

Beyond boohoo: The Approach in Leicester

Report to the Board: Annex A

1. Annexed to the Report to the Board in March 2021, I sought to explain the legal framework and some of the challenges faced by law enforcement in relation to the garment industry: these were UK wide and identified the reasons why complaints may not be made and the challenges presented by the fact that a number of agencies were potentially involved in seeking to uphold appropriate standards. I explained that I did so in an Annex because it was important to provide the context within which boohoo was operating and, without seeking to minimise the role that boohoo has to play, to underline the wider issues which boohoo alone could not address.
2. Attached to the Report in September 2021 was a further Annex headed 'Beyond Boohoo' which identified the considerable activity from state agencies particularly in the form of the multi-agency initiative, Operation Tacit. I explained why there had been few prosecutions. There is no offence of aggravated labour exploitation; investigators and investigations are not joined up which creates particular challenges given that abuse takes place behind closed doors with victims being unwilling to complain; capacity for investigations is also challenging. I suggested that a new operating model with resources, new powers and enforcement capability. At the same time, I recommended that a more appropriate procedure than Companies House alone was to be found within the Legal Entity Identifier global initiative designed to provide verified data to companies with all registered companies in high risk industries identified by the GLAA strategic risk assessment required to be members of the LEI scheme, thereby speeding up on-boarding processes and eventually improve the data held by Companies House.
3. I then referred to the challenges faced by boohoo (upon which I elaborate in my final Report) and for the government. For the latter, these include the provision of appropriate powers of entry for those charged with investigations and enforcement; the challenges of uneven work (and the impact on universal credit) and empowering the workforce (particularly those whose first language is not English and whose culture may well resist speaking out for a number of reasons. This has led to the Apparel and General Merchandise Public and Private Protocol (AGM PPP) which committed signatories to work together to raise awareness to prevent worker exploitation, protect vulnerable and exploited workers and disrupt exploitative practices and help bring criminals to justice. I also referred to the difficulties which arise and will potentially be faced by AGM PPP. Finally, and in the meantime, I suggested that the not-for-profit organisation Fast Forward might be able to undertake audit and due diligence (with the ability to conduct forensic investigation of persons in significant control), and so provide assurance to any retailer that the manufacturers (and those in significant control of manufacturers) continue to comply with ethical requirements and can be relied upon to do so.
4. Having considered the legal framework and the general position across the UK, there remains the position in Leicester where the local authority has taken allegations of labour abuse extremely seriously. I have had a number of conversations with Councillor Adam Clarke, Deputy City Mayor with responsibility for Environment and Transportation along with city officials and I have also met with the City Mayor, Sir Peter Soulsby, to discuss

both the Agenda for Change being effected by boohoo and also the approach that the City has adopted. In the circumstances, it seems that my reports to the Board will not be complete without a summary of the work and progress being made by the City and its personnel not only so that boohoo can have the context within which it will be working in the future but also to provide an over-arching insight into steps that local authorities can take all within the present parameters while the suggestions for legislative change are being considered and, hopefully, implemented.

Leicester Labour Market Partnership

5. It is clear that Leicester has a long history of garment manufacture with companies that included the largest knitwear producer and the producer of some 18 million garments for British and allied troops in the First World War. Since then, these larger manufacturers have moved out of the City leaving new, smaller, textile businesses in their place with the development of fast fashion and the consequent concern about exploitation in the market place. These concerns were highlighted in *Human Rights and Business 2017*, a report of the Parliamentary Joint Committee on Human Rights, followed up by the Environmental Audit Committee of the House of Commons Report *Fixing Fashion: Clothing Consumption and Sustainability* published in February 2019. As the Levitt Review expressed it:

“The problems in Leicester are complex and of long-standing.”

6. Although Leicester City Council (‘the Council’) does not have enforcement powers over working conditions or pay (these being vested in the Health and Safety Executive, the Employment Standards Agency Standards Inspectorate, the Gangmasters and Labour Abuse Authority, Immigration Enforcement, Her Majesty’s Revenue and Customs and, ultimately, the police and the National Crime Agency (in relation to modern day slavery)), it has been proactive in this area. Thus, in October 2019, The Leicester Labour Market Partnership was formed, led by the Council but including many of those with enforcement powers. Its overall objectives are:
 - a. To promote and encourage compliance across the textile sector operating in Leicester by addressing the issues around labour abuse, exploitation and modern-day slavery;
 - b. To ensure that communities and employees within the sector are fully aware of their rights and how to seek support should they need it;
 - c. To ensure that the textile sector is fully supported to develop, including supporting the development of manufacturing skills and processes to ensure a sustainable textiles and garment sector.

At about the same time, as the Levitt Review acknowledged, there was “ample evidence” that boohoo had taken steps to deal with these concerns as well. The approach of boohoo to the Agenda for Change also demonstrates real engagement across the same issues.

7. At the end of 2019 and into early 2020, the Council recruited a Community Safety (Labour Market) Officer who started work in March and following the publicity in mid-2020, Hope for Justice and Slave Free Alliance (NGOs working in the field) joined the Partnership which, by then, had developed an Action Plan modelled on:

- a. *Prevent*: to support local businesses and employees to report issues; prevent and improve; ensure that information, prevention and enforcement activities are leading to proactive action and positive change.
 - b. *Protect*: to support the sector, ensuring the development of thriving and sustainable businesses and employment opportunities.
 - c. *Prepare*: to test through an intelligence led approach (understanding threat, risk and harm) the perception that there are a number of Leicester businesses in the supply chain for the retail sector who act outside the law, where they exploit workers and do not pay their legal dues.
 - d. *Pursue*: where multiple non-compliance is identified to undertake joint working between state enforcement bodies to seek to tackle this.
8. Later in 2020, the Deputy Mayor (Councillor Adam Clarke) conducted discussions with senior representatives of retailers (including boohoo), the British Retail Consortium, Alliance HR (working with retailers on Fast Forward ethical auditing), Labour Behind the Label (a campaign group for garment workers worldwide), Fashion Enter (a specialist not for profit social enterprise provider of accredited qualifications in fashion and textiles). The Council convene a summit with the TUC and hold meetings with Leicester Primary Partnership regarding schools and their role in understanding and acting upon issues in the textile sector.
9. In October, Citizens Advice LeicesterShire recruited a Community Engagement Officer and the following month there was a Crimestoppers Event in relation to modern-day slavery supported both by the Police and Crime Commissioner, Lord Willy Bach and Councillor Clarke. This has been followed throughout the last twelve months by continuing to take on a lead role in community engagement and continuing activity to support the need to investigate and tackle exploitation by working with the GLAA, HMRC, the Health and Safety Executive, the National Crime Agency and the Leicestershire Police under the umbrella of Operation Tacit.
10. Over the same period, the Council has engaged with Voluntary Action, Leicestershire, the charity Unseen (which resulted in increased call to the helpline), Wesley Hall, a Citizen's Advice Project (Fairpay), Highfields Community Centre with the TUC and others (establishing a Fashion Workers Advice Bureau (FAB-L) and, in particular, Hope for Justice, with which it has worked to undertake training events for frontline Council staff, to improve systems for reporting concerns, to raise awareness of modern-day slavery, support garment production products and, most important, to provide presentations on money and debt. A pilot is also due to commence which will provide a range of learning courses including (for one manufacturer) the teaching of English to its non-English speaking workforce. The Council has also assisted Nottingham University's Rights Lab which has been undertaking research for boohoo's Garment and Textile Workers Trust.
11. Of particular importance is the Council's development of a comprehensive business support programme for the textile sector working with funding from the European Regional Development Fund engaging with more than 200 textile businesses by providing free impartial advice and enabling access to business grants delivering an events programme for textile businesses around ethical and legal compliance. In that regard, the textile sector is represented on the Innovation Board of the Leicester and Leicestershire Enterprise Partnership thereby ensuring that the challenges and opportunities faced by this sector can be addressed.

12. Furthermore, in November 2021, the Council secured substantial funding from the UK's Community Renewal Fund and is working with leading skills delivery provider ,Fashion-Enter, and de Montford University to offer co-ordinated support to textiles manufacturers and workers. It has opened the Leicester Fashion Technology Academy which offers apprenticeships and accredited training for those who work in, or aspire to work in, the textiles industry; trainees are learning garment making skills and, in addition, about workplace rights and responsibilities. It has been supported by private sector funding and a substantial grant from the Community Renewal Fund to deliver a new support programme. This also involves working with Fashion Enter and de Montford University.
13. I have identified in the Report the extent to which boohoo also is offering skills training to those employed within its supply chain with the aspiration that many will obtain NVQ as a result. Any help that individuals can receive to improve their understanding of their rights, their skills. Similarly, assistance given to those who run manufacturing businesses so that they better understand, at a fundamental level, what the law requires and the ways in which they can demonstrate both legal and ethical compliance is very worthwhile and all that Leicester City Council is doing in this area is to be applauded. The extra link, however, is the mechanism of allowing those businesses to be able to provide sufficient evidence that retailers (whether or not they are presently working in Leicester) are prepared to bring them into their own supply chain with confidence that garments that they manufacture will be produced both lawfully and ethically. That requires dealing with the challenge of obtaining a recognised and acceptable audit of the way in which they conduct business. It is to that which I now turn.

A Further Way Forward

14. The Annexes to my January and June reports identify the legal framework and make recommendations for a co-ordinated approach to law enforcement with an adequately resourced umbrella body responsible for enforcing all aspects of labour law standards whether it is labour abuse, failure to pay minimum wages or provide appropriate working terms and conditions or health and safety. As I explained, that will require legislation and financial support. Given the pressures facing legislative activity at present, the question arises is what other steps, short of legislation, can be taken? To that end, Tim Godwin has engaged with many in Leicester to consider how the very real efforts being made by the Council can be enhanced and I am indebted to him and the discussions that he has had for much that follows. For the sake of clarity, I refer to those making garments (who aspire to be part of a supply chain) as manufacturers and those who contract for garments (such as boohoo) as retailers.
15. It is beyond argument that, although it has no enforcement powers, Leicester City Council is determined to do what it can to support the textile industry in the City. The same has been so for boohoo but the desired outcome for the Council is different to the imperative for boohoo. For boohoo, it was essential to ensure that all those who are within its supply chain comply with legal and ethical standards; that is a necessary but not a sufficient condition for inclusion. To be a supplier to boohoo, the commercial requirements of its business also play an important role: the supplier must be able to provide garments manufactured both legally and ethically but must also do so at a competitive price compared to other lawfully and ethically run businesses. Thus, failure to be included in the supply chain is not necessarily an indicator of failure to achieve legal and ethical standards but may mean no more that it does not match other businesses that also achieve legal and ethical standards; on the contrary, determining factors will include speed,

product, quality, design, merchandising service and, of course, price. The Council, however, wish to attract business to Leicester for all those who operate within a legal and ethical framework. Their aim is to ensure that no manufacturer is disadvantaged by the fact of its presence in Leicester which has attracted so much adverse publicity when, in fact, that manufacturer can demonstrate that it is now compliant with legal and ethical requirements.

16. My report refers to the approach being adopted by boohoo to engage Fast Forward. As I explain, this is a non-profit organisation that sets the standards and co-ordinates sub-contracted ethical compliance auditors to audit garment manufacturers: it is a recognised standard for UK garment manufacturing providing assurance of ethical manufacturing through its work with the retailers' supply chains and third sector action groups. It operates with a membership levy paid by retailers for the central policy and co-ordinating team; the manufacturers pay for the audits performed in relation to their business which are then available to them but also reported to the retailer who can follow up with its own compliance team. Currently, it is only manufacturers nominated by member retailers that can be accredited through their audit process.
17. This will work for boohoo and other established retailers but the weakness is that it creates the Catch-22 problem for those not in a member retailer's supply chain because Fast Forward do not allow individual manufacturers to join the accreditation audit process on the grounds that there is no sponsoring retailer to follow up any negative audit findings. The reasoning is clear: Fast Forward is premised on the fact that retailers can be entrusted through their internal compliance teams to follow up audit compliance failures and to ensure that such failures by manufacturers are corrected. If a manufacturer is not in a supply chain (entirely possibly for commercial reasons unconnected with failure to comply with legal and ethical requirements), it cannot get a Fast Forward audit to put before other retailers to demonstrate that it is compliant. The model at present also relies wholly on member retailers to take action in respect of those manufacturers whose audits did raise issues that need to be addressed and, furthermore, to do so both fairly and effectively.
18. In an effort to address this difficulty, the Apparel and General Merchandise Public and Private Protocol (discussed in the Annex to my September Report and abbreviated as AGMPP) through its Chair (who was also the Chief Executive of Fast Forward and is now its Chairman) sought to discuss the position with manufacturers through a manufacturers' professional association. Initially, this appeared only to include those suppliers that were already sponsored by retailers but it has been recognised that it should include both suppliers who are sponsored and those that are not but wish to be recognised and be in a position to compete in the marketplace for work with suppliers that have the benefit of a recognised Fast Forward audit. It is proposed that this takes the form of an Apparel Manufacturers' Association.
19. It is, of course, a matter for others but it seems to me that such an Association would be a sensible way to develop opportunities for other manufacturers in Leicester by providing a mechanism whereby manufacturers who are not supported through an ethical audit process by a retailer can ask the Association to be a commissioning entity and so obtain an ethical audit (at its own cost) from an ethical auditor nominated by the Association. This could have benefits for all.
20. For the retailer, although it would not provide a passport into its supply chain (which also depends on other factors including commercial considerations), it would provide evidence

of compliance with legal and ethical standards. It could, therefore, allow a manufacturer to compete in an effort to obtain business with others (who have the benefit of a Fast Forward or other ethical audit) by supporting one aspect of any onboarding process namely the demonstrable ability to comply with a retailer's ethical Code of Conduct.

21. For the manufacturer, such a facility would provide a route to external independent validation along with clear evidence of its own approach to standards, ethics and compliance. It would not depend on the assistance of a retailer but would be part of the material that it could forward to any retailer in an effort to facilitate acceptance through the retailer's on-boarding process.
22. For Leicester, it has many advantages. The Council is very keen to have an effective and competitive garment industry in the City and for both manufacturers and suppliers to be able to mitigate the reputational risk that is a consequence of the adverse publicity that Leicester garment manufacturers have attracted and caused other retailers to leave Leicester. The Council is already supporting training and development in the garment industry in Leicester. By supporting this approach, it could help ensure that focus remains on standards, ethics and compliance serving to re-shape the image of Leicester manufacturing, mitigating reputational risk and encouraging increased manufacture in the City thereby increasing employment and enabling retailers by providing an effective remedy to current supply chain disruption for the UK market, cost of logistics and freight and the demand for increased speed from creation to customer.
23. It is not, perhaps, surprising that a number of retailers have sought to source goods from outside Leicester as the challenges of the last few years have become manifest. The result is that a large number of smaller manufacturers no longer have recognised outlets for their merchandise and the risk is that they abandon the work that has been done to demonstrate ethical compliance and seek to mitigate their loss by cutting corners in ways that mirror the concerns expressed over the years. It is that risk that must be addressed. The factory at Thurmaston Lane demonstrates boohoo's commitment to Leicester and it continues to source garments from the City.
24. I have been very impressed by the enthusiasm shown by Leicester City Council through its leaders and officials in their effort to support garment manufacturers in Leicester and to regain the reputation which it had over so many years in this area. All this is notwithstanding their absence of enforcement powers and nothing which I have said is intended to detract from those efforts or do anything to discourage their continuation. Neither do I pretend that the suggestion which I have set out above is the only model for the way forward; it is not for me to assert that either boohoo, other retailers or the Council should support it. Given the challenges that manufacturers in Leicester have faced and continue to face, it is, however, one possible approach. Recognising that this will involve increased cost and, in particular, start-up costs, I hope it can commend consideration by all who wish for the re-invigoration of a fashion industry in Leicester thereby allowing it to return to its former high standing.