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BEST PRACTICES ON REMOVING FORCED LABOR FROM THE APPAREL SUPPLY  
CHAIN

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## ABSTRACT

The purpose of this thesis is to develop best practices within the apparel industry to eradicate human trafficking from the supply chain. Forced labor has been further entrenched in the apparel industry supply chain for a host of reasons, namely the onset and prominence of the “fast fashion” business model. The key factors of success in this new environment are speed to market and lowest cost offerings, which have predicated a host of complexities, from both an ethical and sustainable standpoint, within the supply chain. Extreme demand variability, drastic reduction in lead times, short-term supplier contracts, and intensive downward pressure on pricing has caused suppliers to cut costs in any manner possible. As a result, unjust and forced labor practices, including withholding of wages, forced overtime, and more are predicated.

The research done in this thesis was primarily qualitative. Six multinational apparel firms were studied, based on interview manuscripts. The interview questionnaire focused on six key areas of focus in the effort to eradicate human trafficking from the supply chain: management, training, stakeholder engagement, traceability, risk assessment, purchasing practices, worker recruitment, worker voice, monitoring and remediation. Further analysis was performed by comparing each firm’s most recent sustainability and compliance report, to gain insight on the quantitative results of implementing the practices discussed in the interviews. Trends in responses to questions were synthesized to develop current best practices in the apparel industry.

The resulting best practices ranged in procedure, but ultimately all took a proactive and preventative approach to eradicating human trafficking. Developing worker self-efficacy and self-auditing at the site level was emphasized, as well as engaging with employees outside of

the facilities to make the apparel brand more visible and to acknowledge the responsibility that the firm has in upholding manufacturing workers' rights. Developing ethical recruitment practices by limiting the use of labor brokers, and taking a zero tolerance stance on exorbitant recruitment fees, withholding of passports, or any other mechanism that restrains a worker's freedom of association was underscored. Finally, developing strategic partnerships with suppliers, through the consolidation of the supplier base, is key in improving traceability, accountability, collaboration and communication between firms, and in ultimately building a supply chain that sustainably enforces fair labor practices.

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## **Chapter 1**

### **Introduction**

In 1991, Jeff Balinger published an article highlighting the abusive labor conditions that Indonesian workers in an outsourced Nike manufacturing plant were enduring. Consumer outrage over deplorable labor standards in the apparel manufacturing industry followed suit. By the mid 2000's, Corporate Social Responsibility initiatives included fair labor practices throughout the apparel supply chain. Multinational apparel corporations have made significant progress in the eradication of abusive labor conditions in the supply chain; the ILO estimates that between 2000 and 2012, child labor globally has decreased by thirty percent (Moulds,n.d.). But there is still significant progress to be made.

While unjust labor practices exist in every industry, the apparel market's competitive environment is one that lends itself to persistent labor abuses. Apparel firms must compete in the "Fast Fashion" environment: a branding and production concept in which multiple lines of clothing are introduced in stores per season at the lowest price offering possible. The immense pressure to reduce costs is exacerbated through outsourced labor.

Due to recent consumer activism, apparel companies have enacted great oversight in their primary manufacturers and first-tier suppliers both domestically and internationally. The Forced Labor Association recognizes, however, that significant labor abuses exist at nodes further back in the supply chains. Currently, the FLA only requires firms to audit their first tier suppliers and primary manufacturers (White, 2015). However, the complexity of the apparel supply chain necessitates that second and third tier suppliers be audited as well, to ensure equitable labor

practices throughout. Many of the suppliers are subcontracted based on variable demand and lead times mandated by the respective apparel brands. These contracts are often very informal and highly unregulated. Resultantly, the various second and third tier suppliers in the apparel supply chain are particularly susceptible to labor abuses.

This work will first comprehensively analyze the current state of labor conditions in the apparel industry. Next, it will analyze how the implementation of corporate social responsibility initiatives, as well as oversight by governmental and nongovernmental organizations, have impacted labor conditions. It will then offer industry best practices for eradicating abusive labor practices from the apparel supply chain. It will conclude with next steps in this academic study.

## Chapter 2

### Literature Review

#### **What is Forced Labor:**

The International Labor Organization defines Forced Labor as a situation “in which persons are coerced to work through use of violence or intimidation, or by subtler means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities” (International Labor Organization [ILO], 2014). It is key to note that while victims of forced labor almost always face poor working conditions, extensive working hours, and unjust compensation, in order to be considered forced labor, an employee must be working under threat of penalty, in many forms, that renders them incapable of changing their working conditions or leaving their job altogether (Bonded Labor, n.d.).

There are two main categories of forced labor that exist extensively in the apparel industry: bonded labor and child labor. Bonded labor is a systemic recruitment tactic in which potential employees are offered jobs by assuming a debt. This debt is, in theory, to be paid off gradually with the newfound job. However, the debts are intentionally so steep that repayment becomes impossible, forcing the employee into the position indefinitely.

Child labor is commonly defined as “work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development.” Work that is physically, mentally or socially dangerous for children, or that inhibits children’s formal education in any way, is considered child labor (International Labor Organization [ILO], n.d.).

## **History of Fast Fashion Development:**

In the past twenty-five years, the competitive environment in the apparel industry has been radically transformed. Before the 1990's, apparel firms operated in a mass production environment. Demand for clothing was forecasted far in advance, and styles of clothing did not change drastically in passing seasons due to manufacturing restrictions. The apparel industry designed, produced, distributed and retailed clothing based on standardized selling seasons known as fashion cycles. Firms completed two to four standard cycles per year. Designs were created two periods prior to the selling season, and producers were notified of requested demand over two months in advance (Hobbs, n.d.). In the old competitive model, clothing had a longer life cycle; initially fashion leaders adopted a trend, then, as a result, public appeal developed and gained mass conformity, and eventually became obsolete. This lifecycle was highly correlated with a fashion calendar that revolved primarily around seasonal wear (Bhardwaj, n.d.).

At the beginning of the 1990s, the landscape in which apparel firms competed was transformed with the inception of fast fashion business model. At this point in time, brands began to look for new ways to increase profits. They did so by segmenting fashion cycles into smaller periods that more acutely offered pieces according to real-time tastes and preferences.

Across the industry, supply chains shifted from supply-driven to demand driven, which prompted significant restructurings. To accommodate shifting and increasingly competitive consumer expectations, firms augmented flexibility within their supply chains by drastically reducing lead times on new products. As globalization began to pervade, Western brands shifted production of goods to developing nations, to decrease labor and overhead costs drastically (Bhardwaj, n.d.).



While outsourcing was expected to provide significant cost savings and thereby lower end price points, the added complexity of offshoring created marginally decreased costs and sizeable efficiency setbacks. Bhardwaj and Fairhurst cite that “it leads to significantly longer lead times, complicated supply chains due to geographic distances, inconsistency and variability in processes at both ends of the chain, and complex import/export procedures” (Bhardwaj, n.d.) Decreased labor and overhead costs were also offset by increased costs of obsolescence and inventory carrying costs due to increased distribution times required to transport the apparel across seas. The original supply chain restructure was still modeled in the siloed approach of the standard fashion cycle model. Rather than collaborate between steps in the design and manufacturing process, each role occurred in a sequential approach, adding overall time to the value chain. This created miscommunications between nodes, which were exacerbated as they passed through the supply chain, ultimately creating excessive costs and deteriorating efficiencies (Bhardwaj, n.d.).

The second restructuring occurred to address advanced consumer expectations while increasing operational efficiencies to gain competitive advantages. Just-in-time design processes and inventory management systems were implemented to allow for increased flexibility in the supply chain, with the goal of consistently increasing fashion line turns at the retail level. At this point, the environment became its most competitive; to survive, firms needed to continually decrease selling segments and clothing price points, to the point that said segments were eradicated and a continuous, “fast fashion” business model was developed.

As firms adapted and competed under the fast fashion model, speed to market and low price points became integral to success. Apparel brands emphasized market responsiveness through increasingly agile design processes that rapidly incorporated fluctuating preferences into

products. Retailers began to use real-time data in buying decisions, rather than forecasting future trends. Bhardwaj and Fairhurst contend that, “failure to quickly imitate and produce fashion apparel as seen on runways could lead to risk associated with longer lead times and hence failure to attract fashion conscious consumers. Using real-time data can eliminate this possible risk” (n.d.). Processes such as Total Quality Management (TQM) and Computer Integrated Manufacturing (CIM) also established prominence in the apparel industry to further decrease lead and distribution times in the face of increasingly complex and varied product offerings (Bhardwaj, n.d.).

A level of collaboration amongst parties in the supply chain is necessitated through this model. The most developed apparel supply chains in current days have vertically integrated their processes and extensively share information amongst stakeholders. However, often times this information sharing is restricted to upstream actors; the offshored manufacturers are not given ample notice ahead of large orders. While the need for continual information sharing did not exist in the past business environment, with the race to get products on shelves, lead times have become as rapid as three to five weeks, and anticipatory information is critical albeit lacking for the manufacturers of the garments. This extreme pressure coupled with the vast competition amongst manufacturing firms in developing countries is a critical factor that causes forced or unfair labor practices.

### **Fast Fashion’s Impact on Manufacturers in Developing Countries:**

“The fashion industry has designed a system that that allows companies to easily form from country to country, from continent to continent, whenever there is an opportunity to cut

costs”, a Democratic staffer with the U.S. House Education and Workforce Committee asserts, and further underscores that “Factories in the supply chain are pressured by this global race to the bottom, and, to remain competitive, far too often compromise basic labor rights by abiding poor health and safety conditions, engaging in wage theft, and in violent repression of unions” (Sneed, 2014). Between 2000 and 2014, the global garment workforce has at least tripled, from twenty million to sixty to seventy-five million workers (Weber et al, 2016).

The apparel industry employs some of the lowest skilled workers in the manufacturing sector. The ILO estimates that over twenty-five million workers from developing countries are officially employed in textile and garment manufacturing. Young, uneducated women with low skillsets represent approximately sixty-eight percent of the workforce demographic (“Wages and Working Hours”, n.d.). Other sources indicate that women and girls comprise about eighty-five percent of the global apparel workforce (“Wages and Working Hours, n.d.). In a study on the global apparel value chain conducted by the Duke Center on Globalization, Governance and Competitiveness, it is estimated that only three to four percent of jobs within the manufacturing plants are not on an assembly line and require more formal education or training (Fernandez-Stark, 2011).

When recruiting workers for the assembly line positions, firms generally only require a rudimentary ability to read, write and perform mathematics. This puts women in particularly susceptible positions, as they often times do not receive access to extensive formal education. In addition, the apparel industry is one of the few sources of work outside of the home that is culturally acceptable for women in many countries (Morris,2014). Often times, women face further discrimination, as tasks within the factory are highly segregated, with higher paying, managerial roles reserved for men. Women also are susceptible to high levels of sexual

harassment and abuse in garment factories (Morris, 2014). The low-skilled, uneducated populations become particularly susceptible to forced labor and other workforce abuses because they are not marketable for other positions, or within other industries that require higher skillsets in the manufacturing sector. As the competition within the garment industry continues to intensify, these vulnerable workers are forced to bear unjust labor practices to maintain a job.

Garment industry market concentration in the developing world has swelled in the past decade for several reasons. With the eradication of the imported quota system under the Multifiber Agreement in 2005, developing economies competed more directly for foreign investment in the apparel industry. This has forced suppliers to reduce labor costs while increasing productivity in any way that they can (“Wages and Working Hours, n.d.). Workforce abuses therefore propagate and remain highly prevalent in the sector. Claudia Coenjarts, president of the Free Labor Association, admits that unfair labor practices are systemic in the industry. She underscores that the current process of oversight is insufficient, and that, “We need to develop an affirmed responsibility from companies to take action beyond tier one. We need to go to where the problem is,” she says. “Our purview doesn't reach that far” (White, 2015). Academics in the matter echo this sentiment, arguing that two overarching problems create cycles of forced labor in the apparel industry: the current competitive landscape and the lack of substantial and enforced labor standards regulation.

### **Fast Fashion Business Model’s Impact on Forced Labor Instances:**

The largest challenge that the apparel industry faces in eradicating forced labor from its value chain is the complexity of the value chain itself. Appendix 1 refers to the value chain of a

standard garment. The primary stage involves textile companies. First, raw materials such as cotton or wool are formed into yarn. This yarn is spun into fabric through various processes such as weaving and knitting. The finalized textiles are then sold to apparel manufacturers both domestically and offshore. These manufacturers are responsible for transforming textiles into garments, as well as completing smaller value-added services such as embellishment. The apparel manufacturers then transport their products to three main retail outlets: brand-named apparel companies, overseas buying offices, and trading companies (Fernandez-Stark, 2011). The respective retail outlet that finished goods are shipped to depends on the nature of the manufacturing contract and relationship that the manufacturer has with the retailer.

#### **Model 1: Assembly/ CMT Firms**

In the most basic manufacturing model, garment -sewing plants produce on an order-to-order basis. The manufacturer must cut, sew, trim, and ship the finalized garments. They are not responsible for raw material procurement; a buyer from the retailer supplies the textiles to the manufacturer as well as detailed production specifications. There are no strategic partnerships between manufacturers and retailers. Selection of suppliers is based almost exclusively on low cost options and geographic areas that offer tariff reductions for export production, or are well suited for exports from a legal standpoint.

#### **Model 2: Full Package/ FOB Firms**

In the second manufacturing model, the producer will also be responsible for the distribution of finished goods. They therefore must develop both upstream and downstream logistics capabilities. In this system, manufacturers are responsible for the procurement and purchasing of raw materials. In some cases, manufacturers are restricted to a list of approved raw materials suppliers; in others, they may use their discretion to purchase textiles. The firm

receives design specifications from the buyer, but the buyer does not dictate the manufacturing process. The supplier is also responsible for developing and managing the distribution network. Under the contracts, the manufacturer will perform services such as packaging the goods for delivery and transporting them to the buyer. Shipping terms are Freight on Board. This means that the firm will be responsible for the goods until they reach the buyer as well as incur the shipping costs. Firms that operate in this model are typically more mature, and have more developed relationships with buyers. Some are also multinational suppliers.

### **Model 3: Full Package with Design**

Firms that operate under Model 3 are responsible for the value-added service of design. They therefore have complete oversight from the inception process, procurement of raw materials, manufacturing of finished goods, and distribution to end buyers. The supplier has a highly developed relationship with the buyer in this model; the supplier will coordinate designs and all associated processes with buyers (Fernandez-Stark, 2011). This model requires a high level of information sharing and collaboration between the supplier and apparel brand.

### **Model 4: OBM**

This is the most advanced model in which manufacturers also market and promote their finished goods. This occurs primarily for products sold in domestic or neighboring markets. It should be noted that as the quota restrictions are lifted with the dismissal of the MFA regulations, new markets become viable apparel manufacturers. Therefore, existing manufacturers must gain new competitive advantages above low cost. Experts are beginning to recognize that the “race to the bottom” strategy is simply not feasible in the long-term. Both buyers and manufacturing firms are beginning to shift the way in which they conduct business, and manufacturers as a result are developing new and advanced capabilities to attract buyers.

Investing in training and in developing a more acutely skilled workforce is becoming a key strategic initiative amongst many firms.

However, While Model 3 and 4 firms exist, the vast majority of suppliers are structured under Model 1 or Model 2. These models are the least capital intensive, and allow the manufacturer to produce for a wider array of buyers. Since the fast fashion competitive environment is based on capturing real-time demands, formalized and extended contracts with suppliers are not common. The suppliers are often forced to produce on an order-by-order basis as a result. However, demand patterns are highly variable and nearly impossible to forecast at the manufacturing level. (“Wages and Working Hours”, n.d.). Since contracts are not long term and profit margins are very thin, firms are not incentivized to invest in additional manufacturing capacity; they must therefore hedge according to expected demand through the use of subcontractors. Firms also use subcontractors to meet shortened lead weeks, and to cut labor costs.

### **The Use of Subcontractors in Apparel Manufacturing:**

Subcontractors are used extensively in the apparel industry, creating a highly complex and often times untraceable supply chain for the buyers. There are two main types of subcontracting: vertical and horizontal. In a vertical system, an order will pass from the tier one producer to a smaller factory or unit. In a horizontal subcontract, an order is passed to a factory of comparable size and capacity (Morris, 2014).

Subcontractors vary in size and formality from smaller manufacturing plants to household operations with fewer than ten employees. Buying firms therefore have great

difficulty monitoring subcontractors. Relationships between the first tier supplier and the subcontractors are often informal. Because subcontractors can operate with little capital investment and with rudimentary skill levels, entry and exit into the apparel industry through this model is very easy. The increased market concentration puts further downward pressure on prices; they are thereby incentivized to pay sub-minimum wages to maintain profit margins. In the worst cases, subcontractors will accept bids for production at a loss, so as to maintain business relationships. In these scenarios, promised wages are often withheld from employees altogether (Morris, 2014).

The informal relationships make workers recruited for the subcontracted position highly vulnerable to abuses. Often times this work is performed by migrant labor; brands attempting to reduce transportation costs and further shorten lead times will move the production facilities closer to the end market, relying heavily on migrant labor to do so while maintaining low labor costs. Informal relationships also propagate temporary and seasonal labor; the variability of demand is passed on and exacerbated at the subcontractor level. First tier suppliers are often restricted in terms of labor flexibility by regulations put in place by buyers: specifying the percentage of full-time employees a manufacturer must employ, the wage they must pay, the hours in a day employees are eligible to work, the overtime compensation structure, and other impositions regarding labor standards. Therefore, the first tier manufacturers' flexibility and ability to adapt to fluctuating demand and rapid lead times is restricted, and this variability is passed onto the subcontractors.

The pricing pressure imposed by buyers is also passed on and experienced most acutely at the subcontractor level. They will be producing for the smallest margin within the value chain; to maintain this, they will often recruit immigrant or child labor sources that can be paid



less than government regulated minimum wages. The unregulated subcontractor is able to implement flexibility into operations through the use of temporary, seasonal, migrant, and child labor, and often times through abusive labor practices.

### **Recruitment of Labor Pools Susceptible to Abusive Practices:**

Recruitment of labor is often made possible due to labor brokers or private employment agencies. Illegal labor, such as immigrant and child labor, can be difficult to directly recruit; subcontractors therefore often hire labor brokers. The workers recruited are contracted through the broker, rather than the manufacturer or subcontractor. The labor brokers will then charge recruits illegally high fees in exchange for jobs; they are able to exploit this because of their susceptibility in the system. Often times they will also withhold migrant workers' passports to restrict their geographic mobility, forcing them into the position for which they are recruited (White, 2015). The recruitment cycle employed by many brokers is intended to instill fear and debt to the employers in order to retain employees even in abusive work environments.

Workers become further entrenched in abusive workplaces because they are hesitant to report exploitations for a multitude of reasons. First, migrant employees are "strongly incentivized to not draw attention to themselves, not raise red flags that cause them to be punished, particularly by being sent home" (White, 2015). There are almost never formal mechanisms for reporting workplace injustices at the subcontractor level, and low levels of unionization. Several organizations have studied apparel organization's measures and practices to eradicate forced labor from their global supply chains. These academic studies are beginning

to provide transparency and insight on the current state of the issue, policies and measures' effectiveness, and what more needs to be done to eradicate forced labor.

### **Academic Studies on Forced Labor in the Apparel Industry:**

A study conducted by KnowTheChain benchmarked twenty apparel and footwear companies based on their efforts to remove forced labor from their supply chains. The companies were rated on a scale out of 100 based on an average of separate “work theme” scores. Only two retailers accrued scores above seventy-five. KnowTheChain has evaluated each company based on eight workplace themes: commitment and governance, traceability and risk assessment, purchasing practices, recruitment, worker voice, monitoring and remedy. Amongst all companies benchmarked, KnowTheChain found key similarities in work themes related to recruitment processes and worker voice. The worker voice theme is described as “The extent to which the company proactively communicates with the workers through the supply chain, enables freedom of association and ensures access to effective and trusted grievance mechanisms” (Weber et al., 2016). The average company scores for both themes were the lowest amongst the eight benchmarked across the board; recruitment practices received an average score of 22/100, and worker voice received an average score of 29/100 (Weber et al., 2016).

Within Worker Voice Theme, companies are analyzed on four subthemes. First is communication of policies that is defined as: “the company communicates its human trafficking and forced labor policies and standards to supply chain workers in their native languages. Second is worker voice, defined as “the company engages with workers outside of the context of

the factories in which they work, either directly or in partnership with stakeholders.” Third is worker empowerment in which, “there are regulatory constraints on freedom of association, the company encourages suppliers to ensure workplace environments in which workers are able to pursue alternative forms of organizing.” Finally, companies are evaluated on grievance mechanism, or whether or not “the company has an accessible formal grievance mechanism that facilitates the impartial reporting by suppliers’ workers of workplace grievances and informs workers how to access the mechanism. Measures are taken to ensure that the impacted stakeholders trust the mechanism”.

Key findings within Recruitment Practices show that a minority of companies shows awareness of the risk of exploitation of migrant workers by contracting labor brokers to recruit employees, and demonstrate a commitment to mitigate this risk. An even smaller minority has policies that require recruitment agencies to ensure workers’ rights. Few companies are taking measures to avoid using labor brokers, by requiring that manufacturers and subcontractors recruit employees directly, or by prohibiting recruitment broker fees that employees must pay to secure work (Weber et al., 2016).

Within the Worker Voice theme, only seven of the twenty companies surveyed communicate human trafficking and forced labor policies to employees in the manufacturing plants. Those that do are not reinforcing policies, rather displaying signage in employee’s native language describing their rights in the workplace. A small group of companies interact with employees outside of the factory plants, to build rapport and to further empower workers to speak out regarding workplace grievances. Eleven of the twenty companies had formal grievance mechanisms established, but only seven of these articulated how the mechanism was made accessible and trustworthy for employees (Weber et al., 2016).

The Commitment and Governance theme, which evaluates “a company’s awareness of and commitment to addressing forced labor, supply chain standards, management processes, training programs, and engagement with stakeholders” has the highest average score. While most companies have published policies regarding supply chain standards, only twelve of the twenty demonstrate commitment to addressing forced labor specifically. Nine of the companies have designated managerial duties that make them accountable for the policies. Internal training on issues surrounding forced labor is occurring in eleven companies. However, engagement with trade unions and policy makers is lacking in this theme (Weber, et al., 2016).

Monitoring receives the second highest average score of sixty-four out of one hundred. It analyzes “a company’s process for auditing, (including whether it performs nonscheduled visits, reviews, and/ or worker interviews), and disclosure on the outcomes of its audit process” (Weber et al., 2016). Seventeen out of twenty companies perform audits on their suppliers, but fewer do so unannounced, or interview employees directly. Also, the majority of the auditing occurs at the first tier supplier level, while all levels upstream remain unexamined. Only seven companies are audited by third parties. It should however be noted that companies generally report higher incidences of health and safety, working hour and wage abuses than those of forced labor; however, as academics recognize, when in conjunction with one another, these abuses can signal forced labor environments (Weber et al., 2016).

Purchasing practices accrue the next highest average score of fifty-two out of one hundred, and are defined as “a company’s awareness and action on purchasing practices that can exacerbate forced labor risks and its process for selecting suppliers, integrating supply chain standards into supplier contracts, and cascading standards down its supply chain” (Weber et al., 2016).

Remedy is the next work theme and is described as “the extent to which a company has corrective action plans for non-compliant suppliers as well as processes for remedying workers who are victims of forced labor and whether it reports on remedies provided”, and receives an average score of fifty out of one hundred (Weber et al., 2016). The key findings support a widespread issue amongst apparel companies; they have extensive oversight and processes to remedy first tier suppliers who are not operating to the organization’s labor standards. However, past first tier suppliers, few have remedy processes in place for the segments of the supply chain that need it most: the subcontractors. Only two companies released the procedure for responding to a reported violation, and only six companies report evidence of remedial actions (Weber et al., 2016).

Traceability is the final work theme, and with an average score of forty-one out of one hundred, is defined as “the extent to which a company traces its supply chain, conducts forced labor risk assessments and discloses information about these processes” (Weber, year). While twelve out of twenty companies have processes in place to trace their supply chains, only seven unveiled information regarding their value chain structure beyond their first tier. Additionally, only five perform assessments targeting high-risk commodities, geographic areas, or demographics of employees (Weber et al., 2016).

Know the Chain benchmarking has brought to light the specific initiatives, procedures, and values that are transcending organizations’ supply chains and working to eradicate forced labor. It is also underscoring the current gaps in progress to the ultimate abolishing of forced labor from the industry. The processes and systemic factors that are slowing the progress range from simply ineffective at tackling the issue to exacerbating the actual problem.

Academics currently critique the manner of problem solving that firms are using to eradicate forced labor; most processes put in place are reactive rather than proactive. This is most prevalent in the way in which companies monitor and audit their suppliers, and the way in which apparel brands emphasize remediation rather than initial supplier evaluation before contracting.

As is emphasized in the benchmarking report, first tier suppliers are thoroughly reviewed and apparel brands at this point have made significant progress in the oversight of this node in the supply chain. The Free Labor Association currently requires that affiliated brands audit, monitor and report their first tier suppliers only (White, 2015). Apparel companies still focus their efforts primarily on remediation of suppliers who are not operating according to forced labor codes of conduct set out by the organization, rather than carefully evaluating supplier risk and ability to adhere to standards before contracting them.

However, tremendous strides are being made within private firm initiatives and within general legislation and regulation. Companies are beginning to recognize and counteract their processes that exacerbate forced labor. For example, in 2011, Nike found that two-thirds of the incidents of excessive overtime in their plants “were attributable to factors within Nike’s control” (White, 2015). Firms are beginning to look introspectively at their processes, and to view the relationship between suppliers and themselves as a partnership- one in which each is held equally accountable for abusive labor practices. The issue that menaces the industry, however, is that multinational apparel brands can afford to adjust their internal business models to incorporate fair labor standards while still competing in the fast-fashion environment, due to their extensive resources, economies of scale and scope, and volume in sales. For smaller firms,

this is simply not the case. To combat this, new legislation is being proposed that will enable the industry as a whole to work towards forced labor eradication.

### **Legislation Regarding Forced Labor Eradication:**

Both national and global accords have been ratified, and many are in development, with the goal of soon eradicating forced labor from all supply chains. Globally, the UN Guiding Principles on Business and Human Rights have established that corporations have a direct responsibility in upholding human rights. One of the foundational principles states, “Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.” The human rights referred to in the Principles are in accordance with the International Bill of Human Rights and with the International Labor Organization’s Declaration on Fundamental Principles and Rights at Work (Guiding Principles, 2011).

The International Labor Organization’s Declaration of Fundamental Principles and Rights at Work were adopted in 1998, and holds Member States accountable to human rights standards in four categories: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation. Member States that have not ratified one or more of the core Conventions must develop an annual report on the status of the human rights and principles that are applicable to their geographic region, and specify areas in which outside assistance may be necessary.

In 2014, The International Labor Organization also developed a Protocol on Forced Labor. This Protocol hopes to bridge gaps in the implementation from a previous ILO legislation, Convention 29, which defined forced labor and targets to eradicate it, citing that the context and environment in which forced labor continues to exist have changed drastically, therefore needing new legislation to appropriately address it. The unique feature of this Protocol is that it is legally binding for those Member States that adopt it. The central tenant of the Protocol states that, “in giving effect to its obligation under Convention No. 29 to suppress forced or compulsory labor, each Member must take effective measures to prevent and eliminate use, to provide victims protection and access to appropriate and effective remedies, such as compensation, and to sanction the perpetrators of forced or compulsory labor”. Currently, eight member states have ratified the Protocol, with more to adopt it in 2017” (ILO Standards on Forced Labor, n.d.).

The UN Sustainable Development Goals also articulate a need for sustainable and just work for all. Goal eight of seventeen total is to “promote inclusive and sustainable economic growth, employment and decent work for all (Economic Growth, n.d.) Within Goal 8, there are two targets relating specifically to fair labor. The first is a target to develop decent work for all men and women by 2030, including for young people and for those with disabilities, that pays equally to all for equal work. The second target is to take “immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms” (Economic Growth, n.d.)

Domestically, California has implemented a law called the California Supply Chains Transparency Act, which mandates retailers and manufacturers post online communication



regarding their efforts to eradicate forced labor in their supply chains. Efforts to make this act more rigorous and to replicate it on the federal scale are underway. At the federal level, The Business Transparency on Trafficking and Slavery Act is being debated. This is a bipartisan bill that will be considered in the 112<sup>th</sup> Congress. If ratified, companies would need to disclose any measures taken to pinpoint and eradicate sources of human trafficking, slavery and child labor in their supply chains to the Securities and Exchange Commission (Morris, 2014).

The U.S. also signed a bill in 2016 that prohibits the import of goods manufactured under forced labor standards. Before the act, products made with forced labor could enter the U.S. through a loophole in the Tariff Act of 1930, if U.S. demand exceeded domestic production (Malo, 2016). The Dutch government enacted a similar provision in 2012 (Malo, 2016).

While there is significant legislation to eradicate forced labor, there still lacks specific coordination amongst different regions of the world and across different corporations in various industries in terms of the procedures that they must adopt to eradicate forced labor. Therefore, as can be seen, measures to discover and eliminate forced labor vary drastically amongst firms, industries and regions, and there exists significant progress in the matter before forced labor is removed and not perpetuated.

## **Chapter 3**

### **Methodology**

This research is qualitative in nature. It will focus on multinational apparel firms. Firms will be evaluated based on manuscripts of uniform interview questionnaires distributed to the firms. The questionnaire is focused on several aspects regarding both corporate and site-level procedures to ensure fair labor practices for all employees.

Interview questions are focused on procedures enacted at the corporate level to reduce the likelihood of forced labor, such as improved forecasting techniques, increased lead times and information sharing between suppliers and the apparel brands. They focus on the regulatory procedures that the corporation enacts in relation to fair labor standards, and the way in which these standards are monitored at the site-level. The final component of the questionnaire focuses on recruitment and training processes of employees at the site-level.

Trends in responses were analyzed to develop best practice conclusions in six key areas: management, training, stakeholder engagement, traceability, risk assessment, purchasing practices, worker recruitment, worker voice, monitoring and remediation. Analysis of responses were further developed by synthesizing the firms' most recent sustainability reports, and determining key instances in which the best practice implemented yielded significant results.

## Chapter 4

### Discussion of Findings

#### **Management:**

Efforts to eradicate forced labor from an apparel brand's supply chain will always begin at the corporate level. Therefore, the organizational structure, and cultural support for initiatives to promote and sustain fair labor practices are key pre-determinants of the success of any labor standards program. They are a key factor in ensuring that standards are sustained. Defining roles within an organization that are responsible for implementing human trafficking policies also creates corporate accountability. After analyzing apparel brand organizational structures of firms varying in size, geographic market capitalization, and product offering, there are several key structural components that many firms have implemented to tackle these issues.

First, almost all industry-leading firms in labor standards have an internal inspection or audit team that monitors implemented policies regarding social issues, including forced labor. Often times, this group audits other issues, such as environmental regulations, and community development efforts. These teams sit in various departments based on the corporation, but often times report to several department heads, including, but not limited to:

- Legal and Compliance
- Sourcing/ Procurement
- Quality Assurance
- Sustainability
- Risk Management
- Corporate Affairs

Secondly, many firms have elevated these teams to become a separate division of the organization, with a C-level executive to whom the division reports. Often times, this position is known as the Director of Social and Environmental Responsibility, or a derivative of this. Separating the members of the organization responsible for implementing and monitoring ethical and sustainable supply chain initiatives adds efficiency and efficacy to their work. It allows players to act more immediately, without requiring approval from several division heads who all have independent, and sometimes conflicting, interests. It also gives the department a degree of autonomy from the rest of the corporation. This may not be viable in other core functions, such as supply chain and marketing, which are inherently intertwined. However, in the case of a function responsible for internal audits, autonomy from the organization bolsters the rigor and reputability of the oversight processes. It decreases the potential for conflict of interests, and is seen as a best practice in organizational structuring in regards to social and environmental sustainability initiatives. This autonomy is also integral due to the many partnerships with external governmental and non-governmental organizations that firms enter. It ensures that interactions with external stakeholders are conducted ethically and efficiently.

Thirdly, because this function has a high level of interaction with production sites and other upstream supply chain stakeholders, auditors or other employees responsible for oversight at the site level will often sit regionally, and will report to regional heads of Social and Environmental Divisions, with the goal of developing proximity to suppliers so as to bolster the ability to enact change quickly and react to non-compliance issues immediately.

**Training:**

Training protocols' breadth and depth varied amongst organizations. However, all apparel brands studied did train incoming corporate employees on workplace standards, including a brief overview of social and environmental policies. In every organization, members of the Purchasing division were given extensive training on sustainability and social issues, including forced labor. Members are trained to recognize signs that a facility might be employing forced labor schemes. These include

- Passport retention
- Lack of pay stubs, suggesting wages are being withheld
- Significant portion of employees belonging to susceptible demographics employed (such as migrants or women).

Employees within the purchasing and sourcing functions were also all trained extensively on each organization's Code of Conduct regarding supplier relationships. All Codes of Conduct included clauses or sections regarding forced labor. Leading companies consider any incidence or evidence of forced labor to be Zero Tolerance non-compliances, subject to termination of contracts. However, many still view instances of human trafficking in contracted supplier facilities as means for remediation. Many firms studied also use scorecards to evaluate suppliers. Employees responsible for assigning scores are given extensive training in the standards for various ratings on human and worker's rights issues, including evidence of forced labor. Training at the site – level occurs in varying levels of rigor and comprehensiveness, but is almost always done in partnership with third parties, including regional governmental and nongovernmental organizations.

**Stakeholder Engagement:**

Stakeholder engagement, in regards to the issue of forced labor, is critical at the regional level. It is important to engage based on various standards, both cultural and legal, amongst the vast and diverse geographic regions in which apparel brands contract and operate. However, the majority of the engagement locally happens in Asia, primarily in:

- Taiwan
- Bangladesh
- India
- Thailand
- Vietnam
- Cambodia
- Indonesia
- Myanmar

While these regions have traditionally had problems with forced labor in the textile and garment industry, other prominent apparel industry regions face similar dynamics, and yet are engaged less frequently at the local level. The leading apparel brands are members of several common and notable nongovernmental organizations that work to promote fair global labor standards, and more specifically eradicate human trafficking from all industries' supply chains. These firms also, in conjunction with internal codes of conduct, abide by several prominent Codes set out by the nongovernmental organizations, namely:

- Fair Labor Association – Charter and Code of Conduct
- Fair Labor Association – Sustainable Compliance Initiative

- ILO – Special Action Program Against Forced Labor
- ILO – Declaration on Fundamental Principles and Rights at Work
- United Nations – Universal Declaration of Human Rights
- Verité Reporting
- Ethical Trading Initiative
- Better Cotton Initiative

While there is significant engagement with trade unions, local and global NGO's by leading firms, commitment with policy-makers is limited. It should be noted that several leading companies are beginning to join multi-stakeholder initiatives. This is key in the apparel industry, as almost all suppliers will produce garments for multiple brands in the same facility. Therefore, complying with multiple and varied codes of conduct can be incredibly difficult and lead to time spent on slight tactical differences in compliances. This creates quantifiable decreases in productivity and no tangible increases in labor standards. While multi-stakeholder initiatives are developing, cross-industry protocols are still in their infancy. These can be critical to the eradication of human trafficking, especially in Tier 2 and Tier 3 suppliers, as the raw materials will go into a wide array of products that span various industries and respective industry standards. A significant reason most cross-industry initiatives are in their infancy is due to the highly complex and widespread supply chains, and their associated lack of traceability.

**Traceability:**

Traceability across the supply chain is key to fighting forced labor. Firstly, it is key in determining which suppliers, if any, are subcontracting production. It also can help point out high-risk regions, contractors and/ or associated subcontractors. Without the ability to trace the supply chain, from raw materials to retailers, policies to eradicate forced labor cannot be fully enacted or effective. Even amongst the industry leaders in ensuring fair labor standards, traceability of the supply chain is a major area of opportunity and development. Every apparel brand studied had a clear working knowledge of their first tier suppliers. Only four companies studied, however, make the names and locations of their Tier One suppliers publicly available. Several companies claim to also have visibility over their most important subcontractors and Tier Two suppliers. The industry leaders in traceability, have mapped Tier Two suppliers, as well as the geographic raw material flows of Tier One. Though not all raw materials are tracked, there is an emphasis on high-risk natural materials, namely:

- Cotton
- Leather
- Natural rubber

Traceability is a unique component to addressing forced labor issues, as it often done in conjunction with parallel social and environmental efforts. Examples include assuring products are made with organic cotton, or that raw materials are tilled using appropriate levels of water, and many more. Several companies are setting goals to achieve one hundred percent traceability within a certain timeframe. This is key and a best practice for not only eradicating human trafficking in the firm's supply chain, but elevating it to the highest ethical standards in all social and environmental realms.



**Risk Assessment:**

Risk Assessment is crucial to create preventative measures that result in proactive solutions rather than corrective actions that do not promote fundamental change and assure that issues related to forced labor will not occur in the same capacity. Every company studied conducts country risk assessments annually, which evaluate any geopolitical risks that pose a threat to the firm's operations. In these evaluations, human rights risks are determined as well. All firms have at least a rudimentary due diligence process in place to evaluate suppliers with consideration for human trafficking offenses before contracting with them. The most advanced processes allot equal weight to human rights and environmental sustainability as financial costs and process capability. While this will make the contracting process much more selective, it helps to ensure that suppliers are always in compliance with firm objectives in regards to fair labor standards. In the long run, the reduction in remediation for non-compliance occurrences, and the ability to develop strategic partnerships with said high –performing firms will provide companies competitive advantages and significantly mitigate human trafficking risk.

To develop oversight of Tier Two suppliers and subcontractors, leading firms have implemented strategic partnerships with primary suppliers. They have also given targeted training in these facilities and supported the dissemination of information to the second tier suppliers, thereby prompting actionable change further upstream, where oversight traditionally did not exist. A leading firm implements company – direct training for second tier suppliers and subcontractors on human rights issues, showing the priority that the brand places on the ethical standing of its value chain over the financial growth of the organization.

Alternatively, to develop and maintain oversight of upstream supply chain players, a very small minority of firms have chosen to acquire production plants and associated subcontractors.

At Hanesbrands, for example, eighty percent of sales volume is produced in facilities owned by the company or from fully dedicated contractors. While many firms have strategic initiatives to increase partnerships and sustain long-term business relationships with a consolidated group of suppliers, there is still significant progress to be made in this space.

### **Purchasing Practices:**

All companies studied establish understanding of the correlation between certain purchasing practices and exacerbated incidences of forced labor. Some of the most notable include:

- Short and unpredictable lead times
- Variable demand
- Last-minute design changes
- Frequent order reductions/ cancellations

However, while all companies demonstrate awareness for corporate level procedures' impact on site-level labor abuses, a moderate level show at least one of the tangible actions to redirect these actions in the form of proactive solutions, such as

- Long-term contracts
- Extended lead times
- Stabilized demand
- Increased information sharing and collaboration between apparel brands and contracted suppliers
- Capacity analysis, to mitigate need for subcontracting

- Stable compensation, reduction in downward pricing pressures

In order to incentivize suppliers to invest in infrastructure and improved operations, some firms sign longer term sourcing agreements, which gradually allocate more business to the respective supplier over the course of two to three years. This allows suppliers to gradually improve operations while meeting demand, and ensures that investments back into the facility and its people will pay off. While efforts are made to reduce the use of subcontractors, many firms also employ “cascading standards”, in which the Tier One supplier is held responsible for ensuring that Tier Two suppliers and subcontractors are compliant with the apparel firm’s code of conduct regarding forced labor. Cascading standards are not always universally applied to subcontractors; in some cases, only when subcontractors are performing work in which their brand name is not represented or visible in the service provided, cascading standards will apply. In instances where work can be traced back to a specific party, this subcontractor will be monitored by the apparel brand. Purchasing and monitoring practices are heavily intertwined, as neither will be successful in eradicating forced labor without the inclusion of the other.

**Recruiting:**

Recruiting practices, of all procedures and initiatives that apparel brands are implementing, is the most underdeveloped and in need of careful analysis. However, significant progress is being made. While most firms still allow their production facilities to use labor brokers to recruit employees, they are now being held accountable for ensuring that abusive recruitment practices do not occur. Every firm studied has developed programs which seek to remediate broker fees that recruited workers who were charged before entering a job. Some

firms choose to compensate based on a threshold; if the brokerage fee was deemed “reasonable” by the apparel brand, employees will not be repaid. Other firms take a blanket approach to all fees, and seek to repay all employees. There is a great challenge in developing sufficient transparency with the supplier to determine which employees were subject to unfair labor broker practices, however. Often times, employees debate internally about what costs constitute a labor broker fee. In the case of migrant workers, the levy costs incurred to enter the nation are seen by some brands as unjust, and by others as a national legal matter that should be respected. All brands forbid withholding of employees’ wages or passports, and support freedom of association and movement.

To gain oversight on the brokers, several firms studied require suppliers to disclose the name of the recruitment agents with whom they contract. Additionally, several industry leading firms require that suppliers employ an internally designed and mandated audit system on their brokers, to ascertain high risk recruitment agencies. Compliance factors evaluated by the audit include:

- Treatment and recruitment methods employed
- Orientation and training programs
- Language accommodation
- Satisfactory wage and benefit compensation
- Working hours
- Living conditions and security
- End of contract definition

However, the audits often do not capture a significant portion of the employees recruited, most notably migrant labor. Often times, the recruitment of said demographics is done

informally, under the table, and without any paper trail that would allow an audit to assess the recruitment tactics employed. This remains a key criticism of audits on recruitment brokers, as migrant labor makes up a significant percentage of apparel industry labor. In this realm, in order to mitigate instances of abusive recruitment practices, it is best to recruit employees directly when possible, or when an agency is used, to ensure that no fees are charged. Much work is left to be done to ensure that employees are being hired fairly, thereby eliminating the instances of forced labor from the start of employment, as well as developing mechanisms at the workplace that ensure forced labor and abusive labor practices do not occur.

### **Worker Voice:**

Empowering workers on-site to take ownership of their rights as employees and self-monitor production facilities is integral to establishing sustainable fair-labor systems. In order to develop grassroots auditing, employees must first be knowledgeable of their rights, and must be educated on what actions to take if said rights are being violated. To inform employees of their rights, all companies studied require that posters be hung in the production facility detailing the rights to which all employees are entitled. The posters must be translated into the native languages applicable to the employees in the plant, in order to accommodate both migrant and domestic labor. However, as businesses have asserted, this is not the most effective way of communicating and educating workers on their rights as employees, as well as the role that the, often times intangible, overarching apparel brand plays in defending said rights.

To take a more active education stance, apparel brands have adopted various measures. Several organizations studied employ SMS messaging systems that allow factory employees to

communicate grievances more freely and outside of the confines of the facility. Other organizations have implemented on-site scenario based training that model common worker grievances, and the proper mechanisms for reporting the respective infringements. Companies also include worker and management communication systems, or industry relations in parts of their supplier audits, to track the improvement in worker efficacy.

One organization is targeting adolescent and adult women in their worker voice initiatives. They do so with the understanding that empowered women in developing countries generate greater economic growth and have a larger impact on more civilians. For, they are often primary caretakers, and spend incomes to develop and sustain their families. The program focuses on areas including:

- Managing vision and purpose
- Influencing others
- Driving for results
- Leading change

In this way, worker empowerment initiatives can translate into larger community development ascendancies. However, it should be noted that while training workers on appropriate mechanisms with which to report grievances is often a slightly frivolous effort because the mechanisms in place are not trusted by employees, and therefore are not utilized regardless. To bolster the credibility of the grievance mechanisms, best practices to create trusted, confidential and direct grievance mechanisms for on-site employees include:

- Implementing a call-in hotline as an alternative source for workers to voice issues confidentially

- Using exit interviews and suggestion boxes to garner ideas for workplace improvement from employees
- Conducting worker satisfaction surveys periodically
- Engaging in feedback discussions, either formal or informal, to gain insight on day-to-day operational concerns from employees, and potential solutions to the problems
- Communicating clear timelines to workers for responses to employee grievances. If delayed, managers should notify employees first.

There is significant progress to be made in worker efficacy. But, as of recent past, firms are beginning to recognize and act upon their responsibility in engaging these employees, and educating them on their rights, even though they are not technically employees of the apparel firm. Therefore, progress towards sustainable workplaces is being made.

### **Monitoring:**

After initiatives are implemented, a robust and comprehensive monitoring system is crucial to assessing the initiative's progress and impact. Monitoring is a key strategic component of developing a sustainable and just labor system in any industry with off-shored production facilities, but is especially crucial in a market that is high risk, such as the garment industry. All apparel brands studied monitor production facilities through the use of audits. The industry leaders in monitoring employ a combination of internal and external audits. External audits are either outsourced to an auditing firm or in partnership with a non-governmental organization. All companies studied perform unannounced audits, or semi-announced audits, in which

suppliers are given a time frame that an audit will occur, but not a specific date. However, this is by no means the industry standard. During audits, professionals assess many factors of supply chain compliance, including:

- Quality
- Capacity
- Productivity
- Health and safety
- Labor standards
- Sustainability standards

When auditing labor standards, specifically, companies have developed more comprehensive audits that more accurately root out risk factors and forced labor practices.

Auditors will review relevant documents including

- Wage information
- Benefits and deductions
- Labor hours
- Overtime compensation
- Labor broker contracts
- Grievance reports
- Termination documents
- Child labor
- Migrant labor

However, the effectiveness of single-source auditing, specifically when employing paper trails to determine risks and incidences of human trafficking has come into question. Recently,



several apparel firms have discovered that the documents provided to auditors from suppliers were falsified to conceal labor abuses in the facilities. Even the most robust auditing process cannot root out all incidences of abuse or rid the value chain of risk. Therefore, a best practice in monitoring is to triangulate data by using various sources of information other than secondary research, including, but not limited to:

- Employee interviews
- Management reviews

Audits also typically only focus on Tier One suppliers, thereby further underscoring the lack of oversight in the upstream value chain. However, with an increase in traceability, industry leaders are beginning to implement audits on approved subcontractors. Patagonia began to audit raw materials suppliers in 2011, and is able to do so through a highly consolidated supplier base, and emphasis on forging strategic, long-term business partnerships. To bolster and add transparency to auditing processes and results, the firm has developed a line of “Fair Trade Certified” clothing for women. While many firms have fairly robust auditing processes, the lack of transparency for shareholders and consumers can be improved as a means of accountability towards progress, remediation and sustainable improvements. However, not all companies studied disclosed audit results. Some organizations disclose summaries of risks or violations found in pre-audit during supplier selection. Others disclose the percentage of suppliers audited annually, or the percentage of announced versus unannounced or semi-announced audits. Monitoring can be a valuable strategy to determine non-compliance instances, but should be used in conjunction with other corrective and proactive initiatives. The overarching goal should be aimed at developing self-auditing in production facilities, and in reducing corporate practices that intensify the use of forced labor.

**Remedy:**

Remediation must be carefully analyzed if apparel brands wish to build sustainable labor standards and permanently eradicate forced labor from their value chains. Companies should focus efforts on preventative, proactive measures to eliminate risk factors that prompt forced labor, rather than corrective actions after human trafficking instances occur. It should be noted that remedies of any sort are much more feasible to effectively implement with suppliers with whom apparel brands have long-term relationships. All firms studied require suppliers to develop Corrective Action Plans when instances of noncompliance occur. These plans are detailed, time-specific procedures to correct abuses, and are monitored by either internal or external auditing stakeholders. At times, additional on-site audits will take place to evaluate the completion and effectiveness of the corrective action.

To develop remediation that addresses the root causes of non-compliance instances, industry leaders have put several long-term procedures into place, considered to be industry best practices. While they are structured slightly differently amongst brands, they emphasize sustainable action plans, that span several years, and look to proactively change variables or procedures in the factory that are correlated to higher risk of forced labor occurrences. To incentivize suppliers to improve, scorecard ratings or Key Performance Indicator segments have been attached to these plans; suppliers who make tangible improvements score higher and are rewarded with increased business. Some firms also create contracts in which order quantities are increased incrementally with improvements according to a supplier's sustainable action plan. However, a glaring opportunity for development is in procedural transparency for dealing with reported non-compliances. If apparel brands are to create credible grievance mechanisms, there must be a sound procedure for addressing all reported violations; this process should be

communicated to both the employees using the mechanisms as well as external stakeholders, as a means of further transparency and accountability.

## Chapter 5

### Conclusion

The onset of consumer activism and investigation of multinational corporations in the past decade has fundamentally changed the way in which organizations operate. In order to survive in the cutthroat markets today, firms must not only operate at maximum efficiency, lowest cost, and with the most innovative product, but also must do so at increasing and widening ethical definitions and standards. The apparel industry's competitive dynamics lend to this exact challenge.

In the past twenty years, the garment industry's market environment has revolutionized. In the past, firms produced limited product lines, in standard and predictable designs, according to four seasonal selling periods. This model lent to smoothed, foreseeable demand patterns, limited stock keeping units, extensive lead times, and highly standardized processes from the preliminary design stage of the value chain to the retailer distribution stage. However, in the new model, commonly referred to as "fast fashion", the critical factors of success are speed to market and low cost. These aspects have substantially altered the way in which industry players must compete. Designs are based on real-time trends and preferences; the selling periods have been eradicated to become a continually changing selling cycle. Designs are imagined rapidly, and often changed once have orders have already been contracted with a production facility. Demand for a product is often highly seasonal, variable and incredibly difficult to forecast. Because products are sold according to real-time preferences, and speed to market is integral to success, lead times for production are often as short as three to five weeks. Lastly, low cost pressures have incentivized apparel brands to outsource production to nations that have significantly lower costs of labor.

Outsourcing the production of garments adds exponential complexity to a firm's supply chain. While many ethical challenges are imposed by the geographic distance, varying cultural and legal standards regionally, and overall lack of transparency and oversight on operations, one of the most pressing issues the apparel industry faces is in eradicating human trafficking from the value chain. Forced labor is defined as "a situation in which persons are coerced to work through use of violence or intimidation, or by subtler means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities" (International Labor Organization [ILO]).

Forced labor is prevalent in the apparel industry for several reasons. First, Tier One contractors frequently subcontract orders because of lack of capacity, unexpected demand, and short lead times. Due to the heavy variability at the production level, first tier suppliers are not incentivized to invest in additional capacity, or staff large numbers of full time employees, for fear that either investment will be underutilized and will not gain an efficient return. To hedge the under-staffing and limited capital investment, firms subcontract. Agreements between first tier suppliers and subcontractors are often highly informal, and as a result are difficult to maintain oversight. The downward price pressure is underscored at the subcontractor level; as a result, subcontractors frequently engage in unjust and abusive labor practices including forced labor. Because subcontractors are often untraceable, the problem persists in spite of increased efforts to ensure fair labor practices in the past ten years by the world's largest and most notable apparel brands.

Brands have engaged in many initiatives to eradicate human trafficking from their value chains. In the past years, academic research has been conducted on the effectiveness of various processes in regards to different aspects of the supply chain and production facilities. Firstly, the

organizational structure of the apparel brand often reflects the level of advancement at which the brand's forced labor efforts are. Industry leaders in human trafficking initiatives, as well as other social and sustainable issues, often have a separate division that is responsible for enacting changes in these areas. The division reports to a Chief Sustainability, Ethics or Compliance Officer, and there is immense executive and cultural support for the efforts brought forth by the department.

At the site level, training programs are telling of forced labor appropriation, or risk factors for such. Members at the corporate level who heavily interact with the site level should also be extensively trained in warning signs, and policies that reduce risks of forced labor. This is most applicable for members of Procurement or Purchasing, as well as Logistics, Distribution and Quality teams.

It is crucial to engage regional stakeholders in the issue of forced labor in order to develop a local oversight and accountability partner. It is also critical because it enables an organization to benchmark its protocols with those of nongovernmental, governmental, and trade organizations that specialize in helping corporations eradicate forced labor. While engagement is crucial, it is often difficult to do so without extended traceability and transparency in the brands full supply chain.

Traceability is the most important factor in implementing, monitoring and assessing forced labor initiatives. In order to take any effort towards eradication, the apparel brand must understand the flow of their products, from the production and distribution of raw materials, to the assembly of garments, and the subcontracted agreements in between. Without it, every effort is potentially lost on lack of oversight and full implementation, and the problem of forced labor can be further entrenched in the supply chain. In order to increase traceability, supplier

consolidation is critical; maintaining a simplistic supply chain will create immense efficiencies and transparencies.

Research confirms that a proactive and preventative stance on forced labor eradication is the most effective treatment. Risk assessments have traditionally been used in conjunction with monitoring audits to root out labor abuses early on. However, a more proactive approach that several companies have adopted involves using rigorous risk assessments when evaluating a potential supplier before contracting. They can be used in conjunction with auditing practices. However, best practice amongst industry leaders shows that both methods of oversight are ineffectual if not complemented by other initiatives devoted to developing self-compliance at the site level.

Worker efficacy and empowerment is one of the most underdeveloped, and yet one of the highest potential outlets for assuring sustainable labor practices in the supply chain. To bolster employee confidence, they must first understand their rights, when they are being violated, and how to properly communicate these abuses. Secondly, confidence to stand up against workplace injustices must be instilled. To do so, organizations are interacting with employees outside of the production facility and in their local communities: to create credibility and to underscore the sentiment that the often times intangible apparel brand is taking active responsibility for the employees' well-being. Organizations also have implemented grievance mechanisms that are active outside of the workplace, to provide anonymity to complaints if requested, give employees comfort in using the mechanisms, and assure employees that their health and wellbeing is valued in and out of the facility. Empowerment of employees is crucial, and while underdeveloped at the moment, has great opportunity and promise with the initiatives enacted by apparel firms in the past ten years.

The challenges to eradicate forced labor from the apparel supply chain stem from a multitude of complexities. While the value chain in the garment market is incredibly challenging, the complexities are uniform across all firms. However, there is still lackluster legislation and regulation of practices that increase risks of human trafficking, or of initiatives to eradicate it. As a result, every brand is fighting this battle independently, even though their supply chains are heavily interconnected, especially at the production facility level. In order to make sweeping changes in the industry and promote the development and continuation of just workplaces, industry collaboration is vital. However, in order for this to happen, firms must first be aware and transparent with the continued existence of the problem in their respective supply chains. Once this occurs, firms can employ powerful knowledge sharing and benchmarking tactics to grow as a whole. For, the eradication of human trafficking from the apparel supply chain is not a goal that should be valued by one organization, but rather the industry as a whole. With collaboration and continued focused efforts, the apparel industry will serve as the ethical leader in labor practices for other manufacturing industries, and will have the power to positively impact the lives of millions.



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