

**Clean  
Clothes  
Campaign**  
International Office



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Campaign**  
East Asia



Yukihiro Nitta

Group Senior Vice President

Sustainability

Fast Retailing Co., Ltd.

1<sup>st</sup> November 2017

**RE: Outstanding severance owed to Jaba Garmino workers**

Dear Yukihiro Nitta,

Thank you for your response to our letter received on the 12th September 2017.

We understand that Uniqlo wishes to deny responsibility for the rights of Jaba Garmino workers on the basis that 1) notice was provided to the factory in advance of withdrawal and 2) that Jaba Garmino was not a major buyer. We wish to explain why we disagree with this position and continue to call on Uniqlo to take immediate action to resolve the issue of outstanding severance.

Firstly, it is of course impossible for us to know what was discussed between your company and Jaba Garmino owners prior to the withdrawal of orders. However, we do know that Uniqlo made no effort to communicate their concerns regarding production quality, or their intention to withdraw, to either of the established unions operating at the Chipuka factory.

For a brand to withdraw responsibly from a factory it is essential that the possibility of, reasons for, and proposed time-frame of any withdrawal of orders is communicated directly to the workers in advance. This is to ensure a) that the workers themselves are aware of what is required to keep future orders and can negotiate possibilities for doing so and b)

that the union can check that the supplier follows correct legal procedures in the event of closure, including making sure that severance entitlements will be paid.

Had Uniqlo involved the unions in the negotiations around the withdrawal of orders, their representatives would have had more possibilities for action to prevent the severance violations prior to closure and workers may not have been left in their current position.

Your failure to take this basic and very simple step means that Uniqlo failed to carry out the required due diligence obligations necessary for protecting the rights of Jaba Garmino workers at the time of withdrawal. To rectify this failure Uniqlo must now do anything in its power – up to and including directly paying the outstanding severance – to ensure these legal rights are fulfilled.

Second, workers report that Uniqlo was far from a minor buyer. Worker testimony makes clear that production for Uniqlo represented a significant proportion of their work in the year or so prior to closure.

Perhaps even more tellingly, workers also report that the arrival of orders from your company led to a noticeable shift in working patterns. That Uniqlo was able to directly influence production methods and organisation within the factory suggests that Uniqlo did indeed exert significant influence over Jaba Garmino. Whether this influence was a result of Uniqlo's power and influence in the industry, or of specific orders, this demonstrates that Uniqlo's importance and leverage over Jaba Garmino management was significant prior to closure.

The UN Guiding Principles state that businesses must use *all their leverage* to uphold rights within their supply chains. In a supply chain context, this leverage is not defined simply as the portion of the factory's production dedicated to the buyer in question. Rather, it also must take into account other factors – including the influence and size of the company as a whole. It is therefore not sufficient for Uniqlo to rely on unproven claims regarding production percentages in order to evade responsibility for the fate of the Jaba Garmino workers.

Finally, although Uniqlo claims their withdrawal had no impact on the closure, this does not fit with the facts on the ground – namely that Jaba Garmino went into bankruptcy within weeks of Uniqlo removing its business. While it may be true that the withdrawal of Uniqlo from Jaba Garmino was not the sole cause of the company's bankruptcy, it seems likely that it was a significant factor in the ultimate closure of its factories.

The money owed to Jaba Garmino workers was accrued by them throughout their working life, including through the period they were producing for Uniqlo, and the failure to pay them what they are owed is therefore tantamount to wage theft. While the most immediate obligation fell to Jaba Garmino to ensure these accrued wages were saved for workers and protected in the event of bankruptcy, we believe that Uniqlo failed in its obligations as a responsible buyer by not verifying that the company was making such provisions. This obligation was particularly key given that Uniqlo had made a decision to

withdraw orders, and knew or should have known that there was therefore a risk of retrenchment of some of all of the workforce. The failure to pay severance in such cases is a widespread violation and should have been considered in Uniqlo's preparations for withdrawal. As such, we believe Uniqlo shares the responsibility for the factory's failure to pay workers the severance that they were due.

For the reasons above, we believe that Uniqlo has the responsibility ensure that the Jaba Garmino workers are made whole, and has the resources to rectify this violation. As such we will continue to urge Uniqlo to ensure that the remaining 5.5 million owed to this particular group of workers is paid as soon as possible.

Finally, we note in your letter that Uniqlo is now looking into ways of supporting ex-Jaba Garmino workers in seeking employment. We have some serious concerns about this proposal.

After consultation with the workers' representatives, we can note that the workers themselves are sceptical of the outcome of any such efforts. Employers in the garment industry are notorious for only employing young workers and are unlikely to be willing to employ ex-Jaba Garmino workers, many of whom are older. There is also a concern that – as Uniqlo has little or no production in the Chipuka area – any scheme of re-employment would require workers to move a long way from their homes, something that most workers would be unable to do. Finally, after their experience at Jaba Garmino, it would be reasonable for workers to decide not to take up another job with an employer or a brand which has so little regard for their legal rights. Our experience with similar efforts in other contexts leads us to share this scepticism.

It is important to note however, that even if re-employment efforts *could* be designed and implemented, in conjunction with the workers and in an effective manner, this course of action does nothing to address the actual issue: that Jaba Garmino workers have not been paid the severance that they are legally entitled to. Any re-employment efforts must be conducted in parallel with action to ensure that workers receive the compensation that they earned; they can not be considered as an “alternative” to provision of severance.

Uniqlo, and its parent company Fast Retailing, is one of the biggest retailers in the world: it has publicly stated it has ambitions to grow even more rapidly. This size and growth brings with it obligations for Uniqlo to behave ethically and morally in respect to the communities operates in. The closure of Jaba Garmino has had a devastating impact on one such community, yet - although the cost of remedying this impact would be minimal for a company the size of Uniqlo - the workers continue to wait for justice.

We urge Uniqlo to act now and do the right thing for the Jaba Garmino workers.

Yours Sincerely,

Samantha Maher, Clean Clothes Campaign, International Office

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