




PEOPLE

Creating Financial Resilience



One of the questions we get asked most is how, when our prices are so low, can the people who make our clothes be paid fairly. However, the price tag on an item of clothing does not reflect how much someone gets paid to make it.

Through Primark's well-established ethical trade audit programme, we already run checks to ensure that workers are paid in accordance with the local minimum wage. We have now made a new commitment to go further.

As part of our goal to create financial resilience for the workers in our supply chain, we will work to pursue a Living Wage for everyone who makes our clothes. We don't underestimate the complex challenge this presents, but we know it's the right thing to do. We are determined to use the scale of our business to drive meaningful, measurable progress both through our own changes and working together with others.

What is a Living Wage?

But what do we mean by a Living Wage? And how do we decide on an acceptable benchmark? We believe the best path to agreeing both of these things is through constructive dialogue negotiated between workers and their employer, which is what we are working to achieve through ACT. ACT is an agreement between 20 global brands and the IndustriALL Global Union in pursuit of living wages for workers in textile and garment supply chains of which Primark is a founding member.

We recognise that the negotiated route isn't an option for workers in every country, which is why we will use the Living Wage approach developed by the Global Living Wage Coalition, widely recognised internationally as a credible benchmark. They use the ANKER methodology which defines Living Wage as the minimum income necessary for a worker to meet the basic needs of themselves, and their family, including some discretionary income.¹ Money should be earned during a standard working week and crucially without any overtime.² Elements of basic needs include food, water, housing, education, health care, transportation, clothing, as well as provision for unexpected events. This goes beyond the minimum wage which is the legally protected minimum wage paid in a country, and what we currently monitor compliance against in our ethical trade auditing programme.

It's important to say that it's not just wages that matter: while a higher income is key to achieving financial resilience, hand in hand with this, we want to offer training, education and support so that workers can better manage their personal finances. We will also work to support access to social protection for workers which is so important when someone falls sick or gets injured.

So Why is it so Challenging? Wages Explained.

Like most retailers, we don't own our own factories. We work directly with suppliers who in turn contract factories. It is the factories that directly employ and pay their workers.

But consider that factories are typically producing for many different customers. On any one day, a factory could be working to make clothes for any number of brands. The workers there would be paid the same amount for that day's work, whether the garment they were making cost the end customer €30 or €3. So in practice Primark is only one customer of many and therefore only one contributor to what ultimately flows through to workers' pay packets. This is one of the biggest challenges the industry faces and why we need to work together to make progress.

Better Together

So what can we do? Given there are so many parties who have a role to play in setting wages, we believe that real change in worker pay can be most effectively achieved if suppliers, brands, trade unions, governments and worker representatives all collaborate. While we continue to progress together, we know that there are no quick or easy answers, but we have set out five commitments to help us work towards our goal.

1. Step up cross-industry collaboration including our work with ACT
2. Implement ACT Purchasing Practice commitments by 2023
3. Work with partners to improve measurement and transparency
4. Support our suppliers to adopt Living Wage
5. Support worker access to social protection and financial education

1. Get our ACT together.

Primark was one of the founding members of ACT, and we believe the ACT framework continues to be the best structure for us to pursue this goal. We will build on the active role we have played to date and push forwards towards comprehensive national collective bargaining agreements in its markets. We plan to refocus our energies and attention within these ACT markets as we believe this is one of the best opportunities to introduce real meaningful change.

2. Implement ACT's Purchasing Practice commitments

There is a lot we can do through our own commercial operations starting with our existing commitments around implementing ACT's Global Purchasing Practices by the end of 2023. Purchasing practices have a big impact on a suppliers' ability to pay a Living Wage, so our hope is that by implementing changes in how we work with them, we can create the certainty they would need to support this move.

These include:

- **Fair payment terms** – We have already implemented 30-day standard payment terms for suppliers. We're also signatories to the UK Government Prompt Payment Code. This guarantees our suppliers quick cash flow and supports their ability to pay workers' wages.
- **Responsible sourcing training** – Building on previous programmes, we will educate our product teams around responsible purchasing practices and what this will mean in practice

for their roles. Given how closely our product teams work with our suppliers, we want to develop their knowledge and give them clear guidance on our expectations and evolving practices for our suppliers.

- **Responsible exit strategy** – We have worked within ACT to develop new guidelines that outline what’s expected when a commercial relationship with a supplier ends. This mandates that we work together to assess potential implications for workers and agree a phased exit to lessen any impact on workers if possible, including a commitment on wages.

All ACT members are required to individually track and report their progress towards these commitments. The results of these will be published annually to share progress and be transparent around identifying areas for improvement.

3. Measurement and Transparency are key.

In order to show the actual wages paid, we’ll work with an independent third party to gather factory wage data in a consistent manner across all our major sourcing countries. This will allow us to establish the true gap between a Living Wage and what workers are paid. We will then feed this data into the Fair Compensation Dashboard developed by the Fair Labor Association (FLA) which will enable us to monitor progress in real wage growth. We’ll do this across all of our major sourcing markets and in tandem, we plan to publish the findings of our wage tracking so that our progress is transparent.

Helping create consensus around an agreed Living Wage benchmark in a market also matters. So we will partner with the Global Living Wage Coalition (GLWC) to contribute to Living Wage benchmarks for our key sourcing markets and expand the work with GLWC into markets where there are currently no benchmarks.

4. Support and incentivise our suppliers

We know how important it is to partner with our suppliers on pursuing the payment of a living wage, particularly as the people who make Primark products don’t work directly for us. We want to be clear and honest with our suppliers about our ambition and the fact that over time we will change the way in which we select, work and partner with them, increasingly preferring those suppliers who share our Living Wage aspirations, and those who are also active in ACT alongside us – where possible. Our aim is to build stronger, more strategic partnerships where we support our suppliers, with better forecasting and planning on our side helping them make more efficiencies in their production, to be able to increase wages paid to workers.

5. Support workers’ access to social protection and financial education

We will also expand the programmes we’re already running in support of workers to include a new focus on worker’s financial literacy which will educate workers around basic financial services and household budgeting skills. We have also seen how workers would benefit from improved access to social protection, for example if they are injured or sick, so we will be working towards this as an additional goal.

¹ <https://www.globallivingwage.org/about/what-is-a-living-wage/>

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