

**2016 Garment Campaign**



**Reality Behind Brands' CSR Hypocrisy:  
An Investigative Report on China Suppliers of  
ZARA, H&M, and GAP**



## **Table of Content**

### **Preface**

#### **Executive summary**

### **Part One: Introduction**

1. Profiles of Zara, H&M, and GAP
2. Where Are the Garments Manufactured?
3. Shorter Seasons, Heavier Burden of Workers
4. Corporate Social Responsibility in Question

### **Part Two: Rhetoric verses Reality**

1. Investigation Methodology
2. What Brands Claim in Their CSR Policies about Working Hours  
The Reality of Working Hours
3. What Brands Claim in Their CSR Policies about Wages  
The Reality of Wages
4. What Brands Claim In Their CSR Policies about Occupational Health and Safety  
The Reality of Occupational Health and Safety
5. What Brands Claim in Their CSR Policies about Social Audits  
The Reality of Social Audits
6. What Brands Claim in Their CSR Policies about Right to Organise  
What Is the Reality?

### **Part Three: Conclusion and Demands**

## **Preface**

SACOM (Students and Scholars Against Corporate Misbehavior) has been devoted to the undercover investigation and advocacy of labour rights in garment industries since our establishment, and had campaigns against sandblasting used in manufacturing jeans as well as Transnational Corporates including Giordano, Adidas and UNIQLO.

In this report, we target Zara, H&M and Gap, which are undoubtedly the top three of the most valuable brands in the global fashion industry today. In response to poor and inhumane working conditions exposed in their supplier factories all over the world, the three brands' CSR policies have been evolved drastically in the past decades by releasing Code of Conducts, conducting audits and so on.

Their CSR policies now appear to be comprehensive, well-established and even enable them to proclaim ethical, despite the lack of verifiable changes. However, SACOM is doubtful about whether CSR policies have improved workers' working conditions or they have ended up to be another covering up. With the aim of disclosing the genuine working condition and speaking out the truth behind CSR policies, we conducted undercover investigations inside four factories in mainland China, where shoes or garment of GAP, H&M, and Zara are made. These factories are located in coastal provinces such as Guangdong as well as inland provinces such as Anhui, Shandong, and Hubei.

This report analyses how the dominance of global brands in the supplier chain shapes the practice in the supplier factories, and directly influences workers' well-being. Besides, we also expose the reality behind brands CSR policies, and identify the real reason why they end up failing to be achieved.

## **Executive Summary**

In the spring of 2015 and 2016, SACOM conducted undercover investigations inside four of Zara, H&M, and GAP's supplier factories in China. Despite three brands' CSR policies appear to be comprehensive and enable them to proclaim ethical, SACOM's investigation reveals remarkable disparity between the brands' supplier factory CSR Policies and the reality in their Chinese supplier factories.

Three brands have correspondingly CSR policies regulating working hours, which requires the factories to provide workers days off, and not allowed to work more than 48 hours. However, the research found that the dominance of large retailers made supplier factories force workers to work excessively long overtime to meet disproportionately tight delivery time. The pressure from manager and co-workers were huge, and in some worst-case scenario, to achieve high production targets, workers were required to work from 7:30am until 1-2am, and only got one rest day a month.

Three brands' code of conduct state that their supplier factories shall pay wages which can meet workers' basic needs. However, the research reveals that workers' wages were all calculated by fixed and meager piece rates, which pushed workers to work overtime to make as many pieces they can to make a living. Their wages were even unstable due to the frequent changes in designs, and difference between high and low seasons. Workers ended up not being paid a living wage.

Three brands also promise safety and healthy working conditions in supplier factories. Yet, in reality, workers were exposed to toxic chemicals, cotton dust and hazardous dusts without protective gear. The operation of machinery was neither safe due to the lack of training and protective equipment. Fire escape path was either narrow or obstructed. Workers' health and safety was put at risk.

The investigation also reveals that there was no genuine representation of workers or channel for workers to voice out. Worker unions were formed by managers themselves; when workers went on strike, they were suppressed or corrupted by the factory.

Based on the investigation, Zara, H&M, and GAP's CSR policies are proved to be empty promises and are not beneficial to workers at all. Though brands employ staff and partner with other external auditing firms to conduct plenty of audits every year, SACOM's investigation unveils that supplier factories guided workers to lie to auditors and prepared fake documents to cover up the issues in working condition.

This report points out that the real reason why brands CSR policies have evolved for more than a decade but still failed to achieve their CSR goals is that they merely rely on the falsifying and top-down audits. SACOM demands three brands take the following actions:

Facilitate the factories in changing the unfair infrastructure of wages by paying a living wage for the work within standard working hours.

Provide workers with sufficient working health and safety training and empower them with information and knowledge in order to safeguard their own rights.

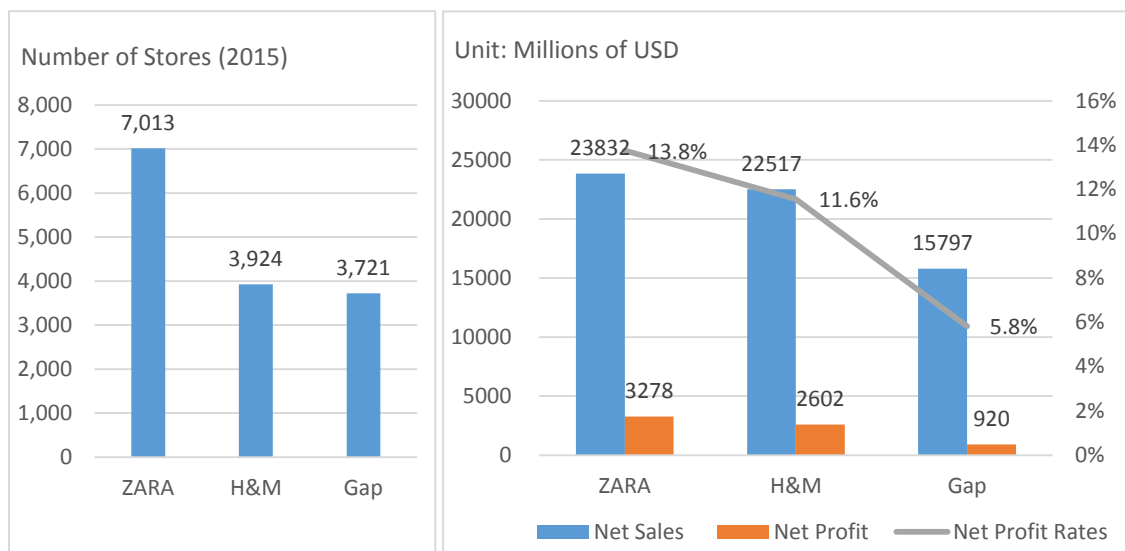
Give back workers' right to organise, form a genuine represented worker union such that they have collective bargaining with the factory, let them be empowered and fight for a better working condition on their own.

## Profiles of ZARA, H&M and Gap

The fashion industry has dramatically evolved, particularly since the late twentieth century. For a long time after factory-made and store-bought clothing became available at the dawn of this century, clothes were seen as investments and heavy emphasis was placed on repairing garments; only the wealthy could afford to buy fine and trendy clothes. The average price of clothes dropped significantly after the Second World War when the fashion industry was increasingly based on low cost mass production of standardized styles.

Since the 1980s, however, a new strategy of enhanced variety has been reinforced in response to the growing fashion-consciousness of customers. In the new business model, rather than original design, brands pursue designs inspired by promising trends in the latest fashion shows and by cues from mainstream customers, producing clothes in small batches at dizzying rates.

Of these brands, INDITEX (ZARA)<sup>1</sup>, Hennes & Mauritz (H&M) and Gap<sup>2</sup> stand out as the top three players in terms of sales today<sup>3</sup>. Noticeably, ZARA (No. 42) and H&M (No. 75) were shortlisted for the BrandZ Top 100 Most Valuable Global Brands in 2015, second only to Nike (No. 28) in the apparel industry.<sup>4</sup> Figure 1 gives a brief profile of these three giants.



<sup>1</sup> Note: INDITEX is more commonly known by its oldest and biggest brand ZARA. This report uses ZARA to refer to INDITEX.

<sup>2</sup> Note: All these three retailers have several brands and all of them include the namesake banners. This report uses ZARA, H&M and Gap to refer to the three comprehensive retailers, rather than the specific brands.

<sup>3</sup> <http://www.fastretailing.com/eng/ir/direction/position.html>

<sup>4</sup> [http://www.millwardbrown.com/BrandZ/2015/Global/2015\\_BrandZ\\_Top100\\_Chart.pdf](http://www.millwardbrown.com/BrandZ/2015/Global/2015_BrandZ_Top100_Chart.pdf)

Figure 1. Profiles of ZARA, H&M and Gap  
 Source: Annual Reports of ZARA, H&M and Gap<sup>5</sup>

**Where Are the Garments Manufactured?**

Each of these three brands make millions of garments every year, some by themselves, more by their suppliers worldwide, as shown in Figure 2, 3, 4.

ZARA began to report its supplier data in 2013. Although ZARA has its own factories in Spain and emphasizes production within proximity to its headquarters in Galicia, as shown in Figure 2, ZARA relies heavily on overseas suppliers, particularly those in Bangladesh, China and Southeast Asia. Workers forming the staff of manufacturers working for ZARA totaled 1,123,576 in 2014, overwhelmingly more than ZARA’s own employees totaling a mere 137,054 the same year.<sup>6</sup>

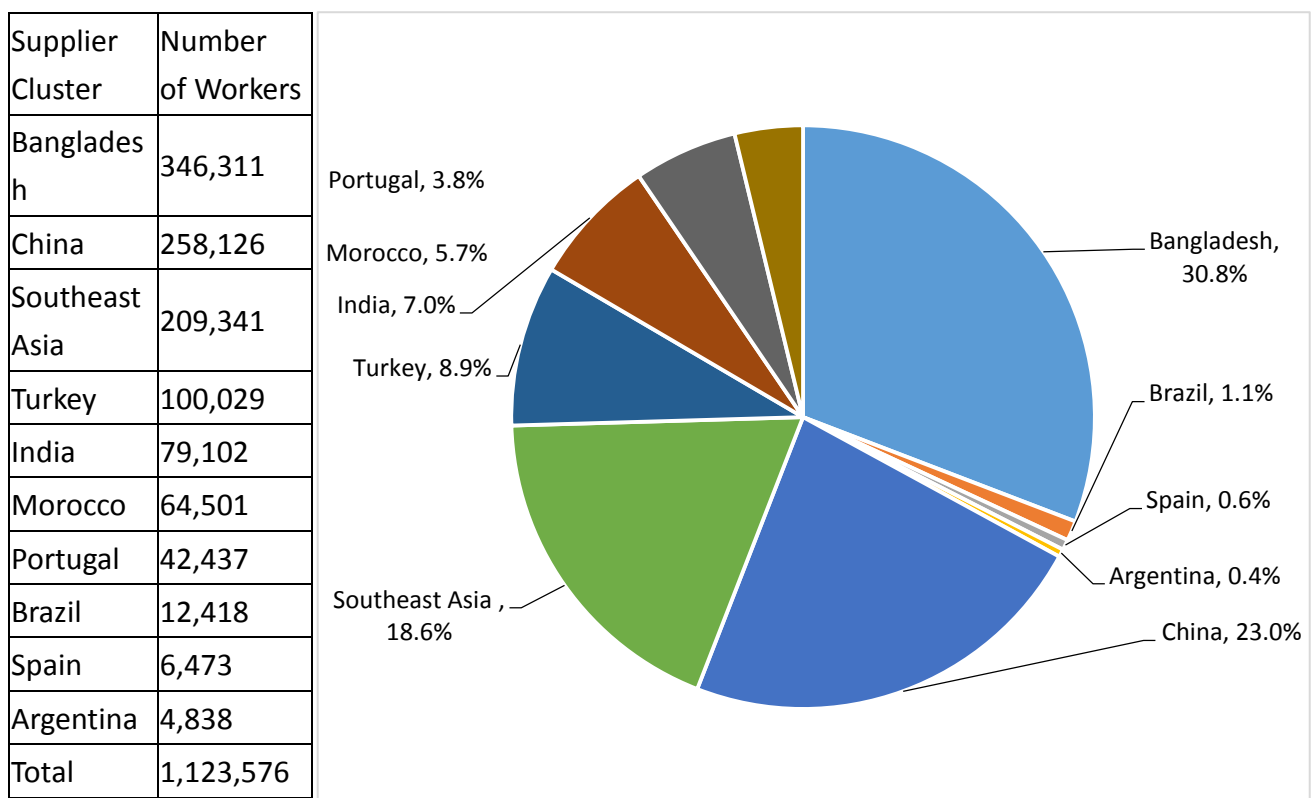


Figure 2. Number & Proportion of Workers of ZARA’s Manufacturers in its Supplier Clusters (2014)

<sup>5</sup> Note: All these three groups are listed companies. This report ignores the difference between the fiscal year and the lunar year, and also ignores the difference among their fiscal years.

<sup>6</sup> Source. Annual Financial Report of ZARA, 2014, p14.

Source: Annual Financial Report of ZARA, 2014, p166.

H&M began to publish its supplier list at [hm.com](http://hm.com)<sup>7</sup> in 2013. It does not have its own factories at all but instead has its products manufactured by thousands of manufacturers in around 30 countries (in 2015). In China alone, H&M has 437 manufacturing factories, 484 processing factories and 167 second-tier factories.<sup>8</sup> Its supplier factories employ about 1.6 million people.<sup>9</sup>

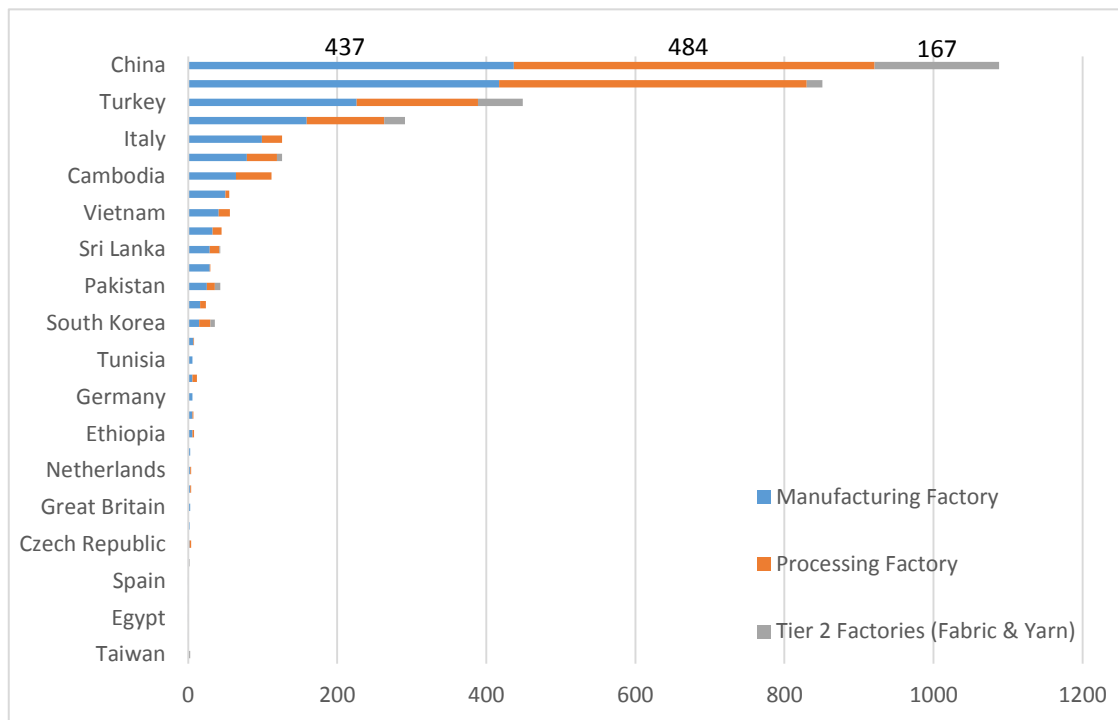


Figure 3. Number of H&M's Supplier Factories Worldwide (2015)

Source:

<http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>

Likewise, independent third parties manufacture all of the products sold by Gap. Gap purchases merchandise from about 1,000 vendors who have factories in about 40 countries. More than one million people work in the factories where Gap products are made. <sup>10</sup>Of Gap's merchandise purchased during 2015, approximately 99 percent

<sup>7</sup> Note: For more information, see <http://sustainability.hm.com/en/sustainability/downloads-resources/resources/supplier-list.html>

<sup>8</sup> Note: Second-tier suppliers are the suppliers of H&M's suppliers.

<sup>9</sup> Source: <http://sustainability.hm.com/en/sustainability/commitments/choose-and-reward-responsible-partners/supply-chain.html>

<sup>10</sup> Source: <http://www.gapinc sustainability.com/people/improving-factory-working-conditions>



of purchases, by dollar value, were from factories outside the United States. Approximately 24 percent of the 2015 purchases, by dollar value, were from factories in China.<sup>11</sup> In 2013, as shown in Figure 4, Gap has 1152 active supplier factories, of which about one third were in Greater China.

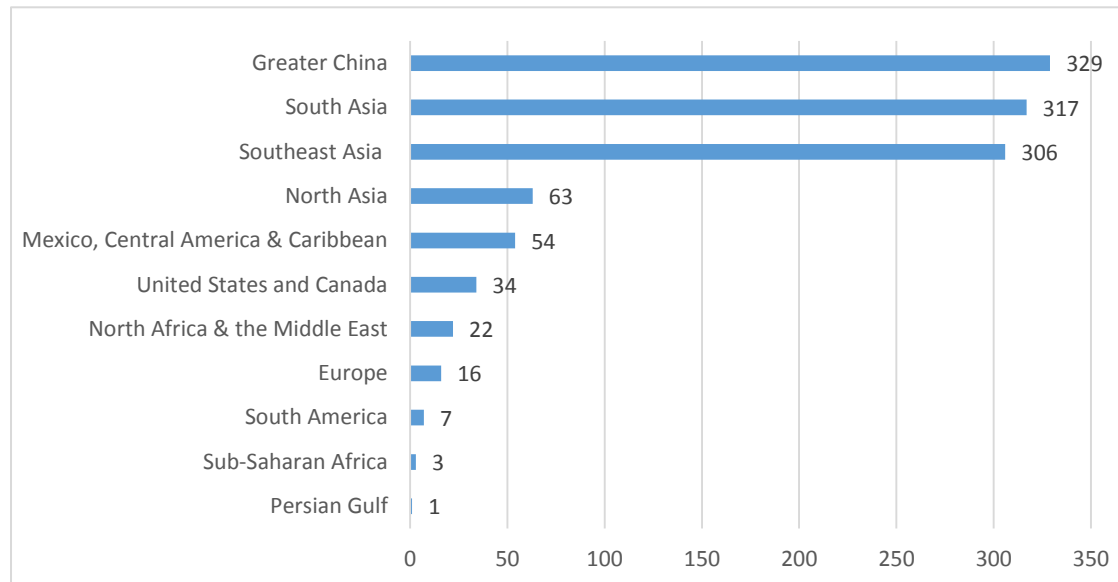


Figure 4. Gap's Production Presence in Number of Factories (2013)

Source. <http://www.gapinc.com/content/csr/html/human-rights/data.html>

The figures indicate that China is the key production country the three brands buy garments from.

### **Shorter Seasons, Heavier Burden of Workers**

The rise of big corporation has greatly reshaped the landscape of the world garment production. The apparel industry, as a labor-intensive, consumer-goods industry, is now characterized by buy-driven commodity chains in which large retailers, brand-named merchandisers and trading companies play the pivotal role in setting up decentralized production networks in a variety of exporting countries, particularly in the Third World. As has happened in the case of ZARA, H&M and Gap, rather than make the goods they sell, they buy most of them mainly from independent Third World factories where production is carried out under brands' specifications.

The dominance of large retailers in the global supply chain allows them to wield an enormous influence over contract manufacturers.<sup>12</sup> The latter has to be highly flexible

<sup>11</sup> Annual Financial Report of Gap, 2015, <http://www.sec.gov/Archives/edgar/data/39911/000003991116000269/fy201510-k.htm>

<sup>12</sup> Gereffi G. The Organization of Buyer-Driven Global Commodity Chains: How US Retailers Shape

and demand-responsive to the retailers' tough quality standards, fluctuating quantity needs, tight delivery time frame, and other requirements. In the competition for orders, contract manufacturers often find them forced to join the race to the bottom—to push for the lowest prices, which adversely affects their workers.

Such power asymmetry is exacerbated by the business model of fast fashion in aggravating labor conditions. To use ZARA as an example, this industrial leader cherishes flexibility and efficiency as its core competency. When sales trends are identified, either from shoppers or from the catwalk, ZARA's commercial teams will work with its in-house designers to develop new products to meet the new trends. Products designed at the headquarters reach stores three weeks later. In the store, customers' reactions—what they buy and what they do not buy—are closely monitored. Based on the sales, store managers will send orders to ZARA's headquarter twice a week. The commercial team will then compile the order and send it to the manufacturing hub. The store will receive the order within only two days. This pace allows the product range in ZARA stores to evolve rapidly and forces customers to buy impulsively since the clothes are cheap and offered in small batches—buy it now or you will never have it.

As reported by Forbes, a contract manufacturer would have expected to produce 40,000 garments across four styles for 20 weeks a few years ago; now, it will be lucky to get commitment from the retailer to manufacture four styles at 500 garments per week for just five weeks. The endless flow of new styles in the fast fashion industry puts “speed” as the top priority; garment workers are therefore under extraordinary pressure to complete orders on time, and sacrifice their welfare.

### **Corporate Social Responsibility in Question**

The garment industry has been characterized by poor working conditions from the very beginning. When the expression “sweatshop system” was first coined in 1901, it referred to the US clothing industry. Since then, the garment sweatshop has traveled around the world, following the global industrial transfer and relocation.<sup>13</sup> The concept of Corporate Social Responsibility (hereafter CSR) originated with the anti-sweatshop movement in developed countries in the 1990s, which accused global brands of indifference to the inhumane working conditions in the supplier factories. Since brand names are vulnerable to bad press, socially concerned

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Overseas Production Networks[J]. Commodity chains and global capitalism, 1994.

<sup>13</sup> Mezzadri A. Indian garment clusters and CSR norms: Incompatible agendas at the bottom of the garment commodity chain[J]. Oxford Development Studies, 2014, 42(2): 238-258.

consumers pressured these firms under spotlight to take action by linking them to low wages and poor working conditions in the factories where their goods are made.<sup>14</sup> To ward off criticism and protect brand image, these firms have to take responsibility for conditions along its commodity chain by opening their own CSR departments, introducing “codes of conduct” for their supplier factories, and so on.<sup>15</sup>

ZARA launched its Code of Conduct for Manufacturers and Suppliers in February, 2001. This code was designed as a dynamic document, constantly under review; the latest update was approved by the Board of Directors of ZARA in 2012. ZARA alleges that this code is mandatory in application for all of its manufacturers and suppliers. In 2013, ZARA approved its “Strategic Plan for a stable and sustainable supply chain 2014-2018” which developed lines of action including identifying and getting to know suppliers and manufacturers in depth by performing exhaustive assessment and helping them guarantee compliance with the social and working conditions of their employees.

H&M launched its Code of Conduct in 1997. In February 2016, H&M consequently replaced its Code of Conduct with its Sustainability Commitment. Signing the Commitment is mandatory for any supplier or business partner before entering a business relationship with H&M. The three major focus areas for the Commitment are regarding fair living wages, environmental performance and animal welfare in H&M’s value chain respectively. H&M has placed special emphasis on fair living wages for garment workers. It has a goal that all of its strategic suppliers should have improved pay structures for fair living wages in place by 2018.<sup>16</sup>

The counterpart of Code of Conduct for Gap is the Code of Vendor Conduct. Gap wrote its first vendor guidelines in 1992. It has been updated to include environmental, labor, health, and safety standards that Gap requires all vendors to adhere to.

Overall, three brands have consensus on most issues, such as no forced labour, regulations on wages, working hours, and etc.; yet what this report focuses on would be the implementation behind the regulations on paper.

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<sup>14</sup> Collins J L. *Threads: Gender, labor, and power in the global apparel industry*[M]. University of Chicago Press, 2009.

<sup>15</sup> Chan A, Siu K. *Wal-mart’s CSR and Labor Standards in China*[R]. BDS Working Paper Series, 2009.

<sup>16</sup> For more information, please refer to <http://about.hm.com/en/About/sustainability.html#cm-menu>

## Rhetoric verses Reality

### Investigation Methodology

With the aim of disclosing the genuine working condition and speaking out the truth behind CSR policies, SACOM adopts undercover investigation as the research method. Undercover investigators worked as general workers in the production line through normal factories job application procedure. We believe that undercover investigation is more than simple observation and first-hand information collection, but a more genuine way to combine dialogues and daily interaction with workers to understand more thoroughly on the situation.

In the spring of 2015 and 2016, we identified 4 factories manufacturing garment or shoes for GAP, H&M, and Zara as our targets. They are located in coastal provinces such as Anhui, and Guangdong as well as inland provinces such as Shandong, and Hubei.

We researched on two production partners of H&M, which were listed in the supplier list and ranked as Platinum<sup>17</sup> and Silver<sup>18</sup> partner respectively: Wuhu Seduno Fashion Co., Ltd. and Laizhou cherry garment Co., Ltd.. Besides, though INDITEX and GAP have not disclosed information of their supplier list, we also identified two more supplier factories, Nanhai Nanbao Shoes Factory Ltd., and Chibi Zhiqiang Garments Co. Ltd by desk research and interviews with workers.

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<sup>17</sup> According to H&M, suppliers graded with platinum or gold are their strategic partners and preferred suppliers. They make around 60% of our products and benefit from long-term partnerships including incentives such as joint capacity planning up to five years ahead.

<sup>18</sup> According to H&M, suppliers graded with silver

## Investigated Factories

<b>Name</b>	<b>Location</b>	<b>Main OEM brands</b>	<b>Employees</b>	<b>Products</b>
<b>Wuhu Seduno Fashion Co., Ltd.</b>	Anhui	H&M, Old Navy	The factory has 1,200 workers. Most of them are locals in their 40s. The men to female ratio is 3:7.	Sportswear, casualwear, children's garments and baby clothes
<b>Nanhai Nanbao Shoes Factory Ltd.</b>	Guangdong	Zara, GAP, Old Navy	The factory has 1,200 workers. They are middle-aged and young workers. The men to female ratio is 1:2.	Casual shoes and High-grade vulcanized shoes
<b>Laizhou cherry garment Co., Ltd.</b>	Shandong	H&M	The factory has 130 to 140 workers. The majority are middle-aged workers from Laizhou.	Garments
<b>Chibi Zhiqiang Garments Co. Ltd.</b>	Hubei	ZARA	The factory has 400-500 workers. Most of them are from Chibi. 80% of them are married women aged about 40.	Clothings and pants



Picture 1: H&M's tank tops made in Wuhu Seduno



Picture 2: OLD NAVY's tops made in Wuhu Seduno



Picture 3: GAP's shoes made in Nanbao



Picture 4: Zara's shoes made in Nanbao





Picture 5: H&M's Jackets made in Laizhou Cherry



Picture6: ZARA's kid shorts and suits made in Zhiqiang



## What Brands Claim in their CSR policies about working hours

Zara<sup>19</sup>, H&M<sup>20</sup>, and GAP<sup>21</sup> all stated in their Corporate Social Responsibility Policies that the supplier factories must comply with the national law on working hours. The factories shall ensure the workers are provided one day off in 7 on average, not required to work in excess of 48 hours and work overtime hours in excess of 12 hours. Besides, overtime shall only be voluntary, and also paid overtime premiums.

## The Reality of Working Hours

### Brands' Tight Delivery Time Frame Led to Workers' Excessively Long Overtime

Though there're correspondingly CSR policies regarding working hours, the reality is that the dominance of large retailers makes supplier factories often have no choice but to join the race to the bottom game, and maximize the remaining value of workers by pushing for the lowest wages and highest productivity.

In Wuhu Sheduno, there were daily assessments in each production line, which showed the information of the orders placed by the brands, amount of garment pieces that had been made and how many pieces were needed on that day. Moreover, the assessments included how many days the workers had left before the deadline as well as their production performance score. Our investigators noticed that almost all the daily assessments had crying faces and workers told us that the production targets are really hard to achieve.

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<sup>19</sup> In Zara's Code of Conduct, it states that "Manufacturers and suppliers shall not require their employees to work, as a rule of thumb, in excess of 48 hours a week and workers shall be granted at least one day off for every 7 calendar day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate, pursuant to the provisions of the prevailing regulations in force."  
[https://www.inditex.com/documents/10279/28230/Grupo\\_INDITEX\\_codigo-de-conducta-de-fabricant-es-y-proveedores\\_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdf4](https://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-conducta-de-fabricant-es-y-proveedores_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdf4) (p.5)

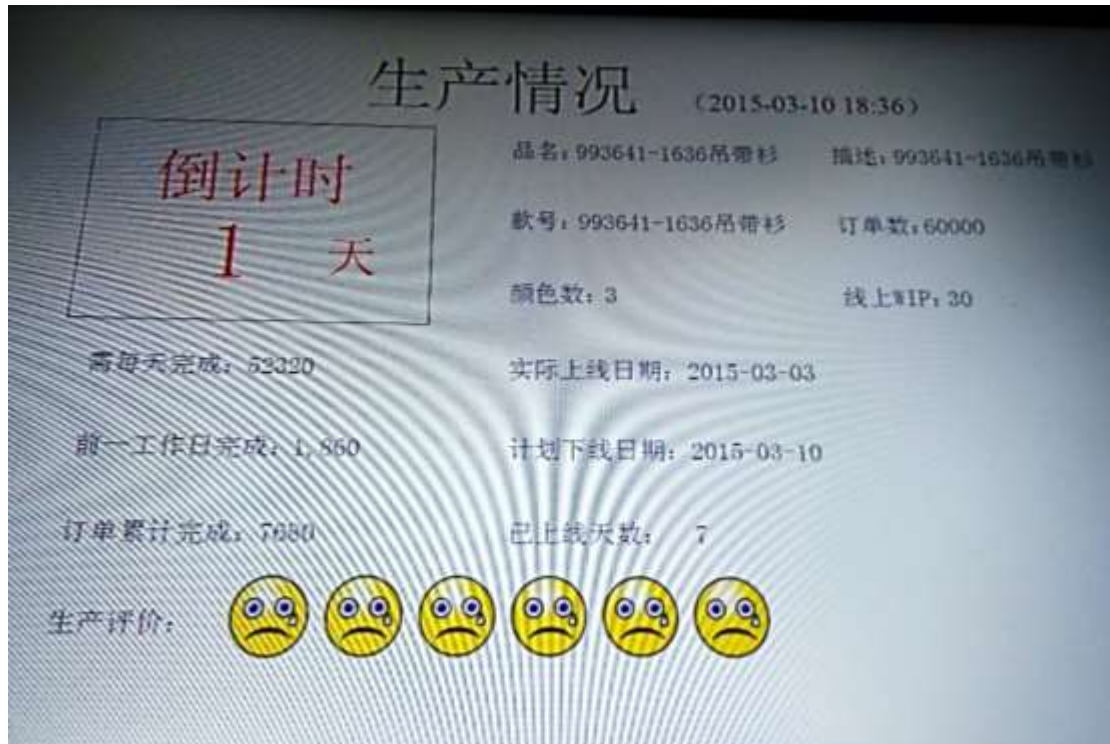
<sup>20</sup> In H&M's Sustainability Commitment, it promises the compliance of national law or ILO Conventions and claims that "In any event, employees shall not on a regular basis be required to work in excess of 48 hours per week and should be provided with at least one day off for every 7 day period." "Overtime shall be voluntary, not exceed 12 hours per week and shall always be compensated at a premium rate, which is recommended to be not less than 125% of the regular rate of pay."  
[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf) (p.3)

<sup>21</sup> In Gap's code of Vendor conduct, it is written that "The factory complies with all applicable laws, regulations and industry standards on working hours. Except in extraordinary business circumstances, the maximum allowable working hours in any week shall be the lesser of a) what is permitted by national law or b) a regular work week of 48 hours plus overtime hours not in excess of 12 hours." "Factories shall pay wages and overtime premiums in compliance with all applicable law."  
[http://www.gapinc.com/content/dam/csr/documents/COVC\\_070909.pdf](http://www.gapinc.com/content/dam/csr/documents/COVC_070909.pdf) (p.10)



Picture 7: In every production line, there is a screen to show the daily production assessment.

For example, in picture7, the daily production assessment shows that H&M had made an order of 60000 tank tops, and the workers only had only 8 days to make the garment. There was only one day left, but the workers had only completed 12% of the total amount. Thus, they got six crying faces in the production assessment score.



Picture 8: A daily production assessment in Wuhu Seduno



Picture 9: A worker was working on the tank tops mentioned in Picture 8.

A worker also told the investigator that when H&M sent their staff to check the quality of the products, he heard the production manager desperately promise him: "I guarantee my life that I will make the delivery on time."

The dominance of brands in the supplier food chain does shape the practice in the supplier factories. In the investigation in 2016, in Seduno, though workers can often get a rest day in 7, which is stated in H&M's code of conduct; however, workers in the sewing department normally worked from 7am to 7pm; workers in ironing and quality check department normally worked until 8pm and even work for 2-3 hours more overtime when rushing the orders. Deducting the meal time of around an hour, the working hours added up to around 12 hours or even more a day, which was extremely long.

In Nanbao, factory managers also assigned workers a strict daily production target to meet the delivery deadline set by the brands. When brands placed a large amount of orders with a tight delivery frame, or the factory didn't have enough stock, the production target would increase accordingly. The production targets were clearly one-sided and workers didn't have a voice even if the target requirement was far beyond what they could do within the standard working hours. The manager forced the workers to meet the production target before they could leave work, which directly led to excessive overtime.

In sewing, cutting, finishing, and shoes adhesive manufacturing departments of Nanbao, workers had to work from 7:30 am to 10:00 pm. Deducting the 2.5 hours meal time, the working hours added up to 12 hours per day. It's worth noting that the 12 hours of work is an everyday practice, but sometimes when the factory was rushing their orders, the workers were even required to work until 1-2 am, and went back to work at 8am the next morning.

## 通 知

即日起车间各部门上下班时间统一如下表，请按要求执行，不得无故迟到、早退

部门	上班时间	下班时间	备注
炼胶部/针车部/裁 断部 外包、包序	7:30	11:40	五金仓、大底仓、鞋面仓，按此时间执行！
	13:10	17:10	
	18:10	22:00	
成型AB线	7:30	11:50	包装仓、帽头仓按此时间实施！
	13:20	17:20	
	18:20	22:00	
成型CDE线	7:30	12:00	
	13:30	17:30	
	18:30	22:00	

平信林

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2015. 12. 20

Picture 10: The time schedule published on the factory wall on December 20th December 2015, it was written that the working schedule of noticed workers that working schedule had changed and it was effective immediately. For instance, the working schedule of sewing department became 7:30 am to 10:00 pm. In spite of the prompt change in working schedule, workers are required in this notice that they must not arrive late or leave early without reason.

## **Is the Overtime Voluntary?**

### **Pressure from Manager and Co-workers Due to Failing to Meet the Productivity**

In Seduno and Nanbao, if the worker didn't work for overtime to achieve the target, he/she would be scolded by the manager and got pressure from other workers.

In Seduno, workers informed us that garment pieces passed through multiple procedures in accordance to the orders. If the productivity of certain procedure is low, it would definitely impact the pieces workers of following procedures can make, which caused pressure among workers. Our investigator also heard the manager scold a worker angrily: "Other workers have no pieces to do and no money to earn because you are too slow."

In some departments of Nanbao for example the finishing department, workers had to work for almost non-stop once the production began. Workers told the investigator that they needed to run to the toilet and only had one worker fill water bottles for other workers of the same production line in order to save time. Moreover, as workers' wages are calculated on the amount of pieces the whole production line can make. If a worker applies for a leave or didn't work overtime or the manager needed to find another worker to fill in the vacancy of his/her position, if he/she failed to find one, it would decrease the productivity of the whole production line and influence how much all the workers could earn, which would negatively affect the social relationship among workers.

In Nanbao, workers got punished through fines for being absent from work. For an absent day, workers in the department manufacturing shoe adhesives, would be fined 300 RMB; workers in the finishing department, would be fined 3 times of other worker's wage in the same production line. Worse still, it was also hard to get the approval for leave. For example, a male worker who worked for the finishing department was sick but failed to get the approval from the manager from the beginning. He had no choice but to work until night; the manager finally gave him a half day rest after touching his forehead and found it really hot.

### ***Worker A (Nanbao, Aged around 40; has worked in the packaging department for 4-5 years):***

*The packaging department always asks us to work overtime, especially when the factory is rushing for order. Sometime we work until 11:00 p.m. to 12:00 a.m., or even 2:00 a.m. to 3:00 a.m. The salary is about 4,000 RMB. Long working hour, low wages and exhausting work.*



**Worker B (Nanbao, Yunnan; has worked as a gluing worker for 1 month)**

*I had worked for 9 days in February and my salary that month was only 700 RMB. My greatest feeling of doing this job is exhaustion as daily working hour is more than 12 hours. My weight has decreased by 5 kg because I work overtime every day and cannot eat well.*



Picture 11: A worker slept besides the machine after lunch.

Picture 12: The production line in the finishing department of Nanbao

**Is the Overtime Voluntary?**

**Paid by a fixed meager piece rate pushed workers to work overtime**

In Cherry and Zhiqiang, though there's no strict productivity target to meet or compulsory overtime, as their wages are all calculated by a fixed piece rate; the piece rate and the basic wage is so low that the workers have no choice but to do overtime to make more pieces to make ends meet.

In Cherry, workers always paid only 0.2-0.3 RMB for ironing per one simple cloth, the workers normally work for 10 hours a day and have 3-4 rest days a month. In Zhiqiang, workers even didn't need to clock in and out to record their working hours, but as the piece rate is meager,<sup>22</sup> workers always showed up on time and some of them even began to work earlier than the working schedule set by the factory or during meal breaks, during which they were supposed to take rest. In Zhiqiang,

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<sup>22</sup> For example, they only paid 0.01 RMB for repairing line, 0.03 RMB for seaming pocket and 0.3 RMB for sewing water label

Worker in Zhiqiang normally work for more than 10 hours and only have 1-2 rest days per month.

湖北省赤壁市志强服饰有限公司

更新1/17

款号: 44B/67

序号	工序名称	单位	机器种类	序号	工序名称	单位	机器种类
1	领面粘料*2	0.050	烫台	29	双针前袋袋口*2	0.060	双针车
2	单刀粘料	0.010	烫台	30	粘粘袋袋口*2 (任意相缝, 袋口搭袋处)	0.150	平车
3	领面画/领骨位*1	0.050	平车	31	车前门襟袋口 (右线), 前袋布领口门襟	0.280	平车
4	大腰面版 (放气阻袋布*2)	0.140	平车				
5	粘/烫腰成功	0.140	平车	32	双针后机头埋夹*2	0.070	双针车
6	打腰二眼刀	0.030	烫台	33	车后袋口*2	0.030	平车
7	点主腰位, 气阻位*2	0.025	烫台	34	车后袋袋布线*2 (4条)	0.120	双针车
8	打主腰西头	0.050	平车	35	单针后袋袋口*2	0.220	平车
				36	双针后袋袋口 (修机头)	0.100	双针车
10	比板扣烫袋袋	0.005	烫台				
11	比板扣烫后袋口*2	0.030	烫台	37	五线侧缝*2 (对后机头)	0.145	五线打边车
12	比板扣烫后袋口 (对整物线位)	0.100	烫台	38	双针侧缝*2	0.120	双针车
13	比板点粘袋, 表袋位*10	0.005	烫台	39	五线内缝	0.085	五线打边车
14	比板点粘袋*2 (6个车后机头后点位)	0.040	烫台	40	后腰耳*2	0.105	平车
15	比板点粘袋侧缝线*2 (4个)	0.040	烫台	41	上腰双线	0.050	双针车
16	比板画主腰位, 零钱袋位	0.055	烫台	42	打腰耳上下*2	0.150	平车
17	车/粘/明腰耳*5	0.075	平车/裁箱	43	比板扣烫腰口*2	0.060	烫台
18	前袋侧缝耳*2	0.020		44	车腰口完成*2 (对侧缝位)	0.120	平车
				45	比板领前袋袋口粘袋位	0.040	
19	二线单双刀	0.030	二线打边车				
20	二线前袋	0.030	二线打边车	47	粘主腰线 (白色)	0.010	
21	车翻袋刀	0.030	平车	48	粘腰2个 (换刀片一次)	0.050	借眼车
22	车零钱袋口 (未烫)	0.030	平车	49	穿腰后部	0.060	
23	平车粘零钱袋侧缝	0.050	平车	50	封后腰西头	0.040	平车
24	二线前袋粘袋	0.030	二线打边车	51	粘袋水腰	0.030	平车
25	车前袋粘袋*2	0.030	平车	52	点侧缝机头位	0.020	烫台
26	车前袋粘袋*2 (做袋布领口前门襟)	0.250	平车	53	比板扣烫腰面	0.095	
27	双针前袋缝袋*2	0.160	双针车				
28	拉前叉粘袋口*2	0.060	平车		合计:		

制表人: 侯成欢      车间主任:      厂长: [Signature]      总经理:

Picture 13: Publicized piece rate in Zhiqiang; the piece rate was meagre and they were seriously underpaid.

**Worker C (Zhiqiang, Aged around 37; local; worked in the quality control department):**

*I'm paid by piece rate. I can only get 0.2-0.3yuan for a piece. See, I have to align these tiny plaids, and even the deviation less than 0.5mm is not allowed! I can't make many pieces a day; I can only earn 1000-2000 a month.*

**Worker D (Seduno, Aged around 50; has worked in the quality control department for 2-3 years)**

*I work overtime until 9:00 p.m. every day. But my monthly salary is only 2,000 RMB. Sometimes I work until 10:00 p.m. but I could only get 3,000 RMB. Wages of sewing department is also low. A sewing worker has to make 800 pieces a day but he/she only receives 2,000 RMB a month.*



### **What Brands Claim in Their CSR Policies about Wages**

Zara<sup>23</sup>, H&M<sup>24</sup> and GAP<sup>25</sup> claim in their Corporate Social Responsibility Policies that workers shall be paid for wages that meet legal requirements, industrial standards or collective bargaining agreement. They also stated that wages shall be higher than these standards or agreements to meet the basic needs of workers and their families.

Corporate Social Responsibility Policies of Zara, H&M and GAP pertaining to wages are vague and unclear. To illustrate, GAP does not mention a living wage. Instead, it only claims that it shall pay above “legal requirements” which “meet workers’ basic needs.” However, it does not define what the ‘basic needs’ of the workers are. Inditex, the parent company of Zara, committed to pay a living wage in its annual report 2014 and introduced some projects to ensure that workers can receive living wage, but has not given a clear benchmark for this living wage<sup>26</sup>. The corporate transparency of

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<sup>23</sup> In Zara’s Code of Conduct, it is written that “Manufacturers and suppliers shall ensure that wages paid meet at least the minimum legal or collective bargain agreement, should this latter be higher. In any event, wages should always be enough to meet at least the basic needs of workers and their families and any other which might be considered as reasonable additional needs.”

[https://www.inditex.com/documents/10279/28230/Grupo\\_INDITEX\\_codigo-de-conducta-de-fabricant-es-y-proveedores\\_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdf4](https://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-conducta-de-fabricant-es-y-proveedores_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdf4) (P.5)

<sup>24</sup> In H&M Sustainability Commitment, it promises the compliance of ILO Conventions and ILO Recommendation and states that “the wages and benefits paid for a standard working week meet, at a minimum, national legal level, industry level, or collective bargaining agreement, whichever is higher. In any event, a fair living wage should always be enough to meet the basic needs of employees and their families, and provide some discretionary income.” To ensure that wages are enough for workers’ basic needs, “Employee surveys are regularly conducted in order to understand if the wage paid meets employees’ basic needs. A broader, complementary, employee needs assessment is regularly carried out in order to understand additional needs.”

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf) (P.4)

<sup>25</sup> The GAP’s Code of Vendor Conduct states that “factories shall pay wages and overtime premiums in compliance with all applicable laws. Workers shall be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. Factories are encouraged to provide wages and benefits that are sufficient to cover workers’ basic needs.”

[http://www.gapinc.com/content/dam/csr/documents/COVC\\_070909.pdf](http://www.gapinc.com/content/dam/csr/documents/COVC_070909.pdf) (P.10)

<sup>26</sup> In Inditex annual report 2014, it states that “progress has been made to guarantee that workers in

Zara is low, as it does not provide strategy, a time-bound schedule and progress of policies of fair living wage nor a salary increase to meet basic needs. H&M has published a roadmap on policies implementation towards fair living wage and promise to pay 850,000 garment workers fair living wage in 2018<sup>27</sup>. However, it does not give a clear figure of living wage. It only claims that the definition of fair living wage depends on workers' opinion. The result of H&M's fair living wage is not satisfactory. Workers' way to obtain fair living wage is not sustainable. They have to work overtime or work in holidays to earn a living wage.<sup>28</sup>

### **The Reality of Wages**

Though compared to many other South East Asia production countries, the minimum wage in China appears to be relatively high. However, it's important to take into account the rising living costs apply the concept "living wage" in a pragmatic sense; only in this way could we see whether workers were paid a living wage that can ensure them dignified lives. Moreover, aside from focusing on the "figure" of the wages, we should also pay special attention to the foundational infrastructure, in order to ensure that the workers are guaranteed a living wage for working for standard working hours or working for excessively long overtime to struggle to make their ends meet.

### **The Unfair Infrastructure of Wages**

In the four factories we investigated, most general workers were paid by a fixed piece rate without a sustainable basic wage. As workers' monthly wages merely depended on how many pieces they can make, there's no guarantee that workers can get statutory hourly rate, and workers were unable to get any paid rest days. In Cherry, if workers failed to manufacture enough pieces, they couldn't even get their entitled minimum wage. There were no overtime premiums as stated in three brands' Code of Conduct or even in compliance to Chinese Labour Law; however, despite the absence of overtime premiums, in order to make enough money, workers had no

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the supply chain are paid wages that are sufficient to cover at least the basic needs and any other that might be considered reasonable additional needs of the workers and their families". They are promotion of collective bargaining, improving production system, responsible purchasing practices and collaboration with stakeholders.

[https://www.inditex.com/documents/10279/18789/Inditex\\_Annual\\_Report\\_2014\\_web.pdf/a8323597-3932-4357-9f36-6458f55ac099](https://www.inditex.com/documents/10279/18789/Inditex_Annual_Report_2014_web.pdf/a8323597-3932-4357-9f36-6458f55ac099) (P.54)

<sup>27</sup> <http://about.hm.com/content/dam/hm/about/documents/masterlanguage/CSR/Others/HM-Roadmap-to-fair-living-wage.pdf>

<sup>28</sup> <https://www.cleanclothes.org/resources/publications/living-wage-now-magazine> (P.8)

choice but to self-exploit to work for overtime to make as many pieces as they can.

**Worker E (Nanbao, Aged around 50; Chongqing; has worked in the cutting department for 4-5 years):**

*I cut 5,000 pairs of shoe inserts for 120 RMB a day. The punch cutting machines in this factory can only cut a pair of shoe inserts once, it means 5,000 times a day. The wage is low and I have to stand for whole day. I spend 200 something RMB on meals per month (he and his wife always cook in the factory to save money) and 300 something on cigarettes. I even spend more in summers as I buy drinks. I can only save a little. If I were 10 years younger, I won't work in this factory. But I am too old now.*



Picture 14: This is the order to a worker of cutting department. The worker has to cut 6,178 pairs of shoes this day.

**Non-transparent Calculation Method of Wages**

It's also worth noting that though workers' wages were calculated by piece rates, in Seduno and Cherry, the piece rate and the calculation method were not transparent to workers. There was no clear piece rate publicized, only some experienced workers could have an estimated number of the piece rate; when the investigator asked manager about the exact piece rates, he simply answered that the wage is not published in the factory.

Once the floating piece rates and calculation method of the salary remains operated in the black box, workers couldn't have a chance to have the information to verify if the amount printed on their salary sheet is correct, or go a step further to fight for a better wage.

### **Instability of Workers' Wages**

Paying the wages by piece rate is favorable to the factories as it is "economical" and "flexible"; however, this flexibility also built on the instability of workers' monthly income. In Seduno and Zhiqiaing, where the amount of orders in peak seasons were different from low seasons, workers earn less during low seasons.

Moreover, when workers' wages were calculated by piece rate, the proficiency in manufacturing directly impacts how much they can earn; however, in these factories, the design of the garment sometimes changed within weeks. For every new design of garment, the leader of the production line got detailed measurements of different sizes (as shown in picture 15), production instructions (as shown in picture 16), and a list of items that brands' quality control staff will pay special attention to (as shown in picture 17); he/she taught the workers how to make the garment, ensured workers make it right in the beginning and met all requirements of the brands. Workers could had a hard time to get accustomed and be proficient in making the new design, which led to the instability of their wages. For example, in Zhiqiang, there were a new style of blouses began on production in June of 2016, with a particularly high quality standard from the brand, the experienced workers only earned 10 RMB for a whole day work; the new workers only earned 2 RMB.

#### ***Worker F (Zhiqiang, Aged around 35; local; worked in the finishing department)***

*We are always busy but we only have 2,000 RMB per month. Sometimes we only have 1,000 RMB. We have to level at the button mouth very carefully when tying buttons. Otherwise, the needles will be broken. We are only paid a few cents for doing such a hard work.*

#### ***Worker G (Seduno, Aged around 45; has worked in the coating department for 1 year)***

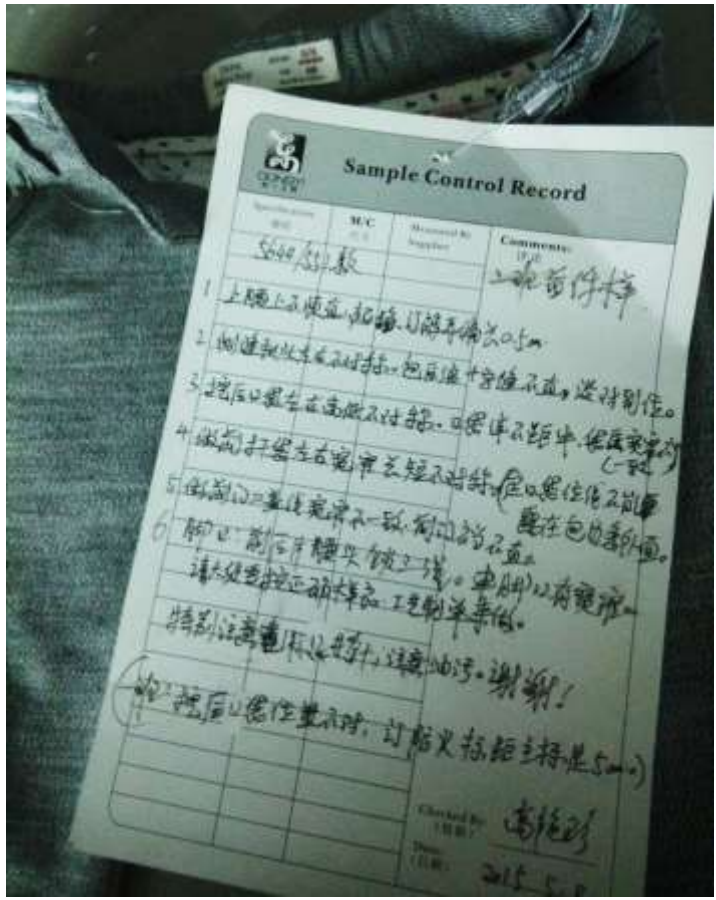
*My husband is working in Shanghai and my son is still studying. My salary is calculated with piece rate. Sometimes I have 3,000 RMB but sometimes I have 1,000 RMB only; it's all depends on how many pieces I can make. The only thing I can do is work faster, make more pieces in order to earn more. I want to earn more because my son will get marry in the future.*

STYLE: BYO-W15-P504 DPTO.COMERCIAL NIÑO / CHILDREN'S COMMERCIAL DEPT  
 SIZE SPEC: 11/03/2015 BABY BOY'S PANTS HUNAN SEASON: WINTER-2015

MEASUREMENTS	SIZES						
	06	09	12	18	24	2/3	3/4
A PANT LENGTH (PRESENTATION)裤长	35	37	41	44.5	48	51.5	55
B WAIST WIDTH RELAXED (WITH ELASTIC)腰宽(松量)	23.5	24	24.5	25	25.5	26	26.5
C FRONT WAIST WIDTH (STRETCHED AND SEAM TO SEAM)前腰宽(松量, 褶到褶)	23	23.5	24	24.5	25	25.5	26
D BACK WAIST WIDTH STRETCHED (松量)	28.5	29.2	30	30.7	31.5	32	32.5
E WAISTBAND LENGTH 腰头	3	3	3	3	3	3	3
F FRONT HIP WIDTH (SEAM TO SEAM)前半围(褶到褶)	25.7	26.2	27	27.7	28.5	29.2	30
G 1/2 HIP WIDTH 半围宽	27.2	28	28.7	29.5	30.2	31	31.7
H HIP HEIGHT 臀一半围	10.5	11	11.5	12	12.5	13	13.5
I FRONT LEG WIDTH 前腿宽	13.5	14	14.5	15	15.5	16	16.5
J BACK LEG WIDTH 后腿宽	17.5	18	18.5	19	19.5	20	20.5
K DIST. WAISTBAND-KNEE (NO INCLUDE WAISTBAND)腰—膝(不含腰)	21	22.5	24	25.5	27	28.5	30
L FRONT KNEE WIDTH 前膝宽	10	10.2	10.5	11	11.5	12	12.2
M BACK KNEE WIDTH 后膝宽	11.7	12	12.2	12.7	13.2	13.7	14
N FRONT HEM WIDTH 前脚口宽	9.5	9.7	10	10.5	11	11.2	11.5
O BACK HEM WIDTH 后脚口宽	10.7	11	11.2	11.7	12.2	12.5	12.7
P FRONT CRÖTCH+WAISTBAND 前裆+腰	17.5	18	18.5	19	19.5	20	20
Q BACK CRÖTCH+WAISTBAND 后裆+腰	22.5	23	23.5	24	24.5	25	25
R POCKET OPENING WIDTH 前口袋宽	3.2	3.2	3.5	3.8	3.5	3.7	3.7
S POCKET OPENING LENGTH 前口袋长	7.7	8	8.5	8.7	9	9.2	9.7
T DIST. WAISTBAND-YOKE (CENTER)腰—约克(中间量)	3.5	3.5	3.7	3.7	3.7	4	4
U DIST. WAISTBAND-YOKE (SIDE)腰—约克(侧边量)	1.7	1.7	2	2	2	2.2	2.2
V DIST. YOKE - POCKET 约克—后口袋	2	2	2.2	2.2	2.5	2.5	2.7
W DIST. BETWEEN POCKETS 后口袋间距	9.5	9.5	9.5	9.7	9	9	9.2
X PIPING POCKET OPENING 后口袋嵌条	7	7.2	7.5	8	8.5	9	9.2
Y TOTAL PIPING LENGTH 嵌条总长	1	1	1	1	1	1	1
Z FLY LENGTH 门襟长	7	7.5	8	8	8.5	8.5	9

大货尺寸表  
 INNER ELASTIC WAISTBAND ADJUSTABLE WITH BUTTONHOLES AND FIXED AT THE EDGES.  
 CHINO PATTERN, LONGER CRÖTCH

Picture 15: the measurements of Zara's shorts



Picture 16: the list of items that brands' quality control staff will pay special attention in Zara's shorts



志强服饰生产工艺单		款号: 400001
品名: 男西装	尺码: 40/42	
面料: 6044/760	辅料: 1031/3044/760	洗涤方法: 成衣干洗
<p>严格按样制衣, 注意面料正反面, 底线左右纱线纱距要直, 裁板时注意边手色差问题。            按订单数量分箱号, 裁片要打号, 成品不能有针迹和通粉印, 不准露底脚印。            每件衣服的颜色有很多, 请注意要分开清楚。            严格按照我司工艺生产, 不同款式工艺, 不能有错针, 断线, 跳针, 漏针及多余的半线。</p>		
1. 机针:	14#针, 针距1英寸/12针, 三五线1英寸/12针。线迹要均匀, 美观。	
2. 用线:	面线302#, 底线402#, 颜色: 黑色, 整件衣车缝位为1cm, 直线部位要加密。	
3. 用料部位:	领里领面, 内挂麻, 袋后, 前衣片粘半法衬。	
4. 所有烫的位置:	主腰车在后中领底后约克线下1.5cm位置, 车四方, 附加标车在主标 F0.5cm向下, 车四方。(主标附加标包腰线), 洗水烫共三联, 安于穿计左侧缝距下摆往上走1/2处(详见OK样衣)	
5. 前片:	按点位收前片左右腰省, 三线领垫, 吊布, 按板点穿计的右内挂面口袋位; 按点印袋口袋口袋布, 开线或开袋1.2cm, 袋角要直, 不能漏毛须, 袋口中间夹个纯棉青年布印花的二合片, 内口袋布四周用口袋布包边, 五线看法面合内挂面与内拼块, 左右侧挂面都用口袋布包边, 左前胸袋袋口宽2cm, 左前下袋袋口宽2.5cm, 按板扣烫胸袋, 下口袋, 按点印左口袋车0.1cm, 袋口上封一个小三角, 三角两边要对称, 贴袋要圆顺, 不能起角, 胸袋里面车个三角形手袖, 按板扣烫内挂面, 用平机合挂面与衣片上, 拐弯处千万不能变形, 更不能有角。	
6. 后片:	平机拼后片中缝, 中缝用口袋布包边, 后摆叉两边扣光车0.6cm单线, 按尺寸封好后又。后约克边是口袋布包边的。	
7. 肩缝:	三线分开领前后衣片面肩缝, 再用平机合面子肩缝, 合里子肩缝, 三线看前片锁边。	
8. 做袖子:	五线看小袖合小袖, 大袖向, 按尺寸封袖叉高, 不能有长短, 按板打袖叉扣眼位, 领三个假平眼(是不开刀的), 半成品定平扣, 五线拼大小袖里中节与大小袖里下节, 再拼合袖子里, 再用平机合袖子里面, 看袖面三线锁边, 详细做法请参照正确样衣。	
9. 摆缝:	平机合摆缝, 摆缝用口袋布包边。	
10. 上袖:	先用带袖布带勾袖面尖顶, 按点位上袖里袖面, 上袖时一定要上均匀, 三线看袖子锁边袖肩上个袖肩棉, 袖里袖面侧缝和肩缝是要定位的。	
11. 底边:	底边卷2.5CM宽单线。线迹要均匀底摆要圆顺; 不能打杆。门里襟和领周围压0.6cm单线	
12. 做领:	按板扣烫领里, 坐领, 拼合领里和坐领, 两边分开各压0.1cm单线。按板扣烫领面, 按烫印拼接领里领面, 内缝头不能超过0.6cm宽, 后约克两片对折交叉, 后领中间夹个用口袋布车的宽0.6cm, 长4cm(中间宽度)的吊耳, 按点印上领里领面, 剪口千万别打太深, 不能漏毛须, 爆口。领里, 领面对准点位定平。(请参照正确样衣)。	
扣眼部位:	左门襟两个, 右里襟一个, (用7/8刀片) 内口袋三角片一个(用5/8刀片), 袖子六个(不开刀)	
扣子:	17mm: 5粒, 用于4-5码的前门襟(内+外), 19mm: 5粒, 用于6-14码的前门襟(内+外), 15mm: 7粒, 用于所有码的袖口和内口袋扣。	
整烫:	烫气轻柔, 不接受折印, 面里要平整, 折叠方法请按正确包装资料。	
吊牌位置:	吊牌用黑色吊粒穿于门襟第一个扣眼内。	
包装方法:	具体包装方法详见包装资料。	
制表人:	方春霞	电话: 15972501183

Picture 17: the production instruction of Zara's suit, written the procedures the garment would go through step by step with many detailed requirements

### **Are Workers Paid Living Wage?**

Although brands have failed to give a clear benchmark for living wage, if we refer to Asia Floor Wage<sup>29</sup> - an international alliance of trade union and labor right activists – living wage must meet the basic needs of workers including housing, food, education, and healthcare. The calculation of living wage is based on the assumption that a worker shall be able to support themselves and two other consumption units (2 adults or 4 children) and 50% of monthly salary is spent on food, while an adult need to 3,000 calories a day to carry out their work. The figure is calculated in Purchasing Power Parity\$ and converted to local currency of the country. In 2015, the Asia Floor Wage is PPP\$ 1,021, which means 3,847 Yuan in China<sup>30</sup>.

According to interviews of workers, in Zhiqiang, Seduno, and Cherry - while the living wage in China in 2015 was 3,847RMB - workers were paid only around 2000RMB on average for the long working hours. The wages diversified from 1000 to 3000 RMB even the workers were in the same factory, due to difference in productivities of low seasons or peak seasons, a beginner or a veteran. In the interviews, overall, we can see that behind the figures of wages, the piece rate workers paid were meagre, the pieces they were asked to make were enormous, and the overtime they required to do was long.

Among four factories, workers' wages in Nanbao, which could reach more than 3000 on average, appear to be higher than others, and meets the living wage; however, the intensity of work in Nanbao was the highest of all. Besides working for at least 12 hours a day, workers could only get one day off a month. The total working hours added up to be the double of the standard working hours stated in Chinese Labour Law. As one worker, who has worked for 7-8 years, has told the investigator that: "Once you get into this factory, you lost your freedom and work like machines every day." In this aspect, the wages were essentially "low".

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<sup>29</sup> The Asia Floor Wage began in 2005. It calculates living wage for workers and aims at realize it throughout Asia, especially in the garment factory to improve their lives.

<sup>30</sup> <http://asia.floorwage.org/what>

### **What Brands Claims in Their CSR Policies about Occupational Health and Safety**

Zara<sup>31</sup>, H&M<sup>32</sup> and GAP<sup>33</sup> stated in their Corporate Social Responsibility Policies that supplier factories should provide safety and healthy working environment for workers. Factories must comply with law and regulations. Supplier factories are required to pay attention to fire safety, clean accommodation and training on health and safety at work.

All of them admit their commitment to protect workers' health and safety but they lack clarity on their policies, especially in occupational health. Inditex's annual report in 2014 promised to provide healthy workspaces for all workers. It has also signed OHSAS 18001 to evaluate occupational health and safety performance in all factories but actual working conditions is uncertain. H&M's Sustainability Report in 2015 shed light on fire safety of factories but occupational health policies were not mentioned. GAP's 2015 annual report admitted that due to the lack of effective infrastructure and local law, it faced challenges in fulfilling its commitment but it did not mention what challenges they faced. GAP claimed that it had tried two decades to protect workers' health and safety but it did not publish the progress.

### **The Reality of Occupational Health and Safety**

In all the investigated factories, due to excessively long working hours, workers repeated a same movement for hundreds and operated heavy machine without enough rest, suffering from neck and shoulder pain, sore eyes are common among workers.

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<sup>31</sup> In Zara's Code of Conduct, it is also written that "manufacturers and suppliers shall provide a safe and healthy workplace to their employees, ensuring minimum conditions of light, ventilation, hygiene, fire prevention, safety measures and access to a drinking water supply."  
[https://www.inditex.com/documents/10279/28230/Grupo\\_INDITEX\\_codigo-de-conducta-de-fabricant-es-y-proveedores\\_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdcf4](https://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-conducta-de-fabricant-es-y-proveedores_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdcf4) (p.4)

<sup>32</sup> In H&M Sustainability Commitment, it also states that there should be "no unsafe buildings", "no unsafe exposure to hazardous machines, equipment and/or substances" and "well-being of employees applying a gender perspective and good practice, especially including pregnant workers".  
[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf). (p.3)

<sup>33</sup> The GAP's Code of Vendor Conduct also states that "Work surface lighting in production areas – such as sewing, knitting, pressing and cutting – is sufficient for the safe performance of production activities", "the factory is well ventilated. There are windows, fans, air conditioners or heaters in all work areas for adequate circulation, ventilation and temperature control", "machinery is equipped with operational safety devices and is inspected and serviced on a regular basis" and "the factory places at least one well-stocked first aid kit on every factory floor and trains specific staff in basic first aid." [http://www.gapinc.com/content/dam/csr/documents/COVC\\_070909.pdf](http://www.gapinc.com/content/dam/csr/documents/COVC_070909.pdf). (p.12)



Furthermore, there are some other occupational risks in the working environment, and training is the very substantial step to equip workers with knowledge about working health and safety, and enable them to safeguard their own rights. However, in the investigated factories, workers didn't receive sufficient pre-service training about the occupational risk they exposed to during work, the impact it could cause in the long round, and how to use protective equipment properly to ensure their health and safety. We found that workers' lives ended up being put at risk due to the hazardous chemicals, floating dusts in the air, repeated movements as well as the narrow fire escape path.

### Exposure to Toxic Chemicals

In Nanbao, workers in the sewing and finishing lines needed to apply various glues on the shoes every day. According to the chemical list pasted on the wall, glues consist of 15-20% Toluene. In certain procedures, workers needed to use Toluene to diminish the stain in the shoes. Toluene has irritating smell and can harm the nervous system, lead to aspiration hazards, damage kidney and cause cracked skin<sup>34</sup>; however, we spot workers didn't wear masks and gloves while working or wore plastic bags instead when wetting the cotton with high concentration of Toluene to diminish the stain on the shoes.



Picture 18: Some workers apply the glue on the shoes without wearing masks and gloves.

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<sup>34</sup> [http://www.ccohs.ca/oshanswers/chemicals/chem\\_profiles/toluene.html](http://www.ccohs.ca/oshanswers/chemicals/chem_profiles/toluene.html)



Picture 19: container on the left : "Toluene".

Picture 20: workers use Toluene to diminish the stain in the shoes with bare hands.

### **Cotton Dusts**

In the investigated garment factories, there're cotton dusts floating in the air. However, as the lack of population of the knowledge about how the dusts could impact their health in the long round, some workers didn't wear masks during work. In Zhiqiang, besides cutting department, other workers only get disposable masks when the auditors come, therefore, workers operating trimmers machines bought masks on their own.



Picture 21, 22: Line Trimmers in Seduno and Cherry generates lots of floating dusts in the air.



Picture 23, 24: Line Trimmer in Zhiqiang, and workers working with mask bought by herself.

### **Hazardous Dusts Generated In the Rubber Refining Process**

In Nanbao, workers used different kinds of powders, such as Titanium Dioxide, Polymerized Styrene Butadiene Rubber, Calcium carbonate, and etc. to make sheets of adhesives for shoes. The work intensity in this department was extremely high. There were 3 shifts, and workers normally work 8 hours per shift to make the production kept operating.

Worse still, the shop floor was hot, and lots of white and tiny dusts accumulated in the process. However, masks were useless - if workers wore any – dust could still go through masks, inhaling the dust easily. Workers told us that some of them had just worked for a while and then suffered from nasities; some have nose bleeding easily. They had to pay extra fee to buy medicines. A worker told us that though some workers in this department could earn more than 6000 a month; “they are earning this in exchange for their own lives!”



Picture 25, 26: Tiny white dusts are floating in the air and accumulating on the adhesive sheets, but workers didn't wear masks.





Picture 27: Workers operating machine to refine rubber were soaked in sweat due to the high temperature.



Picture 28: A worker is moving adhesive materials without wearing a mask, even though there are dusts everywhere.

## Fire Safety

In Zhiqiang, the fire escape path was route was obstructed, the door was locked and the path was so narrow that only one person could pass a time. Besides, in Cherry, despite the workers were asked to tell the auditors that there were two practices for fire safety a year, there was no practice for fire safety at all. In this way, workers might not be able to execute effectively and their lives were put in danger.



Picture 29: In Zhiqiang, the door supposed to be fire exit was locked and couldn't be open.



Picture 30: In Zhiqiang, the fire exit is so narrow that only one person could pass by.

## **Work Injuries**

Work injuries also occurred under excessively long working hours, and due to lack of training and protective equipment. In Zhiqiang, a guard-ring must be equipped in the button-attaching machine. However, some workers took away the protective equipment in order to enhance production and earn more. Some workers' fingers ended up got injured.

For example, there was a woman worker whose hand was cut through by machine. She could only claim a part of the medical expenses from the factory. She was not even paid statutory wages or a subsidy, and had no choice but to take care of herself during her half month of rest. Another worker told us that she only got 500-600 RMB as her wage that month. She was not satisfied and turned to the factory owner to ask for a wage that is no less than minimum wage. The factory owner didn't pay the remaining wage and simply said that he would increase her wage next month without any further details.

### **What Brands Claim in Their CSR Policies about Social Audit**

The three brands employ staff and partners with other external auditing firms to develop their own mechanisms to monitor their suppliers in compliance to their code of conducts. The amount of audits they conduct every year is plenty.

Zara implements Code of Conduct Compliance Programme to check if supplier factories comply with its code of conduct. The Programme including six phases from raising awareness, pre-assessment<sup>35</sup>, social audit<sup>36</sup>, assigning a rating, application of corrective action plans to monitor programmes. Factories that fail the Corrective Action Plan will be blocked and cannot form part of the ZARA supply chain. Currently, the internal and external supply chain audit teams of ZARA comprise over 700 professionals located all over the world working with its suppliers. In 2015, Zara conducted 2,703 pre-assessment audits, 3,824 social audits and 1,124 special audits.

Gap has its own team of specialists who live and work in a wide range of countries to ensure the implementation of its Code of Vendor Conduct. GAP visits 1,000 supplier factories each year to interview management and workers to look into the working condition. Besides its own team, GAP partners with Verité to conduct supplier audits. Verité will assess suppliers independently. 52% and 53% of supplier audits were unannounced in 2013 and 2014 respectively. GAP has also joined Better Work Programme (BW)<sup>37</sup> led by International Labor Organization (ILO).

H&M monitors suppliers' compliance of Code of Conduct through collaboration with external key participants. It conducts Full Audit Programme which systematically interviews workers. After that, the local sustainability team will look into the cases. Currently, H&M has 21 production offices employing newly 2,000 people who are tasked with conducting factory audits, visiting factories to educate workers about their rights, offering training, support and clear business rewards for improvements suppliers have made, and so on. Since 2015, H&M has implemented Sustainable Impact Partnership Programme (SIPP), which also includes interview with workers. In 2015, H&M audited 3,556 factories, about 80% of its suppliers.

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<sup>35</sup> In Zara's Code of Conduct, it claims that: "Pre-assessment audits are performed by internal or external auditors without prior notice to assess potential suppliers."

<sup>36</sup> Social audits are to verify the compliance of Code of Conduct by suppliers, and Corrective Action Plans will be established as a result. In addition to the CSR audits, there are also special audits that involve visits and inspections related to specific issues such as worker health and safety, and competence visits to ensure compliance with the Corrective Action Plans. Social audits and Special audits are conducted by internal auditors.

<sup>37</sup> BW assessed 128 GAP supplier factories in 2014, most of them are in Cambodia, Indonesia and Vietnam.



## **The Reality of Social Audits**

While brands' CSR policies about auditing appear to be comprehensive, in the reality of supplier factories, it ends up to be operated in a totally different way. As issues pertaining to the unfair infrastructure of wages, excessively long working hours and lack of training are not addressed, what suppliers often do is cover up the problems inside the factories.

Though Zara, H&M and GAP claim that they interview workers during audits, in most cases - especially in Nanbao and Cherry - the staff sent by brands inspect products' quality and do not even talk to workers. In Nanbao, they came with the factory manager and an interpreter to teach workers how to make shoes well, and inspected whether the products' meeting up the quality standard. When our investigator asked her/his co-worker whether the auditor asked them questions, a female worker answered: "They only care about their shoes, how come they will pay attention to you? We only have to make shoes well."

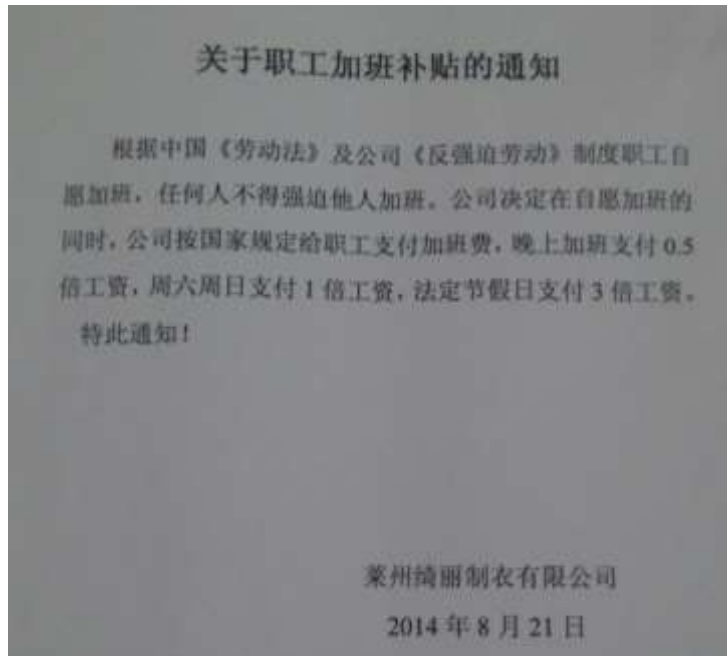
In Nanbao, factories were more alert during the checks conducted by the authority. Workers were told that they have to say that they do not need to work overtime on Saturdays, and the factory pay salary on time; while the reality were opposite. Besides, a worker also told us that there were audits conducted by the Environmental Protection Bureau came to inspect the factory after getting the complaints regarding pollution. A worker told the auditor truth and ended up being fired; a worker lied and got bonus of 200RMB.

Even sometimes auditors conduct interviews, most of the cases have prior notices, workers in the investigated factories are always told by the factories that they have to lie to auditors, especially on the matters of wages and overtime working hours; Workers were often asked to answer that they get statutory overtime premiums while it is not the real situation.

In Seduno, before auditing, the manager guided their workers to say the correct answer in the morning gathering before audit's visit; workers are required to clear junk, and to see if the locomotives are equipped with protective covers. First-aid kits, which do not appear usually, were placed in places of interest. Workers have to tell auditors that the first-aid kits are always here.

In Zhiqiang and Cherry, the manager even printed materials including a list of questions with correct answers to a list to let worker memorize answers to auditors'

questions. In Cherry, when salaries are released, they have to sign two receipts, the false salary sheet written that workers' wages are always around 3000RMB, when in reality they only earn 1000-2000RMB per month, and there were also false documents pasted on the wall to mislead the auditor about the calculation of wages.



Picture 31: the fake notice posted in Cherry claims that they provide 150, 200, 300 percent overtime premiums to the workers according to the law from August 21<sup>st</sup> 2014, while in reality, workers have been paid a fixed piece rate in 2016.

In Zhiqiang, the manager “taught” them that they can tell the audit true answers when it comes to the questions like “where are you from” or “how old are you”; and when it comes to questions such as overtime work and wage, they have to answer to the questions according to factory’s instruction. Besides, some protective equipment was only provided or installed during audits, such as masks and presser feet.



Picture 32: The presser foot, which is an equipment to protect fingers from getting injured, only installed when the auditors come.



Picture 33: the fake notice posted in Zhiqiang claims that an election among workers was held to decide a worker as worker representatives to defend workers' legal right; however, according to workers, no elections took place.

To conclude, the reality may be worse than what Zara, H&M and GAP saw through audits and claim in their CSR reports. As the saying of one worker in Zhiqiang, "of course the audit is "helpful", it helps our factory to get more order and earn more money; however, it doesn't work directly for the workers".

### **What Brands Claim in Their CSR Policies about Right to Organise**

Three brands' code of conducts all claimed that they respect freedom of association and right to collective bargaining. H&M<sup>38</sup> and Zara<sup>39</sup> all pointed out that workers' representatives are not discriminated against and have access to carry out their representative functions in the workplace. Zara even mentioned that the factories should adopt an open and collaborative attitude towards the activities of Trade Unions.

### **What Is the Reality?**

The real reason why brands failed to achieve their CSR goals is that they only rely on the falsifying audits. They would rather rely on falsified audits to "monitor" and "improve" working condition than give back the right to organize to let workers be empowered, organized and fight for a better working condition on their own.

### **No Genuine Representation of Workers**

In reality, the factories centralized their power by assigning workers to be representatives and workers didn't have a chance to voice out or even have collective bargaining with the factories. In Cherry, all workers we interviewed said there are no worker unions in the factory. In Seduno, Nanbao, and Zhiqiang, the worker unions were formed by the managers themselves or "representatives" selected by the management; workers elected none of them. There were no regular meetings and workers said there was no established channel for them to reflect their opinions to the worker unions. The worker in Nanbao said: "the 'representatives' were all management, of course they are all pro-company."

### **Suppressed Worker Representatives in Nanbao**

Not saying to "adopt an open and cooperative attitude towards the activities of Trade Unions", workers were suppressed when they tried to voice out. In Nanbao, workers broke out strikes a few times due to excessively long working hour and meager wages. They first demonstrated in the factory but the factory did not respond; then

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<sup>38</sup> In Zara's Code of Conduct, it claims that "Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace."

[https://www.inditex.com/documents/10279/28230/Grupo\\_INDITEX\\_codigo-de-conducta-de-fabricant-es-y-proveedores\\_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdf4](https://www.inditex.com/documents/10279/28230/Grupo_INDITEX_codigo-de-conducta-de-fabricant-es-y-proveedores_ENG.pdf/ade5106d-f46a-487b-a269-60c2e35cdf4) (P.4)

<sup>39</sup> In H&M's Sustainability Commitment, it claims that "Likewise, they shall adopt an open and collaborative attitude towards the activities of Trade Unions. Workers' representatives shall be protected from any type of discrimination and shall be free to carry out their representative functions in their workplace."

[http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment\\_en.pdf](http://sustainability.hm.com/content/dam/hm/about/documents/en/CSR/Sustainability%20Commitment/Sustainability%20Commitment_en.pdf) (P.4)

they went to labour department to complain. Nanbao finally compromised the workers and raised their wages by 200 to 300RMB.

Workers told us that they understand that there should be leaders to lead the strikes. The leaders used to be “leaders”<sup>40</sup> of the production line. However, some of them were fired by the factory when they wanted to organize a strike; some of them were corrupted by the boss by being paid wages much higher than general workers. It is therefore impossible to go on strike now.

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<sup>40</sup> “leader” here indicates the worker who are responsible to keep a keen eye on the productivity, taught worker how to make garment, and ensure they are meeting up the quality standard in every production line.

## **Conclusion and Demands**

Based on the investigation, Zara, H&M, and GAP's CSR policies were unveiled to be empty promises and are not beneficial to workers at all. Significant gaps were found between what the three brands claim in their CSR policies and the reality regarding working hours, wages, working health and safety, social audits and right to organise.

It's worth pointing out that the real reason why brands CSR policies have evolved for a more than a decade but still failed to achieve their CSR goals is that they merely rely on the falsifying audits, and unrealistically believe that they could get a "genuine" understanding of working conditions and even reverse the poor working condition. However, top-down audits has been proved impossible to identify the real issues in the factories and not to say to make a fundamental change not only in our investigation but also in so many other scandal happened in factories all over the world.

Being on top of the global supply chain and gaining the largest proportion of revenue, there is no way for brands to shift our focus from "structural" issues to their CSR "culture of giving". If brands don't want to leave their CSR as nothing but hypocrisy and make a fundamental change, they must:

Facilitate the factories in changing the unfair infrastructure of wages by paying a living wage for the work within standard working hours.

Provide workers with sufficient working health and safety training and empower them with information and knowledge in order to safeguard their own rights.

Give back workers' right to organise, form a genuine represented worker union such that they can elect their own representatives and have collective bargaining with the factory, let them be empowered and fight for a better working condition on their own.