

# Human Rights in the Fashion Industry: Advancing Working Conditions and Fair Wages Through Collaboration and Blockchain Technology

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## Current Situation

In 2013, the Rana Plaza factory complex located near Dhaka, Bangladesh collapsed, resulting in the death of more than 1,100 garment workers. Despite warnings from employees that the building was structurally unsafe, they were told to return to work by owners worried about fulfilling purchase orders for various international clothing brands<sup>[1]</sup>. This tragedy called worldwide attention to the unfavourable working conditions endured by countless labourers in the fashion industry in general. For instance, apparel brands were heavily criticized for their lack of commitment to respect human rights in their global supply chains. In spite of increasing consumer scrutiny and exposure to substantial fines, litigation and reputational damage, fashion businesses are still struggling to advance workers' rights throughout their supply chains<sup>[2]</sup>.



Source: Munir Uz Zaman/Agence France-Presse — Getty Images

Hyper-competition in the fashion industry has led companies to outsource production in nations with lower wages and laxer labour regulations. Multinational brands' products are typically manufactured through extensive and complex supply chains often located across various developing countries<sup>[2]</sup>. These large firms possess significant bargaining power over their fragmented networks of suppliers, which creates a considerable power imbalance between brands and manufacturers. This disparity has contributed to inadequate sourcing practices, such as the imposition of excessive pressures on price and lead time<sup>[3]</sup>.

Procurement departments constantly try to find suppliers that will offer lower production prices, often following a price-bidding system. In 2016, a survey of 1,454 manufacturing suppliers from 87 countries about purchasing practices and working conditions found that 52% of apparel suppliers reported having sold below production costs<sup>[4]</sup>. The survey also revealed that brands regularly change product specifications and order volumes without prolonging delivery deadlines, thus intensifying time pressures. These practices exacerbate risks for human rights violations in factories. For instance, employees are compelled to work faster to try to reach unreasonable daily targets while supervisors abuse them verbally and sometimes physically<sup>[5]</sup>. They have limited toilet breaks, shorter mealtimes, and they are often denied access to drinking water<sup>[6]</sup>. Job-related hazards and injuries are also fueled by poor procurement practices, as suppliers try to minimize rent paid per employee and thus avoid investing in occupational health and safety<sup>[3]</sup>. Better Work discovered non-compliance rates above 75% of workplace health and safety regulations in garment factories inspected, including risks from toxic cleaning solvents, insufficient personal protective equipment, blocked factory emergency exits, and inappropriate lavatories<sup>[7]</sup>. Additionally, workers normally earn low wages that maintain them in conditions of poverty<sup>[2]</sup>. The following image demonstrates the small portion of a generic polo shirt manufactured in Bangladesh and sold in Canada that actually goes to the labourers.



As per article 23 of the Universal Declaration of Human Rights, every labourer has the right to fair and favourable working conditions and remuneration<sup>[8]</sup>. Breaches of human rights in supply chains present risks to long-term business success, but decent work is part of corporate responsibility irrespective of the presence of a business benefit<sup>[9]</sup>. Clothing brands should thus demonstrate their commitment to identifying, preventing and addressing human rights risks in their supply chains to ensure human dignity for all workers.

## Inadequate Practices

Global apparel brands should strive to improve the lives of the millions of workers upon which they have an impact. However, some of their business practices incentivize labour abuses in supplier factories. For instance, H&M and Gap's fast fashion model involves delivering new fashion trends with low costs and rapid turnarounds. As a result of unattainable production goals and underbid contracts, female employees at Asian factories that supply both apparel brands have reported being ordered to work fast under tremendous pressure while not being paid for overtime hours<sup>[10]</sup>. Workers depicted disputes in which they were insulted, beaten or sexually abused as disciplinary measures for not reaching daily production targets.



Source: truecostmovie.com

H&M has also been blamed to have unfulfilled its commitment to pay a living wage to around 850,000 workers in its supply chain by 2018. Research based on interviews with 62 employees of various H&M suppliers in Cambodia, India, Turkey and Bulgaria found that workers are being paid far less than living wage estimates which would cover basic needs (see image below)<sup>[11]</sup>. Many of the respondents even earn below the poverty wage. This forces them to constantly work overtime and two thirds also reported fainting at work.



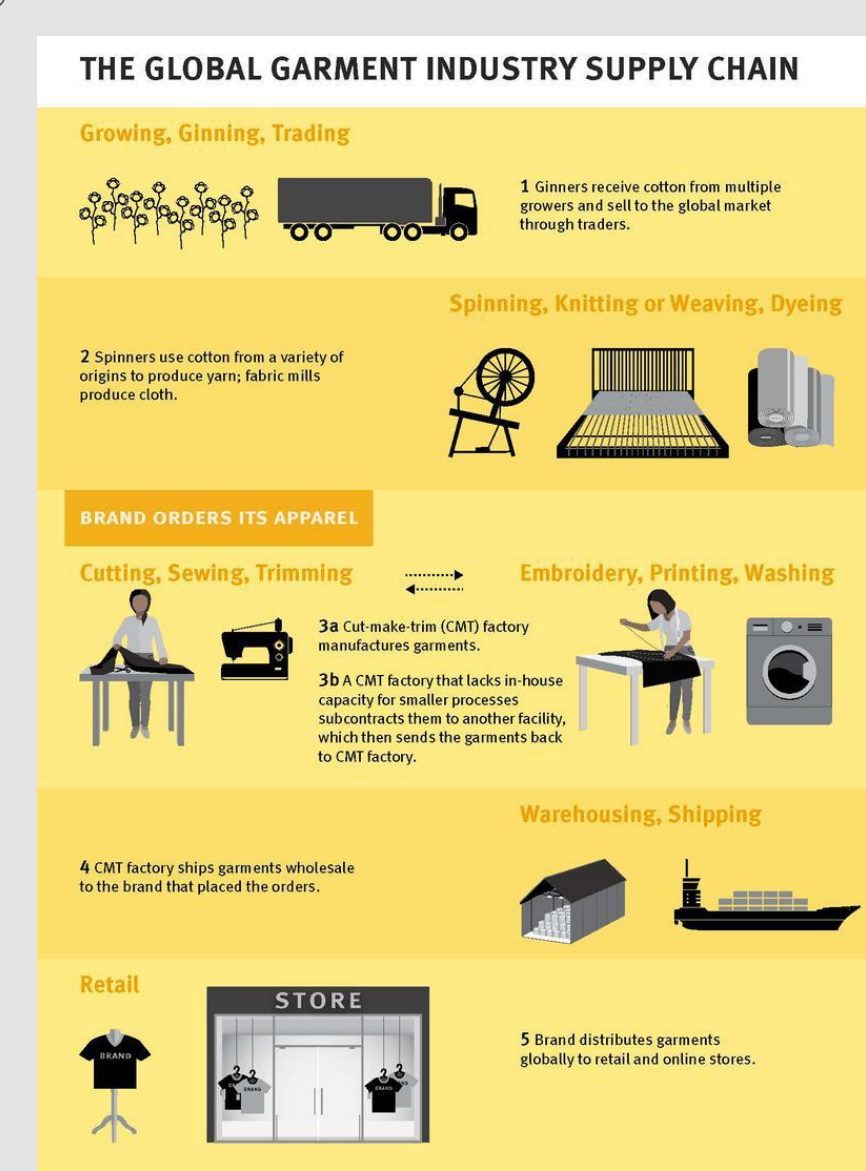
Source: Clean Clothes Campaign

According to a report from the Worker Rights Consortium, a manufacturing facility located in Vietnam that was supplying apparel to Nike was found to violate human rights repeatedly<sup>[12]</sup>. For instance, workers were restricted to use toilets and those who used them were harassed. They were also often verbally and physically abused, exposed to hazardous chemicals, and lacked appropriate ergonomic seating. Moreover, extremely hot temperatures (over 32°C) within the factory contributed to several labourers collapsing at their work stations.



Source: usas.org

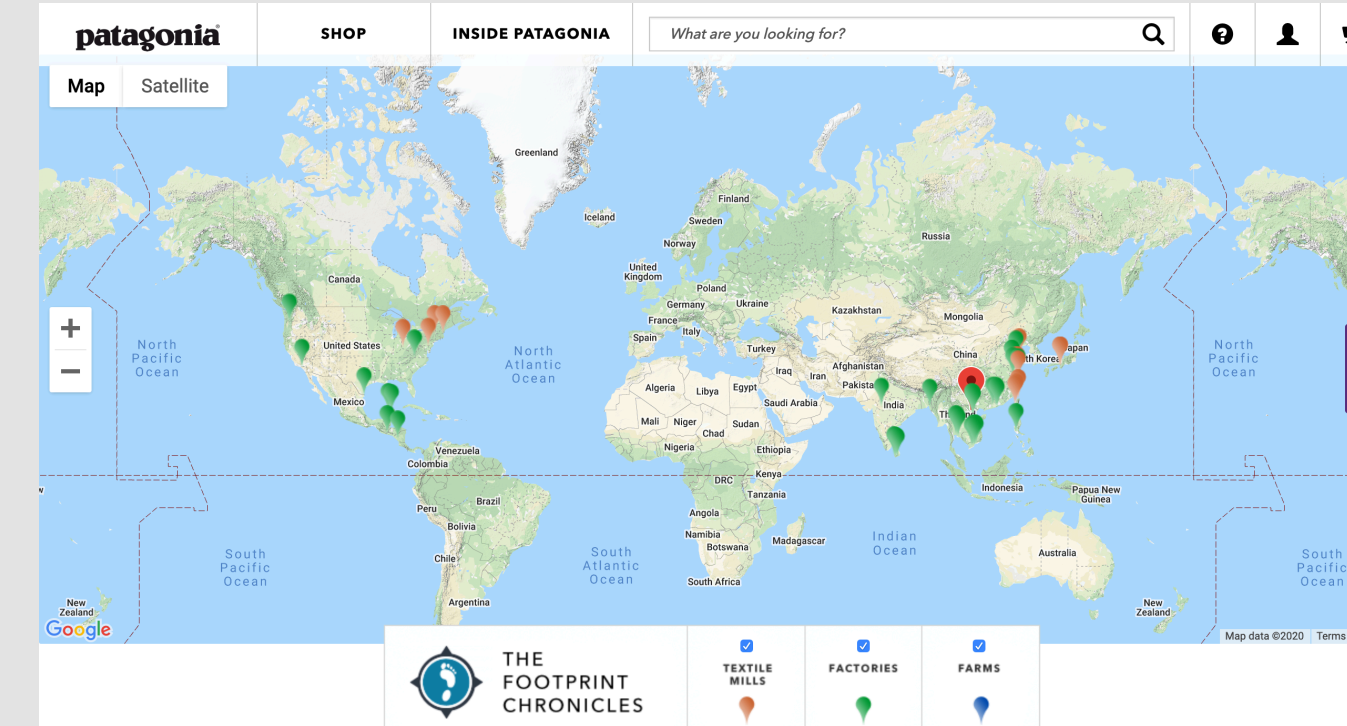
Companies in the fashion industry usually have complex and extended networks of suppliers. This is partly why several apparel brands lack supply chain transparency. Ignoring factory details beyond direct suppliers prevents brands to adequately identify human rights risks and manage labour abuses for upstream workers in processes such as growing, ginning, spinning or knitting (see image below). Moreover, brands such as American Eagle Outfitters, Armani and Ralph Lauren have yet to publicly disclose even the names and countries of any supplier factories, including those in the first tier<sup>[13]</sup>. This hinders the ability of stakeholders, such as factory workers, labour organizations, and human rights advocates, to warn apparel corporations whenever human rights breaches occur.



Source: Human Rights Watch

## Best Practices

A company's human rights due diligence should allow it to identify, prevent, and mitigate current or potential adverse human rights impacts in its supply chain<sup>[14]</sup>. Transparency enables civil society organizations and other stakeholders to strengthen this process. The Transparency Pledge implores fashion businesses to disclose on their websites updated lists of the names, site addresses, number of workers, and additional details of at the minimum tier-one factories<sup>[13]</sup>. As of November 2019, there were twenty-two corporations either completely aligned or committed to align with this standard, including Adidas, H&M, Levi Strauss, Nike, and Patagonia. Some brands are also leading the way by moving beyond these requirements. For example, Patagonia also publishes the year since a supplier factory started producing its products, the gender breakdown of employees in every factory (also done by Nike, Marks and Spencer, and a few other brands), and details beyond tier-one supplier factories such as spinning or textile mills (also done by H&M, Levi Strauss, and a few other brands)<sup>[13]</sup>.



Source: eu.patagonia.com

Patagonia also supports fair labour practices and safe working conditions through its Supplier Workplace Code of Conduct and its associated benchmark report, which are based on labour standards from the International Labour Organization<sup>[15]</sup>. This code concerns all tiers of its supply chain from raw material to cutting, sewing and trimming factories, including embroidery and printing subcontractors. It provides a framework for its policies on various issues, such as discrimination, wages and benefits, working hours, health and safety, and harassment, abuse and disciplinary measures.

Levi Strauss has been committed to enhance its supply chain workers' lives. For instance, the brand has reduced the amount of chemicals used in factories during the garment-making process. It has opted for a new laser procedure which creates the same distressed look for jeans at a faster rate and without the harsh use of chemicals which would expose labourers to safety risks. Chip Bergh, Levi's CEO, is moving the company towards using only a dozen chemicals in factories as opposed to thousands previously used in the production of its jeans<sup>[16]</sup>.

In 2011, Levi's started the Worker Well-being programme as part of its commitment to have a more sustainable supply chain. The apparel brand now partners with suppliers and NGOs to improve the well-being of apparel workers worldwide. Levi's has implemented initiatives on financial empowerment, health and family well-being, as well as equality and acceptance. The programme has now positively impacted working conditions for around 190,000 workers in 17 countries, and it has provided business benefits as shown by its 4:1 return on investment for some initiatives<sup>[17]</sup>.

As an example, the Worker Well-being programme has enhanced working conditions at a supplier factory located in Mexico with the implementation of new water fountains which provide cold water and new overhead fans which help cool air circulate across the factory<sup>[18]</sup>. It has also helped improve the worker-management dynamic as supervisors are now gentler and more communicative with garment workers.

Workers should also be able to report breaches of labour standards. This is why Puma's supply chain workers may communicate via an independent, toll-free whistleblower hotline accessible globally<sup>[19]</sup>. The Ethics Committee ensures that workers do not face any consequences for reporting an issue.

Finally, companies engaging in worker-driven solutions have created successful collaborations. For example, the Accord on Fire and Building Safety in Bangladesh was established in 2013 following the Rana Plaza disaster and a 2010 factory fire. It was a five-year independent legally binding agreement between brands, such as Mango and Adidas, and trade unions to make factories producing readymade garments safe and healthy places to work<sup>[2]</sup>. The Transition Accord has been signed to extend the program until 2021. The Accord's goal is to implement inspection and safety remediation, safety committees and safety training, and grievance mechanisms. Inspection reports, corrective action plans, and follow-up inspection to monitor and verify safety remediation progress are constantly held in order to ensure fire, structural and electrical safety<sup>[2]</sup>.

## Recommendations

To promote human rights in global supply chains, procurement departments will need to implement sustainable sourcing practices that will influence suppliers' ability to advance decent working conditions and fair wages<sup>[9]</sup>. This will not merely prevent reputational damage for apparel brands but also considerably enhance the lives of millions of labourers in the fashion industry. To do this, global brands should carry out thorough assessments of their purchasing practices. Concerns regarding price negotiation, lead time, manufacturing preparation, and contractual obligations need to be analyzed to learn how they may give rise to human rights abuses in their supply chains, and make the required modifications to address them and further fair labour conditions<sup>[2]</sup>.

Patagonia's Responsible Purchasing Practices Program guides the sourcing, supply planning, and forecasting groups to avoid unsustainable purchasing decisions, such as negotiations for excessively low prices, unreasonable changes in purchase orders, unacceptable lead times, as well as delayed material deliveries and rushed design alterations<sup>[15]</sup>. By following Patagonia's lead, apparel companies can prevent labour-related abuses such as irrational production quotas, extreme overtime hours, unfair wages, and mistreatment of workers.

To drive concrete change in the fashion industry, however, businesses need to increase collaboration and carry out coordinated and commensurate pressure to advance decent work in their supply chains. Multi-stakeholder initiatives allow companies to streamline expectations by establishing common and clear ethical standards, supplier due diligence tools, and implementation frameworks<sup>[20]</sup>. Most importantly, these initiatives can lead to human rights-related information sharing and the elaboration of groundbreaking technological solutions. Knowledge exchange should be done between competitors, but also with suppliers and NGOs to add credibility and promote sustainable practices throughout their supply chains. Joining and supporting collaborations such as the Fair Labor Association and the Better Work programme is essential to improve workers' lives.



Source: Fair Labor Association (FLA)

Moreover, fashion businesses should cooperate extensively with direct suppliers to tackle human rights issues. As trust and engagement are crucial for successful relationships with suppliers, companies should share their personal experience with decent work, display a respectful attitude by listening and being mindful, engage in an open and ongoing dialogue, and exhibit the conduct expected from suppliers<sup>[9]</sup>. As explained in the UN Global Compact's Decent Work Toolkit for Sustainable Procurement, brands should also incentivize suppliers by communicating opportunities and possible financial benefits—emerging from additional or longer-term contracts—that could result from enhanced working conditions and fair wages<sup>[9]</sup>. Tier-one suppliers must be encouraged to share continuous information about their labour practices and to use the toolkit recommendations with their own suppliers.

Finally, companies should leverage and improve new technologies to increase cooperation, traceability, and transparency. Blockchains could expand access to supply chain information on a real-time basis, since they are designed as collective databases which enable businesses at all levels of the supply chain to secure their transactions<sup>[20]</sup>. Internet-of-Things (IoT)-enabled blockchain allows businesses to record all events and transactions of a supply chain on a distributed ledger. This is shared with every authorized participant without being possessed by anyone, and the records are secure, unalterable and permanent<sup>[21]</sup>. The implementation of this long-term solution should be done collectively with suppliers, customers, advisers, and competitors dealing with the same suppliers to share investments and increase leverage to encourage respect for human rights. To do it effectively, it must also be scaled progressively by extending the number of stakeholders involved and adding new sensors as lessons are learned<sup>[21]</sup>.

Through its Worker Well-being programme, Levi's partnered with the Sustainability and Health Initiative for NetPositive Enterprise to track and report worker well-being data on a blockchain platform<sup>[22]</sup>. Supply chain labourers are surveyed regarding their day-to-day work life. Since personal questions are asked about their supervisors and the workplace, assessment results' anonymity is ensured by the blockchain technology and thus participants avoid retaliation.

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