



Clearing the Hurdles : **Steps to Improving Wages and** **Working Conditions in the Global** **Sportswear Industry.**

Play Fair 2008



Written by the Maquila Solidarity Network
On behalf of the Play Fair 2008 Campaign

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executive summary

"I am exhausted to death now.... None of us have time to go to toilet or drink water. Even so, we are working without rest and are always afraid of not working fast enough to supply soles to the next production line. The supervisors are pressuring and nagging us all the time. We are tired and dirty. We work without stop and we are still reproached by the supervisors."

Worker making New Balance shoes, Dongguan, China.

The 2008 Beijing Olympics represents a golden opportunity for the brand-conscious sportswear industry to associate its products with the cherished Olympic brand. For a costly, but manageable sponsorship or licensing fee, a sportswear company can infuse its athletic shoes and clothes with the lofty Olympic ideals of fair play, perseverance and, most importantly, winning.

By linking their brands with the Olympic Games, as well as other sporting events like the Union of European Football Associations (UEFA) 2008 Euro Cup, sportswear companies hope to reach for the gold in sales, market share and brand recognition. And if the past is any guide, these major sporting events should prove extremely profitable for some of the major players in this global industry.

But there is another side to the story. Before the 2004 Summer Olympics in Athens, the Play Fair at the Olympics Campaign – the biggest international worker rights mobilization of its kind ever undertaken – brought the world's atten-

tion to the underside of the sportswear industry: the abysmal working conditions endured by the young women and men, and children, who make the shoes, jerseys, footballs and other items in contract factories and subcontract facilities around the world.

Flash forward four years, with the Beijing Olympics upon the horizon, and it's time to ask, "What, if anything, has improved?"

What Play Fair researchers found

Based on interviews with over 320 sportswear workers in China, India, Thailand and Indonesia, as well as reviews of company and industry profiles, published and unpublished reports, newspaper articles, web sites, and factory advertisements Play Fair researchers found that substantial violations of worker rights are still the norm for workers in the sportswear industry.

Despite more than 15 years of codes of conduct adopted by major sportswear brands, such as adidas, Nike, New Balance, Puma and Reebok, workers making their products still face extreme pressure to meet production quotas, excessive, undocumented and unpaid overtime, verbal abuse, threats to health and safety related to the high quotas and exposure to toxic chemicals, and a failure to provide legally required health and other insurance programs.

Play Fair researchers also found that wages for sportswear workers are still well below a local living wage. Even where governments raised the legal minimum wage or sportswear brand buyers attempt to impose limits on overtime, Play Fair researchers found evidence of employers finding new ways to evade their responsibilities.

For example, when the Chinese government raised the minimum wage in Dongguan province in order to account for a skyrocketing inflation rate on basic goods like food, employers at many of the athletic footwear factories studied by Play Fair found ways to nullify the increase. Some employers raised production targets, thereby reducing or eliminating production bonuses, a significant portion of worker incomes. Others introduced new charges for food, lodging or other services. Some of the workers interviewed now receive less income than before the minimum wage increase.

In some cases, Play Fair researchers discovered, workers are not even receiving the legal minimum wage, despite working 12-13 hours a day. As well, in a number of the factories studied, there was evidence of employers falsifying factory records to mask the fact that employees were being forced to work excessively long and illegal hours and were not receiving the legal overtime premium pay.

Home-based workers stitching soccer balls in Jalandhar, India told Play Fair researchers that piece rates have remained stagnant for the last five years, despite local inflation rates last year estimated at between 6.7% and 10%. Depending on the type of ball, a home-based hand stitcher makes between US\$0.35 and US\$0.88 per ball, completing two to four balls a day. Home-based workers also face a total lack of income security. During months when orders are low, households are often plunged into debt to money lenders.

“We have no savings so we have nothing left during emergencies,” said a 50-year-old soccer ball stitcher. There are few if any safety nets available for homeworkers: sickness or an accident can amount to a catastrophe. “I have lost my wife’s gold, which I gave as security to a moneylender and could not repay,” he said. “Once I even rented my cooking gas cylinder to arrange some money for a health emergency suffered by my wife. The situation is similar for all of us. One of my friends even sold his blood to get some extra money to meet an emergency.”

Three hurdles to overcome

Across the global sportswear industry, workers manufacturing sports apparel, footwear and soccer balls all report the same kinds of problems. These findings are not new. A particular business model, lack of incentives, competing interests, institutional inertia and other factors have often negated even the best efforts to fix the endemic problems that continue to plague this industry.

Rather than merely rehashing a litany of abuses, this report seeks to identify solutions to these persistent workplace problems, focusing on three central hurdles that, if not overcome, will inhibit the industry’s ability to make real progress on other issues in the future.

These include:

- Lack of respect for freedom of association and the right to bargain collectively;
- Insecurity of employment caused by industry restructuring; and
- Abuse of short-term labour contracting and other forms of precarious employment.

If the sportswear industry is serious about changing the way business is currently done, there is an urgent need to take immediate steps to address these three central issues.

Freedom of association and collective bargaining

The lack of respect for workers’ right to freedom of association and to bargain collectively impedes worker efforts to resolve workplace problems as they arise and to negotiate long-term improvements in wages and working conditions.

The dominant attitude and practice in this industry is so biased against the development of trade unions that we believe a more proactive approach is needed to create a positive (rather than just neutral) climate for unions. We believe that companies should adopt a positive approach towards the activities of trade unions and an open attitude towards the organizational activities of workers.

This report documents considerable obstacles workers face when they try to exercise their right to freedom of association and collective bargaining, including:

- Dismissal of union leaders and supporters;
- Refusal by factory management to recognize and negotiate with unions;
- Closures of or reduction in orders to unionized facilities;
- Movement of production to jurisdictions where freedom of association is legally restricted; and
- Management promotion and selection of unrepresentative “worker committees.”

Factory closures

The rash of factory closures that has accompanied industry restructuring over the past few years contributes to a climate of fear amongst workers and suppliers, feeding the myth that any efforts to improve conditions will only lead to more job losses. When workers face employment insecurity, they are less likely to take steps to challenge abusive practices.

While a few brand-sensitive sportswear companies are willing to discuss how to minimize the negative impacts of restructuring and consolidation, the vast majority refuse to even consider whether they have an obligation to justify their decisions to workers or communities that will be negatively affected.

Closures should only occur when a factory is no longer able to sustain itself economically, and all other options to rescue the business have been exhausted. But it's not always easy to disentangle the responsibility for economic decisions that affect the viability of a particular factory.

Suppliers and/or buying agents using multiple factories in one or more countries make choices about which factories receive which orders, affecting the viability of one or another facility. Buyers also, either by decision or simply by neglect, fail to support facilities that have been more compliant with labour standards – especially those with collective bargaining agreements – leading to closures. Because we are dealing with global supply chains, a narrow assessment of one isolated facility's economic viability is not sufficient to rationalize a closure. A true assessment of a facility's economic viability must also take into account the order patterns from buyers, whether prices paid by buyers are sufficient to support labour rights compliance at a facility, and the finances of the parent company.

Growth in precarious employment

Although comprehensive global data across the industry is not available, in recent years, unions and labour rights organizations have reported an increasing use by supplier factories of successive short-term employment contracts and third-party employment contract agencies. Play Fair documents some of these trends in this report.

The growing use of short-term contracting and other forms of precarious employment is denying workers their social security and other legal entitlements, discouraging worker organizing, and undermining the enforcement of labour regulations, which too often do not apply to non-permanent workers.

The problem is that the sportswear industry is addicted to flexibility. In the prevalent sportswear business model, retailers, brands, and transnational suppliers seek to maximize their ability to change not only the styles and products being produced, but the factories or countries in which the goods

are being made, all in pursuit of the quickest, most reliable, best quality and, of course, cheapest production.

It's no surprise, therefore, that sportswear factories would seek to flexibilize their workforces. As long as the global system of sportswear production remains unstable, there will be a drive to download the bulk of the risk involved in competing for business and orders. Those that can no longer download the risk – the workers at the bottom of the supply chain – end up bearing the brunt of the instability in the system.

The fourth hurdle: a living wage

Our research also indicates that despite increasing work pressure and excessive working hours, worker incomes remain, on the whole, well below a living wage. While industry leaders have been willing to take action in some cases to ensure that workers receive the legal minimum wage or prevailing industry wage, there has been very little action to date to ensure that workers' wages are sufficient to meet basic needs.

Just as workers at the bottom of the supply chain have been forced to bear the lion's share of risks associated with the industry's demand for flexibility, workers have also been forced to shoulder the costs associated with consumer demand for low prices.

Soccer ball stitchers in Pakistan, for example, report that they receive between US\$0.57 and US\$0.65 for each ball they produce, a rate that hasn't changed in six years even though the consumer price index rose by 40% over that period. Garment workers in Cambodia earn an average of US\$70 to US\$80 a month, including overtime and bonuses – not enough to provide a worker and family with a decent standard of living. In Bangladesh, where massive worker protests in 2006 led to a long-overdue increase in the minimum wage to 1,662.50Tk (US\$24.30) a month, the real value (after inflation) of their monthly wage is now worth even less than the 1995 minimum wage. In Turkey, the prevailing industry wage in the garment sector is estimated to be less than half the living wage.

Responsibility for achieving wage gains in global sportswear supply chains is more widely distributed than it might be in a national industry producing for domestic consumption, because global sportswear production takes place in a context of:

- Unstable buying relationships;
- Difficulties with national wage setting mechanisms due to footloose sourcing and investment;
- Lack of respect for freedom of association and collective bargaining; and
- Low price expectations by consumers, brands and retailers.

For these reasons, a coordinated effort to increasing wages in the sportswear industry must be developed. It should focus initially on major suppliers and relatively stable factories

where a critical mass of buyers have a long-term relationship with the supplier factory and all are willing to take steps to ensure that workers receive wages that fall within the range of living wage estimates for the region.

Concrete actions and measurable targets

In this report, Play Fair outlines four focus areas where we believe real changes can be made that will open up the industry to sustainable improvements on labour rights. To seriously address the lack of freedom of association and the right to bargain collectively, precarious employment, and the impacts of factory closures, and to raise incomes to a level that meets workers' basic needs, sportswear companies will need to take a series of concrete, measurable actions in close collaboration with multi-stakeholder initiatives, trade unions, non-governmental organizations, and governments.

A small sample of the actions and targets set out in this report include:

- Sportswear brands should require suppliers to adopt a policy on freedom of association and communicate this to the workers in the form of a written "Right to Organize Guarantee." This should be done at a minimum of 30% of a brand's suppliers by Vancouver 2010, and 100% by London 2012.
- By Vancouver 2010, sportswear brands and retailers should provide measurable incentives to factories that have a collective bargaining agreement with an independent trade union. Such incentives could include:
 - Preferential order placement;
 - Long-term, stable supply contracts; and
 - A measurable CBA premium in unit prices.

Sportswear suppliers must ensure that, by Vancouver 2010, at least 95% of workers engaged in the company's core business are employed under open-ended or undetermined duration contracts, and that:

- Any use of fixed duration contracts is in response to a clearly defined plan justifying their use;
- Any workers on fixed duration contracts are provided the same salary and benefits accorded to permanent workers performing the same work;
- Once a short-term employee has been hired on a fixed duration contract twice by the same employer, or for two years, the employee is automatically hired on an undetermined duration contract with the third contract.

By Vancouver 2010, buyers should report publicly on the company's policies for supplier/vendor selection, management, and/or termination, including new source approval process, linking of supplier CSR performance with sourcing decisions, and strategy for managing impact of exiting factories. Multi-stakeholder initiatives should require this of their members.

By Vancouver 2010, buyers should undertake an independent review of prices paid to suppliers. Such a review should determine whether the prices paid are sufficient to allow compliance with international labour standards and provide for an expected wage for workers that meets workers' basic needs.

By Vancouver 2010, buyers should provide information regarding the unit price paid by the buyer to the supplier on a confidential basis to trade union representatives engaged in collective bargaining with suppliers.

Buyers should commit to the attainment of a living wage in at least 25% of supply factories by London 2012, by:

- Collaborating with other buyers (possibly through a multi-stakeholder initiative) to identify suppliers where participating buyers collectively control more than 75% of production on a regular basis;
- Facilitating the establishment of negotiating structures to enable factory management and trade union(s) to consolidate the living wage element into the existing pay structure at those factories;
- Individually negotiating with factory management on measures needed to meet a living wage target proportional to each buyer's share in production.

The Challenge

Four years ago Play Fair asked the industry to take up the challenge of making real, substantial improvements in labour standards compliance by the Beijing Olympics. With the Beijing Games just months away, progress has been limited at best. If the sportswear industry – buyers, suppliers and the multi-stakeholder initiatives that include them as members – is truly serious about addressing the issues outlined in this report, it must demonstrate its willingness to undertake concrete action to meet measurable targets to ensure that when the next Olympic Games come around in two and four years' time, workers can expect real improvements in their conditions rather than two or four years' more talk about vague commitments.



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