



FAIR GAMES?

Human rights of workers in
Olympic 2012 supplier factories



Written by the International Textile, Garment and Leather Workers' Federation (ITGLWF).

Research conducted by SACOM, the Philippines Council of the ITGLWF and the Free Trade Zones and General Services Employees Union (FTZ&GSEU).

On behalf of the Play Fair Campaign.



This report is published by the Play Fair Campaign. Play Fair is a global campaign coordinated by international trade union federations and NGOs; namely the International Trade Union Confederation (ITUC), the International Textile, Garment and Leather Workers' Federation (ITGLWF), the Clean Clothes Campaign (CCC) and Building and Wood Workers' International (BWI). The campaign calls on those who organise and profit from sports events to take specific steps to ensure that workers making sporting goods and building venues are not exploited, and that international labour standards are respected.



The Playfair 2012 Campaign, a joint project coordinated by the Trades Union Congress (TUC) and Labour Behind the Label (LBL), also co-published this report. Playfair 2012 exists to influence the London Games organisers, international sportswear brands and licencees to raise the bar on workers' rights in the run-up to the 2012 Olympic Games.

Copies of this report and further information are available to download from the following websites:

www.play-fair.org
www.playfair2012.org.uk

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Executive summary

The eyes of the world will be on London this summer when the 2012 Olympic Games kick off on 27 July. One billion people – 15 per cent of the world’s population – watched the Beijing 2008 Olympic Games Opening Ceremony live; the organisers of this year’s Games hope to reach even more.

In the excitement surrounding the Olympics, it is easy to overlook the very people who have been working behind the scenes to make the Games take place. Far from the glamour of the Games, the men and women who manufacture the clothing and footwear worn by the athletes, the outfits worn by the Olympic officials and the goods used to promote the Games, work long hours for low wages, often in hazardous conditions and under precarious working arrangements.

The majority of the world’s sportswear production takes place in Asia, where the factory workers receive extremely low wages – sometimes even less than the legal minimum. The poverty wages offered mean that workers who toil 60 or more hours a week live on less than the UN poverty threshold.

The International Olympic Committee (IOC) is the umbrella organisation for the Olympic family. It says that its role is “To encourage and support the promotion of ethics in sport” and claims that respect and dignity are at the core of its organisational priorities. Principle 1 of the Olympic charter states: “Olympism seeks to create a way of life based on... respect for universal fundamental ethical principles.” Since 2003 the Play Fair Campaign has been calling on the IOC to take concrete steps to ensure that all goods made in connection with the Olympic Games are produced under conditions where the human rights of workers are respected.

The London bid to host the 2012 Olympic Games was the first to embed sustainability into its plans and it made a clear commitment to ensuring ethical values ran through the heart of the Games. As a result of engagement with the Playfair 2012 campaign, the London Organising Committee of the Olympic and Paralympic Games (LOCOG) has taken some steps to apply these commitments in its procurement of goods and services for the Games. It has adopted a model code of conduct based on internationally recognised labour standards and embedded this in contractual agreements with licencees and suppliers, and developed a complaints mechanism for workers in its supply chain to report any violations of their rights. However, LOCOG’s efforts did not reach far enough, despite attempts by Playfair 2012 to encourage it to go further. Following the publication of *Toying with Workers’ Rights* (Play Fair, 2012) in February 2012, which documented exploitative working conditions in two factories supplying the Olympic mascots and pin badges, LOCOG signed a ground-breaking agreement with the Playfair 2012 campaign to take further steps to protect workers’ rights in China and the UK.

This report sets out to examine whether workers producing sportswear, garments and textiles for the London 2012 Olympics are being treated with respect and dignity, in accordance with their fundamental human rights.

“Olympism seeks to create a way of life based on... respect for universal fundamental ethical principles.”

Olympic charter 2011

A total of 175 workers were interviewed from October to December 2011. These workers were from 10 factories, which together employ 32,750 workers. Eight of these factories were producing goods for the 2012 Olympics. The brands sourcing from the factories included adidas, New Balance, North Face, Columbia Sportswear Company, Next, Nike, Speedo and Ann Taylor.

The researchers also conducted interviews with factory management, supervisors, labour officials, economic zone agents and trade union officials. The interviews were conducted by Students & Scholars Against Corporate Misbehaviour (SACOM) in China, the Philippines Council of the International Textile, Garment and Leather Workers' Federation (ITGLWF) and the Free Trade Zones and General Services Employees Union (FTZ&GSEU) in Sri Lanka.

Researchers found widespread abuse of the human rights of workers. These include:

Precarious work

Workers are kept on short-term contracts to avoid social insurance, including pension payments, sick leave and maternity benefits.

In Guangdong Province in the Pearl River Delta, most of the workers do not have social insurance protection even though it is the law. Workers in the Guangzhou factory have two separate workplace locations on their contract, giving management the option of sending a worker to another factory 200 km from their home, thereby forcing the person to resign.

In the Philippines, 25–30 per cent of respondents work on short-term contracts, and are subject to more precarious conditions. They are hired as apprentices, as trainees or under probationary employment.

Poverty wages

Fifty per cent of workers in the Philippines rely on 'pay day loans' to get through the month. Three-quarters of the 35 workers interviewed said their monthly wages were not enough to meet basic needs.

In Sri Lanka workers are paid only 22–25 per cent of the living wage of US\$357 per month.

Forced overtime

Management in factories in Sri Lanka draw up the year planner and schedule without consulting workers. Management declares which days will be holiday and, by controlling the yearly calendar, it avoids paying overtime during busy months.

The normal work day in the Philippines is 10 hours and often exceeds 60 hours a week during periods of high demand, such as during the run-up to the London Olympics.

Union busting

In the 10 factories studied, there were no recognised union or credible workers' organisations of any type and workers were prohibited from joining a union.

In Guangzhou, distributing leaflets and sharing information about improving working conditions to colleagues can lead to immediate dismissal. Most of the people interviewed there said the union committee was hand-picked by management, and therefore does not genuinely represent the views of workers.

In Sri Lanka, all respondents said management did not recognise trade unions. Out of 259 factories in Sri Lanka's Export Processing Zone (EPZ), only 31 have independent trade unions.

Workers in Guangzhou who break factory rules are named and shamed, with the HR department pinning warnings about workers, with their photos, on noticeboards.

Poor conditions

Hundreds of sewing machinists in the Guangzhou factory have stools instead of chairs, with most of the women suffering severe neck and back pain.

Guangzhou workers live in dormitories on site, sleeping in bunk beds. Out of their meagre salaries they pay for their room, electricity, water and food. Hot water is available only after the overtime shift finishes at 23:00.

Ventilation was the major concern for all workers interviewed in five factories in the Philippines. Persistent daytime heat during the summer led to complaints of respiratory illness.

The Play Fair Campaign

The Play Fair Campaign seeks to use the power of international sporting events, and the influence of international sports organisations, to win fair treatment for the people who do the work to make these events happen. Our goals do not end there, however: we also seek to apply the leverage of sports events to achieve lasting positive change for workers everywhere.

The Play Fair Campaign is an alliance of organisations including international human rights and development NGOs and international trade union organisations that have pledged to work together for this purpose.

The Play Fair Campaign has its origins in the mid 1990s in efforts to address the extreme exploitation of workers involved in labour-intensive manufacturing in supply chains. Horrific working conditions including child labour, starvation wages, physical abuse and intimidation were hidden by elaborate subcontracting relationships. Most of the workers involved were women who were employed precariously with little protection. Other vulnerable workers such as migrant workers were also exploited in these situations. Among

the human rights abuses documented was the effective denial of the right of all workers to defend their rights by forming or joining trade unions.

The organisations that are today part of our alliance were involved in campaigns that exposed these conditions, which led to increased recognition that companies marketing brand name goods have responsibility for the working conditions of their suppliers. In addition, the alliance has created awareness of international labour standards and the fundamental human rights of all people who work, no matter where they work. Most of the campaigns were directed at companies that marketed goods using famous brand names. The goods involved included athletic footwear, sportswear and sporting goods such as soccer balls. In addition to the brand-named companies, the campaigns began to target sporting organisations such as the International Olympic Committee (IOC) and the Federation Internationale de Football Associations (FIFA), and industry trade groups such as the World Federation of Sporting Goods Industries (WFSGI). During this period, companies and trade associations began to admit some of their

“We also seek to apply the leverage of sports events to achieve lasting positive change for workers everywhere.”

Play Fair Campaign

responsibility for these abusive conditions and started to adopt codes of conduct addressing supply chain labour practices.

The first formal Play Fair Campaign was launched in connection with the 2004 Olympic Games held in Athens. Known as the ‘Play Fair at the Olympics Campaign’, it consisted of an alliance of Oxfam,¹ Global Unions (including the then ICFTU² and the ITGLWF), the Clean Clothes Campaign and their constituent organisations worldwide. It aimed to push sportswear and athletic footwear companies, the International Olympic Committee (IOC) and its national organising committees (NOCs), as well as national governments, to take concrete measures to address supply chain exploitation.

In 2008 Play Fair focused on the Beijing Olympic Games. The campaign sought to overcome ‘four hurdles’ affecting manufacturing workers in supply chains:

- lack of respect for freedom of association and the right to bargain collectively
- insecurity of employment caused by industry restructuring
- abuse of short-term labour contracting and other forms of precarious employment
- the need for a living wage.

Today the Play Fair Campaign remains directed at overcoming these hurdles.

The Play Fair Campaign over the 2010 Football World Cup in South Africa was expanded to include the working conditions of building and construction workers who build or renovate the facilities needed for the international events as well as the many kinds of service workers that are needed throughout the course of such an event.

Our strategy can be summed up as giving meaning to the same goals declared in one of the Fundamental Principles of Olympism: “The joy of effort, the educational value of good example and respect for universal fundamental ethical principles.” International sporting events are an opportunity and a means to educate about ethical principles that surmount cultural differences. This includes the recognition of the dignity of the human being in the world of work and how to give meaning to the principle enshrined in the International Labour Organisation’s (ILO) Declaration of Philadelphia that “labour is not a commodity”.

The Play Fair Campaign also recognises that an end to the present system of exploitation and abuse can really be brought about only when governments assume their responsibilities both nationally and internationally to protect the human rights of workers.

Finally, although we understand that public pressure, including the ethical choices of consumers, cannot by itself constitute a sustainable system of social justice, it has an essential role to play in bringing about the legal and institutional frameworks necessary for social justice.



London 2012 logo in
Trafalgar Square
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The Olympic Games

As the international coordinating body of the Olympics, and owners of the rights to the Olympic name and symbols, the IOC must make respect for workers' rights an integral part of the organisation's basic principles and code of ethics, and make compliance with international labour standards a contractual condition in licensing, sponsorship and marketing agreements for all Olympic Games.

The IOC has largely ignored Play Fair's demands. It held a series of meetings with representatives of Play Fair, the last of these in London in April 2011, but has taken almost no concrete action to turn the Play Fair demands into reality. In the eight years since the campaign started, the IOC has included language on workers' rights in the Olympic bid criteria and has indicated it might be willing to oversee complaints made regarding labour rights violations in Olympic supply chains. However, the language it included in the bid

criteria is extremely weak and there have been no concrete steps taken in regard to investigating or adopting such a mechanism. The Road Map for IOC Action on Workers' Rights³ developed by the Play Fair Campaign and presented to the IOC in 2008 has been entirely ignored.

The IOC claims that it considers engagement with the ILO as the most effective mechanism for overseeing labour rights issues in Olympic supply chains. Yet the signing of a Cooperation Agreement with the ILO as far back as 1998⁴ has not resulted in any identifiable progress in this area.

London 2012 – Progress and challenges

The London Organising Committee of the Olympic and Paralympic Games (LOCOG) is responsible for preparing and staging the 2012 Games. In its bid document, 'Towards a One Planet Olympics', the London Games promised that "all goods, materials and services will be evaluated according to environmental, social and ethical criteria as well as conventional value parameters" and that the "same principles will be used in selecting sponsors".⁵

Under the Play Fair umbrella, the Trades Union Congress (TUC) and Labour Behind the Label has coordinated a campaign – Playfair 2012 – calling on the organisers of London 2012 to ensure that the Games are not tainted by the exploitation of workers. As a result of its work, LOCOG agreed to include adherence to the Ethical Trading Initiative (ETI) Base Code in its Sustainable Sourcing Code, which covers all contracts with its suppliers and licencees. The Code includes the core ILO Conventions, requires payment of a living wage and the provision of regular employment. Coupled with this, LOCOG has developed a complaints mechanism that aims to enable workers in its global supply chains to report violations of their rights and for these to be investigated and resolved. However, the majority of production is likely to have already taken place, and LOCOG did not take concrete steps to inform workers across its supply chain about the existence of this complaints mechanism or even translate it into all relevant local languages, despite repeated requests from Playfair 2012. LOCOG only partially disclosed its supply chain production sites in February 2012, meaning that it is impossible for local unions to verify its claims that its suppliers are meeting high ethical standards and are abiding by the ETI Code.

Despite Playfair 2012 emphasising to LOCOG the importance of involving workers in monitoring implementation of these standards and improving conditions, LOCOG chose to use audits to monitor standards, a method that has been discredited for its failure to uncover abuses of workers' human rights.

Following revelations of exploitative working conditions in *Toying with Workers' Rights* (Play Fair, 2012), LOCOG agreed to: publicly disclose the names and locations of factories producing London 2012 goods mainly in the UK and China; provide educational materials about workplace rights for workers in these factories; set up a complaints hotline for Chinese workers; run a pilot training project on workplace rights; and work with Playfair 2012 and the IOC to ensure the lessons learned from London 2012 are built on from Games to Games.

LOCOG should have taken steps much earlier to ensure public disclosure of factory locations, and to inform workers about their rights and how to use the complaints mechanism in local languages across its whole supply chain. Information about the mechanism is available only in English.

Overall, LOCOG has gone further than any other Games organiser in taking steps to protect workers' rights, but it has not done enough, as demonstrated by the findings of this report. It is vital that the organisers of future Games build on LOCOG's progress and make advances where it has fallen short.

The brands

In addition to targeting event organisers, the Play Fair Campaign calls on multinational brands to take concrete steps to improve working conditions in their supply chains.

A £100m sponsorship deal signed with LOCOG in 2007 makes adidas a 'tier one partner' of the London Olympics. adidas has marketing and licensing rights to London 2012 and is providing kit for the British Olympic Association and British Paralympic Association. adidas will also provide sportswear to Games officials and London 2012 staff and volunteers, and it owns exclusive licensing rights for branded and unbranded

sportswear at London 2012 venues and stores. Play Fair has commended adidas' decision to disclose which factories are producing for the 2012 Olympics.

In a deal worth a reported £10m, the British retail company Next will provide uniforms for technical officials at the Games and suits for London organising committee staff, design opening and closing ceremony outfits for Team GB athletes and supply linen for the athletes' village. Next has refused to disclose which factories are supplying LOCOG.

China

China is the world's largest manufacturer, producing almost 20 per cent of globally manufactured products.⁶ The manufacturing sector represents over one third of its economic output and employs around 40 per cent of China's 240 million migrant workers.⁷ The manufacture of textile, garments, electronics and promotional goods represents a significant part of this output. However, behind the massive success story of China's manufacturing sector lies an industry often based on exploitation of its vast workforce and systematic breaches of internationally recognised labour rights.

China has refused to ratify ILO conventions 87 on Freedom of Association and 98 on Organising and Collective Bargaining, and actively suppresses this right in law. Although Article 3 of the Trade Union Law states that "all manual or mental workers... have the right to organize and join trade unions", the All China Federation of Trade Unions (ACFTU)

is the only legally recognised national trade union centre⁸ and any trade unions that are formed by workers must affiliate to ACFTU at local, national or industrial level.⁹ This means that ACFTU has a monopoly on worker representation.

As well as operating as a trade union monopoly, ACFTU is subject to the authority of the Chinese Communist Party system. Unions are in fact defined under the ACFTU statute as "liaison organs between the Chinese communist party and the working masses".¹⁰ Recent reforms have attempted to make local-level unions more democratic and provide for direct elections for trade union representatives at the enterprise level, however for the most part these local-level unions have little to no autonomy.¹¹

China has no effective national law protecting the rights of workers to bargain collectively either



Amerseas Enterprises Ltd (Guangzhou Tien Sung Sporting Goods Co Ltd)

Amerseas Enterprises Ltd is a wholly owned subsidiary of the Tien Sung Group. The Tien Sung Group was founded in 1967 and the company's headquarters are located in Hong Kong. The company has four factories in Guangdong province where its mainland China office is also located. The company also has production facilities in Bangkok, Thailand. According to the company website, brands sourcing from the group's facilities are adidas, ANTA, Fila, Polo Ralph Lauren, Puma and Under Armour.¹³ This last factory became operational in 2004, employs 2,500 workers¹⁴ and is the largest of the company's production facilities.

within or outside of a trade union structure, dictating only that enterprises "may" engage in consultations with workers.¹² The existence of collective agreements is particularly limited in privately owned enterprises. The right to strike was removed from the Chinese constitution in 1982 and has not been reinstated in any following national labour legislation. Although this means that strikes are neither legal nor illegal, in practice they are widely repressed.

Amerseas Enterprises Ltd was listed by adidas as one of a number of suppliers manufacturing apparel for the London 2012 Olympics.¹⁵

During late 2011, a team of researchers from Students and Scholars Against Corporate Misbehavior (SACOM – a non-profit organisation founded in Hong Kong in June 2005) interviewed workers employed by the factory, though the researchers had to approach workers off site, at a nearby market, as they could not gain access to workers on site or at their accommodation (which was also situated on the factory grounds).

The researchers interviewed 80 workers. Other workers were approached but many stated that they feared speaking to SACOM would result in retribution from their employer. They had also previously been approached for interview by factory auditors off site but had been given warnings from management not to speak to auditors in this way. Of those workers who completed the detailed interviews, 56 were female and 24 male, with 50 per cent of those interviewed under the age of 30.

According to the responses provided by the workers, the factory was at the time producing for two multinational brands – adidas and Fila. The workers stated that adidas has been a long-term business partner of Tien Sung and is the factory’s primary client. The workers interviewed confirmed that the adidas products they were producing included items that had carried the Team Great Britain logo.

Working conditions

According to the information publicly disclosed by adidas, the factory did not have a free and democratically elected union but instead had an “employee-elected workers representative”.

ETI Base Code: Living wage
Article 5: Living wages are paid

5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.



Excerpt from staff manual prohibiting striking and information dissemination

The staff manual states that strikes and dissemination of materials which hamper employer-employee relationships will lead to dismissal.

序号	违规行为	纪律处分
6	行贿或收授利益等行为, 已构成刑事犯罪, 或尚未构成刑事犯罪但严重影响劳动者;	违纪辞退
7	连续旷工3日或一个自然年度内累计旷工3天;	违纪辞退
8	未经公司许可, 擅到其它公司或个人处兼职者;	违纪辞退
9	聚众闹哄, 严重影响生产秩序者;	违纪辞退
10	张贴或散发煽动性文字、图画、图书, 严重破坏劳资关系者;	违纪辞退

However, according to the responses provided by the workers interviewed the “elected worker representatives” are hand-picked by management. One worker stated that there are about 20 committee members, nearly all of whom are middle management and the committee’s main objective is to quell workers’ discontent.

The staff manual provided to the employees by management also makes clear that any activity that management views as involving the education or organising of workers for the purposes of securing improvements to working conditions would be viewed as a punishable act, with workers facing sanctions if caught. For example, if workers are found to be posting and disseminating leaflets, images or books that “seriously hamper the employer-employee relationship” they will be fired immediately.

Precarious contracts

The majority of workers are precarious workers employed on temporary contracts. Unusually their contract states that they have two places of work – Guangzhou and Heyuan. These two cities are over 200 km apart. The workers interviewed believed that the employer specifically inserted Heyuan in their contracts to create a sense of fear and prevent them from challenging their employment conditions. They stated that they felt that to go against management wishes or instructions would result in a transfer to Heyuan, which in effect meant the termination of their employment, given the distance.

Some of the respondents said that management had informed senior workers who had been working at the factory for a number of years that they were being transferred to Heyuan. This meant that these older workers would either have to move with their families to Heyuan in order to continue working or lose their jobs. The interviewees believed that the management did this to longer-serving members of their workforce because they did not want to continue to pay the higher wages and benefits accrued by long-term workers.

(四) 乙方工作地点: 惠州河源

(五) 除临时性工作或者短期学习培训外, 如甲方需要乙方到本合同约定以外的地点或单位工作和学习培训, 应按本合同第七条处理。

Worker contract from Amerseas Enterprises Ltd

On the contract, it states that the workplaces of the employee are Guangzhou and Heyuan.

Minimum wage for maximum work

In 2009, workers at Amerseas stopped working and blocked a nearby highway for several hours to highlight the meagre pay they were receiving. The response at the time from adidas' Global Director of Social and Environmental Affairs, Frank Henke, was: "The minimum requirements for workers in China are covered by the wage".¹⁶

The minimum wage for workers in Guangzhou is CNY1,300 per month (US\$206). The factory pays the minimum wage as a basic salary to the workers and overtime premiums are paid in accordance with the legal requirements. There is also a productivity incentive system, whereby workers can earn up to CNY30 (US\$4.76) per day. Some workers who work overtime and earn productivity bonuses earn around CNY3,000 per month (US\$476). However, even the workers who earn the highest productivity bonuses and work overtime do not make enough to pay for basic necessities such as food, accommodation and medical expenses.

The researchers interviewed the workers during the factory's quiet period, which runs from September to March. This means that workers are likely to be working shorter hours due to lower demand and production targets should not be as high as those during peak season. Despite this, however, workers reported that they were regularly working overtime in excess of the legal monthly maximum; Article 41 of the Chinese labour law stipulates that overtime cannot exceed 36 hours per month. However, workers reported that during the low season they were working between 40 and 60 hours overtime per month.

Workers reported that they begin work at 08:00 and work up until 22:00 during low season or until 23:00 during peak season. Although the law states that a standard working week is 40 hours, the working day is nine hours of work plus a one-hour lunch break. All workers are required to work overtime on a daily basis and this begins at 7 pm, immediately after a one-hour dinner break.

Amerseas Enterprises Ltd provides worker accommodation in two buildings on site. One consequence is that this gives management additional control over its employees and helps to make sure they will work longer hours. For example, hot water is not available in the workers' rooms until after the overtime shift has ended.

Workers are charged a fee by the employer for provision of accommodation and food. Workers pay CNY200 (US\$32) per month for canteen food, which the workers complain is neither nutritious nor appetising. There is a further charge of CNY50 (US\$8) per month for a bed in an eight-bed room (two sets of four bunk beds). There are also additional charges levied on workers for electricity and hot water.

Not only are workers not paid a living wage and forced to work illegal amounts of overtime, but their employer is also failing to register them for social security (pension, work-related insurance,

Shift pattern at Amerseas Enterprises Ltd

08:00	Work shift begins
12:00	Lunch break
13:00	Work shift resumes
18:00	Dinner break
19:00	Overtime shift begins
22:00	Finish work

medical insurance) as required in Article 3 of Chinese labour law. It is stated in the workers' contracts that social security contributions from the employee will be deducted. However, most of the workers interviewed were not registered for social security. Respondents told researchers that only production workers who have been employed for more than three years are registered by the employer, along with the office workers. Of the 80 workers interviewed, 20 were not registered for pension contributions (which is a legal requirement). Workers said the reason they were not registered was that Amerseas was refusing to pay the 12 per cent employer contribution to the pension.

Although workers are aware that their employer is breaking the law, most do not protest as they say if all mandatory deductions were taken from their salary, they would find it even more difficult to live on their poverty wages. For example, one female worker at Amerseas Enterprises Ltd said: "The deduction for social insurance is about CNY200 per month [because both employer and employee have to contribute to the social security fund]. I can't save if I participate in the scheme."

“The production quota is 600–700 pieces per day. How can I meet the target if I wear a mask? Only if the clients come for inspection, we are required to put on masks.”

Worker making adidas Olympic-branded goods, China

‘Fake inspections’

Workers also reported that they do not wear protective masks, and recognised that this means they are exposed to an increased risk of respiratory problems. Some of the workers told researchers that a manager from the factory has left due to lung problems caused by the dust in the factory. Workers said that they do not wear their masks because of the hot working environment and the unrealistically high productivity targets. They said wearing masks would slow them down, so they would be more likely to get into trouble with management and supervisors.

A worker from the factory told researchers that “The production quota is 600–700 pieces per day. How can I meet the target if I wear a mask? Only if the clients come for inspection, we are required to put on masks.”

Other personal protective equipment such as noise reduction devices were not provided to workers despite the noise of hundreds of machines operating on the factory floor. Workers reported that the most common accidents are hand injuries caused by the sewing machine needle, with frequent injuries among newer workers. Workers sit on stools during work, rather than chairs with back support. Most workers interviewed said they have back, neck and waist pain.

Workers at Amerseas Enterprises Ltd highlighted the inadequacy of social audits, pointing out that management would brief them in advance about pending factory inspections. Workers are ordered not to say anything negative to interviewers. In December 2011, a worker was interviewed during an audit and subsequently dismissed for informing the auditor that she worked until 22:00 on a daily basis.

The workers also gave detailed information about other punitive management practices, including a system of fines and punishments. While not many of the respondents had been fined by management, they reported that those who had been would have their photograph and a warning notice posted on the information board as a deterrent to other workers. In addition to this, the staff manual lists conditions for rewards (half a page long) and punishment (six pages long). Workers are also subject to checks when leaving the factories, including having to open their bags for security guards; workers feel that this is insulting and degrading.

五、社会保险

（一）甲、乙双方按照国家 and 省、市有关规定，参加社会保险，缴纳社会保险费，乙依法享受相应的社保待遇。

（二）乙方患病或非因工负伤，甲方按国家有关规定处理。

Workers’ employment contract section relating to social insurance

On the contract, it shows that both employer and employee have to contribute to the social security fund in accordance with legal standards.

Workers' stories

A researcher met **Guan Li-shan**¹⁷ in a park near to Tien Sung on a Saturday. Usually Guan would hang out with her friends at weekends but she was too exhausted and decided to rest in the dormitory, then go to the park.

She is 19 and is from Huibei province in central China. When she was 16 she left her home and found a job in the city. She first worked in Dongguan and lived with her parents, who were also migrant workers. Her sister later joined them to work there. Because the minimum wage in Guangzhou was higher than that in Dongguan, she went there in the summer of 2011 to seek work and is now a sewing machinist in Tien Sung. Guan's basic salary is now CNY1,300 (US\$206) per month, which is the minimum wage for Guangzhou.

Guan said she goes to work at 08:00 and by the time she leaves the factory floor it is 21:00 or 22:00 and she is exhausted. As a sewing worker, she spends her day sitting on a stool that provides no back support. She also said that dust and noise are ever present in the factory and that workers are not provided with earplugs to prevent damage to their hearing.

Another researcher met **Cai Bing**,¹⁸ also working in the community near to Tien Sung. She is 33 and comes from Hunan province. She is married and her four-year-old son lives with his grandparents in Hunan while his mother and father work in Guangzhou. Cai

Bing stayed at home for the first year after her son was born but then went to work in an electronics plant in Shenzhen. After a year there she wanted to leave because she didn't like the work and in March 2011 one of her relatives introduced her to work at Tien Sung.

Cai Bing described her current job as low paid and disgraceful. Her basic salary is the minimum wage of CNY1,300 (US\$206) per month. She is working in the embroidery department of the factory and said the conditions in her department are relatively okay and more relaxed than other departments because most of the work is mechanised. However, Cai has decided to leave as soon as she can because she is worried about the health effects of the dust in the factory. She said that the working hours are very long and that she and her husband struggle to earn enough to live on each month, especially as they send money home to support their son and parents.

The couple want to earn as much money now as possible because their future is uncertain. Her husband works in a nearby factory and does as much overtime as he can to supplement his basic pay. He is so tired he sleeps all day when he has a day off. Cai and her husband do not live together as each is housed in their factory's dormitory. To save money, Cai sometimes has only one meal a day.

The Philippines

Trade union rights are recognised in the Philippines, but with many restrictions. In reality, there is an environment of violence and intimidation against trade unions. Employers and state authorities make use of anti-union practices in order to curb unions' rights. Although the killing of trade unionists has declined since 2009, it continues to take place with impunity. Furthermore, the increasing replacement of long-term employment contracts with subcontracted or contractual labour restricts union membership.

Labour legislation does apply in Special Economic Zones (SEZs), where production for export takes place. However, union organising in these Zones is difficult. Reports show that government security forces are stationed close to SEZs to discourage organising by intimidating workers and barring union representatives from entering. There are reports of several forms of anti-union discrimination and employer interference, including replacement of trade unions by non-independent company unions, dismissals and blacklisting of activists. Moreover, the Department of Labour and Employment (DOLE) has not enforced labour legislation in SEZs effectively, partly as the SEZ authorities claim that labour inspection comes under their competences. Hiring employees for the Zones takes place through a specialised office of the SEZ or private employment agencies, which reportedly prefer casual, temporary or contractual employment. Where a union is organised, the management of the SEZs or individual companies file lawsuits to frighten union leaders or threaten that they will file for bankruptcy.¹⁹

Mactan Economic Zone

In late 2011, the ITGLWF Philippines Council²⁰ conducted interviews with 35 workers at the



five main sportswear producing facilities in the Mactan Economic Zone (MEZ). These factories were Feeder Apparel Corporation, Global Wear Manufacturing 1, Mactan Apparel Inc, Metrowear Inc and Yuen Thai Philippines Inc.

Of the five factories, four are owned by the same parent company, Sintex – Sports City International. The fifth, Yuen Thai Philippines Inc, is a joint venture by two major apparel supply companies, Luen Thai and Yue Yuen. According to the latest available statistics from the Philippine Economic Zone Authority, these five factories employ 22,000 workers, double the 2009 figure, and around one-third of the total number of workers within the MEZ.

At the time of the interviews workers at three of the five factories stated that they were producing sports jackets, track suits and trousers with the Olympic logo. These factories were also listed by adidas as producing Olympic-related apparel. These factories are Mactan Apparel Inc, Metrowear Inc and Yuen Thai Philippines Inc.



Entrance to Metrowear Inc
Inset, Sintex Int'l performance award from adidas Group

Sintex Sports City International

Sintex Sports City International is sometimes referred to as Sintex, Sintex – SCI, Sintex International or SCI.²¹ The company was founded in 1988, is headquartered in Taipei, Taiwan and specialises in the manufacture of sports clothing.²²

The company is a key strategic partner for adidas. According to adidas’ supplier list, it currently sources from all 14 of the group’s factories, which includes two factories each in Cambodia, China, Indonesia and Vietnam.²³ In the Philippines, the companies list six separate factories: Global Wear Manufacturing 1 & 2, Mactan Apparel Inc 1 & 2, Metrowear Inc and Feeder Apparel Corp.²⁴

According to an interview with an officer working for the Zone Authority, Sintex – SCI is the biggest employer in the Economic Zone, employing more than 12,000 workers.

Global Wear Manufacturing Inc was established over 20 years ago and the factory also produces for brands such as The North Face, Brooks and Saucony. Global Wear employs around 2,000 workers, 75 per cent of whom are women.

Metrowear Incorporated has been operating in the Zone for almost 14 years. The factory mainly produces for adidas, but also for other brands such as Under Armour, New Balance, Brooks and The North Face. The factory maintains 925

Yuen Thai Philippines Inc

Yuen Thai Philippines Inc is a joint venture co-owned by Luen Thai and Yue Yuen. These two companies are among the world's largest manufacturers of apparel and footwear. They each have a 50 per cent stake in the factory, according to company reports.

Yuen Thai Philippines Inc established its factory in 2006. It is a wholly owned subsidiary of Yuen Thai Holdings Ltd, which is registered in the British Virgin Islands. The factory is primarily engaged in the manufacture of pants and jackets for export and adidas is its main buyer. Yuen Thai expanded its production capacity in 2011 because of the huge volume of orders from adidas and is operating a second production plant. The factory currently has around 5,000 employees. The production facility has 5,000 machines and operates 24 hours a day on three shifts.

machines and operates two shifts with 37 lines and 23 operators. It has a workforce of around 2,000, which comprises 500 men and 1,500 women.

Luen Thai

Luen Thai is a manufacturing and supply chain management provider. It currently has "close partnerships" with brands and retailers such as adidas, Coach, Esprit, Fast Retailing, Limited Brands, Polo Ralph Lauren and Targus.²⁵ The company produces a wide range of items, including sports and active wear, casual wear, children's wear, laptop bags and luxury bags.²⁶ Luen Thai is headquartered in Hong Kong, but

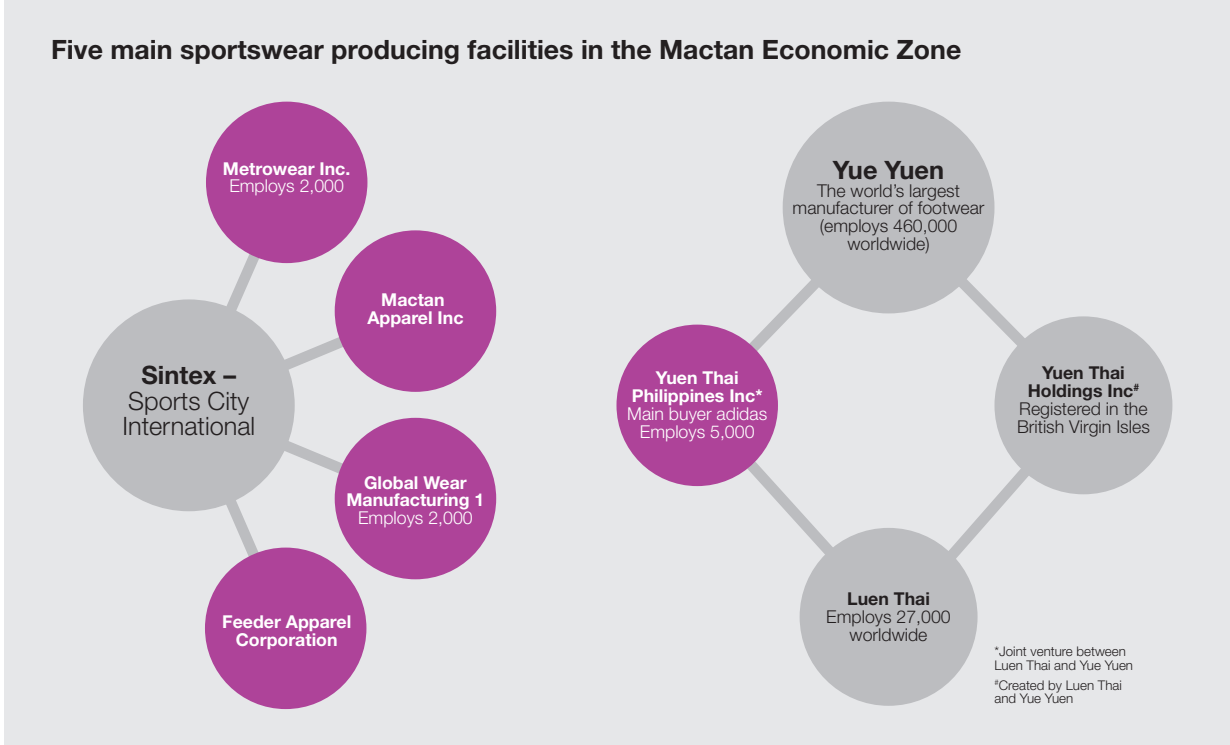


is incorporated in the Cayman Islands, with manufacturing operations in Bangladesh, China, India, Indonesia and the Philippines, employing a total of 27,000 people.²⁷ The company's annual revenue is around US\$775m.²⁸

Yue Yuen

Yue Yuen is the world's largest manufacturer of footwear, claiming to produce around 20 per cent of all footwear. In 2011 the company employed 460,000 workers, produced over 326 million pairs of shoes, and recorded an annual profit of US\$450m. The major shareholder in Yue Yuen is Pou Chen Corporation. Other shareholders include Merrill Lynch and CitiGroup. The Merrill Lynch shares include some held directly by Blackrock Inc.²⁹ The company produces for most of the leading sportswear brands, including adidas, Nike, Reebok, Li Ning and Puma.

Yue Yuen's practices were highlighted in the Play Fair report Clearing the Hurdles published in 2008, which examined production for the Beijing Olympics. In the report our research found poverty wages, abuse and intimidation of workers, excessive and forced overtime, unsafe working conditions and other violations at its production sites.³⁰



Yuen Thai Holdings Inc

Yuen Thai Holdings Inc was created in 2004 by Luen Thai and Yue Yuen. At present it owns two production sites – one in China and one in the Philippines.³¹

Working conditions

As all five factories are located in the MEZ, the ITGLWF Philippines Council had to interview workers off site, in their homes and in their local communities.

A senior labour officer employed at the Zone admitted that there are strict regulations on persons entering and leaving. He stated that these measures were originally enforced to prevent smuggling but that the system has been abused by security guards to prevent ‘outsiders’, including trade union

organisers and representatives, from entering the Zone. This presents a significant barrier to workers’ rights as unions cannot access these workplaces.

In the last few years, members of the ITGLWF Philippines Council have documented several instances of union busting at the MEZ. Employers use a variety of tactics to prevent workers joining or forming unions – often with the implicit support of government agencies and authorities – including bribery, intimidation, forced leave for union officials and forced relocation of union members to prevent the union from winning elections linked to recognition agreements.

When adidas disclosed its Olympic suppliers for London 2012, it stated that Mactan Apparel Inc and Metrowear had “worker representatives through various committees”, while Yuen Thai had an “employee-elected worker management committee”.

However, all 23 workers interviewed at these three factories said that there is no existing recognised union or workers' organisation of any type in their workplace. These same workers also stated that the reason why workers didn't attempt to form unions was that they were afraid of the employers' reaction; they feared that their employment would be terminated and that company management would refuse to recognise a union. Twelve workers interviewed at Global Wear and Feeder Apparel, the other two Sintex – SCI factories producing for adidas and other brands, gave similar responses.

A spokesman for the Labour Party in Cebu, where the Zone is located, stated: "No union presently exists within the MEZ despite it being in operation since 1979... Everybody knows that they try to keep the MEZ a non-union Zone in order to attract and maintain foreign investors."

At Yuen Thai Philippines Inc, which at the time of this research was producing apparel exclusively for adidas, workers are specifically instructed by management on their first day of employment that it is company policy to prevent workers from joining or forming a trade union.



Yuen Thai Philippines Inc management policy on freedom of association

A worker from Yuen Thai explains the orientation session given on the first day of their employment: "The management emphasised to us about their restriction for us to form a union in their factory. They said that union is not allowed in the company, as there is no need for a union anyway. 'Unions will only destroy your jobs as they are there only for strike. If you insist on joining a union you will be terminated from your work and lose the opportunity to work in any factories in the zone,' said our factory manager".

A recent dispute at Yuen Thai involved three workers who were dismissed for speaking to each other during working hours. They were accused by management of "plotting against the company". There was no evidence to support this assertion other than that the workers were having a conversation. A case was filed by the workers at the local Labour Arbiter, which decided in favour of the dismissed workers and ordered the management to pay back wages owed to the workers as well as reinstating them to the previous positions within Yuen Thai. However, the company has refused to uphold the ruling, making only severance payments.

"Unions will only destroy your jobs as they are there only for strike. If you insist on joining a union you will be terminated from your work and lose the opportunity to work in any factories in the zone."

Worker at Yuen Thai quoting a factory manager

Precarious work

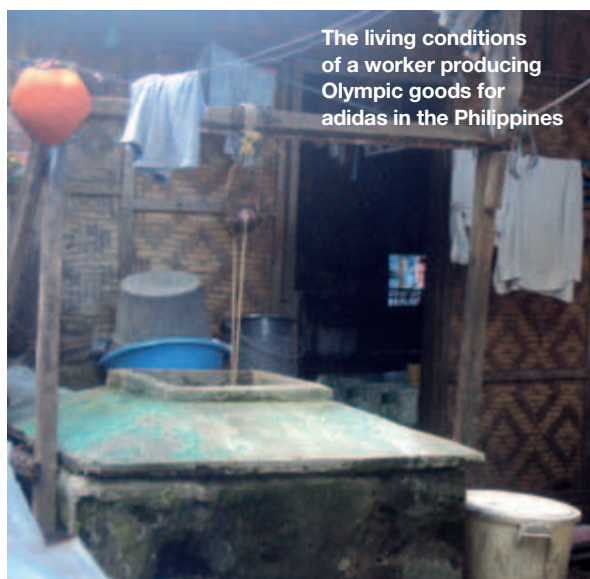
Based on the information provided by the workers interviewed, between 25 and 30 per cent of workers in the five factories are employed on short-term contracts. At all of the factories surveyed workers reported that employers are routinely using what has become known as the '5-5-5' system of short-term contracts. This is a system used by employers to circumvent labour legislation in the Philippines and prevents workers from accruing their rights and security of tenure, as they are usually let go after only five months. The Supreme Court in the Philippines has ruled against an employer using this system of perpetual five-month contracts.

Supreme Court ruling on short-term contracts (Pure Foods Corp vs NLRC et al, 283 SCRA 133)

"This scheme of the petitioner (employer) was apparently designed to prevent the private respondents (employees) and the other 'casual' employees from attaining the status of a regular employee. It was a clear circumvention of the employees' right to security of tenure and to other benefits like minimum wage, cost-of-living allowance, sick leave, holiday pay, and 13th month pay. Indeed, the petitioner succeeded in evading the application of labor laws. Also, it saved itself from the trouble or burden of establishing a just cause for terminating employees by the simple expedient of refusing to renew the employment contracts."

Sintex – SCI and Yuen Thai hire workers as apprentices and trainees. At both Mactan Apparel Inc and Metro Wear Inc management had recruited what are known locally as 'juvenile labourers' aged

15 to 17. These juveniles were employed on a specific employment contract, but management seemed to be in breach of the regulations as they were functioning as full operatives but provided with only juvenile wages and conditions.



The living conditions of a worker producing Olympic goods for adidas in the Philippines

Of the 35 workers interviewed, 25 said that their basic wage is not enough to meet the minimum needs of their families. They identified low wages, high costs of rent, rising prices of basic commodities and being the sole earner in the household as the main financial pressures.

Over 50 per cent of the workers interviewed said that in order to cover their basic needs they are forced to pawn their ATM cards to loan sharks for high-interest loans. These loan sharks operate by offering workers bridging loans secured against their next salary instalment. The loan sharks take ownership of the workers' ATM cards and on pay day withdraw the amount of the loan plus interest.

An overwhelming majority of workers (31 of 35 interviewed) said that they regularly work 12 hours overtime per week. A further two workers were working 14 hours overtime per week. Sixty-three

Failure of adidas suppliers to pay a living wage

Mactan Apparel Inc

Mr R (real name withheld), a production worker in Mactan Apparel Inc, has been working for the company for almost 10 years. Even after his long years of service with the company he still receives only the minimum wage – the same as that of newly hired workers. He said: “There is no seniority status in our factory; even if you stay in the company for many years you will only receive minimum wage. That is why we are forced to take overtime work so at least it supplements our take-home pay. Otherwise, how can I survive with such meagre income, how can I pay rent for the small room where I stay, cope with my daily necessities and send some money for my family in the province? At the end of the day it is zero balance; there are no savings left for whatever uncertain things that may happen to me and my family.”

Yuen Thai

A worker from Yuen Thai stated that the daily wage workers receive is not even sufficient to cover their basic needs due to the high cost of basic commodities. She has one son and is the only income earner in the family. She said that there is often insufficient food for her and her son because she has to make sacrifices to meet obligations such as rent and monthly utilities.

per cent of the workers said that overtime was not voluntary but mandatory and that management made this clear to all workers on their first day at the factory. This applied to all four Sintex – SCI factories and Yuen Thai Philippines Inc.

“Even if you stay in the company for many years you will only receive minimum wage. That is why we are forced to take overtime work so at least it supplements our take-home pay.”

Worker making adidas sportswear, Philippines

The Labour Code of the Philippines states that “the normal hours of any employee shall not exceed eight hours a day”. When a senior HR compliance manager at one of the Sintex factories was questioned about the working hours violations, she claimed that adidas’ own workplace standards allow on a regular basis for a working week of up to 60 hours. The HR manager admitted “...our workers can exceed eight hours of work and even work two, three, four hours of overtime when necessary, especially if we have a shipment deadline”. She also made clear that she prioritised meeting adidas’ own workplace standards rather than seeking to comply with the Labour Code of the Philippines: “We are in compliance with our buyers’ workplace standards that employees must not be required to work more than 60 hours per week including overtime.” However, according to adidas’ workplace standards, workers can work up to 60 hours per week only in “extraordinary circumstances”.

Although the ETI Base Code states that overtime “shall always be compensated at a premium rate”, eight workers revealed that they were not being paid premium rates for working on special days such as public holidays. A further 11 workers revealed that they had not received premium pay for working a normal rest day.



▲ adidas audit shows 100 per cent compliance for Yuen Thai Philippines, December 2011³³

ILO Convention 1 Limiting the Hours of Work in Industrial Undertakings to Eight in the Day³²

Article 5.2: The average number of hours worked per week, over the number of weeks covered by any such agreement, shall not exceed forty-eight.

Workers reported that if they refuse to work overtime a supervisor will formally investigate their conduct or require that the worker report to the manager’s office the following day to explain why they refused to work overtime. After this the worker is issued with a formal warning regarding their conduct. Workers also said that they must work overtime if they are to attempt to achieve the targets set by management without consultation with workers. Workers said that failing to meet the targets resulted in similar disciplinary procedures from supervisors and management but that they could also be suspended for two days as an additional punishment. In addition, 23 of the 35 workers said that it was not possible to achieve the quotas set by management.

Of the 35 workers interviewed, all had experienced abuse from supervisors and management, comprising three workers who said they had been physically abused and 32 who said they had been verbally abused.

Discrimination

One of the workers at Mactan Apparel Inc told researchers that when she gave birth, management refused to provide her with paid maternity leave of 60 days as per the Filipino Labour Code. The company informed her that she would be allowed to go on leave but that it would not pay any wages or make any other contributions that it was legally obliged to do. The worker did not challenge this as she feared for her job.

Inspecting working conditions or workers?

All five factories are subject to regular audits. One worker at Metrowear stated: “We don’t even know whether the auditors come to the factory to monitor our working conditions or if they just come to check the quality of the products and whether the orders will be finished on time.”

Sri Lanka

In Sri Lanka researchers focused on four factories: MAS Linea Aqua, MAS Linea Intimo, MAS Silueta and Next Manufacturing. Together these factories employ approximately 8,250 workers. Researchers interviewed 60 workers from these factories from October to December 2011, with interviews taking place outside the factories, in the local communities and at workers' accommodation.

Three factories are located in Export Processing Zones (EPZs) – MAS Silueta and MAS Linea Intimo in Biyagama and Next Manufacturing in Katunayake. MAS Linea Aqua is located in Giridara, a rural area about 40 km from Colombo.

EPZs: a long tradition of anti-unionism

Export processing zones are managed by the government's Board of Investment (BOI), which sets wages and working conditions. In many cases, union members or officials are suspended, demoted or dismissed. In addition, new workers (often women) are warned not to join unions. Union activists not employed by one of the firms operating in an EPZ are not allowed to access the Zone unless their entry is expressly authorised by the employer. This ban is one of the main barriers to organising in the EPZs. EPZs are a common way for countries to avoid adhering to the national labour legislation and other rights.

Poor rights enforcement in EPZs

Labour inspection is clearly inadequate in the EPZs as government inspectors are not allowed to carry

out unannounced visits to EPZ factories. In addition, when complaints are received by the competent government body, employers rarely turn up to the hearings and, even if they do, they often flout the rulings with impunity. The government has proved incapable of enforcing these rulings. This was the case for the decisions by the General Labour Commissioner regarding New Design Manufacturing Ltd and Ceyenergy Electronics (Pvt) Ltd.

Employees' Councils

Employees' Councils are promoted by the Board of Investment (BOI) as a substitute for trade unions in the EPZs. Employees' Councils are, however, structures funded by and functioning under the aegis of the employer and can influence workers' choices much more easily than a union (where the workers elect their leaders and can act independently as the organisation is financed by the dues paid by its members). In some cases, management refuses to recognise an emerging trade union and will 'negotiate' directly with the Employees' Council as if it were the workers' legitimate representative body. In other cases, it will offer Employees' Council members certain advantages if they do not join a union and threaten them if they do.³⁴

MAS Holdings

MAS Holdings is the largest producer of apparel in Sri Lanka. The company was established by three brothers in 1987 and has relied on developing key strategic partnerships with global apparel brands to drive growth.³⁵ Among the earliest targets was The Limited Inc. By 2007 the company was the single largest supplier to Victoria's Secret and it remains a key supplier.³⁶

MAS Linea Intimo, MAS Silueta and Next Manufacturing were producing Olympic goods. MAS Linea Aqua is co-owned by Speedo, Brandot International Ltd and MAS Holdings. At Next Manufacturing, workers reported that they were producing children's clothes as well as jackets and t-shirts with the Olympic logos. At MAS Silueta, which is normally an underwear factory producing mainly for Victoria's Secret workers reported that they were involved in putting Olympic logos on apparel being produced at another MAS factory. MAS Linea Intimo is listed by adidas as producing products for London 2012.

The company currently reports ownership of 28 design and manufacturing facilities spread across 10 countries, including the USA (New York), India and Sri Lanka, which accounts for the largest proportion of its manufacturing operation. MAS

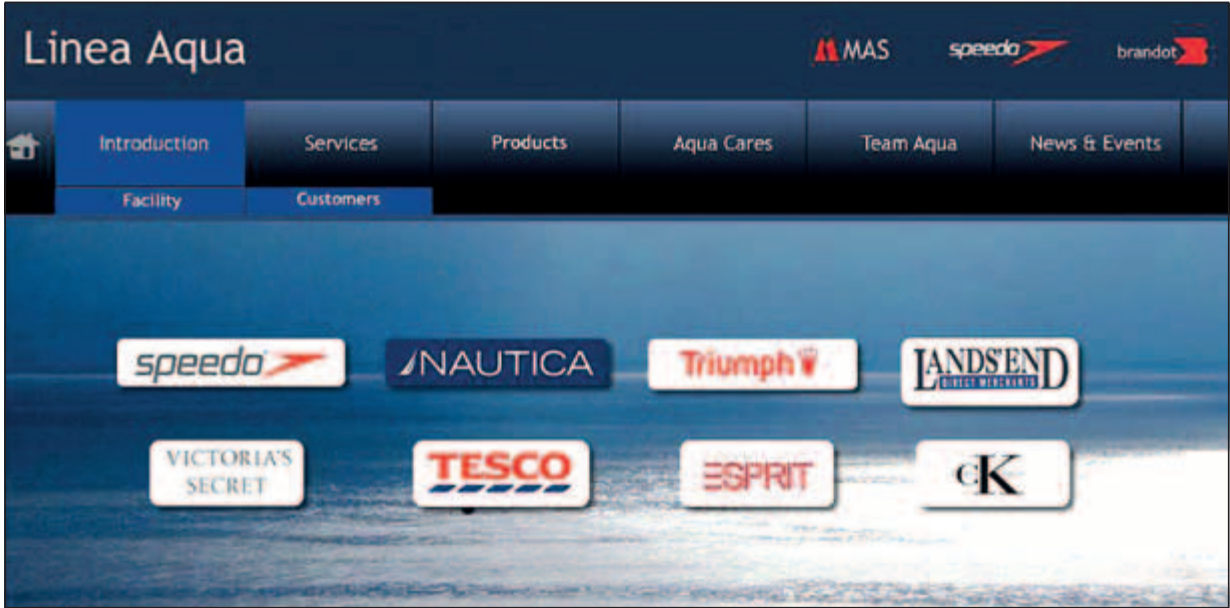
companies employ 45,000 workers across these different sites.³⁷

MAS Holdings has entered into joint ventures with a number of multinational companies, including Brandot International Ltd, DOGI International, Noyon Dentelles, Prym Intimates PLC, Speedo International, Stretchline Global, Textprint SA and Triumph International.

The company also has a large portfolio of clients, including adidas, Calvin Klein, Esprit, Gap, Lands' End, Marks and Spencer, Nautica, Nike, Reebok, Sara Lee, Tesco and Victoria's Secret.

MAS Linea Aqua

MAS Linea Aqua is a joint venture between MAS Holdings (Sri Lanka), Speedo (UK) and Brandot (USA). It is located in Giridara, a rural area 40 km from Colombo. The factory was founded in 2001 following a US\$8.5m investment by Brandot, MAS and Speedo.³⁸ The factory was given an adidas Excellence Award in 2007 and 2009.³⁹



Brandot International Ltd

Brandot International Ltd was founded in 2001 by Martin Trust, following the amalgamation of four existing manufacturing companies owned by The Limited Inc and known as Limited Brands.

Brandot International Ltd is headquartered in Salem, New Hampshire. It is an investment firm that specialises in creating joint venture partnerships with apparel and textile companies.

The company has partners based in Bangladesh, China, Germany, Hong Kong, India, Madagascar, Mexico, Sri Lanka, the UK and the USA; two of these partners are MAS Holdings, Sri Lanka and Pentland, UK (owner of the Speedo brand).⁴⁰

Pentland

Pentland is a private company specialising in brand management. It is a major stakeholder in JD Sports and owns or has shares in brands such as Berghaus, Boxfresh, Brasher, Ellesse, Franco Sarto, Gio-Gio, Hunter, KangaROOS, Kickers UK, Lacoste, Mitre, OneTrueSaxon, Prostar, Red or Dead, Speedo and Ted Baker Footwear.

The company is owned by the Rubin family and the chairman, Stephen Rubin, has a net worth in excess of £1bn. The company had sales of £1.3bn in 2010, with net profit of £96.6m.⁴¹ Speedo has a multi-million pound sponsorship deal with the British Olympic Swimming Team.

Next Manufacturing PVT Ltd

Next Manufacturing has been operating in Sri Lanka since 1998.⁴² It employs approximately 2,450 workers. It is located in Katunayake EPZ, which is Sri Lanka's oldest EPZ and was created in 1978. The factory is wholly owned by Next PLC UK.

Next PLC UK

NEXT PLC UK won the contract to design the outfits for the opening and closing ceremonies for the Games and the formal suits for Team GB and Paralympic GB, as well as 4,500 uniforms for technical officials and supplying some home furnishings and linen for the athletes' village.⁴³

Working conditions

Although Sri Lanka has ratified ILO Conventions 87 and 98 on Freedom of Association and Collective Bargaining, very few workers in the apparel sector are employed in a workplace where these rights are respected. At present Sri Lanka's apparel industry comprises around 250 factories, yet there are only five collective bargaining agreements in place.

Freedom of Association in Sri Lanka's apparel industry

In Sri Lanka, the creation in 1994 of employees' councils, encouraged by employers and the BOI, hampered the creation of free and independent unions and the exercise of the right to collective bargaining.⁴⁴

According to information released by adidas, MAS Linea Aqua has "worker representation through joint consultative council (sic) but not yet legally registered".⁴⁵ However, the ILO Country Office in Sri Lanka has confirmed that the Sri Lankan government replaced Joint Consultative Committees (JCCs) with Employee Councils (ECs) in 1994.⁴⁶ If MAS Linea Aqua is indeed using the JCC structures, which is a body created by and controlled by management, it would seemingly be in breach of Sri Lankan law.

According to the BOI guidelines, ECs should consist of a body of between five and ten workers, elected by secret ballot and who are responsible for the representation of collective bargaining and the settlement of industrial disputes. Eligible members are non-management/supervisory personnel employed by the factory. They should be provided with two hours per month to carry out their functions. There should be no fee for members, and employers should not fund the EC and its activities.

While the Sri Lankan government and the BOI claim that ECs are sufficient to satisfy ILO requirements with respect to freedom of association and collective bargaining, not a single EC in Sri Lanka's EPZs has concluded a collective bargaining agreement covering wages, working conditions and health and safety.

In March 2011, the first-ever multi-stakeholder meeting in Sri Lanka involving unions, employers and multinational brands for the apparel sector was held. At this meeting a number of brands, including adidas, agreed to send their Sri Lankan suppliers a letter indicating that ECs do not meet the ILO convention on freedom of association. Next PLC refused to send such a letter to its Sri Lankan suppliers.

At Next Manufacturing and MAS Silueta, the workers interviewed said that they had no details of any EC meeting or discussions and weren't sure if an EC existed. In MAS Linea Intimo and MAS Linea Aqua, workers said that the EC/JCCs members receive only 30 minutes leave per month to conduct activities. None of the workers at the four factories could say when the last meeting had been held or what was discussed by committee members. The workers who knew of EC/JCC existence stated that, rather than electing individuals by secret ballot, management would simply choose individuals, with management also setting the schedule of, and agendas for, meetings.

The ITGLWF-affiliated union the Textile, Garment & Clothing Trade Federation has recently made efforts to organise MAS Silueta. However, when union organisers spoke to the workers they said that management at the factory had repeatedly told workers that if they joined or formed a union they would be sacked.

Similarly, another of the ITGLWF's affiliates in Sri Lanka, the Free Trade Zones and General Services Employees Union (FTZ&GSEU), has made numerous attempts to organise Next Manufacturing in recent years; each attempt has been thwarted because management has instilled the same sense of fear among workers at the factory.

Living on half the living wage

The wages paid to the workers interviewed ranged from 10,000 LKR to 25,000 LKR (US\$79–198) per month. All workers stated that their current wages inclusive of overtime are insufficient to meet their basic needs. The living wage at the end of 2011 was almost 45,000 LKR (US\$357), meaning that the workers interviewed were receiving between only 22–55 per cent of the living wage. At MAS Silueta workers said that management refused them any pay increase in 2011. At MAS Linea Aqua the workers reported that the pay of long-serving staff is little different to that of new workers.

At Next Manufacturing an agent is used by management to employ helpers, machine operators and other workers. According to those interviewed, these workers are employed through the agent and are not directly employed by Next Manufacturing. In interviews with the researchers workers said that employees hired via the agent are taken from Next Manufacturing to another factory nearby immediately after their shift finishes. At that factory they work until 2.30 am. They are then expected to report at 8 am at Next Manufacturing the following day to begin work again. The workers also reported



Garment worker in her rented room
– she makes sportswear for adidas
in Sri Lanka

how the agent is focusing on recruiting workers from specific areas such as Jaffna, Trincomalee and the plantations because those workers have very little knowledge of their rights and are often illiterate; they are targeted by agents specifically because of their vulnerability and because they are easier to exploit.

Next Manufacturing employees also reported that those employed by the agent complained of the irregular payment of wages and that the agent was not making employer contributions into the employees' provident fund or the trust funds, as they are legally obliged to under Sri Lankan law.

At Next Manufacturing, MAS Intimo and MAS Linea Aqua all the workers interviewed reported that they were being forced by management and supervisors to work overtime in order to meet production targets. These targets are set unilaterally by management and in the case of MAS Linea Intimo and MAS Linea Aqua

management justified the targets by stating that the JCCs/ECs had "approved" the targets. The workers from these factories said that they feel under huge pressure to meet these production targets and that targets cause considerable stress and anxiety among the workers. The workers at all four factories cited this as their second-most important concern in relation to working conditions.

At MAS Linea Aqua workers showed researchers a work calendar for the year drawn up by management without any consultation with workers. The calendar showed changes had been made to those days that would be classified as holidays, those that would constitute payment of premium pay and when workers could take holidays. The workers said management had rewritten the calendar to stop paying premium pay during peak season and deadlines and that the changes to holidays were detrimental to their personal and family commitments.

Conclusion and demands

This report documents a catalogue of human rights abuses both in the Olympic supply chain and in the supply chains of multinational companies. The unfortunate reality is that four years on from Play Fair's *Clearing the Hurdles* report, little has changed in the industry. Repression of the rights to freedom of association and collective bargaining are the norm, the vast majority of workers continue to be paid poverty wages despite working excessive hours, often including forced overtime, and employers are increasingly using temporary work arrangements in order to evade their legal responsibilities and to undermine workers' attempts to organise and bargain collectively. Brands have continued to resist making long-term sourcing commitments and by and large have failed to reward suppliers who recognise and bargain with unions.

IOC

It is vital that the IOC steps up to its role as guardian of the Olympic Games. We demand that the IOC builds on the progress made by London 2012 and goes further to:

- make respect for workers' rights an integral part of the IOC's basic principles and code of ethics
- exercise demonstrable due diligence with respect to the labour practices of commercial partners and licencees
- make the ratification and application of international labour standards an important consideration in host country selection
- make compliance with the international labour standards identified as being fundamental rights at work and national laws a contractual condition in all licensing, sponsorship and marketing agreements

- commit resources consistent with due diligence to understand the actual working conditions and labour practices in the activities undertaken in connection with commercial relationships and licensing agreements; this includes support for taking positive measures such as conducting credible on-the-spot investigations with other parties
- draw on the lessons from London 2012; develop a complaints mechanism; respond to, and resolve substantiated complaints involving the labour practices of commercial partners and licencees; and work with other parties in establishing credible grievance mechanisms that can be used to resolve specific instances
- commit to promoting publicly the necessity to end the exploitation and abuse involved in the sportswear and athletic footwear industries
- support efforts to ensure respect for workers' rights in all aspects of work involving sport.

LOCOG

Despite its rhetoric, LOCOG has not fulfilled its commitment to make the London Olympics sustainable.

As a result of engagement with Playfair 2012, LOCOG has required suppliers and licencees to comply with the standards of the ETI Base Code and has developed a complaints mechanism so that violations of the code can be reported, investigated and resolved. However, although the majority of production is likely to have already taken place, LOCOG is only now in the process of developing training for some workers, and workers across its supply chain have not been made aware in their local languages of their rights or how to use the complaints mechanism. LOCOG has disclosed some of its supply chain

locations mainly in the UK and China, meaning that it is impossible for local unions elsewhere to verify its claims that its suppliers are respecting the human rights of workers. LOCOG has also used audits to monitor working conditions, in spite of Playfair 2012's recommendations that workers have to be at the heart of monitoring efforts.

Overall, LOCOG has gone further than any other Games organiser in taking steps to protect workers' rights. It is vital that the Rio Organising Committee builds on LOCOG's progress and makes advances where LOCOG has fallen short.

We demand that LOCOG and the Rio Organising Committee:

- work with the IOC to put in place mechanisms for ending abusive and exploitative practices
- exercise demonstrable due diligence with respect to the human rights of workers performing work in connection with the Games
- use their influence on companies operating in their country and national team sponsors to comply with campaign demands
- require, as a contractual condition of licensing, sponsorship and marketing agreements, the public disclosure of production locations and commitments that labour practices and working conditions involved in the production of licensed products comply with internationally recognised labour standards.

Multinational brands and retailers

The following brands and retailers were recorded as sourcing from the factories investigated in this report:

China

- adidas

The Philippines

- adidas
- Brooks
- New Balance
- Saucony
- The North Face
- Under Armour

Sri Lanka

- adidas
- Ann Taylor
- Columbia Sportswear Company
- Lane Bryant
- Lululemon Athletica
- Next
- Nike
- Soma Intimates
- Speedo
- Victoria's Secret

In 2008 Play Fair wrote to the major companies in the sportswear sector with a clear set of demands. These demands were related to the four key hurdles of denial of the right to freedom of association; payment of poverty wages; increasing use of precarious work; and the failure to make long-term commitments to supplier factories. The brand responses, outlining their policy positions on our demands, are available at www.clearingthehurdles.org. In advance of the release of this report, Play Fair will be writing to brands asking them to update their responses.

We demand that Olympic licencees and multinational brands and retailers:

- exercise demonstrable due diligence with respect to the human rights of workers in their supply chains
- adopt sourcing policies that require suppliers and their sub-contractors to respect internationally recognised labour standards
- address, as an integral part of their sourcing policy, the negative impacts of their purchasing practices on labour practices and working conditions in their respective supply chains
- take positive measures to protect the right of workers to form and join trade unions and ensure the right to collectively bargain is respected throughout their respective supply chains, including by providing guarantees with respect to the right to unionise and for the access of trade union representatives. Brands should ensure that Feeder Apparel Corporation, Global Wear Manufacturing 1, Mactan Apparel Inc, Metrowear Inc, Yuen Thai Philippines Inc, MAS Linea Intimo, MAS Silueta, Next Manufacturing and MAS Linea Aqua sign access agreements with trade unions.
- maintain commercial relationships with suppliers that recognise trade unions and that bargain collectively and, when expanding production, give preference to situations where trade union rights are respected in both law and practice
- take measures so that workers are provided with a living wage for a standard work week such as by changing purchasing practices and by making the payment of living wages a key criterion when selecting suppliers
- ensure that the predominant form of employment throughout the supply chain is permanent, open-ended and direct
- inform the public about the working conditions in which the products that they market are made and be fully transparent with respect to all business operations and arrangements affecting labour practices and working conditions
- disclose the identity of their supplier and the locations of their suppliers' factories
- ensure that suppliers work with trade unions to put in place a system of industrial relations that will protect the rights of workers and provide a credible mechanism to resolve grievances.

Negotiating freedom

As a result of the 2008 Play Fair Campaign sportswear brands committed to engaging with trade unions and NGOs on a country-by-country basis in order to agree steps towards ensuring respect for workers' rights in their supply chains.

The first country identified for this joint engagement was Indonesia. At an initial meeting in November 2009, trade unions, sportswear-producing factories and multinational sportswear brands agreed to develop a joint protocol on freedom of association. Following 18 months of negotiations, on 7 June 2011 the protocol was signed by six major sports brands (Nike, adidas, Puma, Asics, New Balance and Mizuno), a number of their suppliers and six Indonesian trade unions.

The protocol addresses the fact that unions are often denied the time and space required to perform union activities. The protocol also requires that a Collective Bargaining Agreement, where none exists, is negotiated within six months and that signatory factories implement check-off systems for collecting union dues.

Play Fair calls on garment and footwear companies to work with unions and suppliers in other sourcing countries to negotiate protocols to improve working conditions.

Research methodology

Guangzhou, China

SACOM researchers visited the factory three times for off-site interviews. Eighty workers responded. Seventy per cent of the interviewees were female workers. Half of the interviewees were under 30 years old.

SACOM researchers are trained in local and international labour law. The research was carried out on 3–4, 10–11 and 17–18 December. There is no community or shop outside the factory and the dormitory is inside the factory compound. Interviews were therefore carried out at weekends when workers went to the nearby communities. The interviews were conducted in Mandarin.

Colombo, Sri Lanka

Data collected from 60 respondents in four factories by the Free Trade Zones and General Services Employees' Union. Research was conducted using semi-structured questionnaires; field data was collected by trained field data collectors. Respondents included machine operators, store keepers, supervisors, helpers and middle management of both genders. Field data was gathered from 30 October 2011 to 10 December 2011 and interviews were conducted in Sinhala.

Workers represent 8.8 per cent of the apparel-producing factories in Sri Lanka. The majority are females aged 18–35.

Mactan Economic Zone, Philippines

Empirical material based on reports of workers who are employed in factories producing for adidas at the Mactan Economic Zone in Cebu.

Thirty-five worker-respondents in five factories participated in the survey questionnaire. To verify the validity of data gathered from the survey, validation meetings and focus group discussions were conducted. Key informant interviews were also carried out with trade union organisers operating in the area, a factory HR head and a compliance officer/representative of adidas. Fieldwork data was gathered from late September to December 2011, and interviews were conducted in a mixture of Filipino, English and Cebuano (a dialect spoken in Cebu).

Notes

- 1 Oxfam participated in the 2004 Athens campaign and remains a member of the Play Fair Alliance.
- 2 Now known as the ITUC – International Trade Union Confederation.
- 3 See www.playfair2008.org/index3233.html?option=com_content&task=view&id=123&Itemid=43
- 4 www.ilo.org/global/about-the-ilo/press-and-media-centre/news/WCMS_007993/lang--en/index.htm
- 5 London Olympic Bid and WWF (2005). *Towards a One Planet Olympics*, p 5.
- 6 www.google.com/hostednews/afp/article/ALeqM5hs6lMonB70QER8hngleFPHLXwnyA?docId=CNG.9cac656ee218c88029a4490458898142.391
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- 8 Labour Behind the Label, *Briefing on the Chinese Garment Industry*, February 2007.
- 9 Article 11, China Trade Union Law, quoted in ITUC report to WTO General Council, May 2010.
- 10 Amnesty International (2009), *Doing Business in China: The human rights challenge*, Switzerland, p 8.
- 11 ITUC, *Internationally Recognised Core Labour Standards in the People's Republic of China*, Report to WTO General Council Review, May 2010, p 2.
- 12 Ibid, p 3.
- 13 www.tsg.com.hk/Corporate_Introduction/t_intro.html
- 14 www.tsg.com.hk
- 15 List of authorised suppliers – London 2012 Olympic and Paralympic Games.
- 16 www.asia-pacific-times.com/index.php?option=com_content&task=view&id=23437&Itemid=9
- 17 Her name and some personal information have been changed to protect her identity.
- 18 Her name and some personal information have been changed to protect her identity.
- 19 Excerpt from ITUC Report for the WTO General Council Review of the Trade Policies of the Philippines (Geneva, 20 and 22 March 2012).
- 20 ITGLWF Philippines Council is a platform of trade unions in the textile, garment and leather sectors.
- 21 The Sintex variations are used with adidas and SCI is the name used for all other suppliers, according to a manager at one of the Filipino sites.
- 22 www.sportscity.com.tw/about.php
- 23 www.adidas-group.com/en/sustainability/assets/factory_list/2011_Jan_Global_Factory_List.pdf
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- 25 www2.luenthai.com/en/investor_relations
- 26 Ibid.
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- 28 Ibid.
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- 35 [www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_MarketMovers_CS_MAS/US\\$FILE/MarketMovers_CS_MAS.pdf](http://www.ifc.org/ifcext/enviro.nsf/AttachmentsByTitle/p_MarketMovers_CS_MAS/US$FILE/MarketMovers_CS_MAS.pdf)
- 36 Ibid.
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- 38 www.just-style.com/news/mas-speedo-in-85m-swimwear-deal_id82492.aspx
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- 46 Email to ITGLWF dated 2/03/2012.



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