and does not offer any sustainable development opportunities. Incorporating higher labour costs into purchasing prices therefore has to go hand in hand with better planning and forecasting and longer-term commitment to suppliers. It implies a strategy of looking for the best and not the cheapest supplier. ACT member brands have committed themselves to this. For countries, it might actually be a much higher risk to try to stay on a low wage strategy than to take the opportunity of partnering with a large group of global brands to upgrade their industry. The collective bargaining process and wage developments cannot be seen in isolation from strategies and cooperation to raise productivity. This is clearly also part and parcel of a long-term sustainability strategy.

WILL ACT LEAD TO HIGHER RETAIL PRICES FOR CONSUMERS?

The retail price of a product depends on many factors including for example the rent for shops, transport costs, taxation, trade preferences, exchange rate fluctuations, the cost of fabric, the design qualities and market dynamics. Of course, wages are also an important price factor. The aim must be to make better wages and working conditions the universal standard that enters into the product costs for every producer and into the price calculation of every brand and retailer. However, given the many determinants of the final retail price this will not necessarily lead to higher consumer prices.

3. COLLECTIVE BARGAINING AT INDUSTRY LEVEL

WHO IS INVOLVED IN THE COLLECTIVE BARGAINING PROCESS?

Collective bargaining at industry level means that representative organizations of employers and trade unions make a binding agreement on wages and working conditions that covers all their members, both workers and employers, in a certain sector or industry. In the process towards collective bargaining at industry level, representative organizations of employers and trade unions designate their representatives to negotiate the agreement. Typically, trade unions and employers' organizations seek a mandate from their membership to negotiate and finalize an agreement, since it will apply to them.

WHY IS THE ACT APPROACH BASED ON COLLECTIVE BARGAINING AT INDUSTRY LEVEL?

To link the purchasing practices of brands to wages in any meaningful way, a collective bargaining agreement is needed that provides the necessary enforcement mechanism to make sure that the higher wages are actually paid to workers. This linking is not practicable at an individual factory level, as factories supply to many different brands and sourcing relationships are subject to frequent changes. It would also imply a competitive disadvantage for individual brands. Making the link to an agreement at industry level not only provides a level playing field for wages and conditions that are enforceable locally, it enables the purchasing practices commitments of ACT member brands to be tied to a consistent and transparent

standard. In short, it is a systematic and workable way to deliver on living wage commitments made by brands. The ACT process aims to ensure that the purchasing practices of ACT brands become the international benchmark to provide manufacturers with the economic space to pay for the negotiated wage increases and improvement of working conditions. Please refer to our [background brief](#) for more details.

WHAT ARE THE BENEFITS OF COLLECTIVE BARGAINING AGREEMENTS AT INDUSTRY LEVEL?

Collective bargaining at industry level:

- Creates a level playing field for all employers
- Drives productivity growth and industrial upgrading
- Replaces a whole range of different company-based negotiations and disputes around wages with a competent bargaining process at industry level
- Provides more stable and predictable conditions for business to invest and grow
- Enables employers and workers to align wage policies with sectoral development needs
- Reduces the high levels of staff turnover, as wages become similar across the sector
- Secures industrial peace and constructive relations between employers and workers
- Facilitates tailor-made solutions to business needs for economic flexibility and workers' needs for basic security
- Ensures that many more workers are covered by a collective agreement, including migrants, contract workers and those employed in small firms
- Turns innovation, industrial upgrading and skills development into key determinants of business success, rather than wage competition.

HOW DOES COLLECTIVE BARGAINING AT INDUSTRY LEVEL DIFFER FROM MINIMUM WAGE SETTING MECHANISMS?

The minimum wage is the lowest wage permitted legally within a country or sector. It is set by governments, sometimes in consultation with trade unions and employers' representatives. In most major garment-producing countries, garment workers' wages are currently set through minimum wage fixing mechanisms. Minimum wages are however often lower than what would be considered as a living wage for the respective country. Minimum wage fixing is also not able to address other factors that have a significant impact on wages, including working hours, the type of contract and non-wage benefits. Nor does it take account of key business aspects such as productivity and skills development. Collective bargaining at industry level builds on minimum wage mechanisms by establishing higher wages and wage structures, regulating other employment conditions like working time, health and safety and overtime, and addressing the challenges of skills development, restructuring and productivity growth.

DOES THIS MEAN ALL FACTORIES WILL BE PAYING A LIVING WAGE AS SOON AS AN AGREEMENT IS REACHED?

The concept of a living wage is not tied to a specific wage level, although many suggestions have been made as to what would constitute a living wage in a given context. In collective bargaining at industry level, employers and trade unions negotiate a wage level that takes many factors into account, including the capacity to pay, which is regularly cited by employers as being the biggest obstacle to paying higher wages. Agreements at industry level that are negotiated as part of the ACT process will be supported by the commitments of ACT member brands to ensure that the brands' purchasing practices support the payment

of the negotiated wage. Brand support will be conditional on substantive and continuous wage growth. Once the agreement comes into force, it is enforceable, and all employers covered by the agreement will have to comply with its terms or face enforcement action.

HOW WILL THE IMPLEMENTATION OF THE COLLECTIVE BARGAINING AGREEMENT (CBA) BE MONITORED?

Trade unions and employers themselves, as the parties to the agreement, have an important role in monitoring implementation. Workers can raise with their trade union instances of employers breaching the agreement and employer organizations have an interest in ensuring that all their members comply. In a collective agreement, employers and workers normally set up a joint mechanism to address and solve conflicts related to the agreement. Collective agreements at industry level are typically registered with the government and various legal enforcement mechanisms may be available. Through the ACT process, member brands commit to work only with those suppliers who comply with a collective agreement at industry level once it has been signed.

4. PURCHASING PRACTICES OF GLOBAL BRANDS & COUNTRY SUPPORT

WHAT ROLE DO THE PURCHASING PRACTICES OF GLOBAL BRANDS PLAY IN THE PAYMENT OF A LIVING WAGE?

The way the industry buys can have a significant impact on suppliers and their ability to provide a living wage. For example, when last-minute orders are given, or forecasts are incorrect, it can make it very difficult for a supplier to pay a living wage and still meet price demands. The ACT process aims to ensure that the purchasing practices of ACT brands become the international benchmark to provide manufacturers with the economic space to pay for the negotiated wage increases and improvement of working conditions.

WHAT ARE THE ACT MEMBER BRANDS DOING ABOUT THEIR PURCHASING PRACTICES?

Members of ACT recognize that poor purchasing practices can leave suppliers less able to provide living wages and good working conditions. ACT member brands have committed to ensure that their own purchasing practices facilitate the payment of a living wage. They will achieve this by assessing and improving their purchasing practices. ACT members acknowledge that a cultural shift in brands' buying from suppliers is needed to ensure that their purchasing practices enable suppliers to provide living wages and good working conditions.

ACT member brands have made an [internal assessment](#) of their purchasing practices. They have identified opportunities to improve current practices and have committed to improving their terms of payment, planning and forecasting and putting responsible exit strategies in place if production is phased out or relocated. They have also undertaken to ensure that higher wages will be reflected in their wholesale purchasing prices and that they will integrate the need for responsible buying into the training of their staff. Some of these changes can be implemented immediately while some others require more fundamental changes in buying practices. ACT member brands are also committed to developing a monitoring process, together with suppliers and trade unions, that will make it possible to measure improvements in their [purchasing practices](#).

HOW WILL THE ACT BRANDS CONTRIBUTE TO A COLLECTIVE BARGAINING PROCESS IN PRODUCING COUNTRIES IN THE CONTEXT OF GLOBAL COMPETITION?

The garment and textile industry is one of the most globalized industries in the world. So through collective bargaining at industry level you can regulate the wage competition at national level, but you also have to make sure that international competition does not result in a process where the industry moves to other countries. Therefore, you need a link between national collective bargaining and international purchasing practices. And that is what ACT is all about. In consultation with producing countries that are the first to engage in negotiating a collective agreement at industry level, ACT is developing [country-specific sourcing commitments](#).

WHAT ARE THE SPECIFIC COMMITMENTS OF ACT BRANDS TO CAMBODIA?

In Cambodia, the ACT brands have made a commitment that, once a national collective bargaining agreement is in place, they will ensure increased sourcing until the end of 2022. They will also ask all their suppliers to comply with the collective bargaining agreement. And they will work to improve their purchasing practices, particularly their terms of payment, planning and forecasting, so as to make sure that it's easier for ACT member brands, as well as for suppliers, to plan production and increase overall efficiency. The aim is to build long-term relationships between brands and suppliers and so facilitate the upgrading of the industry. Finally, a key point is to ring-fence labour costs. Ring-fencing labour costs means that if wages go up, this has to be an isolated cost item in the calculation of the price paid to the supplier. Higher wages have to be reflected in the wholesale purchasing prices. That way, suppliers know that if they negotiate higher wages with the trade unions, this will be taken into account in the suppliers' price negotiations with the brands.

WHEN WILL THE COUNTRY SUPPORT COMMITMENTS BE IMPLEMENTED?

The [ACT country support commitments](#) will come into effect upon the signature of a collective bargaining agreement at industry level negotiated between independent employers' organizations and trade unions, at the country level, that includes:

- a. Wage growth covering inflation plus productivity growth and a negotiated collective bargaining component
- b. Full respect of the freedom of workers and employers to establish and join organizations of their own choosing (freedom of association)
- c. A robust monitoring and enforcement mechanism for the agreement.

HOW WILL ACT ENSURE THAT THE BRANDS RESPECT THEIR COUNTRY SUPPORT COMMITMENTS?

ACT member brands will provide data on their individual sourcing volume in the respective country to a recognized audit firm. ACT will provide employers and trade unions annually with the aggregate figure of total ACT member brand purchases in the respective country measured in US dollars. In addition, there will be a complaints mechanism for stakeholders to file complaints about non-compliance with the commitments, and a dispute settlement mechanism between the brands and IndustriALL as signatories of the ACT [Memorandum of Understanding](#).

WHAT ARE THE OPPORTUNITIES FOR COUNTRIES ENGAGING WITH ACT?

Wage growth supported by brand purchasing practices will improve the living standards and working conditions of garment workers and lead to poverty reduction and more sustainable development. Improvements in wages will increase economic growth through increased demand, stemming from higher incomes.

A wage floor at industry level also functions as a productivity driver, as it rules out competition based on sub-standard wages and working conditions and instead rewards quality and efficiency improvements. Substantial and continuous wage increases above inflation and productivity will also ensure that a larger share of the added value stays in the manufacturing country. Standards applicable throughout the industry will create more stable employment and reduce staff turnover. This in turn enables investment in skills training and human resource development, leading to a more skilled and productive workforce.

By working in a number of countries simultaneously, the ACT approach will reduce wage competition amongst garment manufacturing countries, which has significantly contributed to the downward pressure on labour costs over the last decades. The ACT member brand commitments will provide significant benefits to countries pioneering the ACT approach. In the mid- and long-term, pioneering countries are likely to increase efficiency faster than other countries. For more details please see our [background brief](#).

WHICH COUNTRIES IS ACT WORKING IN?

ACT is currently working in Cambodia, Myanmar and Turkey. Further envisaged countries for the ACT process are Bangladesh and Vietnam. ACT has selected these five initial countries on the basis of sizable garment production with considerable presence of ACT member brands and the potential for trade unions to engage in collective bargaining at industry level. In the coming years, ACT will engage with further garment-producing countries.

5. ACT AT BRAND LEVEL

WHY IS BEING PART OF ACT GOOD FOR BUSINESS?

In today's society, acting responsibly and ethically is for many companies increasingly part of their business strategy in essential consumer markets. Consumers have greater access to transparency of practices and expect more from the brands they purchase from. Also, the "due diligence" demands for companies to meet their human rights obligations including fair remuneration have increased. The supply chain of any business is often very complex and, in most garment, and textile producing countries, low wages and poor working conditions can mean a large reputational risk for a brand. ACT provides a unique opportunity to be part of a collaborative effort to reduce these risks and implement the changes needed in the system in order to achieve living wages.

HOW IS THE ACT PROCESS DIFFERENT FROM OTHER CORPORATE SOCIAL RESPONSIBILITY INITIATIVES?

ACT is the first global commitment in the garment sector that provides a framework through which all relevant actors, including brands and retailers, trade unions, manufacturers and governments, can exercise their responsibility and role in achieving living wages (see [background brief](#) for more details). The breadth of cooperation offers a much greater opportunity to transform the industry than is possible through other industry and individual activities. The Memorandum of Understanding between each member brand and the IndustriALL Global Union sets a clear framework for cooperation and accountability. A common commitment and pre-competitive cooperation to change purchasing practices and to support industry-wide collective bargaining is a practical way of ensuring substantial improvements across the industry.

HOW IS ACT LINKED TO DUE DILIGENCE?

The right to fair remuneration (Art. 23 of the [Universal Declaration of Human Rights](#)), freedom of association ([ILO Convention 87](#)) and collective bargaining ([ILO Convention 98](#)) are human rights at work. The international due diligence framework under the UN Guiding Principles and the OECD Guidelines requires companies to respect those human rights at work.

Businesses are expected to avoid causing or contributing to adverse impacts on human rights at work, and to use their leverage to mitigate any adverse impacts to which they may be directly linked even if they have not caused or contributed to them. Through ACT, companies can use their combined strength to meet their international due diligence obligations. ACT drives the development of effective due diligence on living wages, freedom of association and collective bargaining.

HOW CAN OTHER BRANDS JOIN ACT?

Responsible businesses in the garment, textile and footwear industry that recognize the importance of a living wage, freedom of association and collective bargaining are invited to join ACT to help drive this change. Signing a Memorandum of Understanding with IndustriALL is the basis for membership of ACT. Check our [member section](#) to find out more on how to join ACT.

6. PROGRESS

WHAT ARE THE ACHIEVEMENTS OF ACT SO FAR?

ACT members have recognized that wages in many garment-producing countries are too low and that improvements require changes to the system. For the first time, a group of global brands has decided to work on this problem together and to cooperate with the global trade union of garment, textile and footwear workers. ACT is the first to develop a strategy of linking brands' international purchasing practices with national collective bargaining. This approach pioneers a new form of cooperation between national actors and international buyers that enables workers and employers to negotiate higher wages and better working conditions. ACT members have committed to improve their [purchasing practices](#), in particular as regards forecasting and planning, payment terms and ring-fencing labour costs to provide the necessary economic space for higher wages and better working conditions. Intensive discussions are under way in

a number of countries to pioneer this new approach. ACT members will make the first countries signing a collective bargaining agreement preferred countries of sourcing and discuss special supportive measures with the national actors such as commitments on sourcing volume for a number of years. ACT has so far undertaken a number of major steps towards implementing this approach and hopes to see the first collective bargaining agreement at industry level signed in the near future, resulting in better wages for workers.

HOW MANY WORKERS HAVE RECEIVED HIGHER WAGES THANKS TO ACT UP TILL NOW?

Members of ACT recognise that many garment workers, most of whom are women, need better living and working conditions right now. But new, systematic and sustainable solutions take time. So does the building of cooperation among competing companies and with a global union federation. Trust has to be built and credible monitoring mechanisms have to be developed. At the national level in the producing countries, agreement on negotiated solutions has to be reached between employers and unions who often stem from an authoritarian, confrontational culture. Here too, new approaches have to be painstakingly tested. However, one of the critical hurdles is the often insufficient level of trust between producers and the purchasing companies. Many producers are afraid that, while ACT encourages them to pay higher wages, not all companies will ultimately deliver on the promise that wage rises will be reflected in the prices paid by the brands to their suppliers.

ACT members are aware of this challenge. Unless there are clear, binding commitments, it will be difficult to achieve a solution that is sustainable on the long term. As soon as the first collective agreement is reached, ACT must show that the scepticism was unjustified. Only then will other countries be prepared to follow this example.

WHY IS THIS APPROACH BEING PIONEERED IN THE GARMENT INDUSTRY?

There is growing pressure from trade unions, critical consumers and civil society to ensure living wages in the garment sector. This critical gaze does in fact play a major part in creating the will to change things within highly disputed markets. But to push such basic innovations through, more than just a good idea and external pressure is required. Without entrepreneurs being convinced that improving working conditions and wages is the right thing to do change will not happen. This probably distinguishes ACT member companies from others.