

# SWEET AND ASSOCIATES

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## VIA FACSIMILE AND MAIL

Rhonda Kelsey, City Purchasing Director  
Business Operations Division  
Department of Administration  
City of Milwaukee  
Room 601, City Hall  
200 East Wells Street  
Milwaukee, WI 53202-3560

Re: Enforcement of Ethical Purchasing Ordinance  
Bid # 2164 (Vendor Contract for Police Uniforms)

Dear Ms. Kelsey:

On behalf of the Milwaukee Clean Clothes Campaign, I write to share with you information that has great potential relevance to Bid #2164 (Police Uniforms). We have recently learned of serious labor problems at a factory in China that was recently disclosed as a contractor for Spiewak. These problems call into question the ability of Spiewak to maintain compliance with the City of Milwaukee's Ordinance 310.

We have received the attached report from a group called China Labor Watch regarding the \_\_\_\_\_, located in \_\_\_\_\_, \_\_\_\_\_ Province. This factory was recently disclosed as a contractor for Spiewak, and there is the strong possibility that this factory is the intended site of production for the uniforms covered by Bid #2164. China Labor Watch is a human and labor rights group in China that has substantial experience investigating factory labor conditions.

The report outlines some disturbing labor conditions that we believe may constitute a violation of Milwaukee Ordinance 310. Among the finding of the report are:

- Wages as low as 4 RMB/hr which is below the local minimum wage, below the wage required by the City, and lower than that disclosed by Spiewak.
- Failure to pay workers the required 1.5 times regular wages for all overtime hours worked. Workers work on the piece rate system, and receive that same piece rate during overtime work, in violation of local law.
- Workers do not receive any paid vacation or holidays, in violation of local law.

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- A regular 12 hour workday, at least six days per week, resulting in an average workweek of at least 72 hours, in substantial violation of local law which limits overtime above 40 hours per week to at most nine additional hours.
- Workers do not receive copies of their employment contracts, in violation of local law.

As you know, Milwaukee Ordinance 310 requires compliance with local law, as well as a specific non-poverty wage level. China Labor Watch reports that they were easily able to uncover these violations within a few days of their investigation. The obvious and serious nature of these legal violations calls into question Spiewak's ability to comply with Milwaukee Ordinance 310, and its overall capacity to adequately monitor contractors for compliance.

We urge the City to investigate this matter further before any contract can be awarded for Spiewak products. At minimum, Spiewak must take the proper verifiable steps to ensure that labor conditions in the factory are improved such that they meet local law and Milwaukee Ordinance 310 standards. While the City should take appropriate steps to enforce Ordinance 310, we would like to stress that the best outcome for the workers is that their working conditions improve as a result of the City's enforcement activities. We are available for further discussions, and we understand that the staff of China Labor Watch will make themselves available to assist the City on this matter if needed.

Very truly yours,

**SWEET AND ASSOCIATES**

By 

Mark A. Sweet, Clean Clothes Campaign

MAS:dcj  
Enclosure

cc: Eric Dirnbach (via e-mail)  
Steve Watrous (via e-mail)

# Spiewak Factory Labor Report

## *CLW Investigation Report*

June 4, 2009

### *Summary:*

The main purpose of this investigation is to identify whether the Spiewak clothing factory listed in Badger Uniform's updated Ethical Purchasing Affidavit for Bid/RFP 1259 fulfills its stated salary promises of 8 RMB/hour plus 15% for benefits, as disclosed to the City of Milwaukee, and if there are any major violations of labor law. The following legal violations were uncovered through interviews with workers:

- Because of the piece rate payment system, some workers earn less than the minimum wage of 4.43 RMB/hour, and all workers interviewed earn far less than the stated 8 RMB/hr.
- Workers are not being paid the appropriate overtime wage rate.
- Workers are not paid for any vacation days or holidays.
- Workers are required to work overtime hours far in excess of what is allowed by law.
- Workers are not given copies of their employment contracts.

## **I. Factory Background**

### *Production Information*

Number of workers: approximately 300

Number of workers interviewed: 15

Percentage of workers interviewed: 5%

Product information: Clothing produced for exporting, mainly pants, police uniforms and other related uniforms. The factory also sometimes produces children's clothing.

## **II. Payment and Benefits**

Wages are determined by a piece-rate system. For example, for adult clothing workers are paid 0.2 RMB/article and workers produce less than 20 articles in an hour. There are also clothing articles with higher prices as well as periods with heavier workloads. According to the piece-rate system, workers are not paid extra for overtime hours. The average salary, then, is calculated according to each worker's situation. Last year, workers made 1200-2000 RMB per month including overtime. This year, the average salary is 900-1500 RMB/month. At the end of each month, the section leader will go over each worker's production figures and the factory will issue the salary monthly. Last year salaries were distributed in cash, and this year direct deposit is used. Because the factory's products are for export, the quality requirements are stringent and sometimes the factory will require workers to take one or two days to redo completed work at a rate of 4.5 RMB/hr. The factory has no paid vacation, and rest and holidays are unpaid.

Because the factory pays according to a piece-rate system, the average wage is difficult to calculate. One method is to use the price paid for one article of clothing, 0.2 RMB x approximately 20 articles of clothing completed per hour, for a rate of 4 RMB/hr. Another figure is the hourly rate when workers redo clothes to meet quality standards for 4.5 RMB/hr. Overall, this evidence casts reasonable doubt on the salary figures quoted in the Spiewak affidavit.

**Labor Law Violations:**

- **Many workers earn a salary in the 4.0 to 4.5 RMB/hr range, with some earning less than the minimum of 4.43 RMB/hour**
- **Overtime hours are not paid at the required higher rate of 150% on weekdays, 200% on weekends, and 300% on holidays.**
- **There are no paid vacations or holidays.**

**III. Working Hours**

The factory's normal working hours are 7:30 am-noon, 1:30-6:00 pm and 7:00-10:00 pm, for a 12 hour standard work day. The factory does not have a distinct peak production period. Workers rest one or two days per month. At this rate, workers will work around 310 hours per month, 160 regular hours and 150 overtime hours. Workers say that last year there were steady orders all year, with slightly less work this year than last year.

**Labor Law Violation:**

- **Overtime hours greatly exceed the legal limit of 9 overtime hours per week or 36 overtime hours per month. In a week, workers will work at least 32 overtime hours, and in a month, workers will work around 150 overtime hours.**

**IV. Labor Contracts**

Many workers have not signed a contract, including one worker who told the investigators he had worked for three years without a contract and another worker whose entire family was working without a contract. This year, at the request of purchasers, the factory has begun signing contracts with all workers; however these contracts are kept by the factory and not issued to workers, and many workers do not know their contents.

**Labor Law Violation:**

- **Not all workers have signed an employment contract and received a copy.**

**V. Dormitories and Canteen**

The factory provides dormitories to workers and only requires that they share the cost of utilities. Factories allow workers to cook meals, which cost 2 RMB/person (the factory subsidizes the remaining price of the meals). If workers are unable to participate in this meal, they may tell the workers in charge of cooking a day in advance and will not be charged. There are 3-4 workers in each dorm room, with four beds, and from the outside they appear cluttered. Many workers own rice cookers and the electrical cords appear to be a safety concern.

## **VI. Other Information Related to Benefits**

Workers report that last year their boss provided a good meal at Chinese New Year and also presented a bonus of 500 RMB to the most productive worker and 20 RMB to all other participants. After the New Year the factory presented bonuses of 10 RMB to all workers.

According to China Labor Law, if workers are laid off in their first 6 months of work, they are entitled to half a month salary as termination pay. From 6 months to one year, they are entitled one month's salary. After one year they are entitled 2 months salary per year they have worked, and each year after adds another month. This adds to the factory costs and is one benefit that is provided to the workers.

## **VII. Cost of Production**

The production lines at the factory range from 60-90 workers in size. If each worker in this line is paid .2 RMB/article of clothing, the total cost of labor for one article of clothing would be \$1.75 - \$2.60.<sup>i</sup> Please note that these numbers are variable;.2 RMB is only an average of worker wages/article of clothing and CLW is also unable to precisely determine the size of the production line that produces a specific article of clothing. Nevertheless, these figures may be useful in adjusting pricing and developing a remediation plan with Spiewak for the factory in question.

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<sup>i</sup> Based on 12 RMB/article of clothing with a 60-worker line and 18 RMB/article of clothing with a 90-worker line and a conversion rate of 1 yuan = \$US 0.146.