



Italy Cracks Down on Sweatshops Feeding Loro Piana, Armani, Dior

(Bloomberg) -- For a decade, a Chinese tailor toiled in a three-story building on the outskirts of Milan, working 13 hours a day making high-end garments for brands including Italian cashmere label Loro Piana.

The unnamed worker was paid off-the-books, earning roughly €1,500 (\$1,742) a month, according to legal documents seen by Bloomberg — about the price of one Loro Piana baby cashmere sweater. He became part of a hidden, underground labor force, employed by third parties, who craft luxury clothing for Italy's most renowned fashion houses.

His case, which came to light after the tailor's boss stopped paying wages and allegedly attacked him, became part of an ongoing probe of persistent worker abuses in one of Italy's most important industries. For two years, prosecutors have sought to reform an export model where premium brands sell Italian fashion abroad at luxury prices, even as inexpensive workshops proliferate around Milan, flouting labor standards in Italy's capital of style.

The crackdown, led by Milan's corporate court and the labor-crimes unit of the Carabinieri military police, has snared contractors linked to five well-known fashion labels including Valentino, Armani and Dior. Loro Piana, owned by French luxury powerhouse LVMH Moët Hennessy Louis Vuitton SE, became the latest on Monday, and was placed under court supervision for up to a year.

"There is already a reputational issue in the fashion industry, which started with prices spiraling unreasonably," said Stefania Saviolo, a lecturer on fashion and luxury management at Milan's Bocconi University. "These investigations not only damage the brands involved, they affect all of Made in Italy as a system."

Loro Piana, part of LVMH since 2013, denied wrongdoing and said it will cooperate with authorities. The company said it terminated relations with the supplier within 24 hours of being informed of the contractors' existence.

The fragmented, mostly family-run structure of high-quality Italian manufacturing "can pose challenges in transparency and oversight," said Toni Belloni, president of LVMH Italy. The group has strengthened controls and revised its internal charter, he said in a statement to Bloomberg News. "However, areas of fragility remain, so we must work to improve our practices."

The fashion industry is one of Italy's biggest, accounting for about €96 billion worth of Made in Italy products in 2024, according to industry group Camera Nazionale della Moda. The vast majority are destined for overseas markets.

Yet the tailor's case shines a light on the treatment of workers who make garments that can cost thousands. He worked from 9 a.m. to 10 p.m. daily through late 2024, when his "caporale," or boss — also a Chinese transplant — stopped paying him for unknown reasons, according to the court documents.

After repeated demands for his wages, a confrontation ensued. The employer punched the tailor and beat him repeatedly with an aluminum tube, the documents said, leading to a criminal complaint.

Persistent Lapses

Past enforcement efforts have failed to stamp out labor abuses.





“These cases have been increasing in the last few years, with more big groups taking control of smaller Italian companies and starting outsourcing part of the production,” said Roberta Griffini, secretary for the Filctem CGIL Milano union.

Responsibility is sometimes hard to determine because subcontractors work for more than one fashion group, Griffini added.

The UK has also cracked down on illegal sweatshops, particularly small factories operating in cities such as Leicester. A 2021 UK report found companies in numerous industries couldn’t guarantee their supply chains were free from forced labor.

For fashion producers in Italy, the supply chain should be short and closely monitored, said Saviolo of Bocconi University. Younger consumers in particular are paying more attention to brand credibility.

Milan is the locus of the sprawling fashion industry in Italy, housing about one-fourth of the nation’s 600,000 fashion workers across some 60,000 companies, according to Camera Nazionale della Moda.

The Lombardy region’s dense ecosystem of design studios, tanneries and sample makers gives brands unrivaled speed but also shelters what prosecutors called “a generalised manufacturing method” in which legitimate subcontractors parcel out work to micro-factories operating from converted garages and semi-legal industrial parks.

Chinese-owned firms make up a significant part of this complex. About 20% of Lombardy’s 10,000-plus textile workshops and factories are Chinese-owned, according to Milan’s Chamber of Commerce. The area has drawn a large number of Chinese immigrants, driven by small-business opportunities, globalization of the fashion industry and growing family ties.

Falling Sales

The judicial clampdown in Italy is unfolding against a jittery global backdrop, with demand falling and a US-led tariff war threatening to magnify export costs.

The personal luxury-goods industry, worth €364 billion, lost 50 million customers in 2023 and 2024, Bain estimated last year. The sector will shrink between 2% and 5% this year, according to the consulting firm’s June follow-up.

Italy’s fashion industry was already grappling with falling sales, inflation and international tensions. Brands squeezed by softer demand and volatile costs have doubled down on “near-shoring” quick orders to Lombardy’s workshop belt to protect margins.

That very strategy, say prosecutors, is fueling the race to the bottom that the courts are now trying to halt.

Investigators traced Loro Piana’s knitwear to intermediaries which subcontracted to factories where illegal migrants worked 90 hours a week and slept next to their sewing machines. The judges said the firm “negligently benefited” from illegal cost-cutting.

The judicial administrator appointed Monday is tasked with monitoring Loro Piana management’s progress toward addressing its supply chain.





The issues have been similar at other luxury brands, including Giorgio Armani Operations, Dior Manufactures, Valentino Bags Lab and Alviero Martini: opaque layers of small subcontractors, paper safety records and a workforce of mostly undocumented Chinese migrants.

Armani, Dior and Alviero Martini were released of court oversight after implementing measures such as real-time supplier audits. The unit of Valentino, which is owned by Kering SA and Qatar's Mayhoola, is still subject to court monitoring.

The Italian Competition Authority has also been involved. In May it closed an unfair-practices probe into Dior, securing €2 million in funds for anti-exploitation initiatives and requiring the company to improve supplier vetting.

Dior noted then that no infringement was established, and said it is dedicated to high standards of ethics and excellence.

Armani Group, still under investigation by the competition authority over alleged unfair commercial practices, said the allegations have no merit and its companies are cooperating with authorities.

Greater Coordination

In Milan, coordination has tightened with an accord in May between the Milan Prefecture, the fashion chamber, trade unions and leading brands. The pact sets up a shared database of vetted suppliers and commits signatories to regular certifications.

The outcome of the Loro Piana case for now rests with updates to the bench on its progress.

As for the tailor, the Milan prosecutor is now trying to get him hired legally, according to a person familiar with the matter, who asked not to be named discussing a personal matter. This would require the employer to make pension contributions, pay taxes and provide standard benefits.

--With assistance from Antonio Vanuzzo, Deirdre Hipwell and Angelina Rascouet.

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