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Puma's Workers in China Facing an Olympian Struggle to Survive

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Puma investigates sweatshop allegations in China

FRANKFURT (AFX) - German sportswear manufacturer Puma AG (Xetra: 696960.DE - news) said it is investigating allegations that some of the production sites it uses in China are sweatshops, where workers are forced to work up to 16.5 hours a day for as little as 31 US cents an hour.

Puma said it regularly audits all its production sites around the world, and is not aware of any evidence supporting the allegations, made by US anti-sweatshop watchdog The National Labor Committee.

'We are, however, certainly investigating all allegations,' Puma said in a statement.

A joint report issued by the National Labor Committee and China Labor Watch this month alleges that workers at production sites in China where Puma shoes are produced endure 'grueling hours, pitifully low wages, exploitation, abuse and denial of their rights'.

The report, entitled 'Puma's Workers in China: Facing an Olympian Struggle to Survive', alleges that exploitation is occurring at Taiwanese-owned PouChen Group plants in Gaobu Town, Dongguan, China, where Puma products are manufactured.

'While Puma sponsors Olympic teams and superstar athletes it is unlikely that even these finely conditioned athletes could keep pace with Puma's workers in China,' said Charles Kernaghan, director of the National Labor Committee.

'A worker in China makes enough 70 usd Puma sneakers in the first five days and two hours of work, before the first week is over, to pay for his or her salary for the entire year,' he said.

The allegations in the report focus on the 'Pou Yuen Plant F' site, which is part of a large industrial park owned by the PouChen Group.

The report says workers at the factory have mandatory 13.5-16.5 hour daily shifts and, depending on production demands, work 76.5-100.5 hours a week for a base wage of 31 cents an hour.

Including all overtime and production bonuses, the average take-home wage is 35 cents an hour, or 20.93 usd for a 60-hour week, it says.

The report says that from beginning to end, the total cost of labour to make a pair of Puma sneakers in China comes to just 1.16 usd. It says workers' wages amount to 1.66 pct of the sneakers' 70 usd retail price.

Puma's gross profit on a pair of 70 usd sneakers is 34.09 usd, the report says.

In a statement today, Puma said it acknowledges its responsibility to employees manufacturing Puma goods at its partners' manufacturing facilities, but audits of the concerned sites had produced no evidence to support the allegations.

It said its code of conduct ensures the payment of 'relevant legal minimum wages' and limits the amount of hours worked per week to 60, including overtime.

'Our S.A.F.E. team (Social, Accountability and Fundamental Environmental Standards) has audited all Puma production sites worldwide during the last several years including our Chinese suppliers,' Puma said.

'In the named factory in China ... our S.A.F.E. team conducted its most recent audit in February 2004. No evidence was found supporting the allegations made by the National Labor Committee.

'We are, however, certainly investigating all allegations made by the National Labor Committee,' the statement said.

Regarding the remaining points raised in the report, Puma said: 'Please note that we are in the process of checking the concerns voiced.

'As Puma is committed to upholding our code, we are conducting a thorough and rigorous internal fact-finding mission. However, please understand that due to the necessity of obtaining proper feedback from our production partner in China, certain steps in the process may take some time in order to ensure a comprehensive understanding of the facts.'

Two weeks ago, Puma reported a 17 pct increase in second-quarter sales to 352.3 mln eur. Pretax profit rose to 78.2 mln eur in the second quarter from 55.4 mln in the year-ago quarter, while net profit came in at 54.9 mln, up from 37.0 mln a year earlier.

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