

## **SweatFree Procurement Forum for Purchasing Officials**

Conference Call Minutes

January 29, 2009

### **Present:**

Jeff Baer, City of Portland, Oregon

Tony DesChenes, State of Michigan

Victoria Kaplan, SweatFree Communities, *facilitator and notetaker*

Galen Leung, City of San Francisco

Mark Rosaaen, City of San Francisco

Trina Tocco, International Labor Rights Forum, *guest presenter*

Monica Wilkes, State of New York

Farshid Yazdi, City of Los Angeles

**Topic:** Human Rights in Garment Producing Countries

**Guest presenter:** Trina Tocco, Deputy Director of the International Labor Rights Forum ([www.laborrights.org](http://www.laborrights.org)), will take us on a tour of major garment exporting countries such as China, Bangladesh, El Salvador, and the Philippines, highlighting with case studies the significant human rights concerns for garment workers in those countries. She'll help us understand better where various human rights issues are of concern – child labor, forced labor, freedom of association, overtime work – and why that might differ from country to country based on local law, enforcement, and history.

**Next conference call: Thursday, February 26, 4pm ET / 1pm PT**

Call: 218-936-7979

Access number: 873 5625

### **Announcements**

Vicki reported that more than a dozen procurement officials participated in a conference call *meeting January 13, 2009 to discuss the Sweatfree Consortium*. Key topics were Consortium services, costs and funding structure during a period of economic difficulty, and steps toward a launch. The Consortium Steering Committee is reviewing proposals for next steps, and SweatFree Communities staff is having follow-up conversations with procurement officials to solicit feedback.

Vicki also shared news of a significant *breakthrough in the collegiate sweatfree apparel market*. Knights Apparel, the Worker Rights Consortium, Grupo M (garment manufacturer in the Dominican Republic), and FEDOTRAZONAS (Dominican labor federation) reached a historic agreement to open a factory that pays workers a living wage and respects freedom of association and other labor rights. The wage represents three times the average wage for garment workers in the DR. College and university bookstores will begin selling the clothing from this factory this spring. Joe Bozich of Knights Apparel has been a guest speaker on this call, and we have invited him and Scott Nova of the WRC to speak with us again about this project.

### **Future call topics**

Farshid would like to learn more about the procurement process of universities and colleges and how they have been able to overcome one of government procurement's challenges, which is the requirement to conduct a competitive bidding process.

Future calls being scheduled include:

- Jim Wilkerson from Duke University on the university sweatfree procurement experience
- Joe Bozich of Knights Apparel and Scott Nova of Worker Rights Consortium on the historic agreement for garment workers serving the university market
- An expert in federal procurement discussing the sweatfree procurement at the federal level
- A discussion of the federal stimulus package and its potential effects on state and local

procurement

## **Summary of Trina Tocco's presentation**

### General trends in the garment industry:

- Most major brands now have CSR (corporate social responsibility) programs
- We are seeing fewer cases of egregious labor rights violations, but still the industry hasn't figured out how to grapple and solve problems that are not obvious in a one day audit such as *false wage documentation/failure to pay minimum wage; significant amounts of unpaid and forced overtime; major violations of freedom of association*
- *Contract labor* is increasingly becoming a huge issue for the garment industry, as well as food and agriculture industries.
  - o Workers have to sign work contracts but increasing those are limited contracts for 3 or 4 months. We've talked to workers who have been working on 3 month contracts for 10 years. This means they don't qualify for pensions or other benefits, because most laws distinguish between full-time and temporary employees.

Trina discussed 5 countries: Dominican Republic, Bangladesh, China, India and the Philippines. She noted that most of these countries are in Asia. In Central America we still find some factories owned directly by US-based brands, whereas in Asia this is not the case, many Taiwanese or other factory owners other than the brands themselves.

### Dominican Republic. Case Study: TOS Dominicana

- Cloth factory owned and operated by Hanesbrands
- Fabric is sold to garment manufacturers in the Dominican Republic, including the university logo goods producer Grupo M, to Wal-Mart, and is also used to manufacture Hanesbrands' own line of blank t-shirts
- Complaint was sent to WRC and an investigation was initiated in 2007
- *Factory violations included employment contracts with illegal provisions, forced and unpaid overtime, night shift premium wage not paid, factory didn't report work related injuries to government, verbal harassment and abuse by factory staff, illegal firing of at least 30 union members, freedom of association violations*
- There were investigations by various stakeholders at the factory and there was a threat to file a CAFTA complaint against Hanes
- Positive ending: Finally in September 2008, 2 years after the workers first tried to form a union, *the factory management recognized the union and signed their first contract.*
  - o *10% raise for all workers*
  - o *Paid overtime*

### Bangladesh. Case Study: Hameem Group

*Wages are very very low and cost of production generally is low.* That's why there's significant apparel production in Bangladesh. In addition, the garment industry there started a long time ago, so instead of nice factories being built in the outskirts of town, you can walk through the urban downtowns and see the factories up on the 3<sup>rd</sup> floor of buildings. Factory managers are often ill-equipped to handle some of the requirements that buyers will have.

There are also complicated government issues – there was a caretaker government for a year, and *unions were considered illegal in export processing zones.* Union staff and members were put in jail. Buyers Trina has spoken with often struggle with dealing with that.

### Hameem Group:

- Owns 6 factories in one building. Each floor is a different factory with different buyers.
- European and American buyers such as JC Penney, Tesco, and others.
- The factory is plagued with *ongoing freedom of association violations.*
  - o Union members were fired and then reinstated because of significant international

pressure. Union leader was arrested and jailed for more than one month because of false charges by management that he was stealing money when in fact he was asking for union dues.

- In Bangladesh there is often collusion between the government and factory managers, making it increasingly difficult for buyers to parse through the situation.

We also see pretty regular *physical abuse*. No child labor in export processing, but it does exist in domestic industry.

## China

- 80% of toys and majority of footwear produced in China
- *Migrant workforce* that travels down south where majority of factories were located; factories are now moving inland. We drove for almost 2 hours and I saw factories for the entire time.
  - o Companies are calling me saying they're sourcing more inland in China. This could change the landscape of migration and could also change the dormitory situation.
- Some factories are the size of cities. One of the largest, Foxconn, which makes almost all ipods, has over 200,000 workers.
- All factories in the southern region have *dormitories* where the workers live.
- *Economic downturn* has had devastating effects in China:
  - o China had 13% economic growth last year, and the Chinese government has said that their goal is to never go below 8%, but they are around 6% right now.
  - o Estimated that at least 10% of factory workers have lost their jobs in the past 12 months
  - o About 100,000 factories have closed in the last year.
- *Child labor*: China is one of the few places where child labor still exists within the typical factory export market.
  - o An auditor once told Trina that he found a tunnel in a factory that he suspected was used to hide underage workers during audits.
  - o There is a huge industry built to get around company audits. There is little incentive for factories to follow the rules.
  - o If you're sourcing from China, chances are 1 or 2 factories at least have child labor.
- In China, *the union is an arm of the government* – ACFTU. Many factories do have a branch of the ACFTU present, with contracts, but not independent unions. This is a significant issue in China.
  - o There has been a significant increase in worker stoppages and direct actions. Even workers like police have started to do mass demonstrations. Starting to see some shifts where the government may be starting to act more like an independent trade union.
- *New labor contract law* was just passed in China, which a lot of people are excited about. Legal framework has brought China on par with other countries. But we've seen some provinces tell factory owners, don't worry about the law, just keep doing what you're doing. Many signs show that enforcement is very low because of the economic downturn.

## India. Case Study: Gap

- *Child labor*: In Oct 2007, it was found that Gap had a workshop where children were putting on beads for Gap Kids clothing.
  - o This is part of the *value-added supply chain*, such as embellishments on clothing, which is often outsourced to other factories.
- *Gap didn't know about this factory in its supply chain*
  - o Common problem in that the buyers of a final product aren't told or don't figure out each step in their supply chain
  - o The further you go down the supply chain the more vulnerabilities exist; estimated that a product touches 23 pairs of hands by the time it reaches the end user.
  - o Various stakeholders have been engaged by GAP; ILO may convene a meeting in

- Delhi sometime this year
- Shows just how difficult things can be from a buyer perspective when you don't have long term relationship with capable honest suppliers
- This happens even to a company like Gap with a pretty sophisticated ethical compliance program.

We are seeing some production shifting to India. In some cases in India the labor is cheaper than in China.

#### Philippines. Case Study: Chong Won Fashions

- *Major freedom of association violations*
- *Collusion between factory management and government, military, and police*—including Export Processing Zone which has its own police force— to harass and abuse workers
- Chong Won Fashion
  - Korean owned; Wal-Mart and American Eagle are clients.
  - Forced overtime, regular *24-hour shifts*, signs hung around the factory saying that *workers not allowed to drink water during shifts*.
  - Workers decided to form a union and after a few years of trying to get recognized by management, the workers went on strike
  - Big international campaign ensued with Wal-Mart as the major target.
  - This factory is to date one of the few factories where Wal-Mart has actually spent significant time trying to figure things out.
  - The factory ended up losing all its orders because management refused to negotiate with the union even with Wal-Mart pressuring them to negotiate. Workers reported that once a day police would go inside the factory and talk to management and then come out and beat the workers on the strike line.

#### Questions

Question from Farshid: The information about the Philippines is particularly interesting to me because we haven't sourced from Philippines before. We haven't noticed the China-to-India shift yet but it's good to know and be prepared for. How many workers does the economic shift effect?

A: The sheer volume and size of factories in China is on a different scale. A couple thousand workers is small for China.

Question from Vicki: A previous guest speaker on these calls from the ILO told us about a program in Cambodia. What effect do those kinds of programs have, in your experience?

A: The Cambodian program is different than in any other country, though it's being implemented in Jordan and Vietnam now. In the ILO Better Factories program in Cambodia, we noticed in the beginning there were positive changes occurring. A lot of people would say there was incentive for the US to source from those factories because of the quotas; therefore there were incentives for companies to be engaged in the program. Today, with the program 5-7 years old, it's been left to the ILO, and for the most part none of the larger brands have staff people in Cambodia, so the ILO is the only one monitoring factories at this point. I get pretty regular factory cases regarding Cambodia. Some of the things that started to work well there have been backtracking.

In addition, Cambodia is another country that's trying to encourage a temporary workforce through contract labor. There is fear that Cambodia will become a country where everyone is a temporary rather than a permanent worker.

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