

Unfair Trading Practices in Fashion Supply Chains and Modern Slavery: The Call for UK Policy Changes



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Research Summary

This policy brief is based on findings from a research project led by the University of Aberdeen in collaboration with Transform Trade through the Global Challenges Research Fund (GCRF)¹. Based on a survey of 1,000 Bangladeshi factories producing clothes for global fashion retailers, this research highlights experiences of unfair purchasing practices encountered by manufacturers during Covid-19. Manufacturers reported that retailers cancelled orders, refused to pay for goods dispatched/ in-process and demanded a reduction in price for orders already placed. Such unfair trading practices impacted manufacturers' employment practices, resulting in worker turnover, loss of jobs and lower wages. Importantly, one in five factories reported struggling to pay the Bangladeshi legal minimum wages. The survey was considered one of the most extensive surveys in the field.

Key Findings: Unfair Purchasing Practices by Retailers for the UK Market—Inherent Reasons for the Exploitation of Workers

The survey participants (1,000 factories) named 1,138 brands they were contracted to produce for in 2020-2021. The key findings are provided below:

- 51% of factories reported at least one out of four unfair practices by retailers: cancellation of orders, price reduction, refusal to pay for goods dispatched/in production, and delaying payment of invoices.
- Manufacturers surveyed reported that at least 25% of workers lost their jobs during March/April 2020.
- Survey participants experienced that large retailers were more likely to engage in unfair practices than those purchasing from fewer factories.
- Manufacturers mentioned major global retailers including ASOS, H&M, Inditex/Zara, Next Primark, Aldi, Lidl, Asda/Walmart, New Look, Nike, Pep & Co, COSTCO, KIK and Bestseller as having the highest proportion of unfair practices.
- Not a single manufacturer reported that they have taken their brand/retail customer to court (or sought legal action) for cancellations of orders or refusal to pay for goods dispatched/in production.
- Nearly one in five factories reported that they had been struggling to pay the Bangladeshi legal minimum wage for garment workers since reopening when interviewed in December 2021.
- 76% of factories said that they paid audit fees to third-party auditors either appointed

¹ Islam, M. A., Abbott, P., Haque, S. & Gooch, F. (2023). 'Impact of Global Clothing Retailers' Unfair Practices on Bangladeshi Suppliers During Covid-19'. *Research Report*, January 2023, University of Aberdeen. Open Access: <https://doi.org/10.57064/2164/19814>, also viewed at: https://aura.abdn.ac.uk/bitstream/handle/2164/19814/Impact_of_Global_Clothing_Retailers_Unfair_Practices_on_Bangladeshi_Suppliers_During_COVID_19_VOR.pdf

by manufacturers or buyers, and 53% of factories appeared to pay for ACCORD-prescribed compliance audits (most retailers did not pay audit fees).

As a final note, the research revealed that many high-street fashion retailers in the UK were involved in unfair purchasing practices, resulting in factories struggling to compensate workers at the Bangladeshi minimum wage of £2.30 per day (as of December 2021). The findings show that more than 50% of manufacturers and factories faced unfair purchasing practices, leading to forced overtime, worker harassment, and the inability to meet legal minimum wage requirements.

Policy Implications and Recommendations

The research findings suggest there is a need for policy changes in the UK across three key regulatory areas: the fashion watchdog, the existing UK Modern Slavery Act, and potential supply chain due diligence regulations.

Fashion Watchdog

This research and our review of other studies on the issue suggest that retailers' unfair practices are also common in different countries in the Global South. Based on the findings, our research recommends that the UK Government consider introducing a Garment Trade Adjudicator (i.e., a Fashion Watchdog; see the campaign run by Transform Trade on this link: <https://www.transform-trade.org/fashion-watchdog>). Such a proposed regulator could investigate and fine retailers if they breached a statutory fair-purchasing code in their dealings with garment factories/manufacturers, particularly those in the global South

The UK government can act to curb the abusive practices of retailers operating in the UK market by appointing a Garment Trade Adjudicator as recommended in 2021 by the Parliamentary Environmental Audit Committee to the Department for Business, Energy, and Industrial Strategy (BEIS)². A Garment Trading Adjudicator could stop the abusive and unfair trading practices that our research has uncovered by making retailers accountable for practices/due diligence in their supply chain by enforcing a statutory code that includes:

- the principle of fair dealing to enable suppliers to act with certainty;
- prohibiting unilateral changes being applied by buyers to their suppliers;
- prohibiting retrospective changes being applied by buyers to their suppliers.

For the Garment Trade Adjudicator to be effective, the following would be necessary:

- the largest retailers in the UK market would need to fall within the scope of the Regulator, as they drive the dynamics and culture of the sector;
- penalties would need to be larger than the profitability of the abusive purchasing practices

² <https://committees.parliament.uk/publications/5023/documents/50076/default/>

- the way of operating would need to take into account the climate of fear that suppliers operate in and the difficulty of getting information about abusive purchasing practices. This implies:
 - the Regulator being able to initiate investigations on their own initiative and not necessarily be prompted by a specific complaint;
 - a whistle-blower procedure so that complaints about breaches of the statutory code can be sent to the Regulator in confidence;
 - complains being submitted by anyone who has witnessed the breach of the statutory code;
 - sellers not being identified in any published reports on the outcome of investigations.
 - the cost of a Regulator to be covered by BEIS applying a levy on retailers and brands selling apparel in the UK market.

The UK Modern Slavery Act 2015

This research suggests that the UK Modern Slavery Act 2015 is ineffective in the elimination of retailers' unfair purchasing practices. Such findings are highly relevant for the UK government as the UK House of Lords Committee on the Modern Slavery Act 2015 is currently seeking an inquiry into and reviewing the Act's impact and effectiveness.

As this research has revealed that fashion retailers operating in the UK market are complicit in exploitation and slavery in their production factories in the Global South, partly due to unfair purchasing practices, we strongly advocate for the UK Modern Slavery Act to incorporate a particular clause targeting the eradication of unfair purchasing practices across different sectors.

Supply Chain Due Diligence Regulation

Evolving and new supply chain due diligence regulations such as the German Act on Corporate Due Diligence Obligations in Supply Chains (SCDDA) 2023 and the EU Corporate Sustainability Due Diligence Directive (CSDDD) 2024 have introduced obligations for large companies on the adverse impacts of their actions on human rights of workers within their supply chains, addressing the central concern highlighted in our research (i.e., unfair purchasing practices leads to worker vulnerability). Our research highlights unfair purchasing practices by fashion retailers as the root cause of slavery and exploitation. Accordingly, we support adding a provision to due diligence Acts to eliminate unfair purchasing practices across industries, as they are particularly linked to exploitation within global supply chains, harming vulnerable communities including workers in the global south.

Importantly, we recommend that the UK Government introduce a supply chain due diligence Act and provide a specific clause to eliminate unfair purchasing practices across different sectors.

As a final note, establishing a watchdog/ fair purchasing regulator, either as a provision of the existing Modern Slavery Act or as a new and independent Act, is crucial in efforts to eliminate modern slavery and exploitation in the global supply chains.

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Acknowledgement

The research on which this policy brief is based was funded by the Scottish Funding Council under the Global Challenges Research Fund (GCRF) through the University of Aberdeen.

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