

The Observer

Gap, Next and M&S in new sweatshop scandal

Indian workers are paid just 25p an hour and forced to work overtime in factories used by some of Britain's best-known high street stores

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Some of the biggest names on the British high street are at the centre of a major sweatshop scandal. An *Observer* investigation has found staff at their Indian suppliers working up to 16 hours a day.

Marks & Spencer, Gap and **Next** have all launched their own inquiries into the abuses and pledged to end the practice of excessive overtime, which is in flagrant breach of the industry's ethical trading initiative (ETI) and Indian labour law.

Some workers say they were paid at half the legal overtime rate. Gap, which uses the same factory as Next, confirmed it had found wage violations and gave its supplier a deadline of midnight last night to repay workers who lost out. M&S says it has yet to see evidence to support the wage claims.

Workers also say that those who refuse to work the extra hours have been told to find new jobs. Those in the factory supplying Gap and Next also claim staff who refused to work extra hours were threatened and fired, a practice defined under international law as forced labour and outlawed around the world. The factory has pledged to apologise and reinstate anyone who lost their job.

Next said it had found the situation to be "deplorable" and the chairman of

the Indian company it uses has apologised and promised to make amends, blaming demand for workers at the forthcoming Commonwealth Games in Delhi for leaving factories short of staff.

Gap admitted wage and overtime violations and ordered its supplier to reduce working hours to within the legal limits and to refund workers who have been illegally underpaid.

Marks & Spencer admitted its supplier had been operating excessive overtime but said it had acted quickly to tackle the problem. It admitted its own audits had found a number of other violations, which it described as "high-risk issues in documentation and conditions".

The *Observer* investigation found the factories were using workers hired through middlemen who paid them as little as 25p an hour, in the case of Gap and Next, and 26p an hour for M&S.

Workers at the factory used by Gap and Next said they had been required to put in up to eight hours a day in overtime, for which they claim to have been paid at half the legal minimum rate required by the ETI and Indian law. Some workers at the same factory said they had to work seven days a week, a practice condemned by their union as "slave labour".

All three companies have told the *Observer* that they are totally committed to ethical trading and will not tolerate abuses in their supply chain. All say the problems were detected by their own auditing processes and that they have taken swift action to tackle them.

The *Observer* spoke to workers from some of the factories involved. House of Pearl produces clothing for Gap and Next. Jawal Hussain, 24, who works in the House of Pearl factory, said that in June he worked 133 hours overtime on top of his normal eight-hour shifts, all at the basic single rate of pay. He pocketed a total of 6,100 rupees [£83]. He and many of his fellow workers are hired through a contractor, which is responsible for paying them. "There were two or three people who objected to the overtime and they were beaten up and now they have left the company," he said.

He said they started at 9am and regularly worked through to 10pm with two half-hour breaks, though sometimes they would go through to 2am the next day and be expected to return again later in the morning.

Fellow worker Segar, 20, said he had worked every day in June, putting in 150 hours of overtime: "I like the work but don't like the excessive overtime. But we are told if you don't want to work overtime you don't work here."

The men said that by the time they had paid their rent, electricity, food and transport bills and sent a little money home to their families, they had nothing left and usually had to rely on credit to get through to the end of the month. The effects on families are clear to see in the narrow, muddy streets of the Kapashera district of south-west Delhi, close to the booming satellite city of Gurgaon and home to many of its garment workers.

Most leave their homes before 8am and many do not return before 8pm. Some children attend schools but many can be found roaming the streets for hours on end. The *Observer* found several children playing in the filthy streets where pigs rummage through rubbish and stinking open drains carry sewage between the tiny one-room houses.

Six-year-old Bubli, a little girl with a weeping sore on her chest, said both her parents were out working. They left at 8am and did not usually return until

10pm, she said. Her 11-year-old sister was left in charge while they were at work.

Sugriv, 10, was standing in the doorway of a relative's house. Both his parents were at work, he said; his mother usually got back about 8pm but his father was rarely home before 10pm. He played in the streets, he said, until it was time to go to school in the afternoon, and again after he got home again.

At the Rao Bir Singh school, principal Manju Yudav said parents had to pay £5.50 a month - about 10% of their salaries - to send their children to the school. Many simply cannot afford it.

"We don't want to work but are working because of our family expenses," said Mohan Singh, 25, a father of two children, who works in Viva Global's factory producing items for M&S. "If we don't work our salary will be stopped, but the rent of the house and the children's school fees won't stop."

He was speaking during his lunch break a few blocks away from Viva Global's shabby, unmarked three-storey building in Gurgaon. "If we complain to the management, they are ignoring us, nobody is paying attention. If the workers says they don't want to work, then the management says you have another option, you can leave the company." Viva Global say it has now taken steps to address workers' concerns.

Workers at the Viva Global factory in Gurgaon said they produced clothing for the M&S Girls' Limited range, billed as a "fun and fashionable new range" for girls aged six to 14. They said that until recently workers had been required to stay for up to 16 hours a day on single pay. Viva Global says that orders have dried up and that there has been no excessive overtime for at least three months.

One worker, Subhash, 35, said they could not feed their children on their 5,000 rupees [£69] a month basic wage. Pappu, 28, and Rajesh, 32, said they had worked from 9am to 10pm for a basic 4,600 rupees a month, with overtime paid at single rate. "We need to work for the money and if we don't the company will kick us out," said Bitthu, 26.

In a statement Next said it had already started its own investigation into abusive practices at the Pearl factory, including excessive overtime and underpayment of workers. A spokesman described the situation as "deplorable". The company warned that it would drop the factory unless conditions improved rapidly.

"It goes without saying that we were extremely concerned about this situation and are working actively with the supplier's management to improve conditions at Pearl," the spokesman said.

Gap said all its factories had to stick to comprehensive and strict standards, which it said were non-negotiable. It said its staff had uncovered violations around excessive overtime and overtime wage payments in June. A spokesman said Pearl had been ordered to pay back all the outstanding money and reduce working hours to the legal limit. But it said that firing its supplier would only hurt the workers. "We are conducting a full investigation, including a review of related documentation to ensure that the workers are paid in accordance with the law. If we find any areas of non-compliance, as is our policy, we will ensure that appropriate action is taken, including back payment of wages as appropriate," said a spokesman.

Last year M&S launched a five-year ethical trading plan, complete with a

national advertising campaign under the slogan Doing the Right Thing, and new chairman Marc Bolland last month pledged to put the ethical policy at the heart of its business model.

A spokesman for M&S said that it was essential to the retailer that its suppliers upheld strong ethical standards and that this was a condition of doing business with the company. He admitted that excessive overtime had been worked at the Viva Global factory earlier this year and said the company was taking action to deal with the problem.

"Viva Global is a factory we have had issues with as it has fallen short of the high standards we require and are in the process of working closely with it (and the union) to do what we can to address them," the spokesman said.

"We also believe it is important to do this to improve conditions for the workers and put right any wrongs that we have uncovered. On the issue of excessive overtime at Viva Global, further investigations at my end have uncovered that this had been a problem at the factory but on an irregular basis in the months preceding April."

He said that the company had worked with Viva Global for five years and it was only this year that problems had surfaced. Since April the company had carried out 11 factory visits, six unannounced, and was confident that there had been no excessive overtime in the past two months.

M&S said Viva Global was one of 92 factories it sourced from in **India** and that it accounted for 1% of its output from the country. It said it had hired an experienced human resources manager at its request and improvements had been made.

"Excessive overtime and not paying workers the correct overtime rate can also be an issue in Gurgaon. This is one of the reasons we have a large team on the ground in Delhi and among the strictest ethical standards in the world to prevent it becoming an ongoing issue at the factories we source from," the spokesman said.

Venu Nair, the company's south Asia head, said M&S expected high standards and was constantly checking on working conditions to ensure those standards were met: "If we ever find instances of non-compliance, it's always our policy to work hard with our suppliers to try and fix the problem."

House of Pearl chairman Deepak Seth apologised and described recent trading conditions as a "nightmare". He said that a combination of demand for workers for projects related to the Commonwealth Games, which will be held in October, and the annual return of workers to their home villages for the wedding season, had left the factories 40% short of their normal number of workers and they had responded by increasing overtime beyond the maximum two hours per day allowed by law.

"I do agree that excessive overtime has happened... and going forward we are not going to allow it, and whoever has worked more than two hours, and not been paid as per the wages, we are going to correct that situation," he said. "I've been talking to my factories everywhere that this kind of a thing has to stop because it is not fair to expect workers to work more than two hours a day overtime."

He also promised to reinstate any workers sacked for refusing to put in the extra hours.

Sudhir Kumar Makhija, chief operating officer for Viva Global, said the

company was committed to ethical trading. "We are working closely with M&S and whichever issues they have raised in the past we have ensured that all have been rectified and we are saying that for the past three to four months there's been no excessive overtime here."

He claimed that some workers may want to harm the company by making unsubstantiated allegations. He added that he was aware of workers who did eight hours in his factory and then another eight in another factory, but denied that any workers had put in 16- hour days in the one unit.

"We love our employees. They are the source of our existence and their concerns of any nature are our priorities," he said. But he acknowledged that workers had complaints and said the company had hired an experienced HR manager "to address workers' grievances".

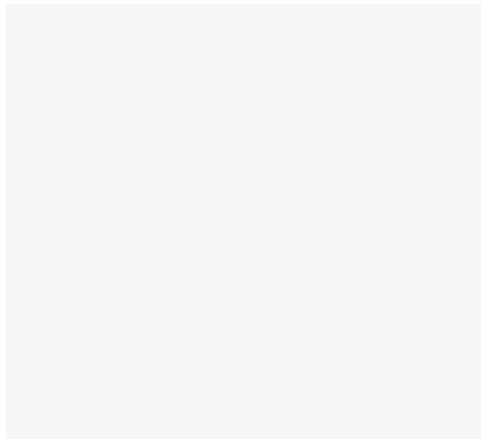
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