

# ***Transforming Sweatshops Begins with Sourcing Best Practices in Apparel Purchasing***

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Interfaith Center on Corporate Responsibility



As You Sow

***“Thoughtful companies will find ways to identify and measure the negative impacts of their purchasing practices on factory workers and take steps to mitigate them over time.”***

***-- Doug Cahn, principal of The Cahn Group, LLC, was VP of Human Rights Programs at Reebok Int'l for 15 years.***



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## Overview

1. Background & Research

2. SWOT Analysis of Purchasing

3. Tools and Systems

4. Pricing and Wages

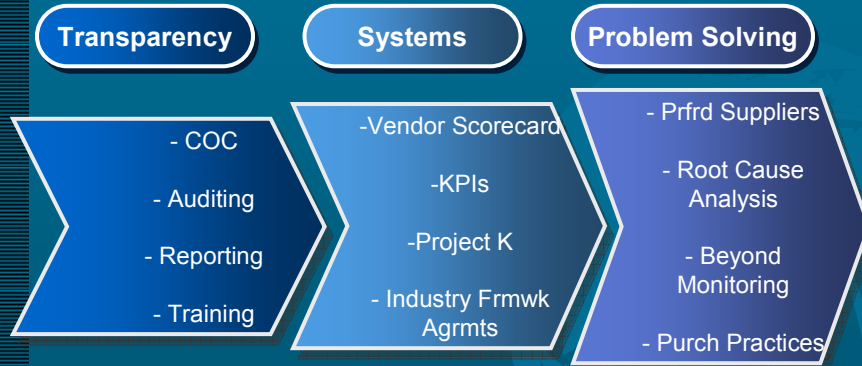
5. Conclusion

## Background & Research

- Socially Responsible Investment (SRI) Community Interest
- Working group coordinated through ICCR
  - (Interfaith Center on Corporate Responsibility)
- Existing Reports (22), Industry Expert Interviews (17), Corporate Interviews (8)
- 2007 and Q1-2008
- Issue Report Summer 2008 and Educate the industry through Shareholder Dialogues

# Background & Research

Evolution in the transformation of sweatshops



# Are Things Getting Better?

Change in Compliance Rating Inspections

Change in CR Rating	Freq.	Percent
-3 (Down by 3 degrees)	20	2.62
-2 (Down by 2 degrees)	74	9.70
-1 (Down by 1 degree)	181	23.72
0 (No change)	323	42.33
1 (Up by 1 degree)	116	15.20
2 (Up by 2 degrees)	42	5.50
3 (Up by 3 degrees)	7	0.92
<b>Total</b>	<b>763</b>	<b>100</b>

Note: A is 4, B is 3, C is 2, and D is 1, and the change in CR rating is the score in the most recent audit minus the score from the earliest audit, ranging from -3 to 3. For example, if a factory has a score C in the earliest audit and a score A in the most recent audit, then it has a change of +2.

# SWOT Analysis of Purchasing

- Strengths
  - Data collection/hindsight
  - Creating relationship between buyers and factory workers
  - Continuous improvement model
- Weaknesses
  - Good at finding the problems but harder to find the solutions
  - Compliance doesn't know purchasing and vice versa
  - Difficult to capture all of the true costs of poor purchasing
  - Lack of transparency
- Opportunities
  - Cross functional integration
  - Total Cost Management
  - ROI from stronger HRM systems
- Threats
  - Double/triple books software/falsification
  - Reverse auctions
  - Retailer pressure/chargebacks

# Background & Research

- Root Causes in Poor Purchasing
  - Delay of information
    - POs, approvals, size/color breakdowns, etc.
  - Changes vs. Flexibility
  - Over/inappropriate capacity
  - Price – allows for good working conditions?
- Best Practices
  - Focus on Brand Control
    - Designers, Buyers, Planners, Production Mgmt.
  - Systems and Tools
  - Pilot Projects
  - Industry Scale up

## Tools and Systems

### Designing & Purchasing

Buyer Incentives  
Buyer Alignment  
Placement  
Tech Rvw  
Forecasting  
Cross-funct'l  
leadership  
Drop-dead dates  
Solidarity links  
Transparency

### Production Management

PLM tool  
Data tracking  
Cost b/d  
Correlation  
analysis  
Transparency

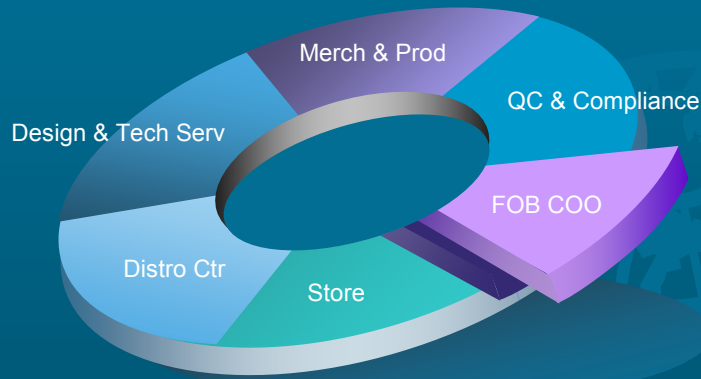
### Vendor Incentives

Scorecard  
Preferred  
Status  
Upcharges  
HRM  
Critical Path Mgmt  
Transparency

## Pricing & Wages

- ABC Costing – Sustainable Costing
- Design into pre-purchased fabric
  - (also reduces cycle time)
- Contractual commitment for min paid
  - (even if not produced)
- Higher wage = experienced sewers, spectacular quality, good talent, capability, low turnover
- Total Cost Management

# Total Cost Management



# Conclusion

- Transparency is key – Use data to track problems and breakdowns
- Correlation analysis
- Push efficiencies and hard deadlines upstream – prove worth of a change...
- And downstream – management training (push back, critical path, HRM, empowerment)
- Measure and reward for desirable outcomes
- Genuine and total costs

Thank You - 謝謝

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