



Business & Human Rights
Resource Centre

The Price You Pay: How Purchasing Practices Harm Turkey's Garment Workers



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Executive Summary

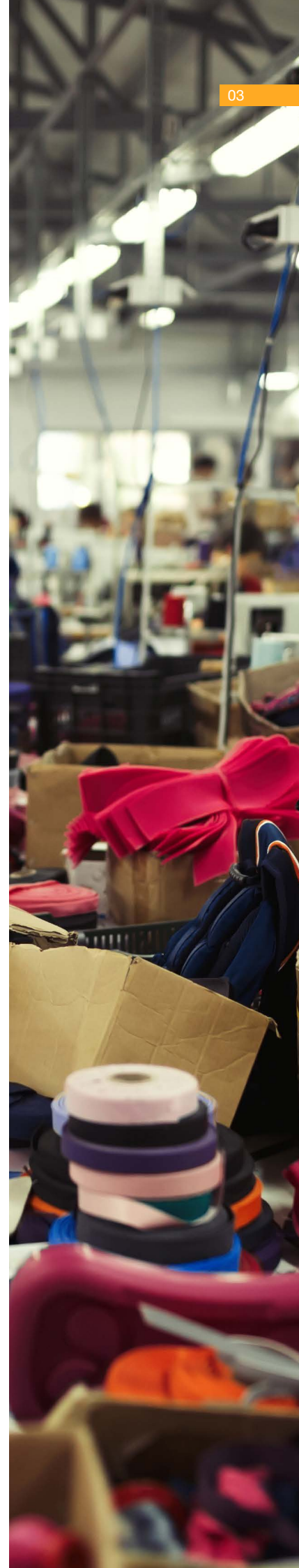
Exploitation and abuse of Syrian refugees who make 'fast fashion' for the high streets of Paris, London and Berlin continues, despite three years of revelations. This report explains the root causes that drive this abuse through the voice of the manufacturers of the clothes. Without systemic action by the European clothing brands to tackle these motors of mistreatment, harm will grow, and the mendacity of social audits that conceal abuse in supply chains will continue.



...if you go to Adana and Southeast, you will see that [a large high street brand's] fabrication fully depends on Syrian workers, and their cheap workforce... The Syrian workforce is what keeps the Turkish textile sector alive today." (Turkish supplier)

Since the Syrian civil war started in 2011, millions have left Syria to escape the violent conflict. The people of Turkey have accepted more than [3.6 million Syrians](#) and over [650,000](#) are estimated to be working in the country's garment industry, the majority of which are undocumented workers in the lower tiers of the supply chain and therefore particularly vulnerable to abuse and exploitation. Thanks in part to this huge supply of cheap labour, the Turkish garment industry is booming. It's the [third largest clothing supplier to the EU](#) and is expecting to [grow its exports by 10%](#) in 2019. The emergence of internet brands and increasing emphasis on speed to market – with turnaround times as fast as four weeks – to meet fast-changing consumer trends means Turkey will continue to retain strategic importance with both established and emerging European brands, given its close proximity to the European market.

Numerous [reports](#) have documented the poor working conditions Syrian refugees endure in Turkey including, discriminatory wages far below the legal minimum, child labour, sexual harassment and other abuse. We have conducted [three surveys](#) of European high street brands to establish their actions to end the endemic exploitation of refugees in their Turkish supply chains. We have also carried out field research in Turkey and held a roundtable attended by suppliers, industry associations, brands and civil society. Our analysis has demonstrated that while a small but growing group of brands are taking proactive steps to tackle exploitation, the majority are still failing to take steps to prevent abuse, particularly beyond their first-tier suppliers.





The buyers put a lot of pressure on us for the lowest prices with the shortest lead times. The pressure for costs is incredible. As a supplier, we need to get to 100% productivity for very short deadlines... some companies try to meet the unrealistic expectations with uncovered employment or forced labour.”
(Turkish supplier)

The role of fashion brands' purchasing practices in creating incentives for exploitation is [well documented](#), and this report provides insight into the type of practices that are creating conditions for exploitation of Syrian refugees and other garment workers in Turkey. We carried out in-depth interviews with five Turkish tier one suppliers to European clothing brands, to understand the stresses they experience that lead them to undertake high risk practices. Our research revealed that even where brands take action, they often fail to tackle the underlying cause of exploitation: their own purchasing practices. They undermine their own due diligence efforts to improve working conditions in Turkish factories. The key findings from this research are:

Short-term relationships drive precarious employment and excessive overtime:

Suppliers report a striking lack of long-term relationships with brands, with most only having visibility on orders for the next two to three months, despite brands often sourcing from them for years. Suppliers cannot plan effectively, leaving workers vulnerable to short-term contracts and casual work, combined with long periods of overtime when large orders arrive.

Price pressures drive down workers' wages: Suppliers say constant pressure by brands to reduce price undermines their ability to offer decent working conditions. One supplier admitted accepting orders below cost and others remarked that this practice was common in the industry. Most of our interviewees said brands had failed to factor the 2019 26% national minimum wage hike into their pricing.

Unrealistic turnaround times drives work to unscrupulous sub-contractors: Suppliers reported having to agree to unachievable turnaround times to secure orders; to try and meet these deadlines they subcontract work to smaller factories, require excessive overtime, and use high numbers of casual workers for short periods. In these conditions, second and third tier producers are usually excluded from social auditing to meet brands' human rights compliance standards.

Financial penalties further undermine supplier profits: A number of suppliers have to accept penalties for delays as part of the normal course of their relationship with brands, even when such delays are due to unrealistic turnaround times.

This approach to their supply chains drives unrealistic cost-cutting and heightened business risk, which is then passed down to the weakest link in the supply chain – the most vulnerable workers, who are disproportionately women, refugees and migrants. It is these groups, and Turkish casual workers that fall outside trade union and collective bargaining rights. These are the practices that need to be reformed in order for workers, especially refugees, to fully realize the benefits of positive efforts that have been introduced so far, including integration programmes and enhanced due diligence commitments.



The biggest obstacle to providing living wages is the purchasing practices of the brands. They have to change.”
(Turkish supplier)

Purchasing Practices & Syrian Refugees in the Turkish Garment Sector

This report follows three prior briefings on Syrian refugees in Turkish garment supply chains. In our past briefings, we focused on analysing company action to address allegations of serious exploitation and abuse. This time we look into brands' purchasing practices as an underlying cause of exploitation.

By identifying human rights risks linked to practices that create downward pressures on suppliers and ultimately workers, we hope to harness the real opportunity for international business to help bring greater prosperity and security to refugees, and the Turkish communities who have welcomed them. Safeguarding vulnerable refugees in the garment workforce is a genuine challenge, but it is one that some brands have proven they are capable of rising to. Looking into business practices is crucial to this process, without which other actions will likely fall short.

Purchasing practice reforms in the sector stand to benefit all workers across the supply chains, especially those in lower tiers of production where conditions are more hidden, and abuses usually go undetected by brands. The conditions of Syrian refugees in Turkey, who are mostly working in the lower tiers, have served to expose the damaging forces at work in the drive for higher profit margins.

Our findings from speaking with suppliers support what we found during our field research in 2016 and what has been conveyed in various reports: refugees are mostly working in the lower tiers of the supply chain in factories and workshops that are not subject to the oversight of brands' compliance audits. Most of the tier one suppliers we interviewed said they did not currently have Syrian refugee workers, while

one said they did not have data on this point. One supplier, who reported having two Syrians currently working in their factory, emphasized that the paperwork required to legally register Syrian refugees was onerous and this deterred many employers. Abuses against Syrian refugee workers – the most common among them being low and discriminatory wages, and precarity that hinders the enjoyment of union and bargaining rights – have mostly been detected in lower tiers of the supply chain.

One supplier said that there are *“[m]any children and refugees... working within the textile sector today. Some of them might be abused. But at the moment, it is not that common among the first-tier suppliers. The situation is way more problematic in second or third-tier suppliers in remote, rural areas.”* Another said: *“I know that in South East Turkey, especially in Sanliurfa and Gaziantep, there are some factories which pay their workers below the minimum wage. The majority of their workers are refugees and the cost of living is lower there.”* Another highlighted the importance of Syrian labour to the sector; speaking very frankly, they said: *“... if you go to Adana and Southeast, you will see that [a large high street brand's] fabrication fully depends on Syrian workers, and their cheap workforce.”* He went on to say he believed that: *“The Syrian workforce is what keeps the Turkish textile sector alive today”*.

In succeeding sections, we will discuss the specific practices that drive abuses at every tier of production. These are the practices that need to be reformed in order for workers, especially refugees, to fully realize the benefits of positive efforts that have been introduced so far, such as integration programmes and enhanced due diligence commitments.

Findings from the Interviews

We conducted five interviews with tier one Turkish suppliers and asked them a range of questions on brands' purchasing practices. Our questions covered how contracts work, technical specifications, order placement, lead times, forecasting, pricing, payment terms and how the negotiation works between suppliers and brands. Two of the suppliers we interviewed only, or predominately, produce for one European brand. The other three suppliers produce for multiple European brands. The workforces of the supplier factories ranged from small (up to 35 workers), to medium and large (between 350 and 3,000 workers). Interviews were given on a confidential basis and we have removed the names of brands from some direct quotes if we felt that there was a possibility the supplier could be identified.

Most of the suppliers we interviewed noted the power imbalance between them and the brands. They say that this lack of bargaining power drives them to accept the practices outlined below, which then impose demands and pressures on the lower levels of supply chains where human rights infringements are more prevalent. According to one of our interviewees, *"The buyers call the shots. They are very powerful... As suppliers, we have to be very flexible about the pricing [due to competition]. The profit margin is so low, and it is very risky."*

Short-term relationships driving precarious work

Interviewed suppliers described having very little visibility on future orders. One supplier indicated that this situation had deteriorated in recent years: *"15 years ago, we were having year-long sourcing agreements. But now, the maximum length of the agreements we get is two or three months."* Another explained (speaking in April): *"The orders are always quick and short. For example, right now, we know our orders until June, and that is it."*

Buyers' reliance on short-term contracting has made it difficult for suppliers to plan and predict demand. In this context, it makes little sense for suppliers to have workers on permanent contracts, in case orders fail to materialize. Instead, it is common for suppliers to take on casual labour or demand more overtime when large orders arrive. The practice of short-term contracting therefore accentuates precarious working conditions as it promotes informal non-contractual employment. It also impacts the health of workers, who find themselves operating in stressful environments and having to perform overtime in order to meet targets.

Furthermore, as suppliers are unable to plan, they are also more likely to resort to subcontracting – often unauthorised. We have seen these practices in other "boom and bust" industries like construction, with dire consequences for workers. Complex and opaque supply chains result in a pool of workers with varying contracts working under different conditions. Consequently, workers are less likely or able to organize to demand improvements to wages or working conditions. It also creates ambiguity over who is accountable for workers and their rights, making it difficult to enforce employers' responsibilities or to seek redress for workers. It is in these unauthorised subcontracting arrangements that brands are unable to detect and address child labour and unhealthy work environments.

Only the large supplier working exclusively for one brand described having regular, steady orders each month, although they not consider themselves to have a long-term contractual relationship with the brand. Another larger factory that produces women's suits for the high street also said they regarded themselves as being in a relatively fortunate position: *"I know that other suppliers, especially the ones which focus on knitting and dyeing, are in a more difficult position than us when it comes to purchasing practices of international brands."* Overall, these two relatively large (in the Turkish context) suppliers reported their experiences of brands' purchasing practices the most positively, clearly demonstrating the value suppliers place on having more stable relationships with brands, which are generally lacking in Turkey.

It was noted that smaller factories – who generally struggle to maintain steady relationships with buyers – are often home to worse working conditions in comparison with larger factories, which are more likely to be inspected and audited if supplying to international brands.¹ These smaller factories face greater economic constraints and are more likely to resort to child labour, fail to pay the statutory minimum wage and use short-term casual contracts.

Price pressure impinging on salaries

All of the suppliers we interviewed said the brands' approach to price negotiation was very aggressive. As one supplier said: *"We do not have a lot of space for negotiation, they can quit negotiation anytime and go to another supplier."* Another supplier said that smaller suppliers in particular are at the mercy of brands, commenting: *"They do whatever they can to get orders from them, and they do not negotiate."* As a result of these practices, suppliers pass these stresses down their supply chain: *"The brands determine the price. Honestly, after we accept the prices they offer, we give our own suppliers a very hard time."* Another supplier said the current approach to price: *"...makes decent working conditions impossible..."*

The largest supplier we spoke to (with over 3,000 workers) said that it was not possible for them to agree to prices that are below cost (although profit margins were very tight) because their cost base – with a large number of workers – was too high. However, another supplier we spoke to that had supplied European brands as well as one US brand said they had taken orders that were below their cost base, adding: *"Unfortunately, selling below cost is a very, very common practice in the industry"*. Most of the suppliers we spoke to knew of other suppliers that were taking orders that were below cost, even if they were not themselves.

Even where suppliers have been able to keep a slim profit margin, they emphasized that this left them open to many business risks: *"With such low profit margins, we face very big risks: the buyer may leave the products if your garments do not pass the quality control tests, they leave them and they don't pay for it. If your fabric does not pass the quality control test, they may leave. We call such situations "bombs". If you are supplying for a smaller brand and they leave your products, it is a hand grenade. If you are supplying for [a big brand] and they leave a big batch, then it is an atomic bomb for your firm."*

¹ See www.hrw.org/report/2019/01/23/no-room-bargain/unfair-and-abusive-labor-practices-pakistan

The lack of bargaining power means that suppliers have no recourse in situations like this. Another supplier commented when asked if they had sold below cost: *“Yes and no. We haven’t sold below cost before... Sometimes, after we have received the order, they ask for an additional bulk, and they tell us that it is for the online sales. They ask us to “put it in the production line Z”, which means not getting extra payment in our jargon. This has happened before. We accept it, to keep them satisfied.”*

Open costing has been advocated as a way for buyers to better understand the costs suppliers have, including labour costs. However, one supplier felt that this transparency was being abused and was just another way that buyers were able to impose price reductions: *“We disclose all of our costs, the products we use, the fabrics we prefer, the profit we add. We list all of them, openly. For example, we end up with a 3-euro cost per piece for zippers/buttons. They immediately tell us that they have received other open cost lists from another supplier in which the buttons/zippers cost is 2.7 euros. But we do not know where those suppliers buy their buttons or zippers from. Eventually, in order to compete with them, we decrease our profit. This is one of our biggest challenges. They impose the costs of other suppliers. The burden is on us. We have to lower the cost to 2.7 euros, somehow. Otherwise, we will lose the buyer.”*

Another supplier explained how they tried to avoid disclosing the labour cost involved in producing a garment where possible, as otherwise brands would know their profit margin and squeeze them even further.

Despite the pressure on prices and margins, all the suppliers felt that their buyers had high standards regarding safety and compliance issues. While it is positive that brands are successfully communicating what they expect from suppliers in terms of compliance standards, they must also appreciate that improved social compliance inevitably has a cost associated with it. This is particularly true when the standards of brands vary, which was a point of concern shared by suppliers.

Failure to take account of the minimum wage increase

The gross minimum wage in Turkey increased to TRY 2558.4 (£318) per month in 2019 from TRY 2029.5 (£252) per month in 2018; [an increase of 26%](#). We asked suppliers if buyers had incorporated this increase into their prices. All of the suppliers said that the brands had not incorporated this cost, with the exception of one, who preferred not to answer the question.

Two suppliers went on to explain that while brands refuse to incorporate such cost increases into their prices, at the same time they will always ask the suppliers to reduce the price if there is a fluctuation in the currency to their benefit: *“They always hold the foreign currency factor against us in such situations. This is eventually projected on our own suppliers. We do our best to bring profit from our own purchasing instead of our selling. We pressure our fabric suppliers or button/zipper suppliers or our yarn suppliers. We try to pay them in cash. It is quite ironic, but we try to profit as we are buying, instead of selling.”*

Another supplier said: *“Whenever the currency gains value, the buyers ask for us to lower the prices. Sometimes they even ask us to lower the prices after we have already taken the orders. They don’t take the raises in the minimum wage into consideration, they expect us to cover such changes.”*

The fact that most suppliers we spoke to said that brands would not take account of minimum wage increases in their prices undermines claims from brands that they are committed to moving towards a living wage for workers in their supply chains. It suggests that the CSR functions and the buying functions within brands are not working together or that ultimately the buyers and the focus on cost reduction is what prevails. As one supplier remarked: *“The biggest obstacle to providing living wages is the purchasing practices of the brands. They have to change.”*

Unrealistic turnaround times & financial penalties affect worker conditions

Although Turkey has higher production costs than its Asian counterparts, [the benefit it offers \(due to its proximity and skill base\) is shorter delivery timelines](#). It also offers a vertical supply chain as all aspects of the apparel supply chain are found in Turkey, including good quality fabrics. This means brands can use Turkish suppliers to react quickly and bring fashion trends to market at speed. Suppliers know that short production times give them a competitive advantage. However, our interviews revealed that even though the suppliers are used to working to short timescales, the demands from brands are often unreasonable and result in practices that are known to be detrimental to workers.

In order to compete with the low labour costs offered in Asian sourcing countries, one supplier remarked: *“Turkish suppliers feel compelled to accept orders with short deadlines. We do our best to deliver the orders on time, and we think we will pay the penalties for delay if necessary...”*

Another explained how the process works in practice: *“For us, we do our best to negotiate as much as we can. For example, they want us to complete an order by 10th May. We calculate and it turns out that in all probability, it can be completed on 26th May... In order to meet the deadlines while maintaining the low costs, we often hire workers for short periods of time - weekly, daily, monthly...”*

Two of the five suppliers said they frequently resorted to taking on casual workers. The suppliers were keen to stress that any workers they took on were all paid properly in accordance with the law. Nevertheless, casual work is very common in the Turkish garment sector and this disadvantages workers in many ways, including undermining the ability for workers to organise and demand better working conditions. Further, one supplier said they knew that: *“some companies try and meet the unrealistic expectations with uncovered employment or forced labour...”*

Three of the suppliers said they frequently needed staff to work overtime. Four suppliers said that they resort to subcontracting, with three saying they do this frequently. The only supplier that did not engage in subcontracting was the supplier working with only one brand, which reported more steady orders. One supplier explained that subcontracting became necessary as a direct result of the unrealistic lead times they had felt compelled to agree to. They said that as the deadline approaches, suppliers will *“divide the work between three to four subcontractors”* but commented that in about

“80% of cases, the lead times are not met”. The widespread use of subcontracting in Turkey – often without brands’ knowledge – is a [well-known problem](#) and the information our interviewees supplied us demonstrated that it is clearly linked to the purchasing practices of brands.

The pressure on speed to market in Turkey means that suppliers are liable to incur penalties for missed deadlines, creating additional pressures for suppliers. As one interviewee described, these pressures are often passed down to workers in their factories – by creating stressful working environments – as well as to the subcontractors (who are mostly not subject to brands’ social compliance standards). One supplier named a well-known brand as being *“very strict”* about deadlines, while another said the same brand *“claim[s] delay penalties with even the slightest delay”*. Another supplier explained how in critical seasons, like December, this same brand *“can immediately reclaim or demand delay penalties up to 5% or 10%. In a few cases, they have asked us to ship the incomplete order bulks and asked us to pay for the shipping.”* Overall, the picture painted by suppliers of the pressure created by lead times and the accompanying financial penalties was one in which suppliers are left with very few options but to accept what is being demanded by brands in terms of delivery, and accept the financial penalties as part and parcel of the relationship they have with brands. In turn, they resort to practices that are harmful to workers, such as subcontracting, low wages, long overtime, and a general lack of oversight of labour conditions.

One supplier also expressed concern about how the Letter of Credit system might be abused by buyers. They said that they would prefer prepayments for orders and explained how the system could sometimes work to the disadvantage of suppliers in Turkey. *“We have had bad experiences before, when some of our buyers did not make their payments with excuses on the quality of the fabric or some technical details... Sometimes, some companies in bad faith may leave the products without any payments. That is a huge risk for small/midsize suppliers like us.”* Vulnerability to such unscrupulous practices creates additional pressures for suppliers, undermining their ability to pay their labour force.

Conclusion & Recommendations

We saw from these in-depth interviews how suppliers in Turkey are at the mercy of brands. They feel they have very little, if any, bargaining power and are forced to accept orders with unrealistic timescales, leaving them open to routine financial penalties if they miss deadlines. Brands determine the price and use the intense competition in the Turkish market to push prices as low as possible, leaving many suppliers compelled to accept orders below their cost base. These practices mean suppliers take decisions which are detrimental to workers, including paying low wages and relying on casual workers who do not have the ability to unionise and collectively bargain. It also leads to suppliers routinely resorting to subcontracting to either make a profit (as clothes can be made cheaper in non-compliant factories), or achieve the unrealistic turnaround times, which limits the accountability of second and third tier producers to meet brands' human rights compliance standards.

These practices have created the conditions for serious exploitation of Syrian refugees in the lower tiers of the supply chain in Turkey. Brands need to acknowledge their role in this by radically reforming their purchasing practices. It is particularly noteworthy that most of the suppliers we spoke to said none of the brands they were producing for had taken account of the 26% minimum wage rise in 2019 – this seriously undermines statements by brands that they are working towards living wages in their supply chains. The suppliers themselves see the disconnect between brands' CSR and buying departments; until human rights commitments are properly embedded within the commercial arm of the brands, they cannot be effective.

Even brands that are known to have strong CSR programmes were named by suppliers as having very aggressive purchasing practices, including ordering *“for unreasonable prices”* and imposing penalties for even slight delays in delivery. One supplier noted a disconnect between CSR and buying departments in brands, explaining that *“for big European brands, the purchasing departments have to get the confirmation of the sustainability departments. But mostly, the buyers have the last say.”* While it is positive that there have been attempts by some brands to integrate their CSR and buying teams, these attempts are failing to make the transformational change in buying practices required. A huge cultural shift is needed in order to truly transform practices.

While brands are often keen to communicate how they nurture sustainable relationships with suppliers, this was not the picture borne out of the conversations we had with suppliers. It was of particular interest that only one supplier reported being offered the opportunity to provide feedback to buyers on their purchasing practices, although others reported that they would appreciate having the opportunity to do so. Alongside the need to transform purchasing practices, brands should also seek ways to understand the impact of their business decisions on both suppliers and the workers they employ.

Brands should urgently address the purchasing issues outlined above, by doing the following:

- Commit to fully factor the 2019 minimum wage increase and all future minimum wage increases into the prices they pay to suppliers.
- Develop purchasing practices policies that:
 - Commit the company to ringfencing labour costs, in order to guarantee living wages in price negotiations;
 - Create coherence between their CSR and buying departments, and embed this within all departments and procedures, in order to combat the culture of price trumping worker rights and protections;
 - Create strong incentives for buyers to foster longer-term relationships with suppliers, which will help guarantee secure work and worker protections;
 - Commit brand buyers to understand the capacity production of factories in order to negotiate fair lead times and payment terms.
- Provide training for their buying and commercial departments on rights-respecting purchasing practices, so that they understand the impacts of their decisions on suppliers and workers.
- Collaborate with other brands sourcing from Turkey to improve purchasing practices on an industry-wide basis. All brands sourcing from Turkey should join and support the Action, Collaboration, and Transformation (ACT) on Living Wages initiative operating in Turkey, for example, which is seeking to create sectoral collective bargaining through improved purchasing practices.
- Report publicly on how they are reforming their purchasing practices to drive better social performance by factories and specifically how practices support efforts to achieve living wages of workers making their clothes. The Better Buying Initiative has a rating system that can serve as tool and guidance for brands to improve, and for suppliers to be better supported.

We also refer back to recommendations in our previous reports with respect to improved risk assessment practices and collaborative approaches to better protect Syrian refugees in the Turkish apparel sector:

- Brands should expand efforts to individually and collectively support the work of local NGOs, trade unions and refugee support groups and explore ways to ensure worker participation.
- Brands should join pre-competitive collaboration to strengthen the industry-level approach to end informal and child labour, and improve working conditions across the board, and especially for refugees and immigrants.
- Diverse industry stakeholders should collaborate to build constructive dialogue with the Turkish Government to improve the work permit regulation, and support coherence between ministries' refugee policy and practice, and strengthen the capacity of the Turkish Labour Agency (ISKUR). They can also engage with European countries and the EU to insist on enhanced support for refugees in Turkey and the EU.



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Business & Human Rights Resource Centre is an international NGO that tracks the human rights impacts (positive & negative) of over 8,000 companies in over 180 countries making information available on its eight language website. We seek responses from companies when concerns are raised by civil society. The response rate is 73% globally.