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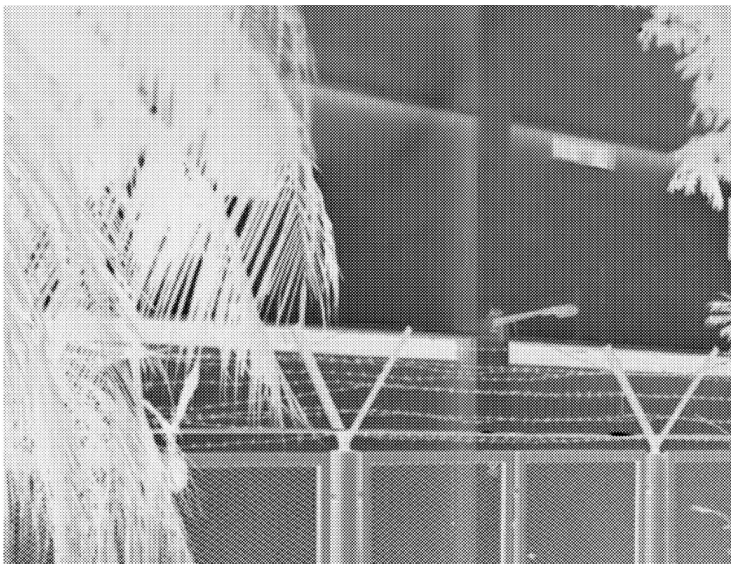
A Close Look at a Fashion Supply Chain Is Not Pretty

A new report on factories in Malaysia that create products for Brooks Brothers, Levi's, LL Bean and others examines the high prices workers pay for their jobs.

By Elizabeth Paton



The Pen Apparel factory in Penang, Malaysia. Photo Illustration by The New York Times; Google Street View

TAL Apparel is one of the most powerful companies in the global fashion supply chain that many consumers have never heard of. Its factories make huge numbers of shirts — particularly for men — for brands including Brooks Brothers, Bonobos and LL Bean. In fact, TAL Apparel claims it makes one in six dress shirts sold in the United States.

Owned by TAL Group, which is based in Hong Kong and is a founding member of the Sustainable Apparel Coalition, TAL Apparel employs about 26,000 garment workers in 10 factories globally, producing roughly 50 million pieces of apparel each year including men's chinos, polo tees, outerwear and dress shirts.

One of those factories is Pen Apparel, in the steamy seaside town of Penang in Malaysia, where 70 percent of workers at the factory were migrants hired in countries like Vietnam, Myanmar, Nepal and Bangladesh, according to TAL.

Along with Imperial Garments, a second TAL factory in nearby Ipoh, Pen Apparel is the subject of a new report from Transparentem, a nonprofit that focuses on environmental and human rights abuses in supply chains.

The investigation, which was shown to brands supplied by the factories in late May, included allegations of potential forced labor among TAL migrant workers, linked to payment of high recruitment fees in their home countries to guarantee their jobs.

According to the International Labor Organization, a specialized agency of the United Nations dedicated to improving labor conditions, forced labor is "work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily."

Companies don't always make prompt, substantive changes when faced with revelations of exploitation in their supply chains. But the pandemic has added factors that made the situation even more urgent.

The lockdown sent most clothing sales plummeting, causing Western retailers to slash orders and TAL to start closing its Malaysian operations. If an agreement by TAL and the brands it supplied to pay compensation was not reached quickly, the risk was that the migrant workers — now out of work — could be deported, or disappear into new local employment while still in heavy debt from their jobs with TAL.

Conscious that Western brands are increasingly being held to account by consumers, both TAL and its partners appeared eager to make amends. TAL also released a collective action plan July 24 though it was scant on key details.

The New York Times contacted Levi's, Brooks Brothers, Suitsupply, Untuckit, LL Bean, Walmart, Lacoste, Charles Tyrwhitt, Stitch Fix, Tie Bar, the Black Tux and Paul Frederick — all brands known to be supplied by TAL's Malaysian factories.

"We try our utmost to carry out extensive due diligence and audits but with such a global chain it can be a struggle," said Joy Roeterdink, the corporate social responsibility manager at Suitsupply. "When there is an issue, we don't believe in cutting relationships with factories. That doesn't help the workers. It is better for everyone to invest in fixing the problem."

None of the other brands said anything on the record beyond a statement from the American Apparel and Footwear Association, an industry lobbying group that spoke on behalf of the American brands involved.

The Pen Apparel factory. Photo Illustration by The New York Times; Google Street View

The Investigation

Over 18 months, Transparentem gathered evidence in Malaysia from hundreds of the 2,600 migrant workers employed by TAL. Researchers found that many had paid substantial recruitment fees and related costs like visas and health checks in order to secure their jobs before they left their home countries, a common industry practice.

Migrant workers from Bangladesh, for example, paid recruitment agents in their home country an average of $2,450 to work in the TAL factories in Malaysia. Once they arrived, they would also pay a second set of fees, which were effectively TAL's recruitment costs.

TAL company policy was to front the cost of these fees, which were in practice considered "factory loans," Transparentem said, that workers gradually repaid through paycheck deductions.

But in Bangladesh, some were charged additional recruitment fees directly by agents, according to Transparentem. They were then threatened by those agents and forced to say, on film, they were not being exploited, at the risk of losing their jobs. For others, the total fees were so high they had used their life savings, sold family land or taken out loans with high interest rates for the chance of a more lucrative livelihood abroad.

"We have come here to work and save up some money," one Pen Apparel worker, whose identity was not disclosed to prevent retaliation, told Transparentem. "But even after working very hard we are not able to save any money. It is hard to even earn back the money we invested."

A similar tale was told by workers at Imperial Garments. Many said they had not learned about the TAL factory loans that would be deducted from their salaries until after they had already paid the agents' fees, according to Transparentem, and the result was that they were being paid half of what they were promised.

Transparentem also said it recorded accounts of deception, intimidation and unsafe living conditions from workers, all of which are listed among the 11 indicators of forced labor outlined by the International Labor Organization.

After production volumes fell to 30 percent of capacity, TAL had announced in April that Pen Apparel would close at the end of July, while Imperial Garments would close at the end of 2020. Against a backdrop of tensions in Malaysia over the country's harsh treatment of migrant workers during lockdown, many workers were left in a state of despair.

"I have already spent so much money to come here, if they send me back now I will lose that money," an Imperial Garments worker said in the Transparentem report. "And the land I sold to come here is gone anyway."

A detail from the Pen Apparel factory building. Photo Illustration by The New York Times; Google Street View

The Reaction

When Transparentem presented its findings to a dozen brands supplied by TAL, nine companies agreed to begin discussions on a collective reimbursement plan, including the Dutch brand Suitsupply and American names like Levi's, LL Bean, Eddie Bauer and Brooks Brothers (before Brooks Brothers filed for bankruptcy this month).

Tu Rinsche, the vice president of engagement and partnerships at Transparentem, noted that Transparentem had never seen such a rapid response to one of its reports, or one in which the factory owner played such an active role.

After several rounds of negotiations, an agreement was reached: More than 1,400 workers from eight countries would receive payment from what TAL called a "substantial" collective action fund, distributed to workers in two installments — on July 24 and July 31.

According to the American Apparel and Footwear Association, the ethical trade consultancy Impactt had also been hired by the brands to assess the living and working conditions of TAL factory workers in Malaysia and ensure they were in line with coronavirus health and safety protocols. The A.A.F.A. called the deal "an immediate solution" that would "protect the rights of all workers throughout our supply chains."

But beyond saying there would be compensation, TAL and the brands declined to say much else, except that the workers would only be partly — and not fully — compensated for their debts. Although the restitution fund may total several million dollars, according to guidance from Transparentem, TAL declined to disclose the full amount of compensation that would be paid, or break down the contributions made by TAL and the participating brands.

Both the A.A.F.A. and TAL declined to outline which brands were taking part in the compensation agreement. (TAL supplies roughly 75 companies.)

At a time when questions are growing around what fashion supply chain transparency means, the reception of the report underscored how few companies still actively tackle labor abuses unless challenged, or disclose their actions afterward.

One of the starkest revelations in the report was that TAL had previously identified many issues — including worker exploitation by recruitment agents — to the extent that in 2018 it stopped hiring from Bangladesh, where the most unethical practices had taken place. Most of the TAL workers in Malaysia who were from Bangladesh were hired before 2018.

TAL, though relatively unknown outside fashion, is nonetheless a visible company within the industry. It is a signatory of the United Nations Fashion Industry Charter for Climate Action, suggesting its progressive leanings. Why, then, didn't TAL immediately reimburse the affected workers when it discovered the abuses and pay them back as part of their wages in 2018?

Different views outside of Pen Apparel. Photo Illustration by The New York Times; Google Street View

The Slow Route to Change

On a Zoom call last week, Roger Lee, the chief executive officer of TAL Group, offered some answers.

Mr. Lee said that there were deep-rooted problems in worker recruitment across the apparel industry. Although the numbers of migrant workers were particularly high in its Malaysian factories, 80 percent of TAL's total employees are local employees, he said.

And despite Transparentem's allegations of potential forced labor in Malaysia — and the fact that TAL had agreed to pay workers' compensation — he said that such exploitation no longer existed inside the company. According to Mr. Lee, TAL factory loans are waived when a worker leaves for whatever reason, meaning they were not forced to stay against their will (though that would not reduce any debts accrued with agents in their home countries).

Mr. Lee said that on Jan. 1, 2020, TAL changed its policy to cover recruitment fees for all new migrant recruits, a policy that was communicated to customers before the company was aware of the Transparentem investigation.

TAL had also since halted factory loan salary deductions of current workers. That move was part of an internal project with significant expenses to improve labor policies, he said. It required the company to offset factory loans by, in part, raising the prices it charged the brands whose clothes it makes.

"This kind of progress is important but it cannot be done alone by suppliers," said Mr. Lee, who added that TAL had invested in worker hotlines and educational classes to prevent exploitation. A longer timeline had been necessary to allow the brands it supplied to make the necessary cost adjustments and absorb the migrant workers' recruitment costs.

"These changes are now in place for workers we hire in the future," he continued. "But what we've been negotiating with Transparentem is how to go back in time to give these migrants what they are owed from events that took place outside Malaysia. It is not impossible. But in this climate, it is not easy either."

With some clients declaring bankruptcy (Brooks Brothers and J. Crew), and most clients reducing orders, TAL said it had seen a decline of almost 50 percent in orders and was absorbing significant levels of bad debt.

Delman Lee, the president and chief technology officer of TAL Apparel, said that the full fund amount could not be disclosed "because payments differ depending on the individual worker."

The company was focused on creating a safe environment for workers, he said, which included the payment of allowances, regular temperature checks and, in some cases, repatriation flights to countries like Vietnam, as well as matching migrant workers to new local employers in Malaysia.

At least 1,200 workers would not receive any compensation from the fund. However, TAL said they have received severance or termination compensations, as required by local law.

Although output had ground to a halt in Malaysia, TAL was still paying out wages of $100,000 a day, he said.

"We are in a labor-intensive business," Mr. Lee said of TAL Group, which has generated pre-pandemic annual revenues of more than $850 million. "Inevitably, issues will take place in our factories, but if we are wrong we will always admit we are wrong and do our best to fix them. We know solving one case is the tip of the iceberg."

Ms. Rinsche of Transparentem said that only a handful of brands supplied by TAL's Malaysian factories contributed to the workers' relief effort and that she hoped more would come forward after the circulation of the report.

"Everyone in the fashion business needs to pay more attention to how they oversee the recruitment of migrant workers, and talk more about the processes required in improving bad practices," Ms. Rinsche said.