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Sweatshop Solutions?

After we released the report "Subsidizing Sweatshops? Economic Ground Zero in Bangladesh and Wal-Mart's Responsibility," we received this response from Wal-Mart...

From Wal-Mart:

Wal-Mart is concerned about any allegations brought to our attention about treatment of workers and working conditions in our supply chain. We investigate all allegations as soon as they are received to make sure prompt action can be taken where necessary. According to the information provided in their report, SweatFree Communities conducted their initial research in September of 2007. However, they only released the findings to Wal-Mart in August, 2008, a full 11 months later. If SweatFree were truly concerned about improper working conditions, they would have brought their issues to the attention of all the companies using the subject factory immediately.

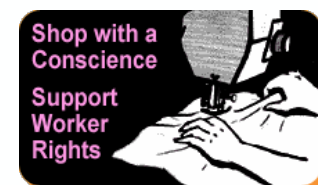
Consistent with our concern for the workers and their working conditions, we took immediate action when we received the SweatFree draft report. We visited the factory unannounced, and then met with the principal factory owner and our suppliers to ascertain conditions. Additionally, we proposed using an independent third party to work with factory management over the next twelve months to monitor factory operations.

We conducted several teleconference calls with SweatFree, and offered to partner with them in addressing industry-wide issues in Bangladesh. We conveyed to SweatFree that there were at least five other brands and/or retailers using the same factory, and felt a collaborative approach partnering with all key stakeholders including governments, suppliers and NGOs would be the best approach to address labor standards in Bangladesh. Despite this, SweatFree chose to issue their biased report against only one company whose suppliers source from this factory. Wal-Mart is committed to developing permanent solutions to ethical sourcing issues which benefit workers, rather than narrowly focusing on the assignment of blame.

Our reply:

Dear Wal-Mart,

Let us focus this discussion on the changes that will benefit the greatest possible number of Bangladeshi garment workers in the shortest possible time. The global economic crisis has made the distressing conditions for garment workers living on less than a dollar a day even more dire than described in our report, their poverty more grinding, their long hours at work more exhausting. As a small organization with limited staff, we must focus on the questions that matter. Doing that, we seek to hold the world's largest retailer accountable for working conditions



among its suppliers, to report on these working conditions as truthfully as we can, and to propose solutions.

In an attempt to work cooperatively with Wal-Mart to address working conditions at JMS Garments, we did not publicly release our original report, but instead revised the report to account for Wal-Mart's factory engagement which has resulted in some positive changes in the workplace, changes documented in the public version of the report. As we have said before, Wal-Mart deserves credit for its positive impact on the working conditions and for developing a plan to make JMS Garments "a model for other factories in Bangladesh."

But we do not lose sight of the fact that Wal-Mart should have known about the abuses in this factory before we shared our report with the company. Otherwise, what is the point in sending auditors to the factory several times a year? Wal-Mart should have long ago heeded the calls of organizations like ours to shoulder an appropriate share of the burden to prevent abuses among its factory suppliers and ensure dignified working conditions rather than shifting that responsibility to the factories. It is not enough to talk tough to factories; Wal-Mart also must get its own house in order, assuring prices to factories that allow them to pay workers a decent wage and delivery schedules that do not necessitate workers putting in 19-hour shifts. Now we have received reports on a new Wal-Mart initiative for "global responsible sourcing," announced at a recent summit in China. We are glad to see the possibility for common ground on some central issues that require close attention.

The first issue is transparency. According to Wal-Mart's press release, the company plans to "require all direct import suppliers plus all suppliers of private label and non-branded products to provide the name and location of every factory they use to make the products it sells." CEO and President Lee Scott further stated that Wal-Mart expects that suppliers "publicly disclose all appropriate information."

The key word here may be "appropriate." Will names and locations of Wal-Mart's factory suppliers be public? Will factory audit reports be posted online? A step in the right direction would be for Wal-Mart not to attempt to suppress a critical, but factual, third-party report. A second step would be for Wal-Mart to publicly release its own reports on factory working conditions. We look forward to seeing Wal-Mart's report on JMS Garments, due sometime in November according to the company's timeline.

The second issue is factory monitoring. According to Wal-Mart's new "global responsible sourcing" initiative, "Suppliers will need to take ownership of compliance in their factories and they will need to demonstrate that they are regularly and rigorously auditing their own factories... [and] Wal-Mart will step-up and strengthen the company's own unannounced audits and will require suppliers to allow third-party audits."

We are all for rigorous independent monitoring and support Wal-Mart's own increased use of unannounced audits. Yet, we worry that the term "audit" implies a quick check-box review of working conditions, rather than thorough monitoring based on off-site interviews with workers conducted by an organization they trust.

The coming JMS Garments investigation will be an early indication of how far Wal-Mart is rethinking its auditing methodology. Wal-Mart says it wants to engage with "all stakeholders" in this case to ensure they are onboard with the

year-long program to make the factory a model of good working conditions. Those stakeholders should include workers and their advocates. We remain concerned that Wal-Mart to this point has eschewed meaningful engagement with the Bangladeshi organization that conducted the research for our report. Founded and directed by former Bangladeshi garment workers, this is an organization that has worked to develop trust of JMS Garments workers and could support Wal-Mart in its attempts to understand workers' reality and improve conditions. The organization remains ready and willing to work with Wal-Mart. It is an opportunity Wal-Mart should not ignore.

The final and most important issue is Wal-Mart's purchasing practices. To put the whole onus and entire cost of code of conduct compliance on factory suppliers is not going to work. Wal-Mart seems to recognize this. "I know we are asking a lot of suppliers, especially at this time," Lee Scott told suppliers at the recent China summit. "Many of you are facing intense economic pressures -- an appreciating currency, declining exports, and increasing material and labor costs." So, what will Wal-Mart do? "Wal-Mart will have stronger, closer and deeper relationships with suppliers who share our commitment to being socially and environmentally responsible," Scott said. According to its press release, Wal-Mart plans to "have all suppliers it buys from directly to source 95 percent of their production from factories that receive the highest ratings on environmental and social practices by 2012."

If Wal-Mart truly can identify suppliers that treat workers with dignity and respect and pay them a decent wage, they should encourage those suppliers with increased and stable orders. That is a good step. JMS Garments will be a good test case for Wal-Mart's commitment to reward good working conditions with orders. In its Memorandum of Understanding with SweatFree Communities, Wal-Mart committed that its "continuation of business or increase in business with [JMS Garments] would depend on [its] level of responsiveness...during the investigation and remediation phase and to the extent possible." We hope that Wal-Mart will have good reason to increase business with JMS Garments and that the company will follow through on its commitment.

Still, we have not seen Wal-Mart address the critical issues of pricing, delivery schedules, and other purchasing practices. As we state in our report, "Wal-Mart must ensure that prices paid to factories are sufficient to enable factories to pay workers living wages and meet the costs of legal and code compliance; that dates for delivery of products and other logistical requirements imposed on factories do not induce violations of hours, overtime, or other ethical standards; and that its relationship with factories is sufficiently stable to enable factories to provide job security to workers." We also noted a recent Bangladeshi newspaper report that "Wal-Mart, the world's largest retailer of clothing, wants a 2 percent rebate on its current orders of Bangladeshi RMG [ready-made garments] products." The article worried that "pressure by international buyers on clothing prices is hitting profitability in the RMG sector, which would ultimately undermine efforts to improve working conditions."

We ask, is Wal-Mart demanding the 2% rebate from JMS Garments, the factory it hopes becomes a model of good working conditions? What impact would such a rebate have on workers? Will Wal-Mart be prepared to cease emergency orders that require 19-hour marathon shifts? Will Wal-Mart negotiate a fair price with JMS Garments and ensure that the factory uses its increased income to raise workers' wages to levels where

they escape at least the most abject poverty?

Those would be significant initiatives. But just like Wal-Mart "asks a lot of suppliers," we should ask a lot of Wal-Mart. And when Wal-Mart takes those big steps, we will applaud Wal-Mart for a significant achievement, just as we have noted Wal-Mart's current positive steps, which as of yet remain minor relative to the potential advances that could be made at JMS Garments.

Sincerely,

SweatFree Communities
October 28, 2008

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