

SweatFree Procurement Forum for Purchasing Officials

Conference Call #4 Minutes

June 26, 2008

Present:

Monica Wilkes, State of New York
Betty Lamoreau, State of Maine
Sam Dominguez, City of Austin, Texas
Paul Stembler, Western States Contracting Alliance
Maribeth Ladd, State of Massachusetts
Jeff Baer, City of Portland, Oregon
Chip Gavin, State of Maine
Diane Berndt, City of Milwaukee
Joe Signoretta, State of New Jersey
Mike Beazley, Lucas County, Ohio
Carmen Herrera, City and County of San Francisco
Greg Hopkins, State of Oregon
Henry Oyekanmi, City of Berkeley
Bjorn Claeson, SweatFree Communities
Hector Varela, SweatFree Communities intern
Victoria Kaplan, SweatFree Communities, facilitator
Isaac Beachy, SweatFree Communities intern, note-taker

Guest presenters:

Joe Bozich, Knights Apparel
Scott Nova, Worker Rights Consortium

Topic: How much sweatfree purchasing costs

Next call: Thursday, June 26, 4 pm EDT/3 pm CDT/2 pm MDT/1 pm PDT

Call 218-486-1600

Access number: 873 5625

Background

Joe comes from a background of sports apparel. He has worked to achieve code compliance in his supply chain, but is now interested in going beyond typical codes of conduct by providing a living wage for workers.

Presentation, Joseph Bozich from Knights Apparel

Joe: Knights Apparel works with close to 30 factories in 13 countries. I believe all apparel can be made under sweatfree conditions without significant impact on our cost or consumer cost. First off, what's the definition of sweatfree? Current codes require all apparel made sweatfree. The current definition is basic. No child labor, no forced labor, appropriate wages and benefits, getting paid with benefits for overtime, appropriate working hours, and no discrimination. Even the physical nature of the factory, security and health, are considered. If those things are being met in the university world then it is considered sweatfree. We've been doing this for years and it hasn't been difficult. Factories around the world are willing to work with these conditions. These standards are bare bone and it's not difficult to make

sure they happen. We work constantly with factory owners so that appropriate wages are being paid. It is very possible to meet those codes. ...

The project goal is to go above and beyond code. Not just a minimum wage – a living wage. A living wage is a wage that meets all the necessities; a wage that would support a family of four.

Q: Does a living wage differ from country to country?

A: Scott Nova: The WRC assesses the living wages of different countries.

Q: How are you thinking about the cost impacts?

A: Joe: On high side, labor is 30% of the [factory] cost of [production]. That's on the high side. The factory owner won't have an extra cost of more than 10%. Currently in Nicaragua, workers wages need to be doubled to meet a living wage. In other countries it would be slightly higher. This is a significant increase to the worker, but not a significant cost increase to factory.

Q: What does Maine's law require?

A: Betty Lamoreau: To live up to laws of the host country and to a specific code of conduct not including living wage. We can only enforce what laws require us to enforce. First we need to meet the first level.

Joe: Absolutely, sounds like what we're going through in my industry. The first challenge is to meet the current code, which doesn't include a living wage. It is possible to be successful even while going above and paying a living wage and still supply some of the largest retailers in the country.

Q: Who determines what the living wages are in the country?

A: Scott Nova: Every country has a minimum wage law. Over time we've learned minimum wage is below the living cost of a family. This has to do with the global labor market and government perceptions. You won't find a country with a living wage law. Living wages are only paid if there is some external actor like a city or a corporation [urging living wages]. The standard can only come from an external actor. Different entities define it in different ways. We've found that the difference between the minimum and living wage is at least doubling.

Q: How do you decide its doubling it?

A: Scott Nova: We look at a family of 4 in specific areas and calculate how much income they need to pay for education medical, transportation, food, housing, etc.

Carmen Herrera (San Francisco): We just finished calculating the wage rate per hour by the U.S. dollar for 200 countries. From Albania, Algeria to Nicaragua and El Salvador. The way we calculate it, we used GDP per capita PPP according to the World Bank. We got this information from the U.S. Department of Health and Human Services. It would be great to get your numbers for Nicaragua to compare to our numbers. We will be posting our numbers on our website in a week.

Bjorn: Some public entities have a sweatfree code of conduct for minimum wage. And also a number of cities recognize non-poverty wages based on [universal formula]. The city of LA and the City of Milwaukee use this method. The City of Milwaukee has posted their numbers on their website. This method generally gives higher numbers than minimum wage, but I think Joe's method is more accurate. My

guess is that Joe's estimate, based on individual market basket studies, will be a notch higher than the figures we have now.

Q: The problem is implementation. It's not been possible for the City of LA by itself to move forward on the wage issue. Wages now are 2 times below the non-poverty wage. Joe, if you add 2 or 3 times the labor cost, can you still compete in the market?

A: Joe: I'm convinced we'll have no problem. Our products will be more expensive obviously, but I'm convinced that the costs we pass on to our customers won't be too much to make us less competitive. The reason it won't make us uncompetitive is that labor is such a low percentage anyhow of the manufacturing process, so an increase in labor costs is relatively not that big. We're also finding, as in the fair trade movement, that it's been proven that consumers are willing to pay a little more for products made in better conditions. For example, the fair trade coffee sold right next to the regular coffee in Wal-Mart is selling very well even though it's more expensive.

Q: What was the living wage in Nicaragua that was mentioned?

A: \$203 dollars/month, compared to about \$100/month as the legal minimum wage.

Carmen Herrera: We calculated \$0.63/hour or about \$120 or \$130/month. We work with a major manufacturer in Central America, and the manufacturer isn't opposed to this.

Q: Are other brands sourcing from that factory?

A: Right now no one else is doing this but we hope more will come along when they see it works.

Scott: We believe that living wage is achievable but only as a collective effort by many cities and states. In order to have a factory fill our sweatfree orders, there needs to be a big enough order (ie a group of buyers) to make that feasible. And as Joe noted, it is a higher cost, but not enormously higher

Joe: I am making the assumption that the business I bring to this factory will be enough to sustain the factory.

Q: What moved you to take this step and what advice would you have for other companies?

A: Easy. Number one it's the right thing to do. Personally I am very motivated by this opportunity -I've been lucky to build this business to #1 market share—I want to do more than make t-shirts. Secondly, it's good business. *Business Week* asked is corporate responsibility a burden or opportunity? It's good business and we can demonstrate leadership.

I don't know how we convince others. I know there's a lot of people in my industry that won't like the fact the Knights Apparel is initiating this because if we prove that it works, others will have to do it. But I feel that once we prove it can be done, other companies will step up to the plate. Who knows maybe even the code will change and make [living wage] a requirement.

I've been talking with a factory group and they'll be excited to hear that there's a group that's interested in this work.

Q: Joe: Who are the major players in your industry?

A: Carmen Herrera: Fechheimer, Elbeco...

Q: How are the non-poverty wage provisions in your policies being enforced right now?

A: Scott Nova: As the factory monitor for LA, we can't enforce it on behalf of one city. When you think about how many pieces in that factory each day are for the LA, it's a very small percentage of the production line. It's unimplementable without a Consortium or some kind of collective effort.

Q: Why won't factories just step up and do it?

A: In order to get a factory to do it, they must be persuaded that the market is there. To do that, we need vendors who can go to factories and show there are customers, ie all of you. I think what we'll see is that this will be attractive to vendors once a consortium is developed.

Q: Aren't there some uniforms that are made in the U.S.?

A: We know there's some uniforms made in the US but we're not sure of the percentage.

Q: How big does a contract need to be to make sure the workers get a living wage?

A: Joe: Once you know what your volume is there is someone that could build a factory to cover that volume.

Q: Can you give a dollar figure?

A: 8-10million wholesale will sustain 200-300 employees

Q: How many different items are produced in that factory?

A: They're all in same categories in a variety of styles. ... There may be the problem of different US entities using different kinds of products. Trying to standardize what types of uniforms are purchased will be a challenge. Many of these differentiations, however, have to do with embellishment and can all start in the same factory.

Announcement

There will be a report released on the public apparel industry. Send letters asking vendors not to cut and run, but to stay and work with us. If you have any interest in sending letters contact Vicki or Bjorn. We need it by the end of the day Friday.