

Garment Industry's Wage Violations Share Common Thread

By David Weil

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Unraveling the pattern of persistent and egregious wage violations plaguing the garment industry has been an ongoing priority for the Wage and Hour Division.

Sweatshop conditions still exist in this country. Take “Esperanza,” a sewer in Los Angeles, who toils to send money home to her 5 children she hasn’t seen in 16 years. She worked long hours for one employer who paid her \$4 an hour – far less than the federal minimum wage. We delivered a check to Esperanza for more than \$2,000 in back wages, only to learn that the employer demanded the money back as soon as we left. But we opened a retaliation case and will make sure she receives the pay she worked so hard for.

We’ve found that even garment contractors who’ve been investigated in the past often fail to comply with the law – despite having paid back wages, damages and penalties – and pledging to play by the rules going forward.

Understanding why

Taking a closer look to determine the cause of the widespread and longstanding violations in this industry became imperative. If we could determine why the incentives to violate the law outweighed incentives to comply, we could craft a plan to attack the root cause.



To understand the economic drivers of noncompliance, we undertook a systematic pricing analysis to find out exactly how much it costs to produce a garment. We conducted detailed time studies to find out how long it takes workers to produce particular items, how much they sell for, and what the contractors' and manufacturers' overhead entails. We followed the process from start to finish to develop a formula to determine how much a retailer would need to pay to provide enough of a margin for the wholesalers, manufacturers and contractors simply to pay garment workers the minimum wage.

What we found

The heart of the problem lies squarely with the pricing structure dictated by the retailers in this industry. The prices they pay for garments fail to support manufacturers' ability to provide sewing contractors even the most basic worker protections – minimum wage and overtime. We have found many workers like Esperanza making \$4 per hour or even less.

On average, contractors receive only **73 percent** of the price they would need in order to support paying these workers the absolute minimum allowed by law. In one time study, the actual sewing fee paid to the contractor by the manufacturer was just \$1.80, when, based upon our analysis, the fee should have been \$4.67 to allow the person who sewed it to be paid the minimum wage. In some cases, retailers were paying \$4 for a garment, when they would need to be paying manufacturers more than \$10 to support paying workers legally. Any less than that, and someone is being cheated.

In conjunction with this study, we conducted 77 investigations of randomly selected garment shops in Los Angeles in 2015 and 2016, and uncovered violations in 85 percent of them. We found more than \$1.3 million in unpaid wages due to workers and also assessed employers more than \$65,000 in penalties. Since the shops were randomly selected, these results reveal the high underlying rate of noncompliance in the industry that results from the low prices driving the system.

Retailers selling clothes produced by manufacturers we found in violation of basic labor laws:



Retailers selling the clothes produced by the manufacturers we found in violation include Forever 21, Ross Stores, T.J. Maxx, Bealls, Charlotte Russe, Burlington, Windsor, Nordstrom, Macy's and Dillard's. The Wage and Hour Division is reaching out to begin conversations with each of these key retailers about our analysis, explaining the hard facts about the impact of pricing and exploring ways they can monitor their suppliers and bring the industry into compliance.

What can be done

Until something happens to disrupt this cycle, too many workers like Esperanza are having to make terrible choices. In her case, she decided to feed her children instead of seeking care for a medical condition. The system, as it stands, is also putting contractors in a no-win situation.

Consumers who demand that goods are sourced ethically and responsibly will help to drive positive change, as will the broader competitive environment for retailers concerned with brand image. We believe that all employers involved in the garment supply chain can do well by doing good. You can do right by both your workers and your bottom line.

We will continue our work until a fair day's pay for a fair day's work, for Esperanza and all those like her, is a part of the fabric of this industry.

Dr. David Weil was the administrator of the U.S. Labor Department's Wage and Hour Division in the Obama administration.

