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Behind a \$13 shirt, a \$6-an-hour worker

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19-24 minutes

Before dawn six days a week, Norma Ulloa left the two-bedroom apartment she shared with four family members and boarded a bus that took her to a stifling factory on the outskirts of downtown Los Angeles.

She spent 11 hours a day there, pinning Forever 21 tags on trendy little shirts and snipping away their loose threads in the one-room workshop. On a good day, the 44-year-old could get through 700 shirts.

That work earned Ulloa about \$6 an hour, well below minimum wage in Los Angeles, according to a wage claim she filed with the state.

Ulloa's claim is one of nearly 300 filed since 2007 by workers demanding back pay for producing Forever 21 clothing, according to a Los Angeles Times review of nearly 2,000 pages of state labor records.

Sewing factories and wholesale manufacturers have paid hundreds of thousands of dollars to settle those workers' claims. Forever 21 has not had to pay a cent.

Like other major clothing retailers, Forever 21 avoids paying factory workers' wage claims through a tangled labyrinth of middlemen that stands between the racks in its stores and the people who sew the clothes.

The company benefits from an 18-year-old state law that was originally intended to stamp out sweatshops but has come up short. The law allowed workers to recoup back wages from their factory boss, and any garment manufacturing company that does business with that person. Forever 21 says it is a retailer, not a manufacturer, and thus is always at least one step removed from Los Angeles factories.

One paradox of that arm's-length relationship: Forever 21 says it often inspects factories abroad that produce its clothes as part of its "social responsibility to better protect workers," but it doesn't do that in Los Angeles. The company said it takes that approach because in California the Department of Labor enforces strict worker protections, whereas there's no government body that does that for overseas factories.

Now, as retailers across the country face increasingly tough competition from e-commerce, budget brands like Forever 21 are putting more and more pressure on suppliers to keep prices low.

The U.S. Department of Labor investigated 77 Los Angeles garment factories from April through July of 2016 and found that workers were paid as little as \$4 and an average of \$7 an hour for 10-hour days spent sewing clothes for Forever 21, Ross Dress for Less and TJ Maxx. One worker in West Covina made as little as \$3.42 per hour during three weeks of sewing TJ Maxx clothing, according to the Department of Labor.

Those sweatshop wages are the hidden cost of the bargains that make stores like Forever 21 impossible to resist for so many Americans.

A knee-length Forever 21 dress made in one of the Los Angeles factories investigated by the government came with a price tag of \$24.90. But it would have cost \$30.43 to make that dress with workers earning the \$7.25 federal minimum wage and even more to pay the \$12 Los Angeles minimum, according to previously unpublished investigative results from the Labor Department.

Forever 21 would have had to pay 50% more in order for sewing contractors to pay workers the federal minimum, the investigation found.

How is it possible that you can buy a tank top that was made in the U.S. for just \$10? The Department of Labor discovered labor violations at 85% of the factories it visited during that four-month period and ordered the suppliers to pay \$1.3 million in back wages, lost overtime and damages — but it couldn't touch the brands.

“This whole problem devolves from the retailer,” said David Weil, the former head of the Labor Department's Wage and Hour Division, which led that investigation. “They force the production costs to as low as they want because of their power in the supply chain, with the result of ultimately the workers bearing the whole cost and risk of the system.”

In addition to the federal investigation, there have been 67 formal complaints filed with the state since 2012 by workers who say they were paid sub-minimum wage rates to make clothes for Ross Dress for Less. Fourteen claims were filed by people who said they made clothes for TJ Maxx and Marshalls. Ross hasn't paid back wages in any of those claims, and TJ Maxx and Marshalls, which are owned by the same parent company, have settled three wage claims in the last five years.

After the federal investigation last year, Forever 21 said it stopped working with some of the manufacturers involved and gave others a second chance “if they remedied the situation and returned to compliance,” a Forever 21 spokesperson said.

Forever 21 requires that its vendors produce clothes “in full compliance with all applicable laws and regulations,” said the spokesperson.

TJX Cos., the parent company of TJ Maxx and Marshalls, has taken a different approach. After the Labor Department investigation, it began inspecting the Los Angeles factories used by its largest vendors, said company spokeswoman Doreen Thompson. If it finds violations, it may cancel an order in progress or prohibit suppliers from working with the factory, Thompson said.

A spokesperson for Ross said the company “does not control what third-party vendors pay their employees, contractors or subcontractors.”

Most apparel making has migrated overseas, though Los Angeles held on to a small niche of the business because it can produce limited runs quickly. To keep prices low, factories rely on immigrant workers willing to sew for a few dollars an hour.

The workers are mostly undocumented Latinos employed by Korean manufacturers and sewing contractors, many of whom owe their survival to L.A.-based Forever 21.

Jin Sook Chang and her husband, Do Won, left South Korea for Los Angeles in 1981. He worked for three years as a gas station attendant and she as a hairdresser. They opened the first Forever 21 store in 1984, in a 900-square-foot lot in Highland Park. The Changs spent the next 30 years turning their start-up into a fast-fashion juggernaut, sustained by a network of Korean manufacturers who were also trying to make it in Los Angeles and could turn out new styles every two weeks.

The thread that connects Norma Ulloa to Forever 21 begins in a corner showroom in the San Pedro Mart, occupied by Fashion Debut, one of hundreds of storefronts piled into the chaotic mall.

Sung Cho, 65, started the manufacturing company 16 years ago. He’s moved most of his production to China, but still takes one or two orders a month from Forever 21 and has some clothes made in Los Angeles, where he can count on a quick turnaround. Cho’s daughter, Joyce, the manager, says Forever 21 typically pays between \$9 and \$12 for a women’s top.

Pablo Mendez, 48, says he earns around \$7 an hour as a sewing machine operator and works 11-hour days. (Claire Hannah Collins / Los Angeles Times)

Any manufacturer in Los Angeles can recount the next steps. After a retailer places an order, the manufacturer buys fabric, which costs as little as \$1 and as much as \$4 for a basic top. The manufacturer sends that material to a cutter, who charges around 35 cents per garment. The cut pieces go to a sewing factory, to be stitched, ironed, bagged and boxed. Cho says he pays no more than \$3 to get a typical garment sewn, pressed and packaged.

Those rock-bottom prices are detailed in documents that Ulloa discovered in her factory, Dream High Fashion, which sewed clothes for Fashion Debut.

Before filing her wage claim, Ulloa talked to Mariela Martinez, an organizer at the Garment Worker Center, who told her to gather proof. A few weeks later, Ulloa noticed a stack of papers on a table near her boss’ office. He had left to deliver clothes to a client, she said, so she pulled the documents off his desk and shoved them into her bag.

“I worked so many hours for such little money,” says Ulloa, who pays \$450 a month for the apartment she shares with her family. She said she worked on shirts that were priced anywhere from \$12.99 to \$25 in stores. “What do we get? Pure pennies.”

The documents she grabbed showed that in the first week of August 2016, Fashion Debut paid Ulloa's factory as little as 90 cents a skirt and as much as \$1.40 for a sweater.

Chang Mo Yang, who owns Dream High Fashion, confirmed those prices, which he said are so low he barely scrapes together enough to keep the factory running.

On a recent Thursday, Yang sat behind a sewing machine in his sweltering factory, stitching gray sweatpants alongside his workers. He pointed to the tank top a worker in front of him was finishing, to illustrate how retailers squeeze profits from businesses like his.

The manufacturer pays Dream High Fashion \$1.30 to sew the top, Yang said. He pays his sewers 51 cents total: 5 cents to sew up each side seam, 3 for each shoulder and 10 for the neck; 21 cents to close seven points of the garment, another 4 to attach the label.

51 cents to sew a tank top

A local factory gets \$1.30 to put together a fast-fashion top. The factory pays pays 51 cents to its sewing workers. Here's how the money is spent:



Total sewing cost:

Source: Los Angeles Times reporting

(Angelica Quintero / Los Angeles Times)

He pays 40 cents to iron, pack and ship each garment, leaving him with 39 cents to cover rent, utilities, workers' compensation insurance and taxes, and a meager profit, if there's any, he said.

Most garment workers are paid by the piece, according to the Labor Department's 2016 investigation. That's legal as long as employers guarantee the minimum wage.

Yang acknowledged that most of his workers make less than the hourly minimum. Ulloa, he said, took home the equivalent of around \$6 — the state minimum rose from \$8 to \$10.50 while she worked for Yang — but he added that she had accepted that rate.

In her job trimming and finishing garments, Ulloa was paid a flat weekly rate — which actually started lower and rose in 2016, Yang said, to \$360. “If she didn't want to do that she didn't have to come work here,” he said.

Ulloa had long given up on the prospect of earning much more. When she first got to Los Angeles from Mexico, two decades ago, she was sure she'd spend a year here, save the money she needed to build a house back home, and return.

But she gave up that dream and has no idea when or how she might retire. “The only work here is in sewing,” she said, shrugging.

When Ulloa showed up at the California Labor Commissioner's Los Angeles office to file her claim she brought clothing labels of more than two dozen brands, among them two rumpled Forever 21 tags, which she said she took from her factory. Her claim included the invoices she'd found in her factory, showing Forever 21's order to Fashion Debut.

But she didn't list Forever 21 as one of the companies she was pursuing for back wages. Martinez, the Garment Worker Center organizer who represented Ulloa, has handled more than a hundred wage claims over the last three years. She decided that trying to get money out of Forever 21 would only drag out the settlement process.

Martinez contends that during hearings lawyers for retailers “grill workers to get them to stumble on their responses.” The point, she says, “is to make the process longer and make the worker feel like it's better” to drop the retailer from the case.

Forever 21 said the questioning is necessary to establish the credibility of the worker, and it added that it isn't always clear whether the labels workers submit are genuine or were actually found on the factory floor.

The company noted that in Ulloa's case there was “likely no valid claim” against it, since she did not pursue Forever 21 for back wages.

In her claim, Ulloa asked for \$89,240 in lost wages and penalties. Fashion Debut has offered \$2,000 to settle the case. No agreement has yet been reached.

Ulloa may not have had a shot at restitution at all, if not for a 1995 raid in El Monte that turned up 72 Thai workers sewing clothes in slave-like conditions.

That investigation uncovered a makeshift factory in boarded-up homes, surrounded by barbed-wire fences and guards to keep the workers from escaping. The case resulted in seven prison sentences for the factory operators, and a bill known now as the anti-sweatshop law.

The first draft of the law made any business that buys clothes from a manufacturer liable for workers' back wages if they were underpaid to sew garments with that company's label. But retailers lobbied against that proposal and persuaded lawmakers to take stores out of the equation.

"I made it clear to [the legislators] that we could not in any shape or form accept joint liability," said Bill Dombrowski, the CEO of the California Retailers Assn., who lobbied the Legislature. "We can't be responsible for what we can't control."

Darrell Steinberg, the mayor of Sacramento who authored the bill when he was a member of the Assembly, conceded that it may not have been "as much of an advance as it could have been." But he said that with contentious measures like this one "you make compromises to get them through."

The law now allows workers to claim back wages from their direct employers, and from manufacturers who contracted with those factories. Big retailers generally take the position that they are not involved in manufacturing clothes, don't employ factory workers, and therefore aren't liable for claims, even if a worker has stitched their label onto a garment.

That was the company's position when Alba Gomez Guevara filed a wage claim against it in 2013, alleging that she made less than \$9 an hour gluing rhinestones onto the front of Forever 21 blouses in a factory in South Los Angeles, where she worked for three years.

According to documents from the claim, Guevara put finished garments into bags bearing Forever 21's name. The delivery person who picked them up worked for Forever 21, and Guevara knew the location of the company's facility where she said the clothes were dropped off.

A Forever 21 representative who testified at the hearing said the retailer "never employed or met" Guevara, that it didn't "have a direct contract" with the factory, and that Guevara didn't provide documentation or a name for the delivery person she allegedly met, according to hearing records.

The Labor Commissioner's Office found in 2015 that there wasn't enough evidence to hold Forever 21 liable. The hearing officer ordered the factory to pay Guevara \$36,205 in back wages, fees and damages.

"Forever 21 is shielded from this whole thing," says Mitchell Kim, a partner at Litchfield Cavo LLP who represents wholesalers in wage claim disputes. "The manufacturers are at the retailers' mercy. How the law is set up is not in their favor."

Julie Su, California's labor commissioner, says that even though the law doesn't explicitly include retailers, it has made them more accountable because when workers name brands in their claims, those stores often lean on their suppliers to settle.

"If there's a settlement, whether it's paid by a contractor, a manufacturer, or any entity down the chain, because of pressure from a retailer, it's a partial success," Su says.

The law is a lifeline for workers, Su said, but it is also a boon to garment companies that pay their workers legally and shouldn't have to compete with law breakers.

Dov Charney runs one of those companies. The American Apparel founder launched a new company, called Los Angeles Apparel, and is paying workers an average of around \$15 an hour to sew clothes in a sprawling warehouse in South L.A.

The only way he can afford it, he says, is to cut out all the middlemen and put everyone from the sewers to the designers to the retail executives under one roof.

“You want to make it yourself. That’s what my pitch is for; it’s for vertical integration,” Charney says. “It’s actually the path of least resistance, and you can make clothing less expensively than it’s made offshore.”

Los Angeles Apparel founder Dov Charney explains why producing clothes in his own L.A. factory can be profitable and better for his creative process. (Video by Claire Hannah Collins / Los Angeles Times)

But Charney is an exception. Most retailers farm out their garment work to multiple small manufacturers, who might not be able to keep their business in Los Angeles if they paid the city’s steep minimum.

“If you stamped them all out, all those illegal operations that did not adhere to the laws of the state ... it would annihilate manufacturing made in California,” said Ilse Metchek, president of the California Fashion Assn. “What are you going to do with 20,000 over-50 women who don’t speak English who are now unemployed?”

One sewing contractor in his 50s, who runs a third-floor Los Angeles factory in a building next to a strip club, said he has to pay workers on a piece rate, to keep them productive.

In his corner office strewn with spools of thread, fabric scraps and an ashtray stuffed with cigarette butts, the owner, who asked that his name not be used for fear of retribution, complained that consumers are willing to pay a premium for local and organic food, but for clothing they just seem to want cheaper and cheaper prices.

The \$9 an hour he paid Javier Garcia Martinez, one of his employees, is generous compared with the going rate elsewhere, he added. Martinez worked nearly 50 hours a week, ironing, trimming and packaging clothes headed for TJ Maxx. He took home a \$450 paycheck.

His factory was busy at work on a sheer red crop top with a label that reads “ethereal,” a brand sold at TJ Maxx from a manufacturer called Paper Crane. That manufacturer paid the contractor \$2 for each top his workers put together, he said.

“If you’re coming in at 7:30 and leaving at 5, and making \$450 in this building, you’re doing pretty well,” the sewing contractor said, gesturing toward the rest of the factories crammed three or four to a floor.

Samuel Paik, who co-owns Paper Crane, confirmed that the company supplies TJ Maxx. The company has hired a consultant in the past to help ensure its contractors are complying with minimum wage laws, he said.

“Any case of paying below the minimum wage is not acceptable,” Paik said.

After reporters contacted Paper Crane asking about Martinez’s wages, the company ended its relationship with the sewing factory, according to the factory’s owner. He said he was forced to shut down on Thursday and lay off the factory’s 18 employees, including Martinez. Paik declined to comment on the sewing contractor.

Addressing a handful of fellow factory workers at the Garment Worker Center in downtown Los Angeles recently, Martinez asked them to imagine that they are producing a shirt that retails for \$60 at Marshalls.

“I can make 700 pieces in a day. How much does the store get?” he asked. “Forty-two thousand dollars. That is what we would earn in a year and a half.”

Worker advocates and manufacturers say that as long as massive retailers continue to profit off underpaid workers and escape the consequences, the system will persist.

Manufacturers say that no matter how tightly retailers squeeze their margins or how frequently the state penalizes them for contractors’ unpaid wages, many can’t turn down a buyer with the budget and scale of Forever 21.

“It’s like moths drawn to a flame. They keep going for it,” said Daejae Kim, a downtown Los Angeles manufacturer who once supplied garments to Forever 21. “They’ll curse them — then go right back to them.”

LA Times. Accessed on 11.10.21 at <https://www.latimes.com/projects/la-fi-forever-21-factory-workers/>