



# Environmental Audit Committee

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Rt Hon Kwasi Kwarteng MP  
Secretary of State  
Department of Business, Energy and Industrial Strategy

cc: Matthew Taylor, Director of Labour Market Enforcement

By email.

10th March 2021

Dear Secretary of State,

I am writing to you concerning the evidence we have taken on sustainability and labour market abuses in the UK garment industry. We are keen that your Department examine the introduction of measures, such as the introduction of a Garment Trade Adjudicator, as a means to stamp out non-compliance with labour market regulation in the sector.

## **Our follow-up work on *Fixing Fashion***

It is now two years since the Committee's *Fixing Fashion* inquiry shone a light on ethical and sustainability issues within the industry. Purchasing a garment with a 'Made in the UK' label ought to be a guarantee that the workers who produced it are paid at least the minimum wage, in a workplace which is safe. We found that it is not.

During the initial inquiry the Committee was shocked by evidence that underpayment of wages and poor conditions appeared to be rife in UK garment factories supplying fast fashion brands such as Boohoo. In the report of that inquiry, we recommended a far more active approach to the enforcement of national minimum wage regulations across the sector.<sup>i</sup>

The Committee appointed for this Parliament continues to monitor progress on these issues. We initiated a follow-up inquiry after renewed allegations of illegal pay and poor working conditions at garment factories in Leicester surfaced last summer, and have received over 50 written submissions in response. We held one evidence session in December and intend to hold another later this spring. Despite encouraging signs of gradual progress on environmental sustainability, the evidence reveals frustration at the lack of progress in some areas—notably labour exploitation.

We heard worrying evidence about labour abuses in the domestic and international supply chains supplying UK fashion retailers. The British Retail Consortium estimates that garment workers in the UK are being underpaid by over £2 million a week in unpaid wages.<sup>ii</sup> The campaign group Labour Behind the Label alleged that workers in some garment factories in Leicester were forced to work during the first lockdown, despite high levels of infection in those factories.

There are also increasing concerns about the use of forced and prison camp labour in international textile supply chains—notably in chains which pass through the Xinjiang region of China.<sup>iii</sup> Sedex, an organisation promoting responsibility in supply chains, told us that there were ‘significant risks of forced labour’ in textile industry practices in four of the countries that export most textiles to the UK: China (21% of all UK textile and clothing imports), Bangladesh (11%), Turkey (7%) and India (6%).<sup>iv</sup>

### **Impact of the pandemic**

Labour Behind the Label has told us that the pandemic ‘has clearly shone a light on exploitation happening in the UK fashion industry.’<sup>v</sup> Brands and retailers have delayed or refused payment to suppliers during the pandemic, pushing its negative impact onto workers in the UK and globally.<sup>vi</sup> It is estimated that £12 billion worth of clothing orders have not been paid for.<sup>vii</sup> This has produced textile waste and caused hardship for garment workers. Fiona Gooch, of the fair trade charity Traidcraft Exchange, has told us that:

‘Unfortunately the UK is among the worst for cancelled orders. Specifically by June 2020, approximately 80 UK retailers had cancelled orders worth more than £750 million just from Bangladesh. This was for finished items already landed in the UK on the sea on ships, stuck at ports in the supplier countries, partially finished goods in factories and also planned orders.’<sup>viii</sup>

Primark had cancelled £98 million of orders from suppliers in Bangladesh alone. She also cited cases of retailers asking suppliers for discounts of more than 30 per cent and of UK retailers, such as Sports Direct, delaying payment terms by up to 180 days.<sup>ix</sup> She claimed that the actions in this respect taken by some of the UK’s largest retailers had been unlawful and represented a breach of contract.<sup>x</sup>

### **Enforcement: a licensing scheme vs a Garment Trade Adjudicator**

The British Retail Consortium (BRC) has proposed a ‘fit to trade’ licensing model for UK garment factories, owners and managers. It proposes that current industry audits be replaced by a licensing scheme. The BRC wants to see a licensing scheme replace the current audits carried out within the industry. It says that this would allow a broader review of business practices than provided for under audits, such as the tracking of tax payments.<sup>xi</sup> The Trades Union Congress also supports the licensing model.<sup>xii</sup> It has told us that the ‘inspections and routine monitoring of standards that licensing entails would help prevent exploitation, improve intelligence gathering and ensure that criminal prosecutions are targeted at the worst cases.’<sup>xiii</sup>

There is some merit to the licencing approach. However, it appears to place responsibility, and cost, solely on suppliers. At our December hearing, Fiona Gooch from Traidcraft Exchange made a powerful case for regulation of the pricing decisions and purchasing practices of fashion brands.<sup>xiv</sup> Traidcraft Exchange has said that purchasing practices ‘dictate the short manufacturing periods which directly drive overtime, corner-cutting and a high-pressure work

environment.’<sup>xv</sup> This pressure is the driver behind illegal practices in the payment of wages and the perpetuation of unsafe working conditions.<sup>xvi</sup> Leicester City Council has also told us that retailers must share responsibility:

‘Making retailers accountable for practices/due diligence in their supply chain could also improve compliance. This would need to be something that can be enforced, inspected and scrutinised and where there is lack of compliance, sanctioned.’<sup>xvii</sup>

The garment industry is a sector, like agriculture, where suppliers commonly have a high-dependency risk on a single buyer.<sup>xviii</sup> Traidcraft Exchange has insisted that, because of this power imbalance in relation to suppliers, retailers’ purchasing practices ‘will never conform to norms of fair commercial practices’ unless there is regulatory intervention.<sup>xix</sup>

A coalition of civil society groups,<sup>xx</sup> including Traidcraft Exchange, have proposed the establishment of an apparel fair purchasing watchdog, modelled on the Groceries Code Adjudicator and its regulation of how supermarkets interact with farmers and other suppliers.<sup>xxi</sup> The role of an equivalent Garment Trade Adjudicator would be to ‘stop the abusive purchasing practices of retailers, and other intermediaries, which directly shape working conditions of workers in their suppliers’ factories.’<sup>xxii</sup> We have been told that the adjudicator model of regulation has been successful in the groceries sector, and also cost-effective—costing £2 million a year, yet overseeing retailers with turnover of more than £13 billion.<sup>xxiii</sup>

The Director of Labour Market Enforcement, Matthew Taylor, gave evidence to us in December. He said that he saw merits in both proposals but favoured the idea of an adjudicator as ‘certainly worth exploring’.<sup>xxiv</sup> While the Director has recently called for the licensing of hand car washes—another sector where the Committee has raised concerns—he pointed out to us the significant challenges with a licencing scheme in the garment sector:

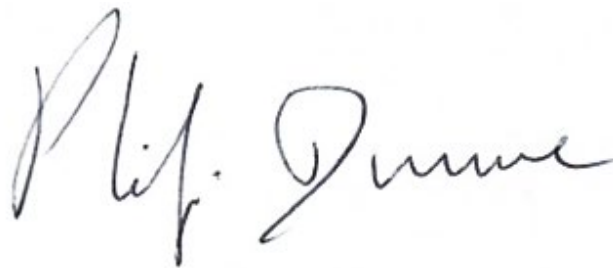
‘The first is the scale of that sector. The Gangmasters Licensing and Abuse Authority is hard pressed to license and inspect the relatively small numbers of labour providers in the agriculture sector. You would be talking here about having to license a vastly larger number of businesses. My view is that there is no point in having a licensing scheme unless you have the resources to enforce such a licensing scheme. We certainly do not have those now and I don’t see much sign of the Government intending to put more resources into compliance and enforcement right now. A second issue is that while hand carwashes are visible, otherwise they would not have a business, an awful lot of these factories, as you implied, are not visible. I think the obvious danger of any licensing scheme, which is that it drives people underground, is a bigger danger in this sector. A lot of these businesses are taking place in rooms, warehouses or, as you say, in people’s front rooms. It is not hard to hide these businesses.’<sup>xxv</sup>

The Director made an alternative proposal: a Compliance Plus kite mark scheme to which brands could commit, and suppliers could sign up, so as to provide a market advantage for businesses who are playing by the rules.<sup>xxvi</sup>

It appears that voluntary corporate social responsibility initiatives have failed to make any significant improvement to pay and working conditions in certain quarters of the fashion industry. Furthermore, high street fashion brands are being consolidated under a small number of online only operations. This enables the groups to concentrate considerable buying power over garment suppliers, similar to the power of supermarkets. We consider that mandatory regulation and greater enforcement efforts are now necessary. We therefore recommend that the Government evaluate the Garment Trade Adjudicator model, and consult on how this could, in conjunction with other measures, operate to ensure greater compliance.

We look forward to receiving your response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Philip Dunne', written in a cursive style.

**Rt Hon Philip Dunne MP**  
**Chair of the Environmental Audit Committee**

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<sup>i</sup> Environmental Audit Committee, [Fixing Fashion: clothing consumption and sustainability](#), 19 Feb 2019

<sup>ii</sup> Q1 (Peter Andrews, 3 December 2020)

<sup>iii</sup> BBC, [China's tainted cotton](#) [Date accessed 25 Feb 2021]

<sup>iv</sup> Sedex (FFFU0024)

<sup>v</sup> Labour Behind the Label (FFFU0030)

<sup>vi</sup> Labour Behind the Label (FFFU0030)

<sup>vii</sup> [Q22](#) (Fiona Gooch, 16 December 2020)

<sup>viii</sup> [Q22](#) (Fiona Gooch, 16 December 2020)

<sup>ix</sup> [Q22](#) (Fiona Gooch, 16 December 2020)

<sup>x</sup> [Q22](#) (Fiona Gooch, 16 December 2020)

<sup>xi</sup> BRC (FFFU0027)

<sup>xii</sup> Trade Union Congress (FFFU0033)

<sup>xiii</sup> Trade Union Congress (FFFU0033)

<sup>xiv</sup> [Q2, Q22](#) (Fiona Gooch, 16 December 2020)

<sup>xv</sup> Traidcraft (FFFU0049)

<sup>xvi</sup> Traidcraft (FFFU0049)

<sup>xvii</sup> Leicester City Council (FFFU0031)

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xviii CORE coalition (FFFU0034)

xix CORE coalition (FFFU0034); Traidcraft (FFFU0049)

xx CORE coalition (FFFU0034): Business and Human Rights Resource Centre (BHRRC), Oxfam GB, Anti-Slavery International, Traidcraft Exchange, Labour Behind the Label, War on Want, Freedom United, Fashion Revolution, The Circle and Homeworkers Worldwide.

xxi Traidcraft (FFFU0049)

xxii CORE coalition (FFFU0034)

xxiii [Q23](#) (Fiona Gooch, 16 December 2020)

xxiv [Q38](#) (Matthew Taylor, 16 December 2020)

xxv [Q38](#) (Matthew Taylor, 16 December 2020)

xxvi [Q58](#) (Matthew Taylor, 16 December 2020)