



COMPANY: **Patagonia**
COUNTRY: **China**
ASSESSMENT DATE: **09/17/12**
MONITOR: **FLA Assessor Team (China)**
PRODUCTS: **Apparel**
PROCESSES: **Sew**
NUMBER OF WORKERS: **1826**
ASSESSMENT NUMBER: **AA000000003**

FLA Comments

Company Exit Explanation: Patagonia exited the supplier in August 2014 because we had evidence that the factory was unable to process Patagonia's orders due to their inability to settle long past-due payments to raw material suppliers. The factory suddenly became extremely delayed in product deliveries, failing to return phone calls and emails from KCK's executive management, workers going on strike due to delays in wage and social insurance payments. Our fears were confirmed when the factory went out of business in October, 2014. During a 5-month period of uncertainty in mid-2014, we tried our best to work closely with factory management to make sure the negative impacts on workers were minimized. We conducted an onsite verification audit at the factory in August 27, 2014, where we were able to confirm that factory paid all previously owed wages to all affected workers between April to July 2014. In addition, the factory paid 3 months of owed social insurance of all workers and promised to pay the remaining 3 months' social insurance fees by end of September 2014. In late August 2014, we also asked the factory to complete our exit questionnaire to assess potential impact on workers due to Patagonia's exit. The returned exit questionnaire indicated no obvious negative impacts. The factory was assessed by the FLA on September 27, 2012. By the time of our exit, the factory was able to correct some issues identified in this report, including critical issues of monetary penalties due to poor productivity and weekly hours over 60. Since the factory closed its doors just a few months after our exit in October, we were not able to verify if the factory made final wage and severance payments; nor were we able to follow up with other FLA brands in the factory regarding the pending corrective action plans.

What's Included in this Report

- Understanding this Assessment Report
- Score Summary
- Glossary
- Summary of Code Violations Table
- Score by Employment Function
- Findings and Action Plans
- Score By Management Function

Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

Glossary

De minimis: a de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of the facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

Facility performance: how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

Fair labor standards: the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

Employment life cycle: all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

Code violation: failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

Company action plan: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

Employment functions: The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

Management functions: violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

Finding: indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

Finding type

- *Immediate action required:* discoveries or findings at the workplace that need immediate action because they not only

constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

Local law or Code Requirement: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

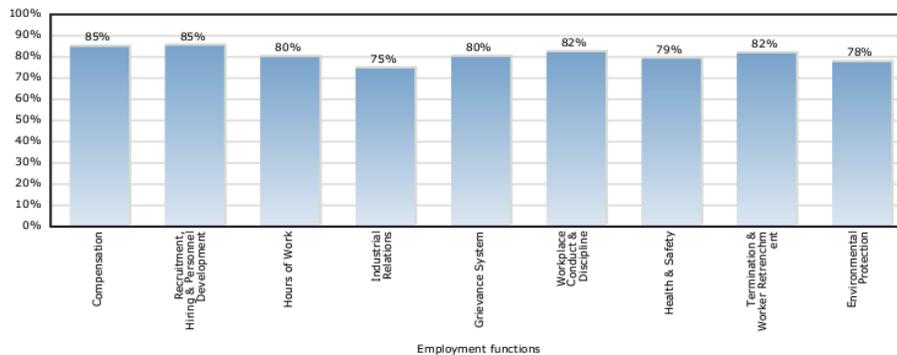
Root causes: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

Uncorroborated Risk of Noncompliance: indicates a serious issue that has surfaced during the assessment, but one which the assessors were not able to corroborate through additional sources of information (e.g., allegation of retaliation against a worker by the factory management for participating in the assessment).

Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.

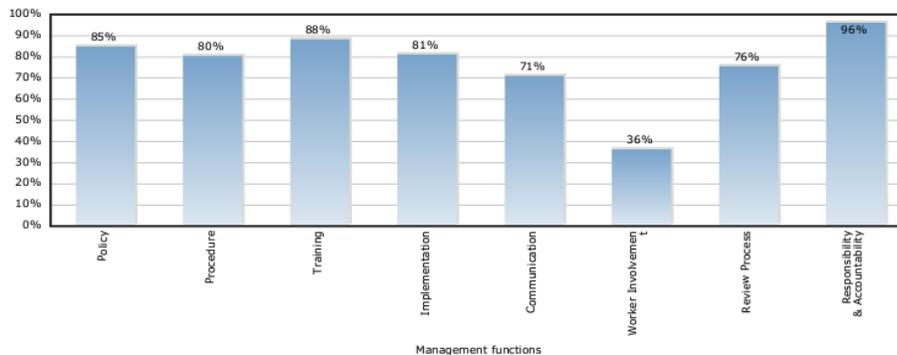
Average Score



Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an FLA assessment. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.

Average Score



Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

| Management Functions | Recruitment, Hiring & Personnel Development | Compensation | Hours of Work | Industrial Relations | Grievance System | Workplace Conduct & Discipline | Termination & Worker Retrenchment | Health & Safety | Environmental Protection |
|---------------------------------|---------------------------------------------|--------------|---------------|----------------------|------------------|--------------------------------|-----------------------------------|-----------------|--------------------------|
| Policy | 78.57% | 87.5% | 90% | 33.25% | 100% | 80% | 88.89% | 83.33% | 100% |
| Procedure | 96.88% | 93.18% | 80.65% | 11.54% | 80% | 83.33% | 85.71% | 79.63% | 72.73% |
| Responsibility & Accountability | 85.72% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| Review Process | 68.18% | 68.18% | 71.88% | 72.73% | 66.67% | 68.18% | 68.18% | 63.64% | 62.5% |
| Training | 94.66% | 92.54% | 87.56% | 71.74% | 86.36% | 88.08% | 88.05% | 79.25% | 86.76% |
| Implementation | 96.6% | 88.66% | 74.43% | 70.83% | 83.33% | 92.59% | 88% | 78.7% | 69.45% |
| Communication | 75% | 80% | 70.83% | 0% | 66.67% | 87.5% | 65.56% | 66.67% | 60% |
| Worker Involvement | 0% | N/A | N/A | 100% | 0% | N/A | N/A | 54.17% | 100% |

Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

| FLA Code Element |
|--------------------------------------------------|
| Compensation |
| Employment Relationship |
| Freedom of Association and Collective Bargaining |
| Harassment and Abuse |
| Hours of Work |
| Health, Safety and Environment |
| Non-Discrimination |

Findings and Action Plans

FINDING NO.1

HOURS OF WORK

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

- i. From August 1 to September 17, 2012, the average working hours for 55% of workers was 66 hours per week, which exceeds the FLA limit of 60 hours per week.
- ii. The average of total overtime hours per month for the same period was 94 for 55% of workers, whereas the maximum overtime hours per month according to the local law is 36.

Local Law or Code Requirement

Labor Law of China, Article 41; FLA Workplace Code (Hours of Work Benchmark HOW. 1.3)

Root Causes

- i. Factory has a production plan based on 60 hours per week during the peak season. Production planning does not include safeguards to prevent employees from working more than 60 hours.
- ii. Since communication has been made with 2 key clients who placed the orders for the period in question, and both clients approved the factory's request to exceed 60 hours/week, the factory considered this acceptable.
- iii. Factory has no clear procedure on unusual business circumstances, such as material delay from suppliers.

COMPANY ACTION PLANS

1. i. Factory is to ensure that production planning: 1) is in line with legal/FLA limits on hours of work and 2) includes safeguards against exceptional circumstances, in order to avoid more than 60 hours per week
- ii. Factory is to set up: 1) a monitoring system to follow the delivery precision of material suppliers and 2) a plan to progressively reduce overtime, to ensure it is compliant with legal requirements and FLA Code
- iii. Factory is to: 1) keep in close contact with buyers to communicate production capacity and working hours status and 2) coordinate closely with them to progressively reduce excessive overtime
- iv. Factory is to create a procedure on hours of work to reduce the risk of exceeding FLA and legal limits. Production supervisors and management should be trained on the newly created procedure

Action plan status: Planned

Planned completion date: 08/15/14

FINDING NO.2

INDUSTRIAL RELATIONS

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. The factory deducted trade union membership fees from workers' wages without individual workers' express and written consent.
- ii. The factory has no policy on freedom of association (FOA).
- iii. Supervisors and management fill the trade union's chairman position and most of the committee member positions. Most interviewed workers were not aware of the election process to elect Trade Union Committee members.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.11; Freedom of Association Benchmarks FOA.2, FOA.11, and FOA.24; Employment Relationship Benchmark ER.1)

Root Causes

- i. FLA Comment: The Chinese constitution guarantees Freedom of Association; however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union – the All China Federation of Trade Unions (ACFTU). According to the International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. Recently, however, the government has introduced new regulations that could improve the functioning of the labor relations' mechanisms. The Amended Trade Union Act of October 2001 does stipulate that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. It also grants the trade union an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.
- ii. This issue has never been brought to the attention of factory management before during previous external audits.
- iii. Factory management is not aware of the FLA Code and Benchmarks related to freedom of association.
- iv. It is a common practice for Chinese factories to automatically deduct union membership fees from workers' wages without workers' written consent.

Recommendations for Immediate Action

Factory shall not deduct union fees from workers' wage without individual workers' express and written consent.

COMPANY ACTION PLANS

1. i. FLA affiliate is to require factory management to communicate (verbally and in writing) to workers that factory management shall not interfere with the operation of workers' organizations or the right of workers to freely elect their representatives / 2 months;

ii. Supervisors and management fill the trade union's chairman position and most of the committee member positions. Most interviewed workers were not aware of the election process to elect Trade Union Committee members. "

ii. FLA affiliate is to communicate FLA Code and Benchmarks related to FOA to factory management / 3 months;

iii. Factory is to establish policy/procedure on freedom of association that is in line with FLA requirements / 3 months;

iv. Workers, supervisors, and managerial staff are to be trained by an external independent service provider on the new policy/procedure / 5 months;

v. The Trade Union Committee should be comprised of worker representatives who are freely elected by workers without management's interference. Worker representatives should be actively involved in the factory's decision-making process / 6 months.

Action plan status: Planned

Planned completion date: 06/15/14

FINDING NO.3

COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation

i. Factory has not made reasonable efforts to ensure that workers understand the calculation of wages and benefits. For instance, social insurance and housing provident fund are deducted from workers' wages each month, as required by law; however, pay slips only show an aggregated amount for both deductions. According to worker interviews, a) most workers do not know that their housing provident fund is paid by the factory, b) 85% of workers interviewed are unaware of the different social insurance schemes they have contributed to, and c) 73% of them do not know how they can avail themselves of social insurance.

ii. Factory uses monetary penalties in cases of poor productivity performance by workers. It was observed that when a worker's calculated piece-rate wage is lower than the legal minimum wage in a certain month, the balance will be paid to the worker, but will be deducted from the worker's bonus in following months.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmarks C.13 and C.17; Harassment and Abuse benchmarks H/A.2)

Root Causes

i. The relevant HR personnel did not realize the importance of communicating compensation method to workers via transparent pay slip breakdown.

ii. Training for workers on compensation was not effectively carried out. Trainings on the employment handbook were made through broadcasts during regular hours of work; workers could continue working while listening to the trainings. As a result, the trainings were not very effective.

iii. In factory management's opinion, this kind of monetary penalty is more effective to elicit the expected production performance from workers.

iv. Management was not aware of FLA requirements on monetary penalties.

Recommendations for Immediate Action

i. Factory management is to cease the practice of imposing monetary penalties on workers whose piece rate is below minimum wage.

ii. The HR department is to: 1) improve the pay slip content by including separated columns for social insurance deduction and housing provident fund and 2) ensure that all information is accurate.

COMPANY ACTION PLANS

1. i. FLA affiliate is to train factory management on FLA Code and Benchmarks / 4 months;

ii. Workers, supervisors, and management should be trained on the revised policy and procedures / 3 months;

- iii. To eliminate the possibility of applying monetary penalties, factory management is to review and revise workplace conduct and discipline policy and related procedures / 2 months;
- iv. Factory management is to change the current method of providing workers' orientation and ongoing training. Classroom training on the employment handbook could be more effective, as then workers could communicate with the training face to face / 2 months;
- v. The HR department is to provide all workers ongoing training on social insurance benefits and legal mandated deductions / 2 months.

Action plan status: In Progress

Planned completion date: 08/15/14

Progress update: 05/13/14 : 1. Factory provides orientation training on how to calculate wages and benefits for new employees to make sure they fully understand from Oct 2012. 2.Factory has reviewed and revised all the internal procedures to eliminate the possibility of applying monetary penalties in Oct 2012 3.Factory provides workers' orientation and ongoing training in classroom to train employment handbook more effectively, as then workers could communicate with the training face to face once a year from Oct 2012. 4. The HR department has provided all workers ongoing training on social insurance benefits and legal mandated deductions from Oct 2012. 5.Productivity performance is evaluated each month and would not affect next month's bonus from Oct 2012.

FINDING NO.4

ENVIRONMENTAL PROTECTION

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. The factory has not obtained a wastewater discharge permit. Factory management is in the process of applying for the permit from the local environmental bureau.
- ii. Some chemical containers on the production floor did not have labels or second containers.
- iii. The lids of hazardous waste containers were not sealed tight. Regular solid waste (paper, fabric, fruits) was found in hazardous waste containers.

Local Law or Code Requirement

Water Pollution Prevention and Control Law, PRC, Article 20; Prevention and Control Law of Environmental Pollution, Solid Waste, Article 58; FLA Workplace Code (Health, Safety and Environment benchmarks HSE.1, HSE.4, and HSE.9)

Root Causes

- i. The factory has a valid ISO14001 certificate and the environmental protection system has been established at the documentation level. However, there has not been enough management oversight and there is no monitoring system to ensure proper implementation of environmental protection policies and procedures.
- ii. The HSE Committee in the factory is not active. HSE staff is trying to manage the HSE issues alone rather than doing so in a collaborative manner with worker representatives.
- iii. Factory management thinks that there is no significant wastewater discharging to necessitate a permit.

Recommendations for Immediate Action

Factory management is to work with local environmental bureau to obtain the discharge permit.

COMPANY ACTION PLANS

- 1. i. Factory management is to enhance the internal monitoring procedure to prevent the recurrence of violations regarding chemical management and hazardous waste handling / 3 months;
- ii. The HSE department is to enhance ongoing training on environmental protection by focusing on the implementation gaps identified by internal monitoring / 4 months;
- iii. The HSE department should start working actively on environmental issues through joint efforts of different departments and

the elected worker representatives in the HSE Committee / 4 months.

Action plan status: In Progress

Planned completion date: 12/31/14

Progress update: 05/13/14 : 1. Factory has applied the wastewater discharge permit from the local environmental bureau. Factory expects to obtain the permit in Dec,2014. 2. Factory has enhanced the internal monitoring on hazardous waste, all chemical containers on the production floor have labels and second containers from Dec 2012, and factory keeps monitoring. 3.Factory has trained workers about waste classification and will keep monitoring in Apr, 2013. 4. Cover was provided for the hazardous waste containers.

FINDING NO.5

HEALTH AND SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation

- i. It was observed that 1 emergency exit was blocked in the "Down & Feather" warehouse (area > 300 m2). In addition, there were some emergency signs/lights missing in Building #2.
- ii. Several contractors were found handling waste without wearing personal protective equipment (PPE), e.g., mask or gloves.
- iii. During the peak season, sewing workers produce sportswear, which contains down and feather. The factory does not provide sewing workers with PPE, e.g., masks or headwear. It was found that several sewing lines were exposed to lots of down and feather in the air; workers' hair was covered with down. During interviews, some workers expressed that the masks provided by factory were not secure enough to keep out the down.
- iv. Canteen staff was not sufficiently trained in food handling to work in the factory preparing or serving food.

Local Law or Code Requirement

Fire Prevention Law, Article 28; Code of Design on Building Fire Protection and Prevention Articles 3.8 and 11.3.4; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.5, HSE.7, and HSE.22.2, Employment Relationship Benchmark ER.14)

Root Causes

- i. Not enough management oversight and no monitoring system to ensure proper implementation/enforcing of the H&S policies and procedures.
- ii. There was no system for the factory to monitor workers from contractors on H&S implementation.
- iii. The health risks associated with the down and feathers in the environment were never identified in previous audits or brought to management's attention.

Recommendations for Immediate Action

- i. Factory management is to make sure that all emergency exits are available in sufficient number and are unlocked, unblocked, and easy to open at any time.
- ii. Factory is to provide suitable PPE to sewing workers producing down products and requests contractors to provide PPE for their workers handling waste.
- iii. Factory management is to ensure that canteen staff are trained on safe food handling.

COMPANY ACTION PLANS

1. i. Management is to enhance training for HSE staff and HSE Committee members to improve their knowledge and skills on detecting and managing potential HSE risks / 3 months;
- ii. Factory is to provide ongoing training on food safety for canteen staff / 3 months;
- iii. Factory is to conduct a new risk assessment and include the health risks that sewing workers and contractor workers are exposed to / 4 months;

iv. Factory is to enhance internal monitoring to identify the gaps between implementation and procedures. Based on the monitoring results, the factory is to establish corresponding procedures and actions to prevent the recurrence of violations / 4 months;

v. The HSE department is to start working more actively, combining their efforts with that of different departments / 5 months.

Action plan status: In Progress

Planned completion date: 09/15/14

Progress update: 05/13/14 : 1. Keep emergency exits clear all the day, and also the emergency signs/lights and factory will keep monitoring from Oct 2012 2. Already communicated with contractors to wear PPE during working and factory keeps monitoring from Oct 2012. 3. Factory has contacted the local health bureau to train canteen staff about food handling in Mar 2013.

FINDING NO.6

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory has not obtained the Certificate of Inspection for Completed Building Construction Project" and Fire Safety Inspection Report for a warehouse that is close to the canteen.

Local Law or Code Requirement

Official Notice Regarding Provisional Regulations on the Certificate of Inspection for Completed Building Construction Projects and Municipal Administration Infrastructure Construction Projects (2000), Articles 2 and 4; Fire Prevention Law, Article 13; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.4)

Root Causes

This warehouse is newly set up and the factory considers the application process for construction and fire safety inspection too time consuming and complicated.

Recommendations for Immediate Action

COMPANY ACTION PLANS

1. i. Factory is to obtain Certificate of Inspection for Completed Building" and "Fire Safety Inspection Report" for the warehouse near the canteen / 3 months

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.7

HEALTH AND SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation

Factory has not yet taken measures to reduce the risk of musculoskeletal problems of the workers. Ergonomic training was not provided to either the HSE Committee or workers to increase their awareness and knowledge on ergonomic risks in the workplace. Despite the fact that chairs and stools are provided and most workers use them (around 95% of the total workforce), instances of the following issues were observed, a) chairs do not have proper backrests to support the lower back and b) there were no removable armrests on the chairs. During worker interview, workers expressed that they often feel muscle pain after work.

Local Law or Code Requirement

FLA Workplace Code (Health, Safety and Environment Benchmark HSE.17.1)

Root Causes

- i. Management lacks awareness of the possible benefits of ergonomic improvements, such as increasing productivity through reducing the possibility of musculoskeletal problems.
- ii. The existing risk assessment report does not cover the factory's ergonomic risks.
- iii. Ergonomic improvements represent additional operational costs for management to cover.

COMPANY ACTION PLANS

1. 1. Ergonomic assessment will be conducted by Dec 2014
2. Ergonomic training is planned to conduct by June 2015
3. Studying how to release workers' bodily strains such as training workers of stretching exercises/ provide more break time, etc by Dec 2014

Action plan status: Planned

Planned completion date: 06/30/15

2. i. Factory is to invite an external service provider to carry out a thorough ergonomic assessment and to set up plans to minimize or avoid damage to workers' health

Action plan status: Planned

Planned completion date: 12/31/14

3. Workers, supervisors, and management should be trained on the ergonomic assessment results

Action plan status: Planned

Planned completion date: 06/30/15

4. Studying how to release workers' bodily strains such as training workers of stretching exercises

Action plan status: Planned

Planned completion date: 12/31/14

FINDING NO.8

COMPENSATION

FINDING TYPE: Uncorroborated Risk of Non Compliance

Finding Explanation

Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.

Local Law or Code Requirement

FLA Workplace Code (Compensation Benchmark C.1.3)

Root Causes

- i. The Chinese apparel industry currently does not provide wages that allow for the fulfillment of workers' basic needs plus a discretionary income.
- ii. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets their basic needs.