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To: Primary Contacts at WRC Affiliate Colleges and Universities
From: Ben Hensler and Scott Nova
Date: December 2, 2010
Re: Remediation of Minimum Wage Violations in Bangalore

We are pleased to report that the WRC's exposure of widespread violations of the minimum wage law at factories in Bangalore, India has led to back pay and wage hikes for more than 110,000 workers – including workers making university apparel and workers producing for many of the most prominent clothing brands and retailers in the U.S.

As we [reported to you in March](#), the WRC learned early this year, as a result of an investigation we conducted at a factory making collegiate apparel in Bangalore, that the factories throughout the city were refusing to implement a significant increase in the minimum wage for low-skilled workers, which had been enacted in March of 2009. We estimated that more than 125,000 workers, employed at hundreds of apparel factories, had lost millions of dollars in legally mandated pay.

The WRC contacted a long list of major brands and retailers, including Cutter and Buck (which sources university logo apparel from Bangalore), Nike, adidas, Gap, Wal-Mart, H&M, JC Penney, Levi-Strauss, VF Corporation and many others, urging them to act immediately to compel their suppliers to begin paying the legal minimum wage and to provide back pay to affected workers. As we noted in an [update sent to you in April](#), nearly all of these brands and retailers accepted our findings and agreed to take action.

Leading Indian garment manufacturers, however, initially resisted the call for corrective action, putting forth a series of excuses for not paying the new minimum wage and compensating their workers. The WRC refuted the manufacturers' claims and called on brands and retailers to follow through on their pledge to resolve the issue. Ultimately, the factories accepted that the problem had to be addressed and, in May, the payment of back wages commenced.

Based on ongoing monitoring over the ensuing months, including worker interviews and review of workers' pay stubs at major factories in Bangalore, the WRC has confirmed that the current minimum wage is now being paid at export garment factories throughout the city and that more than 110,000 workers have received money owed to them as a result of the underpayment of wages in 2009

and 2010. The estimated total value of the back wages paid to date is in excess of US \$6 million, with money still remaining to be paid to some workers who had left employment prior to the remediation efforts. Moreover, as a result of the implementation of the proper minimum pay at the city's factories, these workers now earn in the aggregate, and will continue to earn, an additional US \$7.2 million annually.

This is a major achievement for university codes of conduct – one whose effects extend far beyond the collegiate market. Indeed, we are not aware of any prior effort in the apparel industry in which codes of conduct were used to secure back payment of legally mandated wages for this many workers. We also hope that the exposure of these widespread violations will provide brands and retailers with incentive to improve their monitoring of minimum wage compliance in India and elsewhere.

In addition to our ongoing compliance monitoring in Bangalore, the WRC is still working to address two outstanding issues:

- 1) An ongoing legal dispute over a government decision, made after the release of our report, to retroactively lower the minimum wage, removing about 30% of the original increase. Although justified by the government as a correction of a "clerical error," the WRC determined that this highly irregular move, in fact, represents a significant change in how the minimum wage is calculated – a change made in direct response to lobbying of the government by garment manufacturers.
- 2) Continued efforts by the WRC to encourage brands and retailers to require their suppliers to take the steps necessary to locate and compensate several thousand workers who left employment at affected factories prior to the WRC's exposure of the violations and who have not been reached to date.

We will update you on these issues as developments warrant. Please let us know if you have any thoughts or questions about this information.