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MAKING WHAT'S GOOD FOR WORKERS
WORK FOR BUSINESS



ETHICAL RECRUITMENT IN THE GARMENT INDUSTRY

A case study exploring the benefits of implementing ethical
recruitment practices and the impact on workers and business

ABOUT THIS CASE STUDY

In 2018, Impactt carried out an in-depth investigation at a Malaysia-based garment factory (Company X) on behalf of Company A. Based on the results of the investigation, Company A sought to bring together a Buyers' Group, to drive leverage and consistency in the remediation process. A coalition of five buying companies ("Buyers Group") was formed in response.

The factory employed a mixed-migrant workforce of over 200 workers from Bangladesh, Nepal, Myanmar, Sri Lanka, and the Philippines. Investigation findings included passport retention, deceptive recruitment practices, recruitment fees, disciplinary penalties and fines, and poor supervisor behaviour, amongst others. Workers had experienced exploitation by recruitment agents, their sub-agents and government officials along the recruitment journey, and by factory management and supervisors on arrival.

In response to the findings, the Buyers Group committed to a Memorandum of Understanding (MOU), and used their collective leverage to drive changes for workers as well as to improve management practices at the factory. Supported by the Buyers' Group, Impactt worked with Company X management for 12 months to:

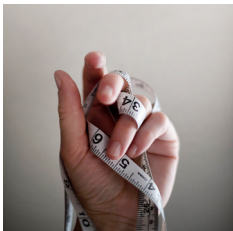
1. **Develop a remediation plan with the factory's management.** This plan was designed to address assessment findings by implementing improved policies and practices across the Company.
2. **Reimburse recruitment fees to all workers and strengthen Company X's recruitment due diligence.** Recruitment fees were reimbursed to all workers using the Universal Payment approach.
3. **Operate a trusted helpline for workers.** The helpline is available to workers in Hindi, Bengali, and Indonesian languages. It has received 100+ calls since launch and has been used to keep in touch with workers, gather feedback on whether they are seeing the impact of remediation activities in reality, and provide assistance where required.
4. **Address worker-supervisor dynamics through Impactt's RESTART training programme.** Built on social psychology techniques, RESTART training helps improve relationships and communication between workers, foremen, supervisors and management staff. The outcomes of the training are to improve participant's ability to communicate more positively, see others as individuals rather than numbers, and co-create mutual 'commitments' for better communication across nationalities and work levels.
5. **Verify implementation of the plan.** Regular verification visits showed areas of progress as well as opportunities for further improvement.



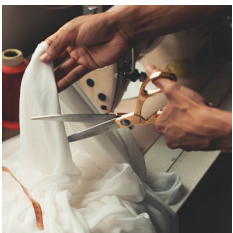
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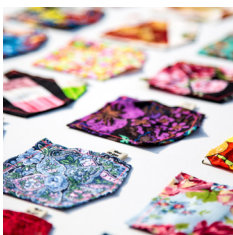
01. Recruitment fees remediation



02. Recruitment risk prevention



03. Key lessons learned



04. Moving forward



05. How do workers feel?

01. Recruitment fees remediation



Company X agreed to reimburse all workers employed at the Company at the time of investigation for recruitment fees they had paid. This amounts to over USD 480,000.



100% of workers in scope were paid in full over a 12-month period. Workers who left the factory during the period received their full payment.



Each worker received between USD 580 - 3,300. This was based on the average amount of fees paid per nationality. This approach utilised Impactt's recommended method of reimbursement: Universal Payment.

WHAT IS UNIVERSAL PAYMENT?

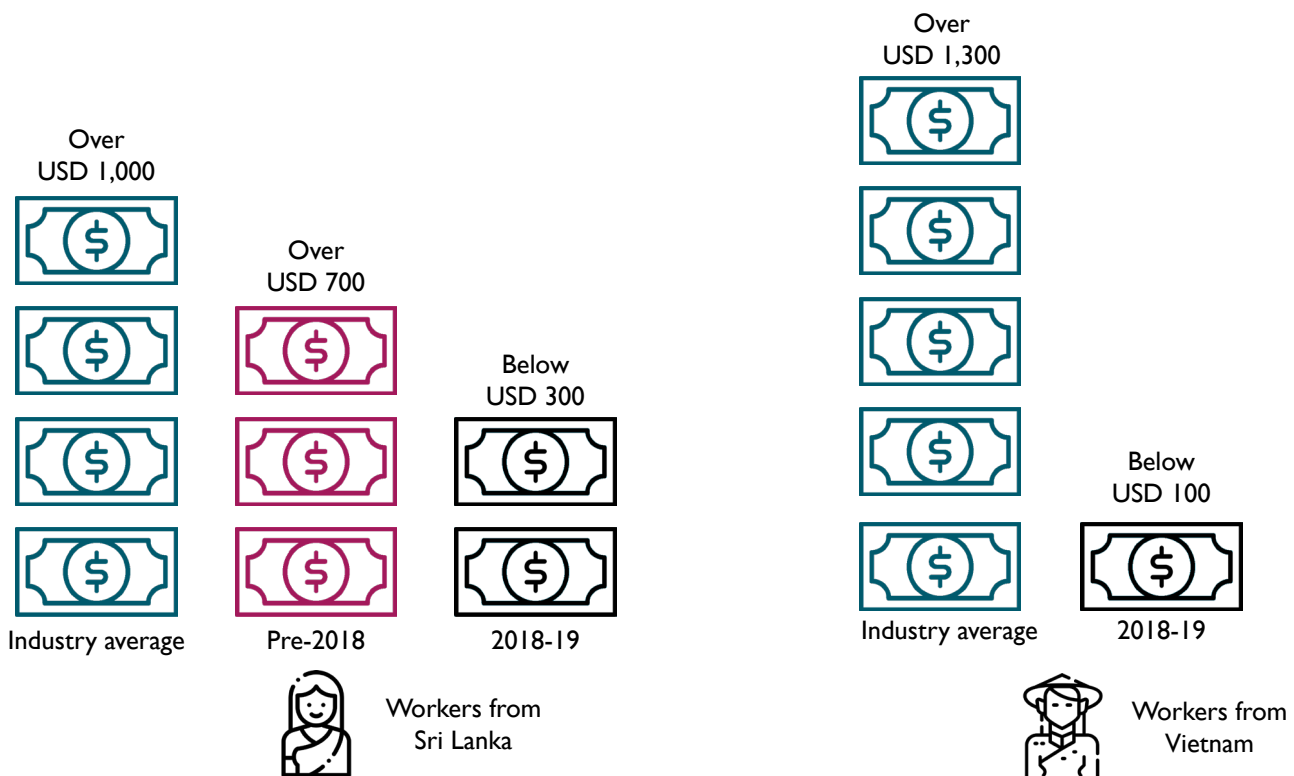
Universal Payment is a straightforward approach to reimburse recruitment fees to workers, whereby:

- The amounts of payments are based on the average quantum reported by workers during investigation, according to their nationality, cross-checked with published data from the ILO or other reputable organisations.
- All migrant workers employed at the date of discovery of the issue are eligible, regardless of length of service, current debt status or ability to produce receipts.

02. Recruitment risk prevention

Company X committed to implementation of the Employer Pays Principle for all future recruitment and implemented policies to remediate future cases of fee-charging. Company management is now working towards full operational implementation of the Employer Pays Principle.

Opportunities for capacity building have been identified, especially at sub-agent level. On the whole, recruitment fees paid by workers have gone down significantly, as demonstrated below:



(Company X did not recruit any Vietnamese workers before 2018)

100% of workers reported overall improvement in working conditions including:

- All workers hold their own passports
- Elimination of disciplinary fines and resignation fees
- Elimination of requirement to pay a deposit to go on annual leave
- Improved medical insurance coverage and practices
- Improved worker accommodation



03. Key lessons learned

1. COLLABORATION IS KEY

The greater the leverage a collective group of buyers has, the stronger the ability to drive change. Including intermediaries in this group (buying agents) is very important, since they have a more direct relationship with the supplier.

2. COMMUNICATE CONSISTENTLY

Consistent messaging from buyers helps suppliers understand remediation priorities and increases the likelihood that they will agree to implement.

3. RESPECT AND SUPPORT SUPPLIERS

Collaboration with and mutual respect for the supplier, rather than a “top-down” mandate is important for long-term engagement. Messaging should focus on collaborative work and supporting the supplier to improve their business and future prospects.

4. LOOK BEYOND THE FACTORY

The harm in unethical recruitment occurs primarily outside of the parameters of the factory and of the standard social audit. In order to identify this risk, different tools are required, and companies must look upstream in the supply of labour, rather than at factory-level alone.

5. PREVENTION IS JUST AS IMPORTANT AS REMEDIATION

In the context of exploitative recruitment practices, remedy is as much about policy change to prevent recurrence as it is about reimbursement to workers in compensation of what has been done. Paying out reimbursement may seem harder because of its high financial cost, but is actually easier to accomplish.



6. RECRUITMENT FEES CAN BE REDUCED RELATIVELY QUICKLY

Implementing an ethical recruitment system is challenging and takes time but can be done with the right investment of time and resources. This pilot and others show that it is possible to reduce recruitment fees paid by workers significantly within a relatively short space of time.

7. CULTURE CHANGE TAKES TIME

It is important to invest in trainings and initiatives which build management understanding of the linkages between a happy workforce and a productive workforce. True understanding of the business case for good working conditions is a prerequisite to making any changes systemic.

8. ENABLE WORKERS TO PARTICIPATE IN THE REMEDIATION PROCESS

Having a responsive helpline that enables workers to contribute to the remediation process provides important information on whether remediation actions are actually working and can act as an interim bridge between workers and management, while efforts to implement longer-term solutions are underway. In this case, the fact that interviewers spent time meeting and building trust with workers is seen as one of the key reasons for its success.

9. BUILD EFFECTIVE CHANNELS FOR WORKER-EMPLOYER DIALOGUE

Implementing an effective channel for worker-employer dialogue that continues after an external remediation programme ends is critical for sustainable change.

10. UNDERSTAND THE RISKS AROUND G2G AGREEMENTS

International recruitment is governed by government-to-government (G2G) agreements which are often opaque, can enshrine recruitment fees, enable bad practice and provide opportunities for corruption. More information should be available to brands on these G2G agreements so as to enable understanding of risk and guide sourcing decisions.



04. Moving forward



With support from their customers, Company X continues to work on operationalising their ethical recruitment practices, focussing on finding solutions to entrenched challenges such as sub-agent involvement and corruption.



Buyers engaged in this work are applying learning from this model to their wider supply chain, and engaging with industry associations such as the Fair Labor Association (FLA) and American Apparel and Footwear Association (AAFA), to lobby the IOM and relevant authorities to improve worker recruitment practices globally.



Buyers that are beginning to tackle recruitment-related exploitation in their supply chains are encouraged to apply learnings from this model, in particular through proactive collaboration with peers on identifying and remediating issues.

05. How do workers feel?

“The working environment has improved a lot over the past year. The behaviour of our supervisors is better, they speak more respectfully now, we can speak more openly and work without stress.”

“I am so happy we received the money (for recruitment fees) from Company X, this makes me want to stay to work here!”

“This money has been hugely helpful. I have used it to pay off my loans and family expenses, like replacing our tin roof and making repairs to the house.”

“Since we have received our money back and the behaviour from management has improved, we feel happier here and more motivated in work.”



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