

# Textile workers in developing countries and the European fashion industry

## Towards sustainability?

### SUMMARY

As fashion becomes increasingly globalised, garment and footwear production has shifted to low-wage, mostly Asian countries. Thanks to lower manufacturing costs, clothes have become increasingly affordable for European consumers. For developing countries, fashion exports create jobs and growth, helping to bring poverty rates down.

While there are benefits on both sides, the fashion industry highlights inequalities between the global North and South. With almost unlimited flexibility between countries and factories, European and North American brands and retailers can dictate conditions to developing-country manufacturers, forcing them to cut costs in order to compete.

The ultimate victims are factory workers, toiling long hours in harsh and sometimes dangerous conditions, for wages that barely enable subsistence. In many countries, restrictions on trade unions make it harder for workers to assert their rights. With employers reluctant or financially unable to invest in safety, many have died in industrial accidents, such as the Rana Plaza building collapse in Bangladesh, which claimed over 1 000 lives.

Decent work has become a priority for the United Nations, the International Labour Organization and other international organisations. The EU supports decent work, for example through its international trade agreements. European consumers and companies are also increasingly interested in sustainable fashion. After the Rana Plaza disaster, over 200 mostly European companies joined the Bangladesh Accord, which has helped to eliminate some of the worst safety hazards. While these are positive developments, a lot more still needs to be done.



*Asian textile workers.*

### In this Briefing

- EU fashion imports: Facts and figures
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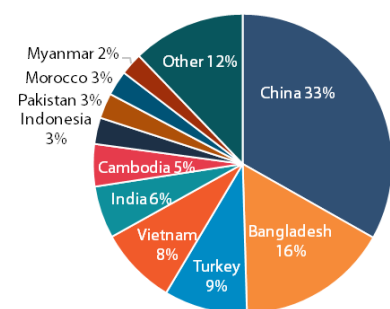
## EU fashion imports: Facts and figures

In 2019, 59 % of clothes and shoes imported by EU countries came from outside the EU, while 41 % came from other EU countries. In fact, many intra-EU imports are actually re-exports of goods originating from outside the EU; the actual share of clothes and shoes consumed in the EU but produced elsewhere is much higher (for textile products it is close to [80 %](#)).

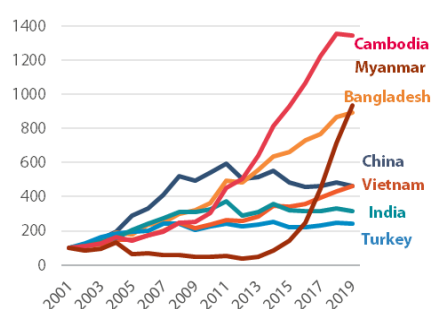
Figure 1 – The EU's main fashion suppliers

Top 10 exporters to EU

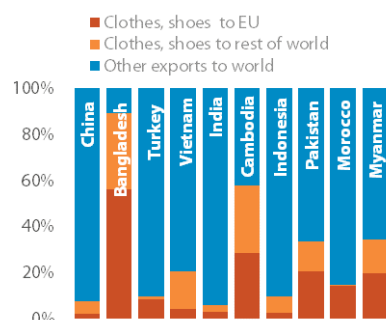
(% of EU imports from non-EU countries, 2019)



Change in exports, 2001-2019  
(2001=100)



Clothing and footwear exports to EU/rest of world as % of country's total exports, 2019



EU-27 and UK imports of clothes and footwear (HS codes 61, 62 and 64). Data source: [International Trade Map](#).

China aside, most EU imports of clothes and shoes come from south and south-east Asian countries. Although China is still in first place, its share of the EU fashion market has declined since peaking in 2011; meanwhile, Cambodia, Myanmar and Bangladesh have seen spectacular growth in their exports. The latter three countries are heavily dependent on fashion, Bangladesh in particular; clothes and shoes represent a massive 89 % of its total exports, with 56 % going to the EU.

## Globalisation and the fashion industry

### Cheap clothes for the global North, jobs and growth for the South?

Garment and footwear manufacturing are labour-intensive industries that employ large numbers of mostly low-skilled workers. To cut costs, fashion companies are therefore increasingly outsourcing to developing countries where labour is cheap. China is the EU's main supplier, but as China becomes more prosperous and wage costs steadily rise, production is shifting to lower income countries, such as India, Bangladesh and Myanmar. Most of these countries are in south and south-east Asia, but sub-Saharan Africa countries also have a large pool of low-wage labour and could become major production centres in future; several brands are already sourcing from [Ethiopia](#).

Outsourcing is a flexible arrangement that benefits EU fashion companies by allowing them to order from factories that offer the cheapest prices, switching from one to the other without penalty. Consumers also benefit from lower retail prices. For example, over the past 20 years in Germany, clothing and footwear became [16 %](#) cheaper compared to the average basket of consumer goods. As prices fall, Europeans are buying more; according to European Environment Agency (EEA) [estimates](#), in 2012 their purchases were 40 % up on 1996 in terms of weight.

Strong European demand for fashion has created booming garment, textile and footwear sectors in several developing countries. For example, in [Cambodia](#) the industry generates around 11 % of gross domestic product (GDP) and employs one million workers (over one tenth of the [labour force](#)). Since 2001, exports have grown nine-fold, with the European Union and United States accounting for the lion's share of this expansion. Partly as a result of this, Cambodia has enjoyed [economic](#)

[growth](#) averaging 7 % a year over the past decade. Although jobs are not well paid by European standards, they are still attractive to those fleeing rural deprivation. Between 2003 and 2012, the percentage of Cambodians living below the national poverty line fell from [50 %](#) to 18 %; Bangladesh and Myanmar, the other two countries whose EU exports have grown fastest, have seen similarly spectacular declines in poverty rates.

## A race to the bottom

There is a darker side to this picture. The relationship between fashion companies from more developed countries and their developing country suppliers is an imbalanced one. Textiles importers have literally thousands of options – [nearly 700](#) garment, textile and footwear factories in Cambodia alone. However, this flexibility only works in one direction; according to a [survey](#) by the International Labour Organization (ILO), three-quarters of garment producers depend on a single main purchaser for one-third or more of their sales. The more flexibility that purchasers have, the more precarious the situation of manufacturers.

For fear of losing orders to their numerous competitors, suppliers have cut their prices back to the bone, operating on paper-thin profit margins (in Bangladesh, averaging just [6 %](#)), and in some cases even at a loss. In 2016, 52 % of textile and clothing manufacturers interviewed in the same ILO survey accepted orders at below cost price, most of them in the hope of securing future contracts. The survey also shows that the less developed a country, the more strongly this tendency applies, suggesting that manufacturers from poorer countries have a particularly weak bargaining position vis-à-vis European purchasers. In this relentless race to the bottom, employees' pay and working conditions are often [sacrificed](#).

## The situation of developing country workers

### Workers' lives and health at risk in garment and footwear factories

In 2013, the Rana Plaza building in Dhaka collapsed, [killing](#) over 1 000 workers from five garment factories and injuring 2 500 more. Unfortunately, this is far from an isolated incident; in 2005, over 60 Bangladeshi workers were killed by the collapse of the [Spectrum](#) factory, and in 2012 over one hundred more by the [Tazreen Fashions](#) fire. There have been similar disasters in [India](#) and Pakistan. To a large extent, these tragedies were caused by the lack of effective, independent inspection mechanisms to ensure compliance with basic safety procedures. After the Rana Plaza disaster, [97 %](#) of Bangladeshi factories were found to lack safe fire exits, 90 % did not have adequate fire alarms, and 70 % had undocumented, potentially unstable extensions.

Inadequate safety procedures mean that toxic chemicals such as textile dyes pose risks to workers' health. Bangladeshi tannery workers often work without basic protective equipment such as masks, gloves and boots, exposing them to harmful substances, such as chrome and mercury, used to cure leather. Partly as a result of this, they have only a [one in two](#) chance of living beyond the age of fifty – over 20 years less than the country's average life expectancy; similar problems have been reported from [India](#), another major leather producer. In both countries, tanneries pollute huge quantities of water, [poisoning](#) local rivers, groundwater and fields.

[Sandblasting](#) (a method used to give denim a distressed look, and that can cause permanent lung damage, including silicosis and lung cancer) has been banned from European countries including [Turkey](#), and most brands have committed to no longer using it. However, alternative techniques such as spraying with [potassium permanganate](#) are also hazardous.

### Long hours, and minimal pay

The [ILO convention on working hours](#), which has been ratified by several garment producing countries, including India, Pakistan, Bangladesh and Myanmar, specifies that the working week should not exceed 48 hours per week on a regular basis. However, in many Indian [cotton mills](#), it can

reach sixty or more hours, including compulsory night shifts, with only one day off per fortnight. Workers endure hot and humid conditions (essential to stop threads from breaking) in dust-filled rooms. The pace of work is relentless, with only short breaks, and those who fail to meet production targets risk having to pay penalties. While working, employees may not talk or use mobile phones. Similar conditions prevail in [Myanmar](#) garment factories. Even on scarce days off (in many factories, one every two weeks), workers cannot always do as they please: in India, women living in crowded company hostels are not [allowed](#) out on their own.

In Myanmar, most textile workers are paid just [4 800 kyat](#) (€3) a day. Trade unionists argue that the minimum wage is not nearly enough for an adequate standard of living, and needs to be doubled to 9 600 kyat. However, employers are resisting this demand, which they say they cannot afford, given the relentless pressure to cut costs. In Bangladesh too, the minimum wage set by the government of [8 000 taka](#) a month (€84) falls far short of union demands. The Asian Floor Wage Alliance, which campaigns for the rights of Asian garment workers, has [calculated](#) that minimum wages in India and Bangladesh are just one-third and one-fifth respectively of a 'living wage', i.e. one enabling workers to cover food, housing and other essential costs for themselves and a small family.

Some workers do not even earn the legal minimum, with [factories](#) unjustifiably classifying them as apprentices or on probation in order to pay them less. It is also not uncommon for employers to cheat workers out of social security contributions, or dock wages for days off sick.

## Women, migrants and children

Given these poor conditions, most workers in the sector are from disadvantaged groups. [80 %](#) are women; often in subordinate positions and paid less than their male peers, they are frequent targets of [sexual harassment](#). Many come from impoverished rural areas (for example, in India, where factories [send](#) recruitment agents to villages where harvests have failed) or neighbouring countries. In Thailand, workers are often illegal [migrants](#) from Myanmar, Cambodia and Laos, which makes it particularly difficult for them to insist on rights such as being paid the minimum wage.

Some workers (in India and [Myanmar](#), for example) start employment when they are only 15 years old, at an age when they are still [defined](#) as children by the ILO [Convention on the Worst Forms of Child Labour](#). The Convention, which has been ratified by nearly every country in the world, prohibits work which 'is likely to harm the health, safety or morals of children', and its accompanying [Recommendation](#) interprets 'work for long hours or during the night' as a harmful characteristic. Therefore, garment factories, which require minors to work 60 or more hours a week, including frequent night shifts, are arguably in violation of international law.

## Limited legal protection, weak trade union representation

Although many of these practices are illegal, violations are rife, with not enough labour inspectors (in [Pakistan](#) or Thailand for example) to enforce national employment laws. In Myanmar, many workers are not given contracts to sign, or if they are, do not receive copies. In the absence of any written record of employment conditions, it is difficult for workers to complain. Most factories do not have a [formal mechanism](#) for submitting grievances. Some have committees of workers' representatives, but even where these exist, they are not always very effective, nor are many employees aware of their existence.

Trade union activities are often restricted. Vietnam [does not allow](#) independent trade unions (although that could change now that the country has [ratified](#) ILO Convention 98 on the Right to Organise and Collective Bargaining). In [Bangladesh](#), although such unions are allowed, the law sets a high threshold for registration (over 30 % of a factory's workers must join) and most applications to form new unions are rejected by the authorities, often on technicalities. Moreover, in Bangladeshi [export processing zones](#), which have been set up to attract foreign investment and where most units are garment factories, trade unions are not allowed. In many [Pakistani](#) textile factories, trade unions are non-existent, while in others managers have set up pliant 'yellow' unions consisting of

hand-picked workers. In [Cambodia](#), authorities charged unionists with criminal offences after minimum wage protests. After similar protests in [Bangladesh](#) were violently repressed by police, 65 workers were arrested, and as many as 11 500 may have lost their jobs in mass sackings.

## Coronavirus has aggravated an already difficult situation

The pandemic has slowed down or halted production in many factories, initially due to a shortage of materials as supplies from China dried up, and subsequently due to a slump in demand. The situation has highlighted the unequal relationship between buyers from the global North and their developing country suppliers: invoking force majeure clauses in supply contracts, numerous brands simply cancelled orders, including some for which production had already started, leaving manufacturers severely out of pocket. By June 2020, over [US\\$3 billion](#) worth of orders from Bangladeshi factories had been cancelled or suspended. As a result, over [one million](#) were laid off or put on unpaid leave – around one-quarter of the total workforce in the sector. After several observers, including from the [European Parliament](#), expressed outrage over this situation, some [brands](#) committed to paying for all orders that they had already placed; however, others have delayed payments, made only made partial commitments, or none at all.

## Towards sustainable fashion?

### What the EU and international organisations are doing

Reflecting the need for globalisation not only to create jobs, but also to ensure that those jobs are of an acceptable quality, in 1999 the International Labour Organization [put forward](#) the concept of decent work. Among other things, decent work means respect for workers' fundamental rights, adequate social protection, and social dialogue. Decent work is a priority for the United Nations' [Sustainable Development Goals](#), and it was also emphasised by the G7 leaders' 2015 declaration, which called for 'responsible supply chains'. Following that declaration, in 2017 the Organisation for Economic Co-operation and Development (OECD) published its due diligence [guidelines](#) for multinational companies in the garment and footwear sector. The latter includes detailed recommendations to ensure that fashion companies do not buy from suppliers who abuse workers' rights, for example by forcing them to work excessive hours, compromising health and safety, and denying trade union representation. More generally, corporate responsibility for protecting human rights is emphasised in the United Nations 2011 [Guiding Principles](#) on Business and Human Rights.

Decent work is a priority of EU development cooperation, emphasised in the 2006 and 2017 versions of the [Consensus on Development](#). For example, [SMART](#) is an EU-funded project that supports Myanmar garment producers, not least by encouraging improved safety. The EU is also working to mitigate the impact of coronavirus; in [Bangladesh](#), it is participating in efforts to help garment factories switch to producing personal protective equipment such as masks and gloves, while in [Cambodia](#) EU development aid will help workers who have lost their jobs as a result of the pandemic, including in the textiles sector, to find new sources of income.

Decent work is also a priority in the EU's 2015 [Trade for All](#) strategy. European trade policy helps developing countries to create jobs through the [generalised scheme of preferences](#) (GSP). Under GSP, low and lower-middle income countries pay reduced or zero tariffs on their exports to European markets. Combined with low labour costs, this makes clothes and shoes manufactured in developing countries even more competitive. The main beneficiaries are Bangladesh, Cambodia and Myanmar, which as least-developed countries enjoy zero tariffs; since joining GSP in 2013, Myanmar's exports have grown 19-fold, while those of Bangladesh and Cambodia (which have participated in GSP since 2001) are nine and 14 times higher respectively. By contrast, Indian exports, which pay reduced but not zero tariffs, are stagnating, while China's, which are subject to the full tariffs, are in decline.

One of the conditions for zero GSP tariffs is to ratify and implement the eight core conventions of the International Labour Organization, which restrict the use of child and forced labour, prohibit discrimination, and guarantee 'rights to form trade unions. Similar conditions also apply to bilateral

free trade agreements, such as the one signed in 2019 with [Vietnam](#). While this is not enough to guarantee decent working conditions, it does give the EU some leverage to improve the general human rights situation. For example, under Everything But Arms, the GSP sub-scheme under which least developed countries export to Europe duty-free, the EU carries out 'enhanced engagement' (close monitoring) with countries that have serious human and labour rights concerns. [Cambodia](#) is set to lose duty-free privileges with effect from August 2020, while Myanmar and Bangladesh remain under close surveillance. In all three countries, restrictions on trade unions were among the issues raised by the EU.

In 2014, the European Commission began [consultations](#) on an EU garment initiative intended to regulate, or at least guide, supply chains in the fashion industry. In an April 2017 resolution (see below), the European Parliament expressed its support for such an initiative. The Commission has not yet tabled any specific proposals, but in April 2020 it [announced](#) that it was planning to launch public consultations on a more general proposal to make due diligence mandatory for companies in all sectors, not only textiles, which it is preparing for 2021.

### Bangladesh Sustainability Compact

Following the Rana Plaza disaster, in 2013 the EU, Bangladesh and the International Labour Organization signed a [Sustainability Compact](#) (later joined by Canada), with commitments to respecting labour rights, ensuring health and safety at work, and promoting responsible business conduct. Since then, there have been several meetings to monitor progress towards meeting those commitments.

## Growing consumer interest in sustainable supply chains

European consumers are increasingly aware that their choices have environmental and social consequences. According to a 2019 [survey](#) of the fashion sector by McKinsey, the number of internet searches for 'sustainable fashion' tripled between 2016 and 2019. This growing interest appears to be a long-term trend rather than a passing fad. As a result, responsible sourcing has become a commercial, as well as a moral and [legal](#) imperative for brands. While just 1 % of new products are marketed in online shops as sustainable, and an even smaller percentage carries a [Fairtrade International](#) label, the survey finds that 'sustainability and transparency' has become the top priority for fashion purchasing executives, especially those from European companies.

## What European fashion companies are doing about sustainability

Fashion companies have signed up to numerous national and international corporate social responsibility initiatives. These include the UK [Ethical Trading Initiative](#), launched in 1998, the 2003 [amfori Business Social Compliance Initiative](#), the 2016 Dutch [Agreement on Sustainable Garments and Textiles](#), and the 2019 [Fashion Pact](#). In 2019, several international brands signed up to the [Life and Building Safety Initiative](#) (LABS) covering factories in India and Vietnam, with plans for extension to Pakistan and Cambodia. Typically these include commitments to ensuring that suppliers meet environmental and social standards; some also envisage mechanisms, such as reports, audits and information-sharing designed to ensure that those commitments are met.

Perhaps the most effective initiative to date was the 2013 [Accord](#) on Fire and Building Safety in Bangladesh, signed in the wake of the Rana Plaza disaster. Among the 190 mostly European current corporate [signatories](#) are H&M, C&A, Primark, Next, and Marks and Spencer (US companies such as Walmart and Gap joined a separate, less constraining Alliance for Bangladesh Worker Safety). As of April 2020, the 1 600 Bangladeshi factories covered by the Accord had [addressed](#) over 90 % of the safety issues identified in 37 000 inspections, for example by installing fire alarm systems and sprinklers, ensuring access to emergency exits, and remedying structural defects. The number of serious accidents has fallen by about [three-quarters](#) since 2013, and there have been no major disasters on the scale of Rana Plaza or Tazreen Fashions.

For supporters of the accord, its success comes from the fact that it is enforceable and makes international brands directly [responsible](#) for the safety of supplier-company employees. If suppliers

fail to remedy safety problems identified by stringent inspections, purchasers are required to stop buying from them (as of 2018, [nearly 100](#) factories had been suspended as a result). The accord also establishes an effective mechanism for responding to workers' complaints, as well as training programmes helping staff and management to identify and deal with potential hazards.

## Limitations of corporate sustainability initiatives

Although efforts were made to improve factory safety in Bangladesh after the Rana Plaza disaster, there has been much less progress on some of the other problems faced by garment workers. By directly involving trade unions, the accord [strengthened](#) their position, but this initial progress was subsequently reversed with increased restrictions on labour representation. Minimum wages were raised in 2013 by nearly 80 % to a still very low 5 300 taka (€56), but since then they have not [kept pace](#) with inflation.

After seven years, the Dhaka-based office set up by the Bangladesh Accord stopped functioning at the end of May 2020 (although the accord itself continues to apply until May 2021), and its tasks have been [transferred](#) to the Ready-Made-Garments Sustainability Council (RSC). As before, these tasks will be overseen by representatives of international brands, local manufacturers and trade unions. However, now that the RSC is under Bangladeshi control, there are [concerns](#) that it could be less vigilant in enforcing safety. The costs of compliance with safety measures are estimated at an average [US\\$250 000](#) per factory; following a devastating, coronavirus-related slump in demand, this is money that manufacturers can hardly afford. Nirapon, the body set up to succeed the parallel US-led Alliance for Bangladesh Worker Safety, has already run into [legal difficulties](#), and there is a risk that the RSC may face similar resistance.

In [Pakistan](#), trade unions are in favour of establishing a similar mechanism to the Bangladesh Accord, but this has yet to materialise. As for the other corporate social responsibility initiatives mentioned in the previous sections, they are – unlike the accord – not binding on participating brands. Past experience shows that in voluntary initiatives such as these, suppliers are less rigorously audited and that problems identified are less likely to be remedied. For example, inspections of Rana Plaza factories just months before the building's collapse [failed](#) to identify safety issues.

In all countries, complex [supply chains](#) make it difficult to improve conditions for all workers in the sector. Even if manufacturers offer adequate working conditions, this is not necessarily the case for their subcontractors. For example, the Bangladesh Accord covers less than half of the country's garment factories; although brands discourage their suppliers from outsourcing, there is [evidence](#) that many still do so, in order to accommodate peaks and troughs in demand.

## Decent work costs money

Humane working conditions, such as the 'living wage' advocated by the Asian Floor Wage Alliance, or a maximum 48-hour working week, in line with the ILO working hours convention, cost money. For example, in Thailand workers set up a [cooperative](#) that pays the minimum wage for an eight-hour day; its clothes [cost](#) four to five times more to produce than those of their local competitors. However, given that manufacturing costs are only a small share of the price of clothes, the impact on retail prices would be much smaller than this. According to one [estimate](#), fair wages for Turkish and Indian workers involved in all stages of the production process of one brand of hoodie would add less than €4 to the current European average retail price of €27 (see Figure 2). According to a 2018 [survey](#), 62 % of EU and US consumers would be willing to pay more for clothes if that guaranteed fair wages. However, one of the barriers to informed consumer choices is the [lack of information](#) about supply chains. Although the situation is improving, even the most transparent brands do not publish full information about their suppliers and subcontractors.

Manufacturers are unlikely to offer their workers better conditions unless they can pass on at least some of the additional costs to purchasers, but so far this is not happening. Although the

Bangladesh Accord requires signatories to ensure that factories are financially able to maintain safe workplaces, most European brands do this by offering to lend money, rather than paying for safety improvements out of their own pockets. Meanwhile, the relentless downward pressure on costs continues; in 2017, the average price paid to Bangladeshi manufacturers for a pair of cotton trousers had [dropped](#) to US\$4.50, down from US\$5.19 four years earlier.

Although interest in sustainability is growing, the above-mentioned McKinsey survey shows that environmental aspects – for example, using recycled materials – are a much higher priority for fashion executives than social criteria such as fair wages. Some progress has been made, but European and other international brands need to do much more, for example by showing willingness to pay higher prices to manufacturers who give workers decent conditions.

## Figure 2 – Production v retail costs

Average European retail price of a hoodie: **€26.66**, of which: production wage costs: **€2.08**

How much extra it would cost to pay production workers a fair wage: **€3.62 (13 % of retail price)**



Source: [Public Eye magazine \(2019\)](#).

### European Parliament position

Parliament emphasised the importance of due diligence in its resolutions of [November 2010](#) and [July 2016](#) on corporate social responsibility, both of which called for provisions to that effect to be included in the EU's international trade agreements. In its [resolution](#) of April 2017 on the EU flagship initiative on the garment sector, Parliament noted widespread violations of workers' rights, such as 'poverty wages, wage theft, forced labour and child labour, arbitrary dismissals, unsafe workplaces and unhealthy working conditions, violence against women, physical and sexual harassment, and precarious work'. Parliament supported the Commission's idea of a garment initiative, and called for it to adopt binding legislation, based on OECD due diligence guidelines. Under such legislation, EU companies would be required to ensure that suppliers address violations. Parliament also called for EU-wide labelling standards for 'fair clothing'. European Parliament's Committee on Legal Affairs (JURI) plans to adopt an own-initiative [report](#) on 'Corporate due diligence and corporate accountability' by the end of 2020 (rapporteur: Lara Wolters, S&D, the Netherlands).

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[eprs@ep.europa.eu](mailto:eprs@ep.europa.eu) (contact)

[www.eprs.ep.parl.union.eu](http://www.eprs.ep.parl.union.eu) (intranet)

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