Business & Human Rights Resource Centre

Wage theft and pandemic profits

THE RIGHT TO A LIVING WAGE FOR GARMENT WORKERS

MARCH 2021

Contents

Executive summary 3

Background 5

Case studies 8

- **Young Clothing**, Myanmar 10
- **Violet Apparel**, Cambodia 11
- **Stylecraft Ltd**, Bangladesh 12
- **Hong Sen**, Cambodia 13
- **Hung Wah**, Cambodia 14
- **Sepia Garment**, Cambodia 15
- **FCO International**, Philippines 16
- **Indochine Apparel & KGG Garments**, Ethiopia 17

Pre-COVID context 19

- Indirect employees 20
- Constructing plausible deniability 21
- The race-to-the-bottom for cheap production 21
- Exploitative purchasing practices 23
- Outsourcing for cheap labour 24

Failure to deliver living wages 25

- Policy commitments by brands 25
- Voluntary, non-binding commitments by brands 26

A just recovery from COVID-19 28

Conclusion & recommendations 30

Appendix 32

Executive summary

A year into the pandemic, garment workers producing for major fashion brands are owed months of unpaid wages, benefits and severance pay while most brands record large profits

- More than **9,843 garment workers** and their families face wage theft at eight factories supplying 16 fashion brands including **H&M**, **Nike** & **Levi's**.
- Combined, these brands have recorded profits of at least **US$10 billion** in the second half of 2020 alone.
- In **seven of the eight cases**, workers have not been paid the full amount owed to them.
- All 16 brands have policy commitments that ensure workers in their supply chain are paid in full, with 10 going further, with aspirations to pay a living wage. Yet the standard wages workers receive are on average, over **four times less than the wage they need to live on**.

Millions of vulnerable workers in the garment industry have been denied full wages legally owed to them for work already completed due to order cancellations, non-payment and other harmful commercial practices by brands during the COVID-19 pandemic. When brands don't pay their suppliers, or demand discounts, it has a direct impact on suppliers' ability to pay their workers even for work already completed. In many cases workers – the vast majority women – have been owed wages for several months and are left struggling to support themselves and their families.

Tens of thousands of garment workers have also lost their jobs. **One in four has not received legally mandated severance pay during the pandemic.** These workers face hunger and destitution: more than three-quarters (77%) of garment workers or a member of their household have gone hungry since the beginning of the pandemic as suppliers cut wages and closed factories.

The crisis facing garment workers is in large part a result of the permanent state of economic precarity workers face – both from insecure work and poverty wages. The severity of the pandemic on garment workers would have been mitigated if they had been paid living wages which would have allowed workers to save rather than live precariously, hand to mouth.

In stark contrast to the destitution faced by garment workers in their supply chains, most major fashion brands are once again turning profits – in some cases unprecedented profits – having already recovered from the initial disruption caused by the pandemic.

9,843+
garment workers and families face wage theft

US$10 bn
of profits recorded by fashion brands in the 2nd half of 2020

7/8 cases
workers have not been paid the full amount owed to them

Standard wages workers receive are on average, over **four times less** than the wage they **need to live on**

Between August 2020 and February 2021, Business & Human Rights Resource Centre (BHRRC) approached 16 brands for a response to allegations of unpaid wages and benefits (wage theft) of a cumulative **9,843 garment workers** making their clothes during the pandemic. These workers were producing for: **Carter's Inc.**, **Hanesbrands**, **H&M**, **Levi Strauss & Co.**, **LIDL**, **L Brands**, **Matalan**, **Mark's**, **Next**, **New Look**, **Nike**, **PVH**, **River Island**, **Sainsbury's**, **s.Oliver** and **The Children's Place**.

Combined, these 16 brands have recorded over **US$10 billion in profits** in the second half of 2020 alone. They are linked to the eight case studies in this report, from **Cambodia**, **Myanmar**, **the Philippines**, **Bangladesh** and **Ethiopia**, where wage violations were linked to the impacts of the COVID-19 pandemic. This includes where suppliers have cited economic impacts of the crisis for going bankrupt and reduced orders for not being able to pay workers' wages.

In all but one of the eight cases, at least a portion of wages, benefits and severance are still owed to workers months later. This highlights the gap between company commitment to ensure full payment of wages and benefits and implementation in factories. Three cases are unresolved. In five cases workers received a portion of what was owed and in one case workers received the full amount owed to them.

> "I thought of killing myself, I thought of killing my children and setting them free from this torture."
>
> **Former garment worker** Tahmina Azad, describing the impact of losing her job with wages still owing after the closure, A-One BD factory in Bangladesh

Three brands – **Matalan**, **The Children's Place** and **Carter's Inc.** – did not respond. Only three brands – **H&M**, **Next** and **New Look** – indicated they were also engaging directly with local unions, worker representatives or labour groups involved in the cases.

This report demonstrates how the business model of fashion brands and the structure of global garment supply chains create and sustain poverty wages for garment workers. We explore how persistently low wages continue to be the foundation of the industry despite policy commitments to pay a living wage. Elements of supply chains that impact wage levels are: the indirect employment relationship with supply chain workers; the global race to the bottom on labour costs which suppress national minimum wage increases; and the unequal power relationship between brands and suppliers which allow brands to dictate the terms of production, often at the expense of suppliers.

All brands included in the report have policy commitments to ensure workers in their supply chain are paid. Ten go further and explicitly refer to aspirations to pay a living wage, with five of these brands members of the key voluntary initiative on living wage payment, Action Collaboration Transformation (ACT). Yet the existence of voluntary initiatives on living wages has failed to result in the payment of living wages to garment workers or even an increase in the wage level.

Living wages are a human right and fundamental to a just recovery within the fashion industry. For this right to be realised, an overhaul of the commercial buying practices of fashion brands is required, alongside the ability to enforce compliance. A recent proposal – Wage Forward – sets out a pathway to implement this through enforceable, binding agreements with unions. Brands could also commit to ringfencing labour costs that make living wages possible in cost negotiations with suppliers, based on credible benchmarks. Payment of living wages as an industry standard would level the playing field for fashion brands and be transformative for workers – not only for a just recovery from the pandemic, but also to prevent the scale of crisis from repeating again.

Background

The impact of commercial practices by fashion brands on garment workers during COVID-19

As stores closed around the world in response to COVID-19 lockdowns in early 2020, fashion brands and retailers sought to minimise their losses, shifting the financial burden of the disruption to the bottom of their supply chain. Cancelled orders, delayed payments and demands for huge 'discounts' from suppliers – the practice of paying only a fraction of the agreed amount for clothes ordered – had a catastrophic impact on workers. In response, BHRRC launched its COVID-19 apparel tracker, which monitors brands' responses to the pandemic and the impact on workers in their supply chains. Since publishing the tracker in May 2020, international pressure through the Pay Up campaign, has led some brands, like Gap and Primark, to change their position and commit to paying for completed and in-production orders in full. Others, such as Walmart and Arcadia Group (Topshop), refuse to budge and pay what they owe. Recent research has found **major fashion brands refused to pay overseas suppliers for over US$16 billion of goods during the pandemic between April and June 2020**.

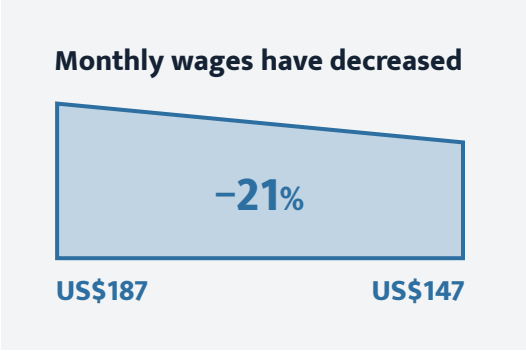
Wage theft in the apparel industry

Wage theft is the illegal practice of withholding wages or benefits legally owed to an employee. The most blatant form is failure to pay an employee in full for work completed, but it also covers failure to pay legally mandated overtime, holiday and severance pay; and violating minimum wage laws.

The impact of wage theft for garment workers is particularly egregious as the standard minimum wage across most garment-producing hubs is well below that needed for workers to live on. Therefore, wage theft regularly results in destitution, as claiming back owed wages often takes many months and even years, through a complex pathway of local courts or arbitration. Too often it is unsuccessful, at best with workers receiving a small portion of what they are owed.

Wage theft is endemic in the garment industry: factories scaling back the workforce or closing down and laying off staff without payment of wages and severance is rife. But wage theft has escalated during the pandemic with grave consequences. Clean Clothes Campaign estimated garment workers have been deprived of up to US$5.8 billion in wages in the three months from March to May 2020 alone.

As the second wave of COVID-19 infections swept across Europe and North America, further lockdowns have placed a heavy toll on garment suppliers in the global South, with buyers reportedly renegotiating prices for orders already placed, reducing orders and delaying payments. Research has also shown brands are unfairly taking advantage of suppliers' desperation during the ongoing crisis to extract price concessions on new orders, with garment suppliers reporting brand demands for an average 12% price cut on like products compared with a year ago. Brands have continuously driven down workers' wages through exploitative purchasing practices, made possible as a result of the stark power imbalance between brands and suppliers.



The pandemic has only worsened this situation. **Research has shown garment workers' wages have decreased during the pandemic by over a fifth (21%) from an average of US$187 per month to US$147**. Apparel associations and manufacturers in Turkey, Morocco and across Asia have come together to call on buyers to improve their purchasing practices, such as payment and delivery terms, after brands actions in response to the pandemic left many producers *"with their backs against the wall"*.

The refusal of brands to pay for orders, delaying payments, demanding discounts and squeezing suppliers on price has had devastating impacts on the estimated 40-60 million garment workers employed by the global garment industry. Unable to bear the financial burden, many suppliers have not paid garment workers owed wages and have laid off or suspended workers en masse. BHRRC has been tracking the large-scale labour rights issues taking place across apparel supply chains at an unprecedented rate as a result, from reports of unpaid wages and severance, to union busting and discriminatory dismissals, inadequate COVID-19 protections and even forced labour.

> "The wage gaps caused by the crisis mean that workers are not able to feed their families properly; they are not able to pay for school fees of their children or pay for medical expenses, and many of them are in debt."
>
> **Khalid Mahmood**, director of the Labour Education Foundation in Pakistan

Non-payment of wages coupled with job losses as factories have closed during the pandemic is devastating for workers, pushing them further into destitution. Unable to feed themselves and their families, pay rent or medical bills during a pandemic, garment workers in several countries, including Bangladesh and India, report being forced to take out high interest loans, getting trapped in cycles of debt. The contrast between garment workers struggling to survive during the pandemic, left without sufficient money to feed themselves and their families, and how brands are faring in comparison could not be starker.

The cases of non-payment of wages during the pandemic featured in this report represent just the tip of the iceberg. This loss of income risks driving garment workers, already on poverty wages, into even greater economic hardship, particularly as most garment producing countries have weak social security nets. Clean Clothes Campaign notes non-payment of wages is the most frequently reported issue facing workers in fashion supply chains during the pandemic. Among 72 such cases reported on their live-blog, **H&M**, **C&A**, **Next**, **Arcadia (Topshop)**, **PVH (Calvin Klein, Tommy Hilfiger)** and **Primark** were named most often.

Faced with these challenges, garment workers have been driven to take collective action with increasing risk to themselves. Our research on 10 major apparel exporting countries in Asia showed that in at least four countries – Pakistan, Bangladesh, Myanmar and the Philippines – garment worker protests over unpaid wages have been met with violent crackdowns. For example, in May 2020 police in Dhaka fired tear gas and used batons to disperse more than 1,000 garment workers protesting unpaid wages. In the same month in Karachi, police fired shots at hundreds of unarmed garment workers protesting unpaid wages and forced dismissals outside a denim factory supplying global fashion brands.

The pandemic winners and losers

BHRRC research in November 2020 on 51 brands included on our COVID-19 tracker found almost three quarters of the brands and retailers (73%) are once again turning profits after the initial disruption caused by the pandemic. Combined, the **16 brands linked to wage theft cases in this report have cumulatively recorded at least US$10 billion in profits in the second half of 2020** alone. While profits were down for some of these companies from last year, they have still recorded millions and even billions in profit in 2020. For example, H&M reported a profit of US$220 million just in the third quarter of 2020, while Nike recorded a staggering profit of US$1.25 billion in the same period.

Online fast fashion retailers – whose business model relies on practices known to drive labour exploitation, such as producing smaller batches of a product and rapid turnaround times – have fared particularly well in comparison to their competitors. ASOS and Boohoo have recorded higher earnings during the pandemic than the previous year. According to consulting firm McKinsey, internet retailers have consistently outperformed their rivals in 2020, trading 42% higher than other fashion companies as customers turned to online shopping during lockdowns. Boohoo – which has come under intense criticism for its exploitation of workers while listing items on its website for as low as 5p – recorded £45.2m in profit in just six months (an 83% increase year-on-year) yet has still made no public commitment to pay suppliers in full for orders during the pandemic (failing to respond twice to our inquiries on its response to COVID-19).

While the majority of brands are once again reporting profits during the pandemic, two major UK retailers, Arcadia Group (Topshop) and Debenhams (who were struggling financially prior to the pandemic) have collapsed and gone into liquidation. However, the real losers are the suppliers which have not been paid for orders, and the garment workers who produced those orders and in turn were never paid for their labour. While the brands have now entered liquidation, suppliers are last in a long line of creditors and so unlikely to receive what is owed. Concerned they will be left with nothing, Turkish suppliers to Arcadia Group have urgently appealed to Arcadia Group and its creditors, Deloitte LLP, to ensure all payments owed are fulfilled. It is estimated Arcadia will leave up to £250m in unsecured debts to suppliers, while multi-millionaire owner Philip Green and his family is reported to gain £50m from the sale of Arcadia brand Topshop. Meanwhile, the pandemic winners have snapped up their failed rivals, with ASOS acquiring Topshop and Boohoo buying Arcadia brands Dorothy Perkins, Wallis and Burton, in addition to Debenhams.

Garment workers have long struggled to survive on the poverty wages they receive. This is despite years of promises by brands and the existence of voluntary initiatives to guarantee garment workers living wages. All of these have failed to result in the payment of wages which meet the most basic needs of garment workers and their families. With no savings, the pandemic has pushed garment workers further into financial desperation, which has led to an increased risk of other types of labour exploitation such as modern slavery and child labour. As the pandemic and associated lockdowns and restrictions persist with brands continuing to fail to act responsibly, the scale of these impacts on workers will only worsen.

Further, many garment producing countries are already using the pandemic as justification to suppress wages. In Bangladesh, garment manufacturers are urging the government to suspend a planned 5% rise (from approximately US$94 to US$99 per month) in the minimum wage due to the COVID-19 crisis, while in Cambodia the minimum wage for garment workers was increased by only US$2 a month as of January 2021, far short of unions' recommendation of US$12. There have also been several reports across the global garment supply chain, from the Philippines to Bangladesh, of garment manufacturers dismissing workers and then rehiring workers at lower rates of pay.

Case studies

Wage theft during the pandemic and analysis of brand responses

This section demonstrates the issue of garment workers not receiving full payment of wages, benefits and severance owed to them during the pandemic, by highlighting nine case studies in in Cambodia, Myanmar, the Philippines, Bangladesh and Ethiopia involving a total of **9,843 garment workers**.

Publicly available supplier data and information provided by local groups show that the factories involved in these case studies supply or have recently supplied to 16 global fashion brands: Carter's Inc., Hanesbrands, H&M, Levi Strauss & Co., LIDL, L Brands, Matalan, Mark's, NEXT, New Look, Nike, PVH, River Island, Sainsbury's, s.Oliver and The Children's Place. In cases of factory closures, brands were approached for a response if they had sourced from the factory in the months directly preceding the closure.

Difficulties tracking cases of wage theft and linking brands to cases

The cases in this report represent a fraction of the widespread cases of non-payment of wages owed to workers in the garment industry during the pandemic. BHRRC relies on public reports, often in English language media, in order to seek responses from brands. The cases that appear in these local media reports often involve local unions, therefore in countries where there are restrictions on labour organisation, many cases go unreported and therefore escape the attention of international NGOs and media. BHRRC has identified many more cases involving tens of thousands of garment workers who are staging protests – often at great risk to themselves – to demand the wages and benefits that are owed to them by factories during the pandemic. These factories supply to European and US brands. However due to a lack of transparency in apparel supply chains we have been unable to confidently identify the international buyers. For example, 600 workers are owed wages, benefits, bonuses and severance pay from Dragon Sweater factory in Bangladesh after their jobs were terminated in March 2020 after the factory suspended operations.

In total, BHRRC collected **16 responses from 13 brands** to the case studies described in the above section. Three brands did not respond: **Matalan**, **The Children's Place** and **Carter's Inc. H&M** has links to three of the factories. See Appendix for details and full responses.

A-One BD factory closure and protests in Dhaka

Over 1,100 garment workers continue to demand unpaid wages and benefits from A-One BD Ltd. Garment factory in the Dhaka Export Processing Zone in Bangladesh after it closed in March 2020, reportedly as a result of foreign buyers cancelling orders. Workers have staged a series of protests to demand the reopening of the factory, and the payment of all arrears, including owed wages since January 2020 and benefits. In early December 2020, protestors were left injured after police violently attacked them with batons, tear gas and water cannons while they were asleep.

BHRRC approached brands publicly linked as sourcing from the factory in the months directly preceding the closure - Arcadia Group, Next and Benetton Group. All brands responded confirming that their final orders with the factory were placed prior to the factory closure (Arcadia in early 2018, and Benetton and Next in December 2019). A rejoinder from the Clean Clothes Campaign alleges Arcadia Group was still sourcing from the factory in 2020, and states that,

> *"We believe that if brands suddenly pull out considerable orders... then they also carry responsibility for the workers' situation the year after if they did so without a responsible exit plan."*

According to the National Garment Workers Federation, workers are owed one year's salary, in addition to benefits.

The cases and the brand responses reveal a system constructed to limit the risk to brands and maximise risk to workers. In each of these cases, workers, local unions, and international labour rights groups have been central to resolving or continuing to work to find a resolution to these cases.

The brands are aware of the issue. Almost half (49%) of the 51 brands who responded to our COVID-19 survey had received reports of non-payment of full salaries for workers in their supply chains between March and October 2020 alone. This includes brands – such as Bestseller and New Look – that responded to the pandemic by cancelling orders, delaying payments, and requesting retroactive 'discounts'; actions that have the potential to cut garment workers' wages. All the companies said they were actively involved in resolving each of the payment disputes they had identified, however, some of these companies are involved in cases included in this briefing that remain unresolved, such as Nike and H&M.

2 unresolved cases

5 partially resolved cases

1 fully resolved case

Of the eight cases included in this section, two remain unresolved. In five, workers have received just a portion of what is owed, and in just one case workers received the full amount owed to them. 'Partially resolved' indicates workers have received only a portion of the total owing. In most of these cases, workers had little choice but to accept a compromise or else receive nothing.

Young Clothing
Myanmar

In December 2020, garment workers staged protests over owed severance pay from Young Clothing garment factory in Myanmar, after the factory closed in September. The factory was reported to have employed 1,236 workers at the time of closure.

Buyers Mark's, LIDL and s.Oliver said they had investigated and confirmed owed wages and severance had been paid to the majority of workers by 18 December. Mark's confirmed that as of 31 December, 1,171 workers had been paid in full and a remaining 65 workers are in negotiation with the factory's human resources team for amounts or services (such as helping workers find new jobs in other factories) above and beyond the legally required severance offered.

1,236 workers affected

Buyers
LIDL, **Mark's** & **s.Oliver**

Status
Resolved

Min. wage estimate
US$95 / month

Living wage estimate[1]
US$367 / month

1 Minimum wage and living wage estimates by country compiled from public sources, on file with BHRRC.

Violet Apparel
Cambodia

1,284 workers affected

Buyers
Nike & **Carter's Inc**

Status
Unresolved

workers still owed wages, benefits and severance

Min. wage estimate
US$192 / month

Living wage estimate
US$588 / month

Over 1,200 garment workers have been protesting over unpaid wages and benefits from Violet Apparel (Cambodia) Co Ltd. in Cambodia, after the factory suspended its workers in May 2020, before ceasing operations on 1 July. Before its closure, Violet Apparel had a total of 1,284 workers. The workers are demanding compensation in lieu of prior notice, seniority indemnity, payment in place of unused annual leave and five days' worth of unpaid wages during the Khmer New Year holidays in April. In July, the president of the Cambodian Confederation of Unions, Yang Sophorn, received a warning from the government due to her role in the protests. In September, workers submitted a petition with the EU delegation to Cambodia, seeking help to secure unpaid wages and benefits owed by Violet Apparel. Violet Apparel reportedly produces for brands such as **Nike** and **Carter's Inc.** Carter's Inc. did not respond to our inquiries.

Nike responded and said it had ended its relationships with the supplier in 2006. However, photographs taken by workers inside Violet Apparel and provided to labour rights advocates show order forms and thread lists for Nike products, as well as a list of products purportedly produced by Violet for another factory, Olive Apparel. Olive Apparel is one of Nike's suppliers, according to the brand's online manufacturing map. In its response, Nike said its Code of Conduct specifies Nike suppliers must not sub-contract without Nike's prior written approval, but as it did not have a relationship with Violet Apparel it could not comment on the specific allegations or remediation status. In a rejoinder, the Cambodian Alliance for Trade Unions confirmed workers have been making Nike products at Violet Apparel for years and called on Nike to take responsibility for compensating workers. International brands and retailers have a responsibility to prevent and address human rights violations in their supply chains, including unauthorised subcontracted facilities.

> "Nike products were produced at Violet. And this was not just a recent thing, workers were making Nike products there for years. Nike's profits came from these workers making their products for them. As well as this, we see that Nike continues to make orders at Violet's sister factories in Cambodia. And so, if Violet does not pay compensation properly according to the law, we believe that Nike should take responsibility."
>
> **Cambodian Alliance for Trade Unions**

Stylecraft Ltd
Bangladesh

On 25 December 2020, approximately 3,000-4,000 garment workers staged a demonstration to protest over unpaid wages and benefits from Stylecraft Ltd factory in Gazipur, Bangladesh. The protesting workers were demanding 35% of their wages and arrears for September and October, full pay for November, overtime pay and other owed allowances.

In their responses to BHRRC, **H&M**, **Next**, **New Look** and **River Island** said they had engaged with the supplier to ensure payment of the owed wages. Full wages for December and January have now been paid and 17.5% of outstanding wages for September and October will be paid over the coming months, well below the 35% workers called for. Brands confirmed they would continue to monitor the situation to ensure payments were made. New Look said its follow up would include interviews with workers to ensure the dues had been cleared.

4,000 workers affected

Buyers:
H&M, **Next**, **New Look** & **River Island**

Status
Partially resolved

workers received 17.5% of wages for September and October, rather than 35% they had called for

Min. wage estimate
US$95 / month*

Living wage estimate
US$569 / month*

*Figures updated 23 March 2021

Hong Sen
Cambodia

In September 2020, workers at Hong Sen Textile factory in Cambodia joined protests over unpaid wages after the factory suspended operations during the COVID-19 pandemic. The factory owner reportedly fled, leaving Hong Sen's 906 workers with wages unpaid for at least a full month, and legally mandated benefits also unpaid. After intervention by the Ministry of Labour and Vocational Training, each worker received a payment of around half their unpaid wages from the proceeds of a factory equipment auction which partially covered the outstanding wages owed. Hong Sen is named publicly as producing for Next.

In its response, Next said:

> "We have worked with representatives of the workers and NGOs, including BHRRC, to find ways to help and support the workers during this period. This was an exceptional situation and NEXT was able to provide support from its charitable resources to contribute to this collective work that took place to provide support for the workers."

The Center for Alliance of Labor and Human Rights (CENTRAL) said it has been working with Next and confirmed distribution of funds to the affected workers will commence in March 2021. The amount received by Hong Sen's workers is not the total amount owed to them.

906 workers affected

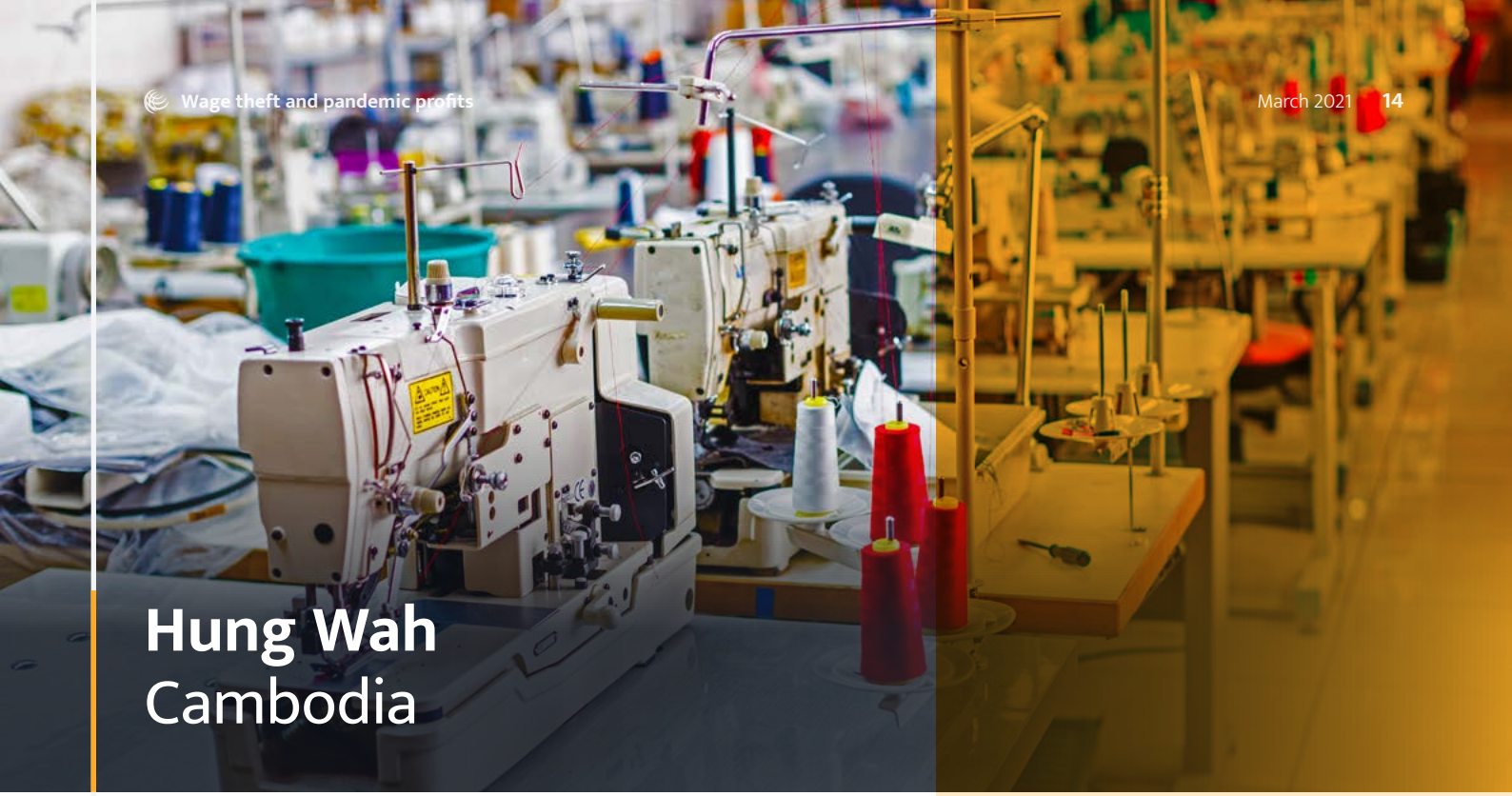
Buyer
Next

Status
Partially resolved

amount received by workers did not cover total amount of wages, benefits and severance owed

Min. wage estimate
US$192 / month

Living wage estimate
US$588 / month



Hung Wah
Cambodia

In September 2020, over 2,000 workers at Hung Wah factory in Cambodia joined protests over unpaid benefits, after the factory suspended operations in June 2020 due to the pandemic. In its response, **H&M** said the Cambodian government issued guidelines to allow employers to postpone the indemnity for benefits (seniority pay) due in 2020 to 2021, however the workers at Hung Wah did not accept the delay and went on strike.

The case was forwarded to the Arbitration Council, which ordered workers to return to work. H&M said it has been fully engaged with the supplier and local unions and said the dispute over benefits was resolved by Hung Wah and the workers in October 2020. In spite of this, workers at Hung Wah are still waiting for these benefits to be paid to them in March 2021, following a Government notice requiring employers to pay former and current employees benefits in full. Nationwide worker protests for benefits led to this commitment.

2,000 workers affected

Buyer
H&M

Status
Partially resolved

workers have not yet received legally mandated seniority pay at the time of publication

Min. wage estimate
US$192 / month

Living wage estimate
US$588 / month

Sepia Garment
Cambodia

287 workers affected

Buyers
Matalan & **Sainsbury's**

Status
Partially resolved

amount received by workers did not cover total amount of wages, benefits and severance owed

Min. wage estimate
US$192 / month

Living wage estimate
US$588 / month

In September 2020, approximately 287 workers at Sepia Garment factory in Cambodia joined protests over two months' unpaid wages after the factory suspended operations due to the pandemic and the owner fled the country. According to publicly available supplier information, Sepia Garment produces for Sainsbury's and Matalan. In its response, **Sainsbury's** said Sepia Garment closed in August 2020 and it no longer has a relationship with the supplier, but understands some workers have reported not receiving the correct wages and benefits. It said it is working with the supplier to further investigate but gave no further details. **Matalan** did not respond to our inquiries.

> "We are happy the workers received at least some money to support their livelihoods after the factory owner fled. However, US$140 per worker is very small compared to the overall amount of missing wages, seniority payment and other benefits owed. Workers' wages and benefits have to be settled before factory closures and legal consequences should be imposed on factory owners who fail to follow the correct procedure. Buyers should also use their leverage over their supplier factories to ensure that they respect the Labour Law and workers' rights during the COVID-19 pandemic."
>
> **Mr. Ry Sithyneth**, President of the Independent Trade Union Federation (INTUFE)

Following a meeting on 29 September between the Ministry of Labour, unions and factory representatives and an auction of the factory's equipment, each worker eventually received a lump sum of US$140; far short of the total amount of wages, benefits and severance owed.

FCO International Philippines

124 workers affected

Buyers
L Brands, PVH & **Hanesbrands**

Status
Partially resolved

workers claim they were misclassified so the factory could deny severance pay

Min. wage estimate
US$163 / month

Living wage estimate
US$603 / month

In December 2020, over 100 workers were owed severance and holiday pay after being laid off in September from FCO International bag factory in the Cebu Economic Zone in the Philippines. According to publicly available information, FCO International produces for international brands including L Brands (Victoria's Secret), PVH (Calvin Klein, Tommy Hilfiger) and Hanesbrands (Champion).

In its response, PVH said it does not source from FCO, despite FCO appearing on its September 2020 supplier list. PVH said it updates its supplier lists on a biannual basis. L Brands said it was investigating the situation. Hanesbrands said 124 probationary workers whose contracts ended in September were paid severance and holiday pay, on the last day of their contract. Hanesbrands and FCO International state the workers were "probationary", so would not qualify for severance pay. However, labour organisers say the workers had been working for the company for over six months (the maximum that a worker can be considered probationary) and therefore are owed severance pay according to local law. Workers have decided not to contest this in the courts.

> "Workers have been disproportionately affected by the crisis created by the pandemic. Worse, employers are using Covid-19 as an alibi to deny employees their wages and benefits, rollback labour rights and bust unions. We know this from an up and close and personal experience of assisting export zone workers, many of them in the apparel sector. Government authorities have enabled this corporate misbehavior by allowing wage cuts, suspending the dispute resolution mechanism and deferring union elections with Covid-19 as an excuse. Workers do not accept the deceptive refrain of 'sharing the burden of the crisis' when employers did not 'share the gains of progress' as real wages stagnated while productivity rose by more than 50% from 2001 to 2019."
>
> **Dennis Derige**, Mactan Export Processing Zone Workers Alliance organiser, Philippines

Indochine Apparel & KGG Garments
Ethiopia

In December 2020, garment workers at Indochine Apparel PLC and KGG Garments PLC factories in Hawassa, Ethiopia, said they had been made to work unpaid overtime to compensate for limited labour capacity after hundreds of workers did not return to their jobs after they were furloughed at the start of the pandemic. Workers also reported concerns over a lack of COVID-19 safety precautions in the factories.

In responses to BHRRC, buyers **Levi Strauss & Co.**, **H&M** and **PVH** refuted the allegations levelled at Indochine Apparel by pointing to findings from their own audits and/or an assessment conducted by Better Work – a multi-stakeholder partnership between the International Labour Organisation (ILO) and the International Finance Corporation (IFC). **The Children's Place** did not respond to our inquiries. Levi Strauss & Co. said Indochine Apparel has been paying workers on time for their work and for overtime when applicable, which it has been tracking through its supplier code of conduct and regular assessments. H&M said no evidence of unpaid or forced overtime had been found from its visit to Indochine in November 2020, or by Better Work in December. PVH also pointed to Better Work's findings in its response. BHRRC then invited Better Work to respond to the allegations. Better Work said it had conducted assessments at Indochine in December 2020 and KGG in January 2019. It did not provide details of these assessments, nor did it address the discrepancies between its findings at Indochine (cited by the brands) and the allegations made by workers.

Buyers:
Levi Strauss & Co,
H&M, **PVH** &
The Children's Place

Status
Unresolved

brands did not address discrepancies between their audits and allegations of unpaid overtime by workers

Min. wage estimate
US$26 / month

Living wage estimate
US$123 / month

When brands directly compensate workers in their supply chain

There is precedent for brands taking responsibility for workers in their supply chains and compensating workers for wages owed, including by brands linked to the case studies in this report. This is rare, workers often wait for long periods, and don't receive the full amount they are owed.

In November 2020 Tesco, Starbucks and Walt Disney committed to compensate 26 migrant garment workers who were illegally underpaid 3.5 million baht (US$115,450) by the Kalayanee factory in their supply chain in Mae Sot, Thailand. Tesco and Disney said the factory was not authorised to produce for them, however both companies still conducted investigations and took action by paying affected workers. In February 2021, NBC Universal agreed to pay the outstanding amount of US$20,000 owed to workers after a long campaign from local workers supported by the Clean Clothes Campaign. The payment marked the first time that underpaid workers in Mae Sot have received the full amount owed to them in a wage dispute.

In 2010, Nike agreed to pay US$1.54 million severance pay owed to nearly 2,000 workers from two factories in Honduras. Initially, Nike denied any responsibility towards the workers, but after a year of campaigning by workers and labour rights groups finally agreed to award the compensation. In 2013, Cambodian workers won a US$200,000 settlement from H&M and Walmart after the Kingsland factory in closed without paying severance and wages owed.

During the pandemic, brands have also intervened with suppliers in response to reports of non-payment of full wages. Ted Baker "took quick and effective action" in response to pressure from labour groups after workers at Tanex factory in Romania received partial payment of their salaries without any explanation, with JOOP! and Massimo Dutti following suit. As a result, the Romanian labour minister ordered an inspection and Tanex was fined for not paying the legal minimum wage, with the affected workers eventually receiving their outstanding wages.

Pre-COVID context

The fashion industry's role in creating exploitative wages

Even before the pandemic, hundreds of millions of workers in global supply chains were being paid less than the minimum wage, as noted by the International Labour Organization (ILO). BHRRC research supports this observation: In a two-year period from January 2018 to January 2020, BHRRC sought **158 responses** from apparel companies to allegations of wage violations in their supply chains. While these cases are far from exhaustive, they demonstrate the prevalence of the issue, with many involving thousands of workers. For example, in January 2020, approximately 1,200 garment workers went on strike in Cambodia over unpaid wages and benefits at sister factories Eco Base and Dignity Knitter, which supplied to John Lewis and Debenhams respectively. Workers said it was not the first time factories had delayed payment of their wages and are reportedly owed a total of US$1.91 million for their final salaries, annual pay, lack of notice, damages and seniority remuneration. C&A said it ended its relationship with Dignity Knitter in 2019 after it uncovered previous delayed payments for workers and identified a risk of reoccurrence as part of its own due diligence. A year later, the workers have still not been compensated and the factories are undergoing bankruptcy proceedings after closing in April 2020.

The business model of fashion brands and the structure of global garment supply chains do not inadvertently result in exploitative wage practices, but deliberately create, sustain and rely upon them. Persistently low and exploitative wages which fall far short of meeting the most basic needs of garment workers and their families continue to be the foundation of the industry, despite brand commitments on living wages.

Brands should be working to improve the low wages they have helped to create in the traditional garment producing hubs and fulfilling living wage commitments to relieve the suffering of millions of workers in their supply chains. Instead they are recreating and even worsening garment worker exploitation in the latest sourcing destination, driving a race-to-the-bottom.

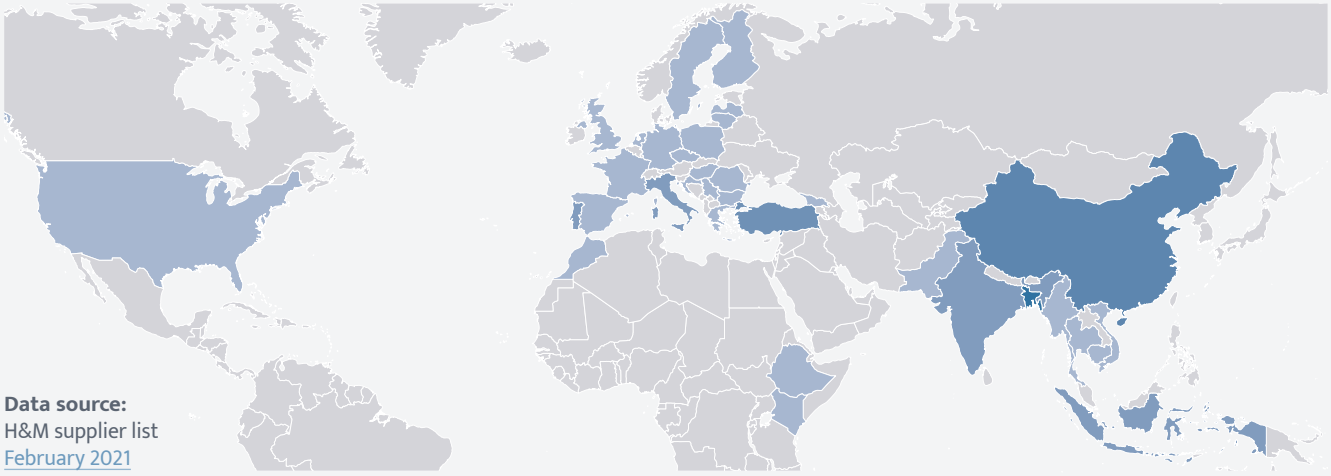
Indirect employees

A complex and largely opaque network of global supply chains allows apparel companies to take advantage of cheap labour through the outsourcing of production, relying on a huge, hidden workforce who do not enjoy the same protections and entitlements as direct employees. Demonstrating the scale of the hidden workforce, research by the International Trade Union Confederation (ITUC) into the global supply chains of 50 companies found they only employ 6% (one in 17) of people in a direct employment relationship, yet rely on a hidden workforce of 94%. This figure is likely even higher for the fashion industry where there is little information beyond ready-made garments – spinning mills, textile factories, cotton farms etc. The supply chain model facilitates various forms of exploitation for this hidden workforce, including forced labour, poverty wages, discrimination and violence, crackdowns on trade unions and collective organising, precarious and informal work arrangements, and lack of social protections. However, as these workers are not direct employees, brands are able to evade responsibility when they experience rights violations, even though these workers produce the clothes that create their profits.

While most are not transparent about their vast supply chains, to demonstrate the scale of fashion supply chains, Primark has 1,018 factories listed on its November 2020 supplier list, H&M has 3,878 manufacturing and processing factories on its February 2021 list and Inditex (Zara's parent company) has 8,155 factories according to its website. By refusing to disclose information about their supply chains, the majority of brands are further able to evade responsibility for violations within them as it makes it difficult for affected workers to identify them.

H&M GROUP SUPPLIER LOCATIONS & NUMBERS, FEBRUARY 2021

Bangladesh	1,859	France	20	Kenya	4	Romania	28
Bulgaria	8	Georgia	2	Latvia	1	Serbia	1
Cambodia	33	Germany	11	Lithuania	3	South Korea	4
China	731	Great Britain	1	Luxumbourg	1	Spain	8
Croatia	1	Greece	2	Morocco	4	Sri Lanka	6
Czech Republic	3	Hong Kong	1	Myanmar	73	Sweden	15
Denmark	2	Hungary	2	Netherlands	1	Thailand	4
Estonia	2	India	283	Pakistan	42	Turkey	337
Ethiopia	14	Indonesia	117	Poland	9	USA	2
Finland	3	Italy	101	Portugal	81	Vietnam	56



Data source:
H&M supplier list
February 2021

Constructing plausible deniability

Brands spread orders across a vast number of suppliers, which allows them to pass down to suppliers the responsibility for workers who produce their clothes. They argue that negative human rights impacts are undetectable due to the complexity of the supply chain. As suppliers will need to do business with several different brands to run at full capacity, when violations are made known at a certain facility, brands are able to claim their leverage is limited. For example, brands often tell us they are responsible for sourcing only a small amount of product at a factory and therefore cannot leverage influence with the supplier or provide remedy. However, in some cases, brands have worked together with the other buyers to ensure adequate resolutions, and this should be the norm.

Another way in which brands are able to deny responsibility for abuses faced by workers in their supply chains is through the social audit industry, whereby brands carry out their own audits or hire private auditing firms to monitor the conditions in their supply chains for labour compliance. The inadequacies and failings of social audits in capturing human rights abuses and improving working conditions have been well documented. Rather than protecting workers, Clean Clothes Campaign has argued that social auditing does little but to protect the image and reputation of brands and their business models, while obstructing more effective models that include mandatory transparency and binding commitments to remediation. In particular, social audits have proven to be ineffective in addressing workers' wages and benefits, and brands' own business practices which are often at the root of abusive working conditions.

The race-to-the-bottom for cheap production

Without the need to take direct responsibility for the workers in their supply chains, brands today continue to do what they have done for decades: chase cheap production locations in their relentless quest for rock-bottom wages.

In recent years major fashion brands – including PVH, H&M and Primark – have begun to shift production to **Ethiopia, which boasts the lowest base wage in any garment producing country in the world, amounting to just US$26 per month**. Despite brand commitments to ensure high labour standards in their Ethiopian supply chains, garment workers in Ethiopia are routinely subject to exploitation and wage violations. An investigation by Worker Rights Consortium found the lowest **wages it had ever documented in any garment exporting country, with wages as low as US$0.12 per hour, equivalent to less than US$25 a month**. Wage violations in Ethiopia's garment factories have only worsened during the pandemic, as the case study included in this report illustrates.

Even when production has shifted to more economically advanced locations with comparatively higher national minimum wage levels, it has not led to improved labour standards nor higher wages. This is because brands' purchasing practices continue to exacerbate pressure around low costs and short lead times, which results in the exploitation of vulnerable workers. Shifts in production from traditional garment producing hubs in Asia to sourcing destinations closer to key markets, such as Turkey and the USA, demonstrate this phenomenon.

In Turkey, an estimated 250,000 – 400,0000 Syrian refugees prop up the country's garment industry, which has evolved to deliver goods quickly and flexibly for European high street brands. Turkey is now the third largest exporter of garments and leather goods to Europe after Bangladesh and China, and its rapid growth has seen the creation of an exploitative environment of undeclared subcontracting, informal work arrangements, child labour and poor wages. Research by Clean Clothes Campaign Turkey has shown Syrian garment workers receive lower wages than their Turkish counterparts, with women Syrian workers earning well below the minimum wage and even below the hunger limit as defined by the Confederation of Turkish Trade Unions.

Similarly, in the USA, the mostly female migrant garment workforce is routinely subject to worker exploitation and wage theft, with workers earning as little as US$3 per hour. In Los Angeles, the country's garment producing hub, 85% of garment workers do not earn the minimum wage and are instead paid a piece-rate of between 2-6 cents per piece.

Wage theft in the UK garment industry

Demonstrating the issue of non-payment of wages in fashion supply chains is not an issue confined to the global South; in July 2020 allegations emerged of garment workers in Leicester forced to work during the UK's national lockdown and illegally paid below the minimum wage. Poor labour conditions and illegally low wages in Leicester's garment industry have been repeatedly exposed by media investigations in 2010, 2017 and 2018. Despite these exposés and a 2019 parliamentary inquiry by the Environmental Audit Committee, these abuses have continued.

Labour Behind the Label, which surfaced the more recent allegations, reported that factories producing for Boohoo have been paying workers as little as £3 an hour for several years. In September, an independent review found the allegations of low rates of pay to be *"substantially true"* and said, *"Boohoo's monitoring of its Leicester supply chain was inadequate"*. Labour groups are calling on Boohoo to pay back millions of pounds in wages owed to garment workers. Boohoo has made no public commitment to compensate garment workers in its supply chain in Leicester for wages owed, despite recording an 83% increase in half-year profits amounting to £45.2m during the pandemic.

Worryingly labour groups claim they have "mounting evidence" the company has been systematically cutting ties with its Leicester suppliers and seeking to replace them with factories in Pakistan – Boohoo has denied the claims. Yet in December 2020, an investigation in Pakistan revealed garment workers at factories supplying Boohoo were being paid below the legal minimum wage, as little as 29p an hour. Boohoo is not alone in chasing cheap labour. Moving production to places with low labour costs in a race-to-the-bottom for cheap wages is inherent to the industry.

Exploitative purchasing practices

Brands' own purchasing practices place downward pressure on garment workers' wages and result in the poverty wages . These practices include, but are not limited to, aggressively squeezing suppliers on price during negotiations, routinely requesting discounts, unrealistically short lead times, last minute changes to orders and the imposition of unfair penalties. Exploitative purchasing practices by brands and constant pressure on suppliers to reduce price undermines their ability to pay decent wages and creates incentives for widespread, unauthorised subcontracting. Work is driven to factories spared the oversight of brands' compliance audits, where workers are often subject to further exploitation and labour abuse. Suppliers report constant pressure from brands to accept orders well below production costs and brands frequently fail to account for increases in legal minimum wages. When brands fail to factor the financial costs of labour into the prices they pay suppliers, it naturally follows that garment workers are routinely subject to wage violations.

Not only do brands largely fail to factor in labour costs of production, research has also shown the average prices paid by buyers has declined over time, despite rising costs of production, resulting in a further squeeze on suppliers. **A survey of 233 factories conducted in Bangladesh found the average Free on Board (FOB) price was US$4.64 in 2016 - an almost 8% decline from an FOB price point of US$5.03 in 2011.** The author concludes: *"the pricing squeeze has resulted in persistently low wages that do not cover living needs".*

Rather than consistently sourcing their product from a small number of factories, the majority of brands structure their supply chains to source across multiple suppliers and several different countries. Buyers often rely on short-term contracts with suppliers as they continually hunt for the cheapest prices by moving production elsewhere. This makes it difficult for suppliers to plan ahead and predict demand, which in turn leads to a reliance on casual labour rather than maintaining a stable workforce on full-time contracts. Furthermore, brands commonly use their leverage to require suppliers to assume and finance all risks in these contracts, which allowed brands to invoke *force majeure* clauses to renege on contracts and purchasing orders at the start of the pandemic.

Over two thirds of brands and retailers are turning a profit

Over a third have still not committed to paying for all orders

12 brands continue to extend payment times to suppliers

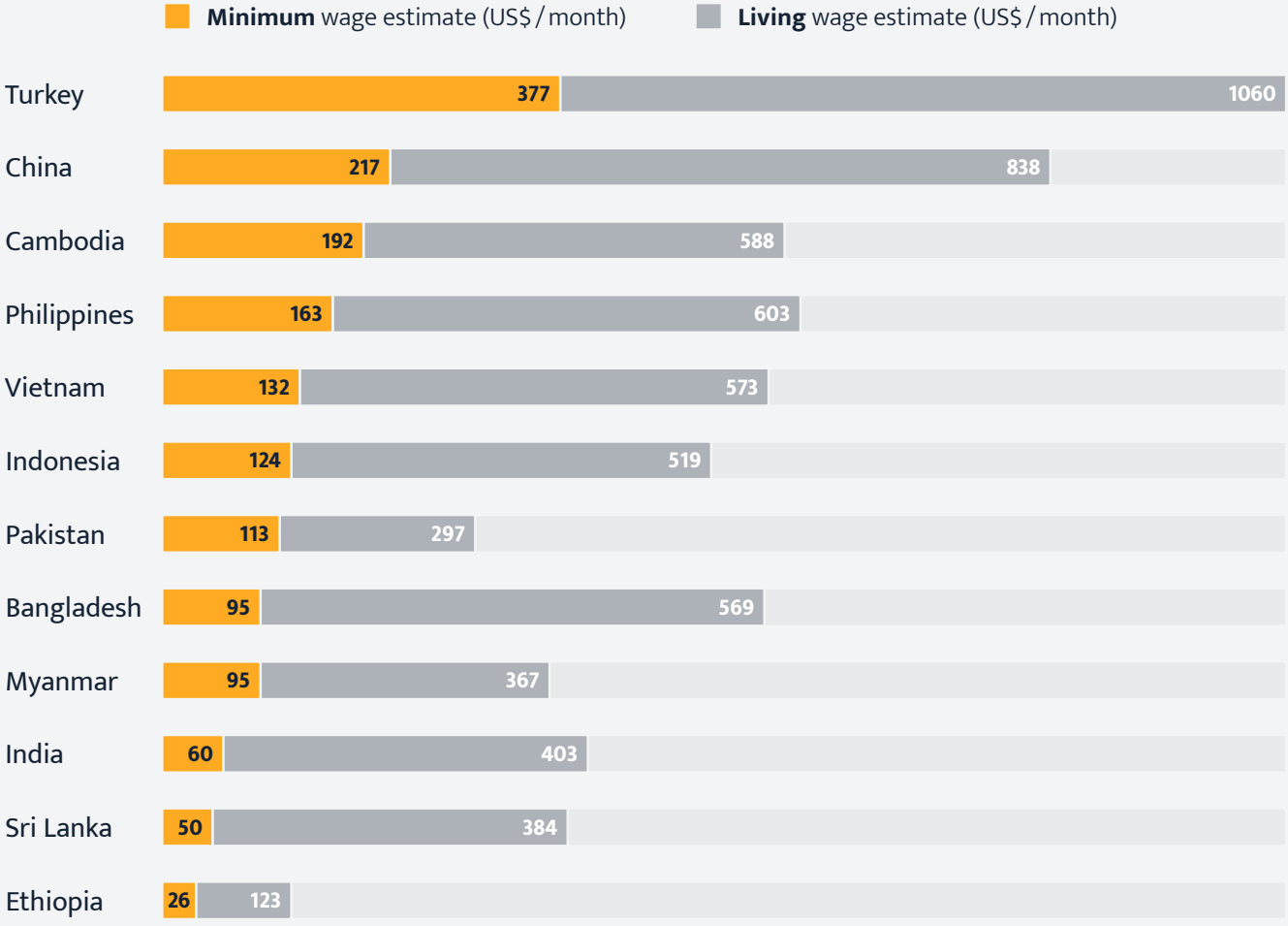
While over two-thirds of the brands and retailers (69%) are once again turning a profit after the initial disruption caused by the pandemic, staggeringly over a third (19) have still not yet committed to paying for all orders, including Topshop (Arcadia Group), Bestseller and Walmart, and six brands have requested retroactive discounts on orders already placed. At least **12 brands continue to extend their payment times to suppliers**, some delaying payment by up to 120 days. In comparison, before the pandemic the average time suppliers had to wait to receive payment after shipping orders was 43 days. **Almost two-thirds (65%) of factory suppliers have reported demands of price cuts on new orders** from brands that are larger than the usual year-on-year reductions buyers ask for.

Outsourcing for cheap labour

Ultimately, the power of the brands and their ability to shape the industry is demonstrated through the wage suppression of millions of workers around the world. The outsourcing of garment production through a complex network of global supply chains allows apparel companies to take advantage of cheap labour and differing wage levels which fall far short of the living wages garment workers need to survive. And despite increases in the cost of living, wages are continually suppressed in the major garment producing countries, by governments who want to ensure a competitive edge so suppliers can attract orders from brands who pit one country against another.

Our research, comparing garment workers' monthly minimum wages with living wage estimates, found the **minimum wage in 12 major apparel exporting countries is, on average, over four times less than the wage workers need to live on**. In Sri Lanka, the minimum wage of LKR 10,000 (US$50) per month is a staggering seven times lower than the estimated living wage of LKR 75,601 (US$384), while in Bangladesh it's one sixth of the living wage. BHRRC has observed that brands frequently refer to local minimum wage laws in their responses to wage disputes in their supply chains, without addressing the inadequacy of local minimum wage setting mechanisms or of minimum wage enforcement.

GARMENT WORKERS' MONTHLY MINIMUM & LIVING WAGE COMPARISON, 2020

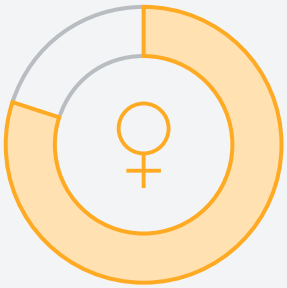


Data: Minimum wage and living wage estimates by country compiled from public sources, on file with BHRRC (updated 25 March 2021)

Failure to deliver living wages

to garment workers in apparel supply chains

Garment workers facing unpaid wages and benefits in the supply chains of global fashion brands is not a phenomenon unique to the pandemic; rather, wage violations and exploitation are an inherent part of the system built to maximise brands' profits at one end, at the expense of workers on the other.



80% of the workforce is comprised of women and generally earn the lowes wages

The case studies highlighted in this briefing centre on demands for payment of wages and benefits that are legally owed to workers, but even when garment workers receive this in full, life remains a struggle. Long before the widespread wage losses experienced during the pandemic, millions of garment workers have struggled to exist on the poverty wages they receive in exchange for their labour which creates fashion brands' profits. For example, research has shown factory workers in Cambodia consume just half their recommended calories and one third of workers are medically underweight. For women garment workers, who comprise 80% of the workforce and generally earn the lowest wages – the situation is often worse than for men. For example, research by Clean Clothes Campaign found that women garment workers earn on average only 88% of what male workers earn. Despite years of talk and promises by brands, prompted by worker protests for living wages, voluntary initiatives have failed to result in the payment of living wages for garment workers.

Not only does non-payment of living wages represent a violation of a fundamental right, preventing workers from meeting their most basic needs, it is also linked to other workplace abuses and labour rights violations – including excessive working hours, workers risking their lives to work in unsafe buildings and child labour.

Policy commitments by brands

Of the 16 brands linked to the case studies in this report, all have policy commitments to ensure workers in their supply chain are paid, and 10 go further by explicitly referring to aspirations to pay a living wage. Most brands include commitments in their supplier codes of conduct to ensure wages meet workers' basic needs, however beyond this some brands explicitly refer to payment of living wages. For example, Nike's Code of Conduct says, *"when compensation does not meet the employee's basic needs and provide some discretionary income, supplier shall develop... and implement strategies to progressively realise compensation that does."* H&M's Sustainability Commitment states: *"Compliance with the law is the fundamental starting point, but our ambition is that together we go beyond what the law says to advance... paying a fair living wage that meets workers' basic needs..."* Primark's Code of Conduct also refers to living wages: *"...wages must always be enough to meet basic needs and to provide some discretionary income."* Even where brands do make references to living wages in their codes of conduct and go so far as to acknowledge minimum wages are not sufficient to live on, responsibility to improve pay is passed on to the supplier or brands fail to outline a strategy for achieving living wages.

Living wages as a fundamental human right

Distinct from the minimum wage, which is set by national governments, a 'living wage' is widely recognised as a human right and is the minimum income needed for workers to meet the most basic needs – food, housing, transport, clothing, healthcare, etc. – for themselves and their families. According to the Universal Declaration of Human Rights, *"everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity."* (Article 23(3)) and *"everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care."* (Article 25(1)). The right to a living wage is enshrined in the International Covenant on Economic, Social and Cultural Rights, which protects the right of all workers to receive remuneration which provides as a minimum "fair wages" and "a decent living for themselves and their families." (Article 7). Living wages are also provided for by the International Labour Organization's Convention 131 and Recommendation 135 and are a central part of its Decent Work Agenda.

The Lawyers Circle, through legal analysis, has concluded a living wage is a fundamental human right, recognised in international law since 1919, which states are accordingly obliged to guarantee. As recognised by the UN Guiding Principles on Business and Human Rights, they state: *"Where companies choose to produce or source their goods from states where that fundamental right is not guaranteed, as a matter of law or practice, they must, as a minimum, themselves take steps to ensure that the people who make those goods are guaranteed this right."*

Despite being recognised as a human right by various international instruments and legal experts, over the last couple of decades garment workers' wages have remained persistently low. They are insufficient to meet basic needs without workers working excessive hours or relying on loans. Companies continue to source products from countries where the minimum wage falls far short of a living wage, in the knowledge that their goods are produced in breach of fundamental rights and established international labour standards.

Voluntary, non-binding commitments by brands

Brands also point to their participation in wage initiatives such as Action Collaboration Transformation (ACT) – a global initiative uniting brands and unions to work towards living wages for workers in the garment, textile and footwear sectors through collective bargaining at industry level linked to purchasing practices. All ACT member brands have committed to ensure their purchasing practices facilitate the payment of a living wage, which is promising. However, over five years after ACT was established not a single enforceable agreement on living wages has materialised and the industry is a long way from achieving living wages for garment workers. In its analysis of ACT, Asia Floor Wage Alliance concludes: ***"ACT is being used as an alibi for brands to exempt themselves from genuine living wage delivery processes."***

Five ACT brand members – H&M, New Look, Next, LIDL and PVH – are linked to unresolved or partially resolved cases in this briefing. Seven brand members featured on our COVID-19 tracker – including Arcadia Group, Bestseller and New Look – have taken actions in response to the pandemic which have a direct impact on workers' wages, such as cancelling orders, extending payment times and requesting retroactive discounts.

Some apparel brands are exploring the idea of paying a living wage and have policies that explicitly reference living wages for workers in their supply chains, which is encouraging. But ultimately their existence has not resulted in the payment of living wages for garment workers. Demonstrating the limitations of voluntary living wage initiatives, 2020 research by Clean Clothes Campaign found the vast majority (93%) of over 90 surveyed brands are not paying garment workers a living wage. 2019 analysis by Labour Behind the Label of voluntary brand initiatives – including ACT, Fair Labour Association's Fair Compensation Programme, the German Textile Initiative and Dutch Textile Covenant and the Fair Wage Method – found that **none** of the initiatives have delivered living wages for workers or even significant wage increases.

Patagonia: one brand's journey to implement the living wage

One brand which has begun to fulfil its commitments to paying workers in its supply chain a living wage is Patagonia.

Its Supplier Workplace Code of Conduct states:

> *"We seek and favor suppliers who progressively raise employee living standards through improved wage systems, benefits, welfare programs and other services, which exceed legal requirements and enhance quality of life... Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with Patagonia and the Fair Labor Association (FLA) to take appropriate actions that seek to progressively realize a level of compensation that does."*

Patagonia uses the Anker Methodology and its associated living wage benchmarks to calculate the gap between minimum and living wages, and launched its living wage program with its suppliers in 2018. According to its website, as of 2019, 35% (11 out of 31) of Patagonia's apparel assembly factories are paying their workers a living wage, (on average). While there is still a long way to go to ensuring all workers in its supply chain are paid a living wage and COVID-19 has stalled progress with its living wage pilot programmes, the company hopes to adapt its work with suppliers to continue to increase worker wages.

A just recovery from COVID-19

Brands' responses to the COVID-19 pandemic and the decline in global demand for apparel has exacerbated the pre-existing and profound power imbalance between global fashion brands and their factory suppliers and workers. While the majority of brands have recorded large pandemic profits, widespread non-payment of wages, benefits and severance pay have left garment workers struggling to feed themselves and their families, pay rent and medical bills. In 2020, workers reported being more worried about dying from hunger than from contracting COVID-19.

A just recovery is required to address the scale of COVID-19's impacts on garment workers, but also to redress the pre-existing imbalance of power inherent to the fashion industry which has permitted and sustained the economic exploitation of millions of workers for decades. The recovery must ensure those at the bottom of the supply chain finally reap the benefits of their labour. For decades, their exploitation has built the billions in profits brands, their owners and shareholders have enjoyed. This must end.

To make up for lost wages during the pandemic, labour groups are calling on brands and retailers to make a financial contribution to alleviate the worsening humanitarian crisis faced by garment workers in their supply chains. The amounts being proposed, in comparison to the profits being recorded by brands, are small, but would be transformative for workers now living in poverty. The Asia Floor Wage Alliance has suggested a one-off supply chain relief contribution paid by brands of 2% of their total order volume, while Worker Rights Consortium and Clean Clothes Campaign have calculated it would cost brands less than ten cents on a t-shirt to provide the economic relief garment workers need to survive the crisis and strengthen unemployment protection in the future.

Brands need to take swift action in response to reports of non-payment of wages, benefits and severance in their supply chains to ensure workers who make their clothes are paid what they are owed. The majority of brands, however, have yet to take responsibility and support garment workers through the crisis they have made – both through their immediate actions in response to the pandemic and their historic actions in building and sustaining an unfair business model that has always left garment workers in precarious and economically vulnerable conditions. Over 60 brands have endorsed the ILO "Call to Action", which aims to generate action across the global garment industry to protect workers' income, health and employment and support employers to survive during the COVID-19 crisis. While the Call to Action has generated pledges by public institutions amounting to a few million dollars for workers in a small set of countries, workers have yet to receive any money and it has been criticised by campaigners as insufficient to meet the need. To date, brands have paid nothing.

At a bare minimum, brands must ensure garment workers in their supply chains are paid in full for wages and benefits owed during the pandemic and take responsibility when incidences of non-payment arise. But beyond the COVID-19 crisis, tangible commitments must be made to pay living wages at the industry level, to put an end to the persistently low wages, insufficient for workers to survive on. Brands must urgently overhaul purchasing practices which squeeze suppliers and result in wage violations – for example, by paying prices that take into consideration the financial costs of labour that allow workers to earn enough to live on. A number of calculations and wage ladders have emerged as key tools for measuring and working towards providing a living wage – for example Asia Floor Wage Alliance's methodology – which provide a clear picture of wages received compared with estimates of living costs.

> "Brands' CSR reports are full of promises regarding wages. Now it's time for them to put their money where their mouth is... It's about time that a credible proposal is made in which brands are truly held accountable for the dreadful circumstances under which workers and their families have been living for decades while they, the brands, were making gigantic profits."
>
> **Anannya Bhattacharjee**, president of the Garment and Allied Workers Union and international coordinator of the Asia Floor Wage Alliance

In January 2021, a coalition of labour groups set out a concrete proposal for an enforceable, binding agreement between global brands and unions on the payment of living wages to garment workers: Wage Forward. Central to the proposal is the payment of a living wage contribution - largely based on the gap between statutory minimum wages and estimated living wages - on every order signatory brands place with any supplier, which goes directly to workers. Another way for brands to deliver a living wage to workers in their supply chains would be to ringfence labour costs that make living wages possible in their cost negotiations with suppliers for all orders.

To mitigate the devastating impacts of unemployment for garment workers in the future, brands should commit to negotiate an enforceable agreement to support stronger social protections for workers related to unemployment and severance benefits, through the establishment of a Severance Guarantee Fund. Brands and retailers would contribute a fee based on the volume sourced from each country, and workers who do not receive severance and were employed in the supply chain of a signatory brand or employer could file a claim.

Conclusion & recommendations

The COVID-19 pandemic and brands' response to the crisis has had widespread and devastating impacts on garment workers. A full year since the initial disruption, global apparel brands are placing orders and recording profits again; yet it is vital that we do not see a return to the inherently unjust status quo. The fashion industry must be held accountable for the rights abuses facing workers as a result of the structure of supply chains which by design, chase the lowest costs, thereby suppressing labour costs and wage levels, **keeping 60-80 million people – mostly women – in working poverty**.

Key recommendations to brands and retailers during the COVID-19 pandemic:

- **Proactively monitor and swiftly resolve** instances of non-payment of full salaries, legally mandated benefits and severance for workers. Play an active and transparent role with suppliers and local unions to ensure workers are paid in full, making direct financial contributions to affected workers where needed.
- **Workers and trade unions must be actively engaged** as parties on decisions regarding workers at the earliest possible time including furlough and dismissals,. Joint decisions should be made wherever possible.
- **Actively promote freedom of association** by prohibiting the discrimination against unionised workers in COVID-19 related dismissals.. All retrenchment proposals must be monitored by brands to ensure workers do not face discrimination.
- **Honour all existing contracts with suppliers**, including payment of originally agreed amounts within originally agreed timelines.
- **Ensure suppliers guarantee recall rights** to workers furloughed or laid off due to temporary workforce reductions or factory closures, so that if and when business resumes, workers jobs and income are guaranteed.
- **Implement responsible purchasing practices**, for example by not asking factories for price reductions or discounts relative to comparable items with last season.
- **Publicly commit to a wage assurance**, to assure all apparel, textile and footwear workers in their supply chain, who were paid to produce or handle goods at the onset of the COVID-19 crisis, regardless of employment status, will be paid the legally mandated or regular wages and benefits, whichever is higher. This includes wage arrears and, where applicable, negotiated severance pay.
- **Support the establishment of emergency relief funds and financial support packages** specifically for the garment sector through own contributions – for example, by paying 2% of total sourcing from the preceding 12 months to a COVID-19 Supply-Chain Relief Contribution.

Key recommendation towards a just recovery

Deliver a living wage: A just recovery requires an urgent overhaul of brands' purchasing practices which squeeze suppliers and results in poverty wages, debt and financial instability for garment workers. This includes ensuring the payment of wages which are enough for garment workers to live on. This requires the buying practices of brands to change to take into account labour costs of a living wage as well as the protection and promotion of freedom of association and collective bargaining. Without a radical transformation of the industry, garment workers will continue to face precarity and will be unable to weather the next crisis or recover adequately from this one.

The payment of living wages for garment workers

- **Ensure payment of living wages** through enforceable, binding agreement with unions, (through the Wage Forward proposal here) or by ringfencing labour costs that make living wages possible in cost negotiations with suppliers, based on credible benchmarks, e.g., Asia Floor Wage Alliance.
- **Commit to the Severance Guarantee Fund and sign onto an enforceable agreement** to deliver severance to workers in their supply chain who lose their jobs due to factory closures or layoffs , including when reporting under any mandatory human rights due diligence legislation.
- **Ringfence labour costs in purchasing orders** to ensure that workers will be paid a living wage – recognise a living wage as a human right in corporate human rights due diligence processes.

Conduct human rights due diligence (HRDD)

- **Corporate HRDD processes and policies** must cover all internationally recognised fundamental human rights. This includes the payment of a living wage as a basic right, as well as an important enabling right, (alongside freedom of association and collective bargaining) that can enable the fulfilment of other basic rights.
- **Unfair purchasing practices is a central factor** contributing to salient risk of systemic human rights abuses – shifts in buying practices to ensure fair labour costs are guaranteed can mitigate risk
- **Conduct due diligence for the right to form or join a trade union** – identify and prevent anti-union policies and practices with suppliers, and mitigate the adverse impacts on the ability to exercise this right that arise from changes in operations (such as a global pandemic or military coup).

Increase transparency beyond publishing factory list

- **Publish information regarding purchasing practices**: payment terms and costing policies to demonstrate ringfencing of non-negotiable labour costs.
- **Publish the lowest wage level paid by each supplier in each production country** for a full working week, excluding overtime, benefits and bonuses.
- **Brands should ensure consistent and full visibility over supplier factories**, beyond Tier 1, and publish a list of these in accordance with the Transparency Pledge and the Open Data Standard for the Apparel Sector.

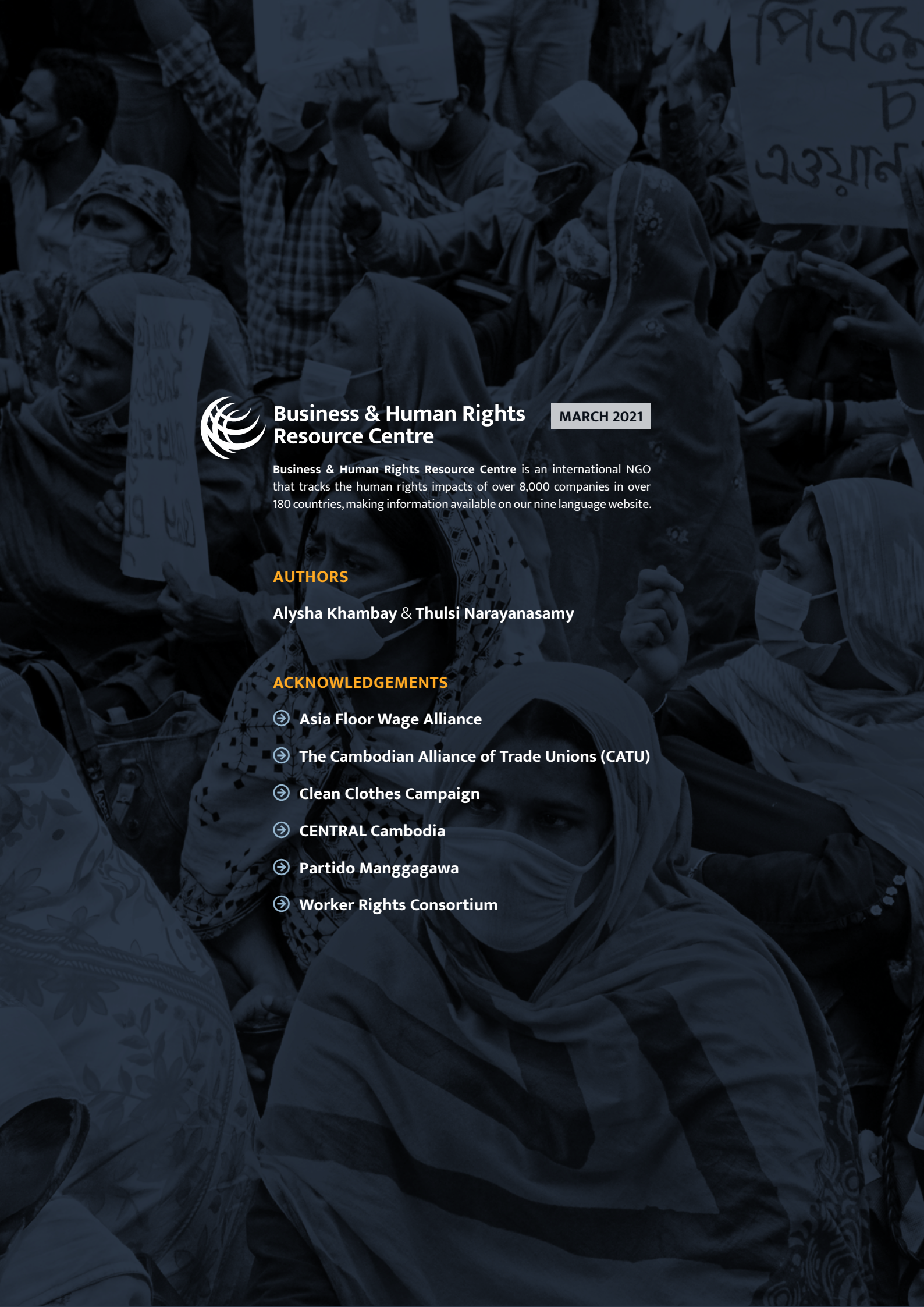
Protecting and promoting Freedom of Association and Collective Bargaining

- **Workers and unions play a central role in ensuring wages are paid and higher wages are within reach**, therefore implementation of all BHRRC recommendations in the 2020 publication on union busting are critical for the achievement of a just recovery.

Appendix

Company responses and labour movement rejoinders to eight cases

Factory	Country	Responses from buyers	Workers affected	Case status	Rejoinders to brand responses
Hong Sen	Cambodia	✓ Next	906	Partially resolved	From CENTRAL
Violet Apparel	Cambodia	✓ Nike ✗ Carter's Inc	1284	Unresolved	From CATU
Young Clothing	Myanmar	✓ LIDL ✓ Mark's ✓ s.Oliver	1236	Resolved	
Indochine Apparel	Ethiopia	✓ H&M ✓ PVH ✓ Levi Strauss & Co. ✗ The Children's Place	Unknown (at least 6)	Unresolved	
FCO International	Philippines	✓ Hanesbrands ✓ L Brands	124	Partially resolved	From Partido Manggagawa
Sepia Garment	Cambodia	✓ Sainsbury's ✗ Matalan	287	Partially resolved	
Hung Wah	Cambodia	✓ H&M	2000	Partially resolved	
Stylecraft Ltd.	Bangladesh	✓ Next ✓ River Island ✓ New Look ✓ H&M	4000	Partially resolved	



Business & Human Rights Resource Centre

MARCH 2021

Business & Human Rights Resource Centre is an international NGO that tracks the human rights impacts of over 8,000 companies in over 180 countries, making information available on our nine language website.

AUTHORS

Alysha Khambay & Thulsi Narayanasamy

ACKNOWLEDGEMENTS

- Asia Floor Wage Alliance
- The Cambodian Alliance of Trade Unions (CATU)
- Clean Clothes Campaign
- CENTRAL Cambodia
- Partido Manggagawa
- Worker Rights Consortium