

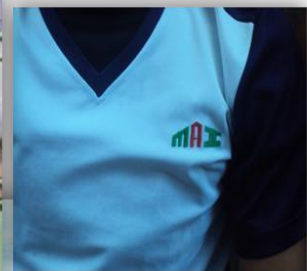
# HOW FAIR THEY PLAY?

A research report on working conditions and freedom of association in adidas supplier facilities in Mactan Export Processing Zone, Philippines

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## I. INTRODUCTION

An adidas hooded jacket on sale for the London Olympics costs around 49.99 UK pounds or at least 3,400 Philippine pesos. Doubling the item with that price tag is equivalent to the wages for 30 days of work of a production worker. Said wages are inadequate to meet the worker's and his family's basic needs such as food, utility bills and non-food items in a month.

In an era where millions and millions of dollars are spent by Multinational Corporations (MNCs) to protect their brand name and sell their reputation as good corporate citizens, workers who produce sportswear such as the adidas brand often work in an environment where normal working hours is 60 hours a week and living in fear in asserting their fundamental workers' rights.

This research was undertaken against the backdrop of the London Olympics in 2012 relative to the Play Fair campaign.<sup>1</sup> One of the major players and significant contributor to this mega sports event is the adidas Group, a multinational brand producing sportswear apparel and sport items. The London Organizing Committee for the Olympic Games and Paralympic Games (LOCOG) welcomed its partnership with adidas boasting their concluded deal with the brand as the biggest ever single event sponsorship in the UK investing around 100

million pounds for the 2012 Olympic Games. While the Olympic per se values respect, equality and fair play, the LOCOG for its part requires its partners to observe its Sustainable Sourcing Code to ensure that partners take into account environmental and social standards. This Code outlines four key principles for commercial partners to follow: responsible sourcing, using secondary materials, minimising embodied impacts, and using healthy materials. Moreover, the LOCOG Code uses the Ethical Trading Initiative (ETI) code which stipulates certain standards suppliers have to achieve with regards to sourcing services that involves labor. However, thousands of miles away from where the Olympic will take place in 2012, there are underside stories.

The empirical material for this report was based from the accounts of workers who are employed in the factories producing for adidas at the Mactan Export Processing Zone (MEPZ) in Cebu. The investigation made by the International Textile, Garment and Leather Workers Federation (ITGLWF) – Philippine Council's team of researchers at the location site proves that expectations of workers producing for the sportswear brand as regard better working conditions and a decent are far from being met.

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<sup>1</sup> Play Fair is a global campaign that involves different international trade union federations and NGOs, such as the [International Textile Garment and Leather Workers Federation](#) (ITGLWF), [International Trade Union Confederation \(ITUC\)](#), [Building and Wood workers International](#) (BWI) and [Clean Clothes Campaign](#) working to improve workers' rights and working conditions in the industry.

## II. RATIONALE

Mega sports events like the Olympic Games are crowd getters and remain profitable wherever they are held. The Olympics prides itself of its reputation that values fairness, equality and respect. International Olympic Games are governed by the International Olympics Committee (IOC) which throughout its existence has the mandate to respect what has been provided in its Olympic Charter.

Being the host country for the 2012 Olympics, the United Kingdom organized the London Organizing Committee for the Olympic Games and Paralympic Games (LOCOG) that will oversee the planning and development of the 2012 Olympic Games. The adidas Group, as tier one partner, licensee and major sponsor for the coming Olympic event, thus markets itself as a good corporate citizen and claims to observe ethical sourcing for its merchandise.

There are a lot of studies that look at the extent of violations of labor standards and labor rights by supplier factories of MNC's in the sportswear sector. However, these

studies mostly focused on Asian countries with huge production capacity. Few studies have been done specifically on the working conditions of workers producing sportswear brand like adidas in the Philippines. This research aims to contribute to the existing work carried out by international trade union organizations and NGO's in exposing the appalling conditions endured by workers who produce goods for the brands through their network of suppliers and contracted factories.

This research intends to let the muffled cries of workers be heard. At the same time, this research unmask the stark reality of the brands' enforcement of their self-initiated codes of conduct throughout their supply chains around the globe.

Finally, the research supplements information for the social partners, including buyers, suppliers, trade unions and government, that may be useful in creating an enabling environment that will lead to the improvement of working conditions in the sportswear factories.

## III. AIMS AND OBJECTIVES

This research documents and examines the current workplace conditions and the extent of labor standards and labor rights enforcement in factories producing for adidas in the Philippines, and recommends strategies on how to address these issues at the backdrop of the 2012 Olympics.

Specifically, the research aimed to:

- Investigate workplace conditions in the factories producing for adidas;
- Validate the workplace conditions through face-to-face interviews with workers;
- Describe efforts of local management to improve working conditions;
- Identify demands of the workers to be pursued to LOCOG, adidas and its suppliers for the improvement of their working conditions and respect of workers' rights.

#### **IV. RESEARCH METHODOLOGY**

The research employed both quantitative and qualitative methods. Data on workplace conditions were collected through the use of a survey questionnaire formulated and pre-tested by the researchers. Since the survey questionnaire was formulated in the English language, this necessitated the researchers to guide the respondents in filling-up the questionnaire so as to gather as much detailed information as possible. The data and information gathered through the questionnaire describe the workers' assessment on the working conditions in their factories and other relevant facts relative to their respective workplaces.

Qualitative method is more relevant for this research in order to get a deeper understanding of the issues confronting the workers. The interview technique was employed for the purpose of drawing out concrete and direct information from the workers. Secondary sources that are readily available (i.e. journals, magazines and published and unpublished research papers and reports, and websites of the

International Labour Organization (ILO), International Trade Union Confederation (ITUC), ITGLWF, Clean Clothes Campaign, Play Fair and other relevant sites) and relevant to the issues have also been gathered and reviewed for further understanding and analysis.

Thirty five (35) worker-respondents in five (5) factories participated in accomplishing the survey questionnaire. To verify the validity of the data gathered from the survey, validation meetings and focus group discussions were conducted. Interviews with workers were done outside factory and zone premises to allow workers to talk more openly. Key informants interviews were also done with trade union organizers operating in the area, a factory HR head and a compliance officer/representative of adidas.

The quantitative data generated by the survey were processed using MS Excel. The results of the survey were compared and cross-validated through workers' interviews and focus group discussion.

#### **V. SELECTION AND PROFILE OF THE RESEARCH AREA**

The research area was purposively selected based on a list of supplier factories provided for adidas where these factories are producing sportswear for London Olympic. Mactan, which is located in Lapu-Lapu City, province of Cebu in the southern part of the country and about an hour by plane from Manila, is the area where apparel and sportswear production for adidas is all concentrated. The target production facilities for this research are located in the MEPZ: Yuen Thai Philippines Inc., Metro Wear and Global Wear Manufacturing Inc. In the course of the research, Feeder Apparel and Mactan

Apparel Corporation were added among the target factories, being part of the Sintex-SCI group.

The MEPZ is a 120-hectare industrial estate. It started out with eight companies in 1986. Twenty-four years later, MEPZ 1 has 119 locators and MEPZ 2 has 50 locators. Data provided by MEPZ office indicates that majority of the companies/locators in the zone are in the semiconductor sector. While the garment sector accounts for only 10 companies, these companies employ a considerable number of employees.

Table 1 shows the target sportswear production facilities alone employed nearly 12,000 workers in 2009. As of November 2011, data from the PEZA put total employment for these five sportswear factories in MEPZ over 22,000, nearly double the 2009 figure and reportedly about one-third of total employment in the zones. Other factories in the MEPZ are engaged in food processing, furniture-making and fashion accessories production.

Overall employment in MEPZ 1 and 2 is estimated at 56, 000 and 16,000 respectively. Currently, MEPZ 1 and 2 have reached limited capacity to provide more space to locators.

In terms of the nationalities of owners of the companies, more than 50% have Japanese equity, the rest are Chinese (mainland and Taiwan), European, American, Filipino, and few Koreans.

**Table 1. Employment trend of the 5 big sportswear factories in MEPZ**

Factories	2003	2004	2005	2006	2007	2008	2009
<b>Feeder Apparel Corporation</b>	1,261	1,971	2,142	2,625	2,460	3,796	2,836
<b>Global Wear Mfg. Corp.</b>	1,609	1,862	1,780	1,726	1,646	1,655	1,757
<b>Mactan Apparels Corporation</b>	1,776	1,732	1,447	1,749	2,130	1,882	1,569
<b>Metrowear, Inc.</b>	2,692	2,610	2,477	2,713	2,978	2,580	2,199
<b>Yuenthai Phils., Inc.</b>	-	-	-	2,049	2,792	2,747	3,330
<b>TOTAL</b>	7,338	8,175	7,846	10,862	12,006	12,660	11,691

Source: Mactan Export Processing Zone administration office

As an industrial tax-free zone, manufacturing and assembly firms for export which qualify for registration as “economic zone export manufacturing enterprises” in MEPZ are provided with fiscal and non-fiscal incentives. Table 2 lists the incentives offered in MEPZ to attract foreign and MNC investors. Moreover, in many export processing zones including MEPZ, a policy of no union – no strike has been silently imposed and the enforcement of labor laws is lenient.

**Table. 2: Incentives for Investors in Export Processing Zones**

<p>Incentives provided for investors</p> <ul style="list-style-type: none"><li>• Income Tax Holiday (ITH) or Exemption from Corporate Income Tax for four years, extendable to a maximum of eight years; after the ITH period, the option to pay a special 5% Tax on Gross Income, in lieu of all national and local taxes;</li><li>• Exemption from duties and taxes on imported capital equipment, spare parts, supplies, raw materials; also breeding stocks and/or genetic materials or the equivalent tax credit on these items, when sourced locally;</li><li>• Domestic sales allowance equivalent to 30% of total sales;</li><li>• Exemption from wharfage dues and export taxes, imposts and fees;</li><li>• Permanent resident status for foreign investors and immediate family members;</li><li>• Employment of foreign nationals;</li><li>• Simplified import and export procedures.</li></ul> <p>Source: PEZA website. <a href="http://www.peza.gov.ph">www.peza.gov.ph</a></p>
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MEPZ is an enclave that is difficult to penetrate even by other government officials who have no official business in the zone and even more difficult for trade union organizers to enter. A senior labor officer of the zone admitted that they observe strict regulations on ingress to and egress from the zone to prevent custom-bonded materials to be smuggled. In a sense, this policy has also been abused. For example, EPZ security guards use this policy to prevent “outsiders” including trade union organizers from entering the zone. Most export processing zones in the Philippines are have private security guarded most of the time, and with EPZ police vehicle visibility.

**Figure 1. Entrance gate of Mactan Economic Zone**





## VI. PROFILE OF THE SUPPLIERS

### A. Yuen Thai Philippines Inc.

Yuen Thai Philippines Incorporated was organized and registered with the Securities and Exchange Commission on November 7, 2005 and subsequently established its factory in MEPZ on 2006. It is a wholly-owned subsidiary of Yuen Thai Holdings Ltd. in the British Virgin Islands. Its headquarters is based in Germany. owned by a certain Mr. nationality. The factory manufacture of pants mainly producing for recently expanded its because of the huge adidas and is currently production plant.



Yuen Thai Phils. (YTPI) is Raymond Tan of Taiwanese is primarily engaged in the and jackets for export and adidas. Yuen Thai has production capacity in 2011 volume of orders from operating its second

YTPI employs around production facility has operates round the clock in three shifts.

5,021 employees. The  
5,000 machines and

### B. Sintex-Sports City International (SCI)

Sintex - SCI is a holding company which controls the operation of four factories producing for adidas sportswear. The four factories are Mactan Apparel, Feeder Apparel, Global Wear Manufacturing and Metro Wear Incorporated. According to an MEPZ officer, Sintex - SCI is the biggest employer in the zone, employing about 10,000 to 12,000 workers. Sintex -SCI is owned by Taiwanese nationals.



Sintex-SCI can be distinguished in two different identities, according to an HR officer. It

uses Sintex when producing for adidas, while for other sportswear brands it uses the name of SCI in their transactions. It is to be noted that Sintex-SCI production facilities are also producing for brands such as The North Face, Under Armour, New Balance and Saucony.



### C. Global Wear Manufacturing Inc.



The Global Wear Manufacturing Inc. is one of the local producers of adidas sportswear apparel brand in the Philippines. The factory was established more than two decades ago. Aside from adidas products, the factory is also producing for renowned brands such as The North Face, Brooks and Saucony. Located inside the MEPZ, the company employs more than 2,000 workers, 75% of whom are women. Its parent company is Sintex International Limited which is based in Taiwan.

### D. Metro Wear Incorporated (MWI)

Metro Wear Incorporated (MWI) is located at MEPZ as well. The factory is a sister company of Mactan Apparel and part of the Sintex - Sports City International – Philippines. The factory has been operating in the zone for almost 14 years. MWI is owned and managed by a Taiwanese national and principally producing garments and sportswear for adidas and other brands such as Under Armour, New Balance, Brooks and The North Face (TNF). Export products are mainly destined to Vietnam, USA, Canada and France.



The facility maintains 925 machines and operating in two shifts with 37 lines and 23 operators.

It has a workforce numbering around 2,000, comprising 500 men and 1,500 women workers. Accordingly, a normal overtime hour is two hours per day.

In terms of company policy and discipline procedures, the workers said they receive harsh penalties for minimal violation such as imposition of outright suspension for being late for three consecutive days.

There is a grievance committee composed of labor and management. However according to a worker interviewed, sometimes the process of hearing issues raised by the workers is resolved in favor of the company and tainted with personal biases.

## VII. WORKERS' RIGHTS AND EMPLOYMENT CONDITIONS AT ADIDAS AND ITS SUPPLY CHAIN

Adidas has set its "Workplace Standards" guidelines for its suppliers around the world to follow. These standards include working hours, fair wages, freedom of association, and child labor in reference to the ILO Core Labor Standards. In 2007, the adidas Group published a question and answer booklet on the integration of the adidas and Reebok social compliance programmes. In that booklet, it pledged to finalize its Group-wide compliance data management system, that is, the Fair Factories Clearinghouse (FFC), and claimed to achieve greater supply chain transparency.

In 1999, adidas joined the Fair Labor Association (FLA). As a member of FLA, the adidas group is subject to external monitoring by independent monitors, participation in the FLA third-party complaint system and public reporting. In 2005, the monitoring programme of the adidas Group was among the first to receive FLA programmatic accreditation. It gained FLA re-accreditation in 2008. The next accreditation is planned for 2012.

"The FLA accreditation signifies that the company is in substantial compliance with FLA requirements to implement a rigorous workplace code of conduct in factories making the company's products. In evaluating a company's programme for accreditation, the FLA monitoring staff reviews independent factory monitoring and verification reports of supplier facilities conducted by accredited external monitors, and verify the implementation of monitoring protocols, training programmes and auditing systems".

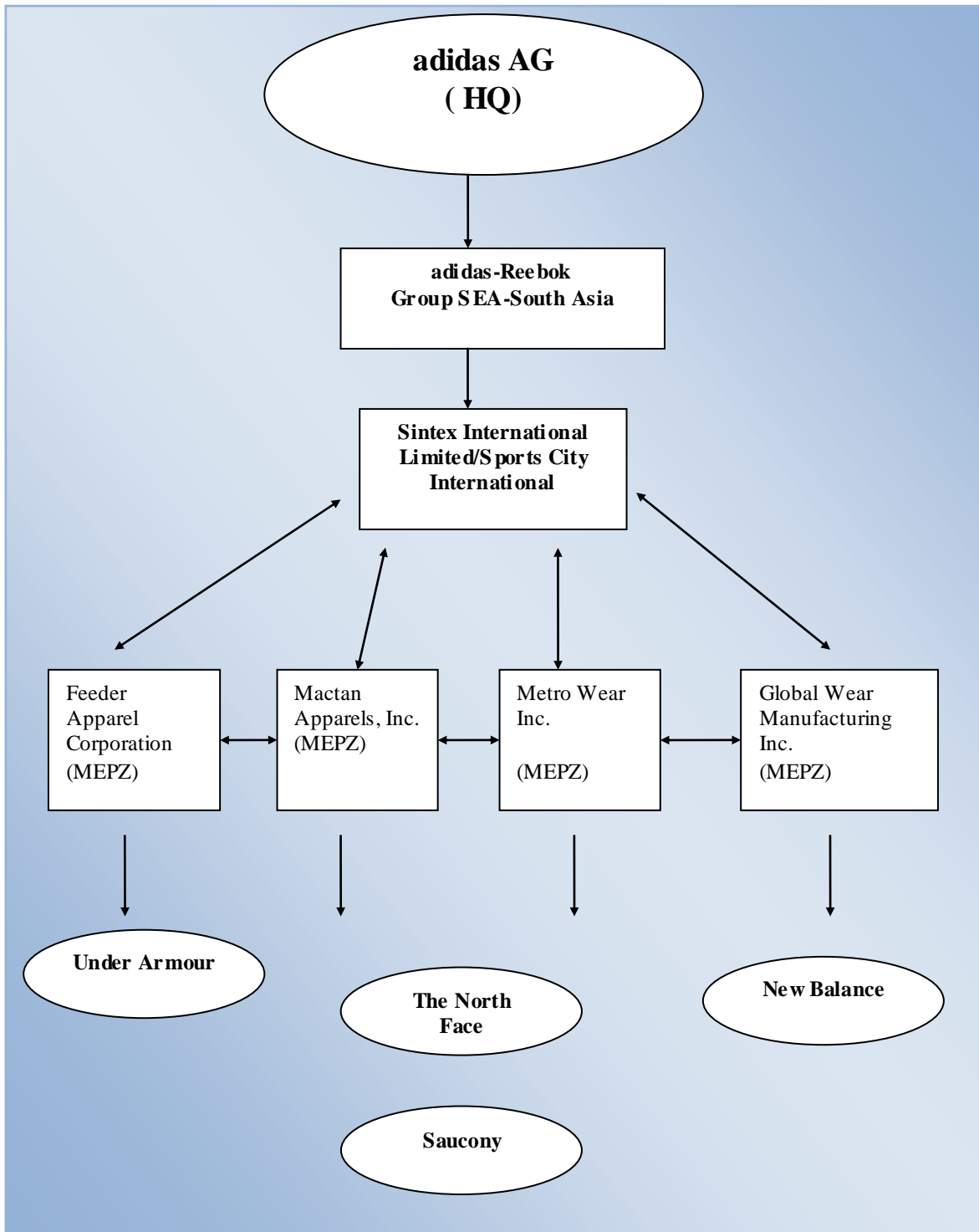
Adidas' supplier factories are being subjected to monitoring by internal compliance officers of adidas operating in the South East Asian region. According to the human resource manager of SINTEX-SCI, their factories are being monitored for at least every quarter and/or as the need arise. "We even submitted monthly report to adidas and we are very strict in observing the adidas standards with regards to labor rights", said the HR manager. "We are aware of the sanctions as provided in the workplace standards<sup>2</sup>," she added.

However, SINTEX-SCI facilities do not only produce and supply goods for adidas but with a number of sportswear brands as well (see Figure 2 below on sportswear supply chain). This complex relationship by the brand to a supplier with multiple buyers tends to overlook the specificities of compliance to labor standards in between monitoring and production orders. At the end of the day, those buyers want to make sure that their orders will arrive at a given deadline. A worker in one of SINTEX-SCI facility revealed, "We don't even know whether the auditors come in the factory to monitor our working conditions or they just come to check the quality of their products and whether their orders will be finished on time". As for Yuen Thai, as of this writing, all of their produce is "solid" for adidas, , meaning that they produce exclusively for the brand, as attested by the workers interviewed.

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<sup>2</sup> Interview with Ms. Vicky Orpilla, Head, SINTEX-SCI Human Resource & Compliance Management Division, December 11, 2011.

Figure 2. Sportswear brand supply chain



## Low and stagnant wages

The determination and fixing of minimum wages in the country depends on the issuance of wage orders by the Regional Tripartite Wage and Productivity Board (RTWPB). The wage rationalization act or Republic Act 6727 created the tripartite wage board that sets the minimum wage rate in each and every region in the country. Article 124 of the Act states that, “*the regional minimum wages to be established by the Regional Board shall be as nearly adequate as is economically feasible to maintain the minimum standards of living necessary for the health, efficiency and general well-being of the employee.*”

In determining wage rates, one of the key factors is the demand for living wage. In Region 7 (Central Visayas) where the factories producing for adidas is located, the prevailing daily wage rate is 305.00 Pesos or 5 UK pounds. This wage rate applies to major cities in Cebu such as Cebu City, Mandaue and Lapu-Lapu City. In a sense, the wages received by workers producing goods for the brands whose products are to be exported are no different from the wages received by workers in local enterprises.

As of April 2011, the average daily basic pay of wage and salary workers in Region 7 was 287.68 pesos, about 90% of the national average of 319.54 during the same period. However, the increase in prices of commodity goods erodes the purchasing power of workers in the region, especially when low and stagnant wage appears to be the sorry trend. A worker from Yuen Thai lamented that the daily wage they receive is not even sufficient to cover their needs due to high cost of basic commodities. She has one son and is the only income earner in the family. Oftentimes, sufficient food provision is sacrificed to meet a number of obligations such as rent and monthly utilities.

Indeed, results of our survey indicated 71.4% of survey respondents claimed their wages are not even enough to at least provide them with frugal comfort and meet their basic needs.

The International Textile, Garment and Leather Workers Federation (ITGLWF) – Philippines Council report of its study on the appropriate living wage figure in the textile and clothing sector in Region IV-A, Philippines generally defined living wage “as the wage that an individual adult worker should earn within a 48-hour work week to provide for the family’s basic needs with 10% discretionary

### Box 1.

*Mr. Rex (real name withheld), a production worker in Mactan Apparel Inc., has been working for the company for almost 10 year. In his long years of service in the company, he only receives the minimum wage similar to newly-hired workers. He laments: “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 meager 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.”*



income to enable the family to maintain a decent standard of living.”<sup>3</sup> The formulation of this definition has been widely accepted by the ITGLWF-Philippines Council and has been used as a guiding principle in computing appropriate wage rate for the sector in every region. The testimony of workers interviewed in this research proves that achieving living wage is far from reality.

Realizing the sorry state of workers who are almost receiving poverty wage, the factory representative of Sintex-SCI revealed that they are engaging a project with adidas together with the Fair Labor Association (FLA) that will involve conducting a study for a fair wage for the workers in their production facilities.

**(Ab) normal working hours**

Working hours in Sintex-SCI factories and in Yuen Thai are normally 10 hours a day and oftentimes exceed 60 hours a week especially during peak season. The workers are aware that this is a policy that needs to be followed and it was being made known to them in their first day of work. The Labor Code of the Philippines clearly stipulates that “The normal hours of work of any employee shall not exceed eight (8) hours a day.” But in the subject factories ten hours a day seemed to be the norm. “Our law does not say about maximum working hours, so our workers can exceed eight hours of work and even work for two, three, four hours of overtime when necessary, especially if we have a shipment deadline”, said the company representative of Sintex-SCI. She reiterated further, “We are in compliance with our buyer’s (adidas Group) Workplace Standards that employees must not be required..., to work more that 60 hours per week including overtime.” In this regard, the practice in Sintex-SCI factories where regular hours run more than eight hours and overtime exceeds two hours per day (Figure 3) is in stark violation of the adidas Workplace Standards. The same practice of extended working hours is also observed in Yuen Thai factory. But how can the workers go against this practice when they encounter breakneck production pressure from management or when workers have no other recourse but to take overtime work as additional income to compensate for the meager wage they receive?

**Figure 3. Actual payslip of a worker**

GLOBALWEAR MANUFACTURING, INC.				Pay Slip 10/01/2008 to 10/15/2008			
Emp#:	ATM#:			Dept.:PRO Section:06B			
Hours: Regular: 104	Overtime: 25.0	Night prem: 21.0	V/L: 0.0	S/L: 0.0	P/L: 0.0	S/I: 0.0	S/P: 0.0
Basic: 3,471.00	V/L earn: 0.00	UVL Amt: 0.00	Overtime: 1,042.97	Tax Ref(1): 0.00			
Late/UT: 0.00	S/L earn: 0.00	USL Amt: 0.00	Incentive: 0.00	Tax Ref(2): 0.00			
Allowance: 0.00	P/L earn: 0.00	USI Amt: 0.00	Adjustment: 0.00	13th month: 0.00			
Long allow: 0.00	S/I earn: 0.00		Night prem: 75.09				
Perfect Attn.: 0.00	S/P earn: 0.00						<b>Gross Pay: 4,589.06</b>
SSS <EE>: 0.00	W/Tax: 0.00	Canteen: 200.00	HC-MWI: 0.00				
SSS S/loan: 0.00	Tax payabl: 0.00	Grocery: 0.00	HC-PRD: 0.00				
SSS C/loan: 0.00	Health care: 90.00	Tel/Fax: 0.00	HC-FAC: 0.00				
PHIC <PS>: 0.00	E.L.A: 0.00	Memorial: 0.00	HC-MAI: 0.00				
HDMF <EE>: 138.84	Cash Adv: 0.00	Other #2: 0.00	AR-SUNCEL: 0.00				
HDMF loan: 0.00	Funeral: 30.00	Other #1: 0.00					
		Calnctv: 0.00					
							<b>Total deduction: 458.84</b>
							<b>Net Pay: 4,130.22</b>

<sup>3</sup> 2010, Reyes, Adviento, Certeza & Azuelo “A study on the appropriate living wage figure in the textile & clothing sector in Region IV-A, Philippines.” ITGLWF-PC report.

## **Presence of workers in short-term contracts and precarious employment**

Based on our interviews with workers in the subject factories, the factories still employ 25 to 30 percent of production workers under short-term contract. These workers are hired under different schemes such as apprenticeship, as trainees or under probationary employment who are more subjected to precarious conditions.

Employing workers under short-term contract are expressly allowed under Philippine laws. The Labor Code provides that workers who enter into a short-term contract under probationary employment shall not exceed six (6) months and is subject to evaluation of his superior if he or she may be retained and regularized. However, employers hiring workers under short-term contracts are diligent in making sure that the employment period should not exceed six (6) months. That is why it is quite a common

### **Social Protection**

All workers regardless of their employment status shall be covered by social protection benefits as provided by law. Under the Social Security System (SSS) all employers must ensure that their employees are enrolled as SSS member from the first day of their employment. Employers must also ensure that the contributions of members that have been deducted from their wages are to be remitted to SSS on time. Deducting contributions for social insurance and protection is one thing but remittance of the same with employer's counterpart contribution to SSS could be a problem. Consider this case. A worker in the Mactan Apparel Corporation whom we interviewed and who was employed since 2001 recounted that when she gave birth to her first child, she was not paid her maternity benefit. The company explained to her that maternity

practice in the apparel and sportswear industry to use successive or "5-5-5" type of employment contract, where workers are employed for five months, then re-hired for another five months, then after a short break, re-hired again for another five months, and so on. Moreover, the law on probationary employment is being blatantly circumvented by companies by using contractors and subcontractors even if work undertaken by workers is usually necessary and desirable to the operation of the company. This was obviously observed in Global Wear as there was continuous hiring undertaken almost every day. Meanwhile, the manpower requirements of the Sintex-SCI facility comes from 43 different training centers operated by private entities in partnership with Sintex-SCI. These training centers are located around 43 municipalities and cities in Region VII.

benefit means that she will be allowed to go on leave but without the corresponding salary and financial benefit. She was puzzled why she did not get any financial benefit despite the law that guarantees all SSS members with a 60-day maternity leave with pay.

With regards to payment of leaves and holiday pay, particularly on payment for special days, the principle of "no work, no pay" applies in most cases, especially when there is a tight production deadline and workers are compelled to work. Findings in our survey revealed that 8 out of 35 or 22.86% of the respondents did not receive payment on special day. As regard to payment for rest day, 11 or 31.43% of the respondents did not receive premium pay.



### **Health and Safety condition at the workplace**

Proper training and information on Occupational Safety and Health (OSH) issues are critical to the safety and health of workers. Rule 1030 of the OSH Standards states that the Bureau of Working Conditions of the Department of Labor and Employment (DOLE) is mandated to conduct training programs on safety and health and to train personnel that will give advice and coordinate safety training programs for employees. However, in all five factories, survey results pointed out that only 19 of 35 or 54.29% respondents were aware of the existing OSH program. About 13 or 37.14% of the respondents said that the program was implemented. Two respondents claimed that

there is totally no program on OSH in their factory.

Also, OSH Standards mandate that for a factory employing 2,000 workers and above, there should be an emergency clinic. However, survey results indicated that only 2 out of 35 or 5.71% respondents said that medical facilities such as emergency clinic were provided.

Ventilation is of utmost concern of the workers in all five factories. Persistent heat and inadequate ventilation were the normal complaints. Workers interviewed said that they experience extreme heat during summer days and workers complain of respiratory illnesses.

### **Lack of social dialogue and no union representation**

The Labor Code provides that workers on their first day of work are allowed to join a union. This constitutional right is guaranteed and it is a commitment of the state at the international level. International Labor Organization (ILO) Conventions 87 and 98 are the early conventions ratified by the Philippines ensuring that the rights to organize, freedom of association and to bargain collectively are being respected. However, the investment and employment policy of the government seems to be in contradiction with these guaranteed rights of workers, as the government adheres to neo-liberal policies such as labor flexibility and relaxation of labor standards.

are in the public sector. There are 1,050 existing unions in the region in the same period, 941 or 89% of which were in private sector unions while 109 or 11% were in the public sector unions. However, most of the organized unions are found in small and medium enterprises and located outside the economic zones.

Economic zones where most multinational brands and large enterprises are being hosted are attractive because of the numerous incentive packages offered and loose regulatory framework for labor rights. One economic zone official commented that their office are most of the times busy “selling” the economic zone as a place to invest. That is why MEPZ which has exceeded its capacity to host is looking for more land area for the expansion of the zone.

Data from the Bureau of Labor and Employment Statistics of the Department of Labor and Employment indicate that between January and March 2011, there were 66,000 workers in Region 7 who were union members, 54,000 or 82% of which work in the private sector and 12,000 or 18%

In previous years, there were serious efforts by trade unions to exercise their right to organize and join unions in MEPZ. All these

attempts by organizers were put into naught as it appears that employers have into their bag all the “aces” to thwart union formation.

In 2008, there was an attempt to organize a union in Mosaic Nine Two Five Corporation, a factory producing accessories and novelty items for export. A former human resource officer whom we interviewed told us that the company owner is really against union formation as it would only disrupt their operations. He further revealed that he was instructed by his superior to employ whatever means to destroy the union in the company.<sup>4</sup>

Another attempt to organize a union in MEPZ happened in 2009 at Alta Mode Inc., a factory that was once producing clothes for adidas, Reebok and Abercrombie & Fitch. The union already hurdled with success all the legal requirements for union registration but lost in the certification elections<sup>5</sup> as the management put almost all union officers and members on forced leave denying them their right to vote. In addition, the union alleged that some DOLE officials were in collusion with the management by counting the votes of supervisory and contractual employees who under the law are to be excluded and not to be part of the bargaining agent. Years later, for unknown reasons or as a deliberate attempt to destroy the union, Alta Mode Inc. shut down its operations and relocated somewhere else.

*“It was really discouraging for us as trade unionist to see the way the company easily folded down their factory just to evade their*

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<sup>4</sup> Interview with former HR officer, November 26, 2011

<sup>5</sup> Certification election refers to the process of determining through secret ballot the sole and exclusive bargaining agent of the employees in an appropriate bargaining unit for purposes of collective bargaining or negotiation.

*responsibilities,”* lamented a trade union organizer in the zone. “After all the hard work and sacrifices of workers to assert their right to form a union the company just left the workers in the quandary.”

Almost the same thing happened in Cebu Iwakami Corporation where the Associated Labor Union-Trade Union Congress of the Philippines (ALU-TUCP) organized the workers sometime in 2007. During the time of certification election, the management brought most of the union members in an island in order for them to miss the voting<sup>6</sup>.

These outright interventions of companies to prevent union formation in connivance with the government authority practically discouraged workers to take a stand and exercise their right and freedom to associate, not to mention the way MEPZ authorities instill a culture of fear. A spokesperson of a Labor Party chapter in Cebu strongly claimed that *“No union presently exists within the MEPZ despite being in operation in 1979... Everybody knows that they (DOLE and EPZA) try to keep MEPZ a non-union zone in order to attract and maintain foreign investors.”*

**Box. 2:**

*A worker from Yuen Thai maintained that the management oriented us during orientation session in our first day of work about the rules and regulations in the company. The management emphasized 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 union you will be terminated from your work and loss the opportunity to work in any factories in the zone”, said our factory manager.*

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<sup>6</sup> Interview with ALU-TUCP organizer, November 25, 2011

In the light of the above, even incidents of low whispering among workers are being suspected by the company as a sign that workers may be plotting something against the company. A recent case in Yuen Thai involved the termination of three workers because they talked among each other. The labor arbiter decided in favor of the workers and ordered the management to pay back wages and reinstate them in their previous position. However, the workers were not reinstated and only the separation pay was paid to them by Yuen Thai.

### Weak enforcement of labor law

According to a labor officer at the regional office of DOLE, the industrial relations situation at MEPZ is relatively peaceful. But this does not mean that there are no labor problems and labor cases in MEPZ. In Metro Wear, she mentioned that the company has a pending case in which two workers filed a case of illegal termination and non-payment of service incentive leave. However, based on their records the company completely ignored the case for almost six months and the company representative did not appear on the scheduled hearings. There was a copy of Wear filed at the DOLE office good and clear handbook. there was still an incidence of standards and violations of



not appear on the scheduled the employee handbook of Metro and the labor officer found it a Nonetheless, she wondered why non-compliance to labor workers' rights.

Based on cases filed at the three different pending cases Approach<sup>7</sup>. Cases filed were non-payment of 13<sup>th</sup> service incentive leave and management neither attends called for by the labor officer. settled under this system shall be endorsed to the labor arbitration court. As of the writing of this report, months have passed without any action from DOLE.

DOLE Region VII office, there were filed as SENA or the Single Entry against Yuen Thai. Issues raised month pay, non-payment of illegal dismissal. In all three cases, initial and successive hearings According to the rules, cases not

With regards to labor inspection, the DOLE adopted the Labor Standards Enforcement Framework to address the gap in the current number of labor inspectors and number of establishments. This system also encourages and builds a culture of voluntary compliance with labor standards by all establishments. According to this system, for establishments employing two hundred (200) or more workers, they shall undertake a Self-Assessment in tandem with representatives of the workers/union or the representatives of the Labor Management Committee. When the research team asked the DOLE office about the report of self-assessment of the subject factories, none of them submitted a report and neither factories visited by labor inspectors. This case imply the deficiencies with regards to monitoring and enforcement of labor standards.

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<sup>7</sup> SENA or Single Entry Approach is a mandatory 30 days settlement system which is a DOLE program for speedy disposition of cases.

## Audit results kept secret from workers

According to an MEPZ official, “Third party auditors are free to roam, easily enter the zone and conduct audits with their supplier factories whenever they want without prior authorization from our office.” However, though monitoring and auditing by in-house or third-party auditors may be regularly conducted, workers have no participation in the process and results are kept hidden. Auditing by the brands is covered by proprietary rights that even the local

government has no mandate to oblige them to furnish them with the audit results.

It becomes more problematic when suppliers manufacture goods for multiple buyers each with their own codes of conduct. As in most cases, it would be time-consuming and costly for the suppliers to monitor and enforce all these different codes of conduct. In effect, these codes bear no major impact on the improvement of working conditions as workers are being disregarded in the process.

## VIII. MAIN EMPIRICAL FINDINGS

### a. Survey results

There were 35 workers randomly selected from five factories interviewed in the survey, distributed as follows:

**Table 4. List of Companies**

Name of Company	Number of Respondent
1. Metro Wear Inc.	10
2. Global Wear Mfg., Inc	10
3. Mactan Apparels Inc.	3
4. Yuen Thai Phils. Inc	10
5. Feeder Apparel Corp.	2

### Data on Respondents

- 16 out of 35 respondents or 45.71% were women and 19 or 54.29% were men.
- 54.29% or 19 out of 35 respondents were single while the remaining 16 or 45.71% were married.
- 26 respondents or 74% were between 18 and 30 years of age.

**Table 5. Age Bracket**

Age Bracket	Number of Respondent	Percentage
18-25 years old	15	42.86%
26-30 years old	11	31.43%
31-40 years old	9	25.71%
40-50 years old	0	0
51 and above	0	0

- On job title and classification, majority of the respondents were production workers, with 20 or 57.14% sewers and 37.14% spreaders and cutters.

**Table 6. Job Classification of Respondents**

Job Title/Classification	Number of Respondent	Percentage
Sewer/Operator	20	57.14%
Spreader/Cutter	13	37.14%
Line Leader	1	2.86%
Maintenance	1	2.86%

- As regard employment status, almost one-third of the workers who participated in the survey were regular in work status, while 1 in 5 was under contractual and probationary status.

**Table 7. Employment Status**

Employment Status	Number of Respondent	Percentage
Regular	26	74.29%
Contractual	3	8.57%
Casual	1	2.86%
Probationary	5	14.29%

- Majority (86%) of respondents claimed they have between 1 and 2 income earners in the family.

**Table 8. Number of Income Earners in the Family`**

No. of income earners	Number of Respondent	Percentage
1	15	43 %
2	15	43 %
3	2	6 %
4	1	2 %
5	0	0
6	2	6 %

- Meanwhile, majority (57%) of respondents reported an average number of dependents in the family between 1 and 2:

**Table 9. Number of dependents in the Family**

No. of dependents	Number of Respondent	Percentage
1	9	26 %
2	11	31 %
3	7	20 %
4	5	14 %
5	1	3 %
6	1	3 %
7	0	0
8	0	0
9	1	3%

## Data on establishments

- Respondents revealed that their factories' products are directly distributed to the US, Japan, the EU Countries (particularly Belgium and France), Canada, Thailand, and China.
- Adidas topped the ranks of major buyers of the products. The North Face and Under Armor ranked second and third respectively.

**Table 10. Major Ranks of Buyers**

Name of Buyer	Rank
Adidas	1st
The North Face	2 <sup>nd</sup>
Under Armor	3 <sup>rd</sup>
New Balance	4 <sup>th</sup>
Saucony	5 <sup>th</sup>

- About 20% to 30% of employment arrangements in the factories were under contractual or casual basis.
- 1 in 4 (25.7%) of respondents said they knew that company rules and regulations (CRR) exist in their factory. However, none of the worker-respondents knew about buyers' Codes of the Conduct. On the other hand, nearly 3 in 4 (74.3%) of respondents claimed that the company provided a copy of CRR handbook/booklet.
- 14 or 40% of the respondents stated that their companies used subcontracting facilities outside the company. These subcontractors were identified as follows: J Queen owned by Mr. David Maino; Printing of Logo, Embroidery owned by Mr. Gary Yo; and Excellent, Formosa, and Modern owned by Mr. Raymond Tan. On the other hand, 60% or 21 have no idea if their factory used subcontracting facilities.

## Freedom of Association

- 35 or 100 % of the respondent from all 5 factories admitted that there is no existing and recognized union or workers' organization in their workplaces.
- Also, all respondents claimed that the workers in the factories did not try to attempt to form a union or a workers' organization. Various reasons for not organizing were cited: fear, termination, and company management did not allow them to form union.
- Although none of the factories studied were unionized at the time of the survey, the bulk of respondents (45.71%) thought that their employers would understand the need of workers to unionize. About 1 in 4 even thought that their employers were democratic as to allow workers to exercise their right to organize.



**Table 11. Employers Attitude towards union activities**

Employers attitude	Number of Respondent answered	Percentage
Receptive	2	5.71 %
Resistance	7	20 %
Pleasant	1	2.86 %
Understanding	16	45.71 %
Democratic	9	25.71 %
authoritarian	0	0

- Despite the positive perception of workers of their employers' attitude toward union and union activities, the greatest proportion of respondents noted barriers in organizing a union in the factory. Heavy resistance from the employer and fear of employer reprisal were mostly cited.

**Table 12. Barriers in organizing union in the company**

Barriers	Number of Respondent	Percentage
Heavy resistance from employer	15	42.86 %
Legal Complexities	1	2.86 %
Threat of relocation	4	11.43 %
Fear of employer reprisal	15	42.86 %

- In this regard, 32 out of 35 (91.43%) of respondents disappointedly stated there is no identified workers' representation in the factories.
- 13 (37.1%) of worker-respondents said they know there were grievances raised to the management. Majority of these grievances involved absences.

**Table13. Cases and Grievances known by the respondents that was raised with the management**

Number of Respondents Answered YES	Common Issues	Number of Respondents Answered NO
13 or 37.1 %	2 respondents for absences	22 or 62.9 %
	4 for termination	
	1 for tardiness	
	1 for unable to achieve the target output	
	1 for canteen related	
	Others comments	

- When asked to make a general assessment of prevailing labor-management relationship in the factories, majority of respondents considered the relationship either very harmonious or harmonious. Meanwhile, over 1 in 5 noted a stable labor-management relationship.

**Table14. Assessment on the prevailing labor-management relationship**

Relationship	Number of Respondent	Percentage
Very Harmonious	8	22.86 %
Harmonious	14	40 %
Less Harmonious	4	11.43 %
Stable	8	22.86 %
Unstable	1	2.86 %

- Most of the employees admitted that they signed individual contracts with the company as contract of employment. This contract included the terms and condition of employment.
- 80% or 28 respondents said that the contract agreement is for the rank-and-file categories, 4 or 11.43% for regular workers, and 3 for casual workers.

**Data on Wages**

- 33 or 94.29 % of respondents were paid by the employers on a daily rate; 1 or 2.86% were paid by hourly basis; and 1 or 2.86% monthly. Generally, the workers received their salary every 15<sup>th</sup> day and 30<sup>th</sup> day of the month.
- All respondents received the minimum wage of P305.00.
- All received their salary through automatic teller machine (ATM) as mode of payment.
- 25 or 71.4% of the respondents claimed that their current wage was not sufficient to meet the basic needs of their family due to several reasons listed in the table below. Only 10 or 28.6% admitted that their wage was sufficient.

**Table15. Common issues and constraint of workers in meeting basic needs of the family**

Issues and constraints of insufficient wage
<ul style="list-style-type: none"><li>• High cost of rent P1,000 – P1,500</li><li>• High price of basic commodities</li><li>• Sending money to the family</li><li>• Sole breadwinner of the family</li><li>• Low wages</li></ul>

- Most respondents claimed difficulties in budgeting their wages for their families' needs. One respondent said she sells beauty products just to augment her income. Majority of respondents admitted they lend money from loan sharks to support family needs.

**Work hours, overtime work and pay for overtime and holidays and breaks**

- An overwhelming majority of respondents (31 or 88.6%) worked 12 hours overtime per week, 2 or 5.71% worked 14 hours per week, and the remaining 2 worked 7 hours overtime per week.
- All respondents said that they work overtime for 2 hours every day. Two respondents claimed that they received underpayment of overtime pay.
- Usually, the workers worked from Monday to Saturday and in most cases compelled to work on Sunday and in their rest day.
- Majority (62.86%) of respondents claimed that overtime was mandatory from the time of hiring. 13 or 37.14% stated otherwise. Workers clearly stated the following:
  - Company requires workers to work overtime 1 to 2 hours daily.
  - OT is mandatory at the production line.
  - At the very first day of hiring, workers were told to work overtime.
- In general, there are negative consequences when workers refuse to work overtime. These are: (1) workers do not get additional incentives; (2) the supervisor will conduct investigation; and (3) the workers are required to report at the office the following day and explain why they refuse to accept overtime work and issued memorandum afterwards.
- Majority (18 or 51.43%) of respondents were not paid for their lunch breaks [30 minutes], while 17 or 48.57% said they had paid lunch breaks.
- Majority (21 or 60%) of respondents surveyed were not paid in other breaks, while 14 or 40% said other breaks were paid.

**Quota system**

- An overwhelming majority (85.71%) of respondents said their factories imposed a quota system. Only 5 or 14.29% of respondents claimed otherwise.

**Table16. Quota System**

Units per day	classification
512 styles – 40 pcs per hour	
120 per hour	
2000 pcs	
15-20 cuttings per day	
15 pcs per hour	
60 pcs per hour	shorts
60 pcs per hour	jackets
500-600 per day	

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**400 units per day**  
**210 per hour**

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- Majority (23 or 65.71%) of surveyed respondents stated that it is difficult to achieve the assigned quota. Only 12 or 34.29% claimed to have reached the given quota per day.
- 30 or 85.71% of respondents received incentive upon reaching the given quota, While 5 or 14.29% said management did not provide them any incentive.
- Generally, respondents cited the following consequences should they fail to meet the imposed:
  - Our immediate superior will issue a memorandum for us to explain why we did not reach our quota
  - No incentive
  - Suspension for 2 days
  - Not prioritized to have overtime work

#### **Other statutory and non-statutory benefits**

- Nearly all (97.14%) respondents received 13<sup>th</sup> month pay. One claimed she did not receive said pay.
- As regards night shift differential pay, only 1 in 3 (33%) of respondents who worked on night shift were paid night shift differential pay; 2.85% were underpaid, and 2.85% were not paid the night differential pay at all.
- All respondents enjoyed the regular holiday pay in accordance with law.
- However not all respondents were paid on special holidays if they worked on these days: 27 or 77.14% were paid in accordance with law on special holidays. Over 1 in 5 (22.86%) were not paid.
- Not all respondents who worked on a rest day were paid: 24 or 68.57 were paid for rest day work, and 11 or 31.43% were not paid.
- As regard service incentive leave, almost all (34 or 97.14%) respondents were paid service incentive leave such as 5-7 days leave with pay, or P1500.00 cash incentive.
- Majority (19 or 54.28%) of respondents enjoyed paid paternity leave of 5 days, with marriage contract requirements, while 16 or 45.71 were not paid.
- Almost all of respondents (34 or 97.14%) enjoyed maternity leave of 2 months which is provided by SSS. Only 1 worker claimed that did not get paid leave of 2 months.

- Only 1 in 5 (7 or 20%) of respondents claimed they were paid for solo parent leave. Two (5.71%) did not get paid while about 3 in 4 (74.29%) have no idea about solo parent leave.
- 13 or 37.14% of respondents stated that retirement benefits were provided by the companies; 4 or 11.43% claimed the opposite. Majority (18 or 51.43%) of respondents have not heard about any retirement benefit in their companies.
- Only 5 or 14.29% of respondents received meal allowance if they work more than 2 hours overtime. For supervisors, meal allowance is provided. The big majority (30 or 85.71%) of respondents did not have meal allowance.
- All respondents claimed that transportation allowance was not provided by their companies.
- Also, shuttle service was not provided for workers as claimed by all respondents. Transportation services are only provided for supervisors and management employees when they shuttle from one Sintex-SCI factory to another.
- All respondents received for free 2 to 3 pieces of uniforms from the management per year.

#### **Occupational safety and health standards**

- Nearly all (34) of respondents stated that medical and dental services were provided by the company on an annual basis. Only 1 respondent answered partial compliance of management.
- 30 or 85.71% respondents claimed that their workplace is safe; 1 or 2.86% respondent said it was hazardous, and 4 or 11.43% respondents stated that the company has shop-floor health and safety programs.
- 77.14% of respondents said PPE were well provided to them by the company; 5.71% disclosed that PPE provisions were limited, and 5% claimed that PPE were not provided. However, only 1% said PPE were provided free of charge.
- As regards personnel training and Information on OSH, 19 of 35 or 54.29% respondents were aware of the existing programs, although only 13 or 37.14% remarked that the programs were implemented. 2 or 5.71% respondents said no such programs exist or there is no company program on health and safety involving information and training of personnel.

- All respondents were satisfied that the company provides separate toilets for men and women, supplies potable water, and provides washing facilities.
- On a quarterly basis, the companies conduct a drill exercise regarding earthquake drill and fire drill.
- 29 of 35 or 82.86% respondents said that they have health personnel.
- However, only 2 out of 35 or 5.71% respondents said that medical facilities were provided.
- 29 of 35 or 82.86% respondents said that there were fire exits provided in the company.
- 14 or 40% of the respondents complained that their workplaces were extremely hot. Only 21 or 60% of the respondents were satisfied with the ventilation in their factories.

### **Social protection**

- As regard to social insurances, all respondents are covered by SSS and nearly all are covered by Philhealth<sup>8</sup>.
- Majority (91.43%) were also covered by Pag-IBIG Fund<sup>9</sup>.
- Workers' counterpart contribution to these social security and protection schemes are deducted from their pay every 30th day of the month for SSS, and 15<sup>th</sup> day of the month for Philhealth and Pagibig. Nonetheless, only 3 of 35 respondents were covered by Employee's Compensation Program (ECP)<sup>10</sup>.

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<sup>8</sup> Philhealth is a National health care insurance program.

<sup>9</sup> Pag-IBIG fund or the Home Development Mutual Fund a state savings program intended for shelter financing for Filipino workers.

<sup>10</sup> Employee's Compensation Program (ECP) is designed to provide public and private sector employees and their dependents with income and other benefits in the event of a work-connected injury, sickness, disability or death. This program is under the administration of three state agencies the Employee's Compensation Commission (ECC), the Government Service Insurance System (GSIS) and the Social Security System (SSS). Workers will be compensated under the program in cases of work-connected injury or accident; work-connected sickness; and disability or death resulting from any work-connected accident or work-connected sickness.



**Table17. Nature of benefits**

	<b>Number of respondents who answer if they are provided with the following social protection</b>	<b>Percentages</b>
<b>SSS</b>	35	100%
<b>ECC</b>	3	8.57%
<b>PAGIBIG</b>	32	91.43%
<b>PHILHEALTH</b>	34	97.14%

- Being SSS members, all respondents thus enjoyed sick leave with pay from SSS. However, not all respondents claimed that sick leave was provided by their company.

	<b>Number of respondents answer</b>	<b>Percent</b>
<b>Provided</b>	32	91.42
<b>Not provided</b>	3	8.57
<b>With pay from SSS</b>	35	100
<b>Without pay</b>	0	0

- As regard to vacation leave, a little over half (51.43%) of respondents said that this type of leave is provided by their company. A huge proportion (48.57%) stated otherwise.

	<b>Number of respondents answer</b>	<b>Percent</b>
<b>Provided</b>	18	51.43
<b>Not provided</b>	17	48.57
<b>With pay [5-7 days]</b>	21	60
<b>Without pay</b>	14	40

- 9 or 25.71% of respondents have Health Maintenance Organizations (HMO) coverage in which 3 or 8.57% respondents shared contribution, 2 or 5.71% are free of charges, and 6 or 17.14% are solely company expenses. The remaining 14 or 40% have no idea if there is any hospitalization benefit for them.

**Other issues and concerns**

- 25 or 71.43% of respondents were aware of the hiring policies of the companies; 9 were not aware. Generally, the companies require the applicant to provide the following documents:
  - Bio-data
  - Birth certificate
  - TESDA (Technical Education and Skills Development Authority) referrals , application letter
  - NBI or police clearance
  
- A big majority (28 or 80%) of respondents were hired directly by the company while the 7 or 20% from manpower agencies.
  
- All respondents claimed that the duration of work for casual, and contract workers is 6 months. Upon hiring, the workers will be treated under probationary status.
  
- TESDA offices in Cebu City and Lapu-Lapu City are where workers were trained for deployment at the factories.
  
- 11 or 31.43% of respondents stated that their companies have third party auditors that assess and monitor their factories; 1 in 5 (7 or 20%) noted the absence of these auditors; and the rest have no idea.
  
- 18 or 51.43% respondents stated that the Department of Labor and Employment (DOLE) inspector annually conducts inspection in their factories. The remaining 17 or 48.57% said there is no inspector that visits their factory.
  
- As regards incidents of harsh and inhumane treatment, most (32 or 91.43%) respondents experienced verbal abuse.

<b>Table 20: Harsh or Inhumane Treatment</b>		
<b>Harsh treatment experienced by workers</b>	<b>Respondents</b>	<b>Percent</b>
<b>Physical abuse</b>	3	8.57
<b>Verbal abuse</b>	32	91.43
<b>Intimidation</b>	0	0

- 4 out of 35 or 11.43% respondents identified children ages 15-17 years old worked in the factories of Metro Wear as operators, at Global Wear as sewers, and at Mactan Apparel as operators. Their daily rate equivalent was P305.00. Their employment is under juvenile employment arrangement.

- Nearly all respondents claimed there was no discrimination in their factories.

Issue of discrimination	Respondents	Percent
<b>Yes</b>	1	2.86
<b>No</b>	34	97.14

- Majority (57.14%) of respondents said that a Grievances Committee provides sanctions for cases involving sexual harassment. About 31.43% of respondents noted that the company's anti-sexual harassment policy is posted in their workplace. One respondent claimed that a case of sexual harassment happened between the supervisor and a sewer.

Measures	response	respondents	Percent
<b>Policy posted</b>	yes	11	31.43
<b>Code of decorum and investigation established</b>	yes	1	2.86
<b>Sanction provided</b>	yes	3	8.57
<b>others</b>	Grievances committee	20	57.14

- Majority (68.57%) of respondents noted the use of suggestion box as a mechanism to address workers' complaints and grievances. Over 1 in 3 respondents pointed to the existence of grievance machinery while 4 or 11.43% noted the existence of grievance machinery.

	respondents	Percent
<b>Grievance machinery</b>	12	34.29
<b>Workplace committee</b>	4	11.43
<b>Suggestion box</b>	24	68.57

- 9 of 35 or 25.71% of respondents considered that workers' complaints are adequately addressed by the company. However, 26 or 74.28% stated management's inaction or the lack of results for complaints aired.
- All respondents stated that the companies have no history of company closures or run-away-shop operations.

- Individual respondents also identified other abuses allegedly committed by management.

<b>Table 24: Other cases of abuse or workers' rights violation</b>	<b>Response</b>
During orientation management verify with the workers about their previous employment in other companies and if they have experience in joining a union.	1
No bonus provided during the course of employment	1
Illegal dismissal due to temporary employment status	3
Regular and newly- regularized workers received same salary	1
Under payment of overtime, no free meal for rank & file workers, free meal only for engineers, QC and supervisor	1

#### **Obstacles to improving working conditions**

- Respondents were asked to identify obstacles in the improvement of their working conditions. The table below lists these obstacles.

<b>Table 25: Obstacles to the improvement of working conditions in the company</b>	<b>Response</b>
To exert one effort to be able for company to improve	1
Production inefficiency	1
No knowledge about other factories working condition - no idea to compare	1
Nepotism, crab mentality, unfair treatment of workers, etc.	4
35 points every 2yrs termination	1
Failure to meet the quickly stands	2
Management treatment to the workers are not satisfactory	1
High target that is difficult to achieve	1
Need to have additional income or allowance due to low wage	1

#### **b. Analysis and Interpretation of data**

##### **General background of the target factories**

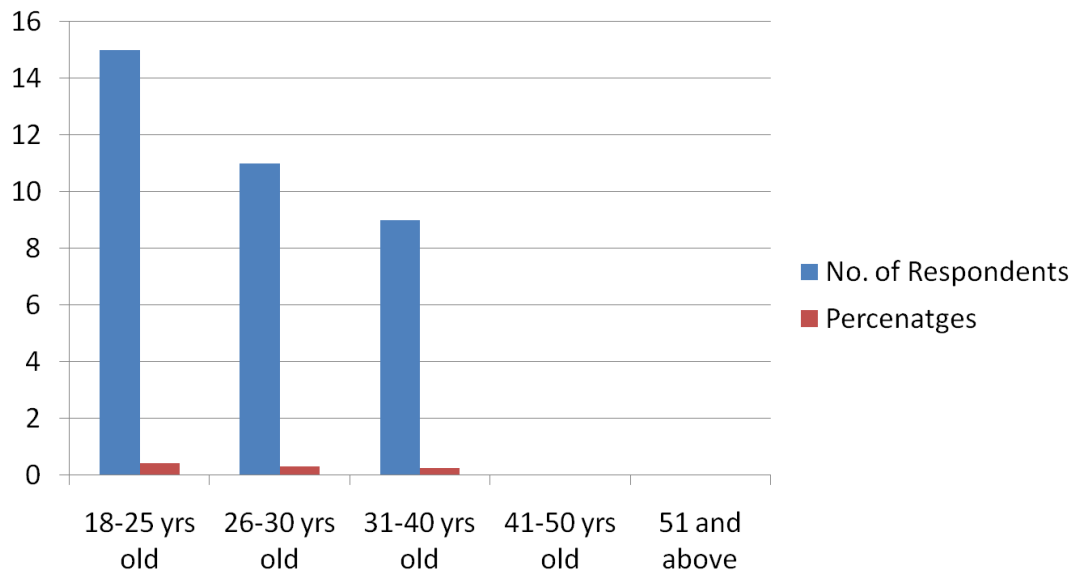
The subject factories are all considered large enterprises based on the number of employees and obviously with their size and total assets. All of the factories are supplying for MNC sportswear "A" brands such as adidas. The goods produced are all destined for the export market. The volume of production and expansion can be attributed to the demand of the buyers. MNC sportswear brands have their own code of conduct. In the case of adidas, its "workplace standards" serve as

guide to their business partners to adhere and respect workers rights. However, none of the workers we interviewed knew about their buyer’s code of conduct.

**Characteristics of worker-respondents**

Majority of the worker-respondents were relatively young (within the age range of 18 and 30 years old) women. Over-half of the respondents were single. These general characteristics typify workers in the garment industry. All but one of respondent was production workers.

**Graph.1 Age range of respondents**



In terms of their household status, findings indicate that 43% of respondents were sole income earners while same proportion declared having two income earners in the family. Meanwhile, almost two-thirds of respondents have two or more household dependents. The rising cost of living amidst low and stagnant wages thus means that the income received by a worker might be adequate only for his or her needs but not sufficient enough for a family.

**Graph 2: Number of income earners in the household**



## **Working Conditions**

Working conditions in both Yuen Thai and Sintex-SCI facilities are in general the same. In terms of payment of wages, both pay the mandated minimum wage. All respondents said they worked for ten (10) hours everyday, two hours of which for overtime work. This seemed to be the norm in all facilities subject of this research. Workers are compelled to extend work due to production pressure and to the quota system imposed by the company. The quota is often quite difficult to achieve under normal working hours. Failure to meet the quota will have dire consequences, from the issuance of memorandum to the imposition of suspension. Also, workers are forced to accept overtime work because they need to earn more to compensate for their meagre income. Other workers opt to source additional money from loans offered by loan sharks. Many 'pawn' their ATM cards to individuals that charge a high interest rate.

With regards to payment of statutory premium pay, our research found out a substantial number of cases of employers' non-payment of rest day and special day premium. This often happens when workers are compelled to work even on their rest day or on holidays to cope with production deadlines.

## **Workers' Representation and Labor Relations**

It is a glaring reality that freedom of association and the right to organize and bargain collectively are not enjoyed by the workers in the Yuen Thai and Sintex-SCI facilities. Despite their long years of operation, no union has ever been formed in these factories. Our findings reveal that workers' fear of reprisal by the employer and threats of job loss disenchanted workers to

The use of short-term contract and temporary workers which are still prevalent in the subject factories remains to put workers under precarious conditions that in the long run will negatively impacted their development. The perceived abuses in employing contractors and sub-contractors such as manpower services in their hiring intend the suppliers to escape responsibilities in their share for social protection contributions and other statutory benefits afforded for regular workers.

As regard occupational safety and health, three issues arise that require compliance and improvement. One is the provision of medical facilities. Another is the provision of training and information relative to OSH program. Finally, the provision of proper ventilation needs urgent attention. These issues which are of immediate concern to the workers can be effectively addressed with effective participation of the workers themselves.

The gap between what is provided by law and what is actually provided to workers at the factory level could be difficult to fill without proper and genuine participation of workers.

organize in these factories. Previous incidents of union avoidance and union busting in other factories in MEPZ and other export processing zones have naturally demotivated workers in these factories to even attempt to organize. Scare tactics and other schemes to discourage workers to organize and join a union in the subject factories are also being used by employers. In fact, on

their first day of work, workers are being warned not to join a union. The other type of workers' representation other than union that was being claimed to be present at the subject factories, such as workers committees and joint management and workers' council are seen as "smoke-screen" to downplay the principle of freedom of association.

The meddling of government agencies in collusion with the employers in union affairs as highlighted in some of our interviews with workers proved the existence of a silent policy of "no union, no strike" in the zone. In an attempt to cover the issue of workers'

## **IX. CONCLUSION AND RECOMMENDATIONS**

### **Conclusion**

The findings on the sorry state of working conditions in the adidas supply chain in the Philippines contradict the enormous extravagance the sportswear brand spends in sponsorship events like the London Olympics.

This report reveals that codes of conduct and other forms of unilateral regulation by buyers proved to be ineffective without union representation. Adidas per se has its own "workplace standards" which is a useful guideline with reference to internationally-recognized labor standards to be observed and to be implemented by factories in their global supply chain. Nonetheless, better provision of this standard will mean nothing if such is not fully communicated and understood by the workers. Another problematic area lies when suppliers are not only producing for a certain buyer but for multiple buyers each of which have their own guidelines for their suppliers to follow. The supposedly positive impact these codes produce for the improvement of working

representation, the management in Global Wear even orchestrated the formation of a workers-management council purportedly to comply with adidas' standard on the right of employees to join and organize associations.

Our research has highlighted that the reliance on third party monitors to address workers' complaints and grievances is not sufficient enough as it is difficult to prove the priorities of each of these monitors. Similarly, the labor standards enforcement mechanism of DOLE which utilizes voluntary compliance among large establishments does not help in any way without strengthening the inspection mechanism.

conditions in the supplier factories has proven to be very limited if not wanting, proof that not all adidas supplier factories are playing fair.

Workers in all factories continue to receive the prevailing minimum wage despite their long years of working in the factories. This wage not even sufficient to meet the workers' basic needs especially when there is a family to sustain. Mandatory overtime is largely practiced to save on costs and to beat tight production deadlines.

The right to form or join a union of their own choosing is an internationally recognized right of workers. Any intervention to prevent the exercise of this right contradicts the adidas standards on the right of employees to organize and join associations. If adidas is serious enough to compel its suppliers to comply with this standard, this will create an enabling environment for workers to bargain

collectively to improve their conditions of work.

Union representation and participation in decision-making and developmental process are being recognized through recognized system of tripartism. In any mechanism addressing workers issues and concerns,

labor organizations are being consulted and are being involved as participatory partners in program implementation. However, our research found out that workers' participation is completely lacking in the supplier factories.

## **Recommendations**

In order to increase employers' compliance to labor standards and to meet the expectations of workers in the improvement of their working conditions, our research recommends the following:

### **(1) For the LOCOG**

- to ensure that proper monitoring for its licensees and suppliers are put in place.
- to make sure that licensees and suppliers adhere to internationally-recognized labor rights throughout their respective supply chains.
- to investigate and assess workplace conditions compliance to LOCOG Sustainable Sourcing Code of its licensees' and their supplier facilities wherever they operates.
- to involve concerned global union federations like ITGWLF and its respective affiliates in the Philippines in the monitoring and enforcement of its LOCOG Sustainable Sourcing Code in the supplier factories.

### **(2) For adidas that sources sports wear goods in the Philippines**

- to disclose their first-tier suppliers, contractors and sub-contractors throughout their supply chains.
- to direct their suppliers making codes of conduct orientation mandatory upon hiring for all employees.
- to provide a system of transparency with regards to their auditing and monitoring procedures.
- to involve workers' representation in the auditing processes and make audit results accessible to all.
- to operationalize the provision of freedom of association and collective bargaining by issuing directive to suppliers for non-interference to union formation and provide



access to organize by union organizers, this has to be done by requiring their suppliers to forge an agreement with sectoral union concerning the same.

- to ensure with their suppliers that any positive development towards attainment of good working conditions serves as an incentive to continue business relationship with them.
- To perform periodic review of their supply chain's implementation of their code of conduct opening such with workers' examination and inputs.

**(3) For the supplier factories in MEPZ**

- to create an enabling environment for the workers to exercise their right to organize by allowing sectoral trade unions in conducting joint educational programs for workers on their rights and responsibilities. Specifically, to include in their handbook clear definition of freedom of association and core labor rights based on ILO framework
- to engage workers' representation and trade unions as partners in all undertakings that involve the improvement of their working conditions
- to observe implementation of labor standards and workers' rights by allowing sectoral unions and multi-stakeholders initiatives to conduct independent compliance monitoring
- to put into effect the progressive adjustment of minimum wage into living wage, by positively involve workers' representation and participation in the current studies and processes towards wage adjustments.
- While there is positive improvement in terms of reducing short-term contract workers, suppliers must totally work-out to eliminate contractual and temporary or 5-5-5 casual workers especially to those jobs that are necessary and desirable to their business operations.

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