



MEGA SPORTS EVENTS AND UNION REVITALISATION

RESEARCH GROUP DISCUSSION PAPER NO. 8, JAN. 2010

South East Asian Sportswear Producers: A case study of adidas Group and suppliers in the Philippines

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About the Project

This discussion paper is one of a series produced as part of a research project on *Mega Sports Events and Trade Union Revitalisation*. It is one of several projects initiated by the Global Labour University (<http://www.global-labour-university.org/>) in response to its remit to build sustainable networks of labour academics and trade union researchers worldwide.

The Sport Events Research Group project is focussed on an examination of whether mega sports events such as the Olympics or the FIFA World Cup provide trade unions with opportunities for revitalisation. The aim is to study union efforts around a series of mega sports events in order to explore if and how unions engage in these events; the successes and failures recorded; and to identify wider lessons for the labour movement about the possibilities for sustainable gains.

About the Global Labour University

The Global Labour University (GLU) was established in 2004 and is a network of universities, international and national trade unions, civil society organisations and the International Labour Organization (ILO) to provide postgraduate qualification programmes for trade union officers, labour activists, and experts. It offers Masters Programmes on sustainable development, social justice, international labour standards and trade unions, economic policies and global institutions.

The courses take place in Germany at the University of Kassel and the Berlin School of Economics and Law, in South Africa at the University of Witwatersrand (WITS), in Brazil at the State University of Campinas (Unicamp) and in India at the Tata Institute of Social Sciences (TISS). The Global Labour University is supported by the International Labour Organisation (ILO), the Hans-Boeckler-Stiftung (HBS), the Friedrich-Ebert-Stiftung (FES) and the Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ). The programme is developed in association with a range of supporting organisations including the Global Unions and key national union centres DGB (Germany), CUT (Brazil) and COSATU (South Africa).

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**GLOBAL LABOUR UNIVERSITY
RESEARCH PROJECT ON
WORLD SPORTS EVENTS AND TRADE UNION REVITALIZATION**

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in the Philippines”**

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1. Introduction

World sports events can be viewed as an opportunity for the trade union movement to exert leverage over multinational corporations (MNCs) who have a direct or indirect commercial interest in the events. Mostly, that prospect fails to materialise as there are very few organizing initiatives and union-led workplace improvement stories relating to sports events. These failures can be attributed to a number of factors that may be internal or external to the trade union domain. First, multinational corporations in the sportswear industry are more likely to restrain workers exercise of their right to self-organization. Second, on the part of the workers, where such conditions of fear and poverty exist, it is for the trade unions to organize workers. Lastly, limited resources constrain cohesive organizing drives by the trade unions. These factors are the main focus of this paper looking at the hub where most of the sportswear products are made, which is the South East Asian countries, particularly the Philippines.

1.1 Scope and Limitations

This paper will look at the extent of applicability and gaps of laws and regulations in the Philippines that concern freedom of association and the right to self-organization and other opportunities available for workers to exercise those rights. The paper will provide a glimpse of trade union actions and problems in organizing supplier factories of multinational sportswear brands in the Philippines. This paper however will not delve much into the internal shortcomings of Philippine trade unions in pursuing a well-planned organizing drive as this might be considered for another study focusing on trade union organizational management.

1.2 Research Methodology

For this research, examination and analysis of available published documents, articles and information materials from government agencies concerned such as Department of Trade and Industry (DTI), Department of Labor and Employment (DOLE) and Philippine Economic Zone Authority (PEZA) were used. Relevant and where possible updated data on textile and clothing industry were collected through visitation on various national government agencies including trade union offices and university libraries. Other data and sources come from searches on webpages of International Labor Organization (ILO), International Textile, Garment and Leather Workers Federation (ITGLWF) and Playfair Olympics. Trade union published materials, presentations and academic online journals were also reviewed.

Primary data on working conditions and labor standards implementation were gathered through face to face interview with workers and industrial relations officials in the export processing zone. Email interview were conducted with union officers with remote possibility to conduct face to face interview due to distant location was also undertaken. This has been done with prepared questionnaire designed to gather direct information from the respondents. Responses has been analyzed and validated through reports and in-depth interview by trade unions that have the authority with the sector.

Primary data on adidas and its suppliers' information was collected based on the identified suppliers location and contacts available with the ITGLWF website on factories list. An advance communication was sent online with seven suppliers' company contacts to inform about the research and their possible cooperation in the undertaking.

For the case study on supplier factories, the researcher make field visit in two identified factories based on ITGLWF list of adidas factory suppliers in Laguna, part of Region IV-A. The two adidas factory suppliers in the case study was emailed to take part in the research upon the approval of the regional office of adidas which was possibly identified but was located also in distant province of Mactan, Cebu in the Mactan Export Processing Zone. Questionnaires were sent as attachment to email interview to the management representative of the two factories. Responses to the questionnaire were analyzed and verified thru follow-up email interview and email exchanges.

Finally, key informant interviews were conducted with trade union officers with knowledge and actual experiences in sectoral organizing in export processing zones. These interviews revealed additional information and observations concerning the working conditions in the clothing sector.

2. Background

Sportswear is one of the lucrative items in any sports event, domestically and globally. The sportswear industry includes the production of athletic footwear and apparel. World sports events and other regional and international athletic meets are seen as an opportunity for the global sports brands to maximize their global presence, hence, capturing more market and making windfall profits.

Global sports brands or MNCs within the sportswear industry that own the most notable and leading brands in sportswear products, outsource manufacturing orders through merchandisers and sourcing agents, often themselves MNCs, which then facilitate production in factories in a number of countries. Most often, these production facilities are located in 'sweatshop'¹ conditions found in export processing zones. Asian countries, for example, which are favoured destination sites for sportswear production, have more than 900 EPZs of around 4000 globally (ILO 2007).² The complexities of supply chain arrangement within the sportswear production put workers at a disadvantaged position where MNCs who are at the top of the chain refuse to take responsibility for implementing labor rights down their supplier chains.

¹ A sweatshop is simply defined as factory in which employees work long hours at low wages under poor conditions. It fit also with the description of the Union of Needletrades Industrial and Textile Employees (UNITE), the US garment workers union, says that any factory that does not respect workers' right to organize an independent union is a sweatshop. A typical setting mostly in a factory located in export processing zone in the Philippines and in garment factories.

² ILO Geneva 2007. ILO database on export processing zones (revised).

It is argued that the attempt of the big sports brands to respond to the outcry against the appalling working conditions in the factories through the self-imposed codes of conduct (CoC) and other voluntary initiatives by major brands does nothing to improve workers' lives on the shop floor. These are seen as a public relations ploy to counter the growing campaign by the trade unions against sweatshops. Substantiated by facts, gross violations of worker rights are still the norm in the sportswear industry (Playfair, 2008).

As such, realizing worker rights in the sportswear industry will greatly depend on the openness of the brands and their suppliers to organizational undertaking of the workers to organize into unions. Only under this condition will the workers be able to move to improve wage pay and better working conditions. However, this is not the case, as there are few unions organized in the sportswear industry.

Many countries in the South East Asian region that host big sports brands production facilities have telling anecdotal evidence on the extent of work precariousness in each factory. The level of unionization in these countries is quite low and working conditions are not so promising. Most often, trade unions are weak in these countries due to constraints on organizing efforts directly or indirectly imposed by laws.

Trade union revitalization as a strategy to address the waning power and influence of unions requires different approaches along the supply chain of sportswear brands. The potential of world sports events is one, which trade unions can re-direct its focus and campaigns from the suppliers to engage strategically with global sports brands.

3. Snapshot of the global sportswear industry and its South East Asia producers

The global sportswear industry is a billion dollars industry and gained considerable growth over the years. According to WTO Trade Data the global sportswear market recorded a steady growth of approximately 3.2% in 2004 with a total market size worth approximately US \$ 45.4 billion. The US remains the top market for the sportswear products followed by Europe.³

According to Sporting Goods Intelligence Inc, (cited in Frost & Sullivan Report) three international sports brands dominate the global branded sportswear market. Nike, Adidas and Reebok in aggregate accounted for approximately 17.8% of the global sportswear wholesale market in terms of turnover in 2004. Other international sports brands such as Fila, Umbro, Puma, Asics and Mizuno, each accounted for approximately 0.6% to 1.8% of the global sportswear market in 2004.⁴

In the past, global sportswear apparel exports were dominated by developed countries. However, due to the fact that the cost of production and in particular the cost of labor was high in these countries, production has been gradually shifted to the developing or less

³ Overview of industry by Frost and Sullivan.

⁴ Ibid.

developed countries where the labor cost is comparatively lower, particularly in South East Asian countries.⁵

In its report on sportswear production, Oxfam notes:

A generation ago, a lot of sportswear was manufactured in the country in which it was sold. Sportswear companies owned factories, and employed workers to make their goods. Nowadays, trade liberalisation and information technologies allow companies to have their sportswear made in countries where wages are lower, and regulations looser. The result of this is that people in developing countries work for long hours in terrible conditions, making sportswear they could never afford to buy.⁶

4. The extent of sportswear production in the Philippines

4.1 Trade trends

The sportswear sector in the Philippines is considered as a sub-sector of the whole clothing and apparel industry. The industry maintained its position as second in top export manufacture in the country. Trade data shows that the Philippines' share of worldwide exports in apparel and clothing accessories amounted to 1.2% or the equivalent of US\$ 181.22 million, which recorded a slight growth of 1.58% from the base period of 1996-2000 and post negative growth after the expiration of the Multi-fibre Agreement (MFA) in 2005 (see table 1). As per HS Classification sportswear products consists of athletic suits, sports shirt, jackets, swimwear, ski suits, track suits, shorts and other sports apparel.⁷

The clothing and apparel industry makes up around 5.5% of total merchandise exports. The primary importer of Philippine garment and textile products was the US at with share value of 2.6 %, followed by Canada, Japan and the EU with 1.2%, 0.3% and 0.2% respectively.

Table 1.

Top 10 Philippine Exports for All Countries: January 2009 (Year-on-Year Growth in Percent)			
Gainers		Losers	
Tuna	70.2	Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircrafts and Ships	-60.3
Bananas	24.3	Cathodes and Sections of Cathodes, of Refined Copper	-53.9
Other Products Manufactured from Materials Imported on Consignment Basis	15.6	Electronic Products	-48.4
Woodcrafts and Furniture	7.5	Metal Components	-28.1
Gold	5.7	Articles of Apparel and Clothing Accessories	-21.6

Source: National Statistical Coordination Board, 2009.

⁵ For full report on the global sportswear industry trend and workers situation see Play Fair 2008 report.

⁶ Oxfam, 2004. Look Behind the Logo. The Global Supply Chain in the Sportswear Industry.

⁷ Philippine Trade Statistics. For current export performance refer to http://tradelinephil.dti.gov.ph/betp/trade_stat.main.

4.2 Structure of sportswear production

Sportswear and other clothing items produced in the Philippines heavily rely on imported inputs. This is due to the fact that the textile industry which is supposed to complement with the clothing production has failed to develop in the past. This has demonstrated the country's weak position in the development of the industry.

Typically, raw materials needed in the production of sportswear and clothing apparel are yarn, fabrics, garment accessories (buttons, thread, zipper, rivets, etc.). Most of these materials except packaging are imported from other countries. Major sources of yarns and textiles are Taiwan, Hong Kong, Republic of Korea, Japan, US, China, India, Indonesia, Thailand and United Kingdom.

As part of the globally integrated production chain, most of the sportswear and clothing apparel products head for the international market. Major sport brands and retailers still maintain suppliers in the country through the intricacies of its supply chain. Based on relative studies regarding sourcing decisions, foreign buyers still opt to outsource in the Philippines mainly because of strategic reasons, as buyers do not want to put all their eggs in one basket, which according to an apparel analyst major buyers are careful not to consolidate too much their sources in few countries.⁸ Moreover, the relative low production and labor costs, highly skilled workforce and different incentives offered by the government, decided major buyers to maintain suppliers in the country.

Most of the sportswear producers locate in the export processing zones. Unlike before where those factories concentrated in large parts of Metro Manila and nearby cities, many of these closed and transferred their facilities to far-flung provinces where labor costs are much cheaper and labor unions are not so militant. In the places where most of the zones are located, workers face poor conditions.

5. Overview of Export Processing Zones in the Philippines

Export processing zones (EPZs) were established in the Philippines through Republic Act 7916 or the Special Economic Zone which was promulgated in 1995. It is the stated objective of this Act that aside from attracting foreign and local investors these zones were also established to accelerate employment opportunities. The formulation of policies and planning, administration and operation of the zones are under the authority of the Philippine Export Zone Authority (PEZA) Board headed by a Director General. Republic Act 7916 was amended in 1999 by Republic Act 8748 and one of the provisions incorporated herein is the additional members of the board which include representation from the labor sector.⁹

⁸ just- Style.com

⁹ To date, labor representative to the PEZA board come from the Trade Union Congress of the Philippines.

The EPZs continue to be a major attraction for foreign corporations due to a number of incentives offered under PEZA.¹⁰ These are as follows:

- 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;
- 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;
- Domestic sales allowance equivalent to 30% of total sales;
- Exemption from wharfage dues and export taxes, imposts and fees;
- Permanent resident status for foreign investors and immediate family members;
- Employment of foreign nationals;
- Simplified import and export procedures;

Hence, to date there are around 4 publicly-owned ecozones, 41 privately operated ecozones and 31 information technology parks and tourism parks¹¹. The setting up of these zones indeed created numerous employment opportunities for many locals and other domestic migrants who originated from far-flung provinces in order to avail of job requirements in these zones. Up-to-date records show that EPZs employment is continuously increasing (see table 2 below). Numerous jobs in a wide range of industries such as in the production and/or assembly of Electronics, Tobacco Products, Clothing and Wearing Apparels, Bags/luggages, Leather Products, Wood and Wood Products, Paper and Paper Board Products, Plastic, Rubber, and Glass Products, Fabricated Metal, Office Computing Machinery, Electrical Machines, Food Industries, Clocks and Watch Parts, Packaging of Airline and Hotel Supplies, Fiberglass Products, etc. are available with average skills requirements. However, it is to be noted that most of the jobs created in the zones are temporary and employment regulations are more relaxed.

Table 2: Ecozone Direct Employment (2002-2008)

Year	Number
2002	328, 384
2003	362, 851
2004	406, 752
2005	451, 279
2006	545, 025
2007	593, 108
2008	608, 387

Source: PEZA website

¹⁰ Incentives offered under Presidential Decree No.66 the law creating the Export Processing Zone Authority.

¹¹ More data on the export processing zones can be accessed at www.peza.gov.ph

5.1 Labor rights and Industrial relations regulations in the EPZs

As mentioned above, the PEZA has the primary authority in the maintenance and administration of ecozones, which has complete autonomy under its charter. Nevertheless, the labor and management relation is governed by the Labour Code of the Philippines wherein the primary government agency concerned is the Department of Labor and Employment (DOLE). In order to settle jurisdiction in regards to handling workers' complaints and established mechanisms in settling industrial disputes within the zones the PEZA and the DOLE entered a Memorandum of Agreement¹² in 2006 recognizing the necessity to conduct a joint effort in the maintenance of industrial peace in the zones by providing immediate counselling, conciliation and mediation between workers and employers in dispute within the zones. Subsequently, a technical working group was created to operationalize the provisions of the MOA specifically in ensuring compliance with labor and social standards.

5.2 Problems in the implementation of labor regulations

Though a regulatory framework has been set-up in order to realize labor and social compliance within the zones, implementation and monitoring is a different thing. According to an industrial relations officer assigned by the provincial government to monitor labor standards compliance in a publicly operated zone, workers who experienced labor rights violation by their management seldom approached their office due either to lack of knowledge about their rights or for fear of losing their job if they pursue their complaints.¹³ The limited number of labor inspectors of the DOLE - who are supposed to monitor implementation of labor standards compliance by companies - failed to check the many workplace violations inside the zones.

While there is an existing Industrial Relations Division (IRD-PEZA) created in every zone, which handles workers' complaints and implements educational programs aimed at establishing workplace cooperation, there is little evidence of its effectiveness.

Interestingly, under the PEZA Act there has to be a tripartite body composed of one representative each from the DOLE, labor and the business sector within the zones in order to formulate a mechanism under a social pact for the enhancement and preservation of industrial peace in the zone. Likewise under the same Act there should be an ecozone advisory body, a tripartite-plus body tasked to advise the ecozone management on matters pertaining to policy initiatives and to assist the ecozone management in settling problems arising between labor and any enterprise in the ecozone¹⁴. Nonetheless, given the low level of unionization in the

¹² This MOA was signed by the Secretary of DOLE and Director General of PEZA. However, there is no representation and involvement by workers and employers sector.

¹³ Interview with Ian Yaun IR staff of the Provincial Government of Cavite assigned to CEPZA. February 27, 2009.

¹⁴ Chapter 2, Section 15 of the PEZA act provided that there should be an ecozone advisory body created with the following members: a) the president of the association of investors in the ecozone, b) the governor of the province where the zone is located, c) the mayor's of the municipality/ies or city/ies where the zone is located,

ecozones, full representation of workers in these tripartite mechanisms is hardly realized. This has effectively excluded workers in the formulation of policies affecting them.

5.3 Working Conditions

Generally, working conditions inside the export processing zones are not satisfactory, a TUCP (2002) study reveals that violations of working conditions by employers are rampant and prevalent inside the export processing zones and to date nothing has changed so far according to the same verifier who participated in the study. This is more evident in the clothing and apparel sector where workers experience gruesome conditions in factories labeled as “sweatshops”.

5.3.1 Wages and income

Wages vary widely across regions in the Philippines. Minimum wage rates are determined and fixed by the Regional Tripartite Wage and Productivity Board, a tripartite body created under Republic Act 6727. On average, the hourly rate received by clothing and apparel sector workers amounted to P 47.75 pesos or a little more than US\$ 1 dollar - relatively high compared to neighboring countries in South East Asia such as Bangladesh and Thailand. However, it is common practice within the sector that workers are paid according to their produce or what has been called “piece rate”. In addition, when workers are hired under the terms of an apprenticeship (which is quite common in the clothing sector) their wage will be the TESDA rate or 75% of the given minimum wage in the given region.¹⁵

Table 3. Monthly Wage Comparison including Allowance

	Local currency	US\$
Philippines	P9,100	US\$190
Bangladesh	T2,250	US\$33
India	R4,000	US\$94
Pakistan	R4,000	US\$66
Japan	\280,000	US\$2,348

d) the president of an accredited labor union in the zone, e) the representative of the business sector in the periphery of the ecozone and f) the representative of the PEZA.

¹⁵ Technical Education and Skills Development Authority (TESDA) created under Republic Act 7796, provision on apprenticeship can be found on Article 3 Rule 6 implementing rules of the act.

Thailand	B5,152	US\$159
China	Y1,400(2004)	US\$181(Urban)

Source: TWARO survey in 2006¹⁶.

5.3.2 Working hours

A normal working day of 8 hours is prescribed by labor law, six days in a week. However, it is common practice in the clothing factories in the EPZs for workers to be compelled to work an additional 4 hours of overtime in a day to have an additional payment. There were findings¹⁷ that management in the clothing factories practice flexible work arrangement even before the Department of Labor and Employment issuance of advisory on the implementation of this scheme allowing employers to adopt various arrangements such as a compressed work week that reduced normal work to less than six days but retaining the total number of work hours of 48 hours per week.¹⁸ Thus, increasing the normal workday without paying the workers their corresponding overtime premium.

5.3.3 Job Uncertainty

Contractualization¹⁹ is a type of employment arrangement rampant among firms in the export processing zones. Workers can be easily replaced after five months of their contract after which they may be re-hired for another contract. This has been done with the facilitation of numerous manpower agencies sprouting up within the country. Sad to note, most workers in the clothing and apparel sector fall under this category of working arrangement where upon hiring by the company they are asked to sign a contract stipulating the duration of their work in the company. This practice reduces the chances of workers becoming regular workers, thus eroding job security. Moreover, this excludes workers from the protection of labor law.

Whilst job and income security remain the topmost issue for the workers, freedom of association and their aspiration to form and/or join a labor union has become a serious concern. Union organizing at the enterprise level becomes more difficult owing to the changing employment structures and sometimes due to the employers' express interference to

¹⁶ Based on the presentation of Ms. Akiko Gono of TWARO.

¹⁷ This findings can be found on the 2002 survey of Trade Union Congress of the Philippines of 202 enterprises in Export Processing Zones under the USAID/Solidarity Center/TUCP Anti-Sweatshop Project as cited in the Committee on Asian Women study on Women Garment Workers in Selected Philippine Economic Zones: Towards and Organising and Advocacy Agenda in the Context of Trade Liberalisation (2007). Same findings were released by the House of Representatives by a House Resolution 1123 dated April 2009 addressing the national impact of massive work displacement.

¹⁸ The issuance of this DOLE advisory DO 2-2009 issued on January 29, 2009 is in response to the current economic crisis and treated as coping mechanism in times of economic difficulties.

¹⁹ A labor flexibilization scheme in which large part of the factory workforce are subcontracted thru in-house hiring or recruitment agencies as temporary workers for five months or less.

discourage union formation. Generally, employers do not readily welcome labor unions, most notably in the ecozones. Union organizing faces both overt and covert intervention by management aimed to dissuade workers from joining the union or to engage the union in a long and tedious legal battle so management can buy time to find ways to weaken the workers' will to unionize. This shows the complex process those workers have to undergo to exercise their workplace rights. The legal regulations guaranteeing workers right to form and join union has proven to be ineffective in terms of implementation.

6. Legal Framework on Freedom of Association and the Right to Organize

6.1 Status of Ratification of ILO 87 & 98 Convention

The Philippines, being an ILO member since 19 May 1948, has ratified 30 ILO Conventions, eight of which are part of what are now referred to as the Core Conventions. The latest of these ratified core conventions is Convention 29 on the elimination of forced and compulsory labor, ratified in 2005. The ILO Conventions 87 & 98 are the early conventions both ratified by the Philippine Government on December 29, 1953 aimed to uphold the fundamental right of workers as well as the employers to establish or join organizations. The Philippines paved the way for a continuing enhancement of an enabling environment pursuant to these conventions, and societal actors put in practice what has been provided for. However, little has been achieved so far in the full implementation of these fundamental rights which is important for workers. In a research study done by Divina Edralin, she revealed that among the core labor standards, Freedom of Association and the protection of the Right to Organize were the least complied with by firms (D.Edralin 2001).²⁰

6.2 Domestic Law on the Right of workers to organize

The Constitution of the Philippines and its subsequent laws on labor provide for the rights of workers to form and join unions. Article 3 of the Constitution declares that the State shall assure the rights of workers to self-organization, collective bargaining, security of tenure, and just and humane conditions of work.

The Philippine Labor Law recognizes the right of workers to organize unions or workers associations. The labor code that guides and regulates labor and working standards universally applies in the country including in ecozones. PEZA law and local government ordinances do not restrict the right of the workers to organize and to bargain collectively with its employer. However, in a report by the Trade Union Congress of the Philippines to the ICFTU on the extent of union organization in the EPZs, the unwritten policy of no-union no-strike seems to be the reality within the areas where ecozones are located²¹. This hinders and frustrates trade unions attempting to launch organizing drives within the zones.

²⁰ Edralin, D. 2001. *Factors Influencing the Observance of the Core ILO Labor Standards by Manufacturing Companies*. The Filipino Worker in a Global Economy: PASCN & PIDS.

²¹ Trade Union World. 2005.

To date there are few unions organized in the zones. Within these organized ones many are company-dominated unions disguised as independent unions. Moreover, there are testimonies that some of the registered unions do not have collective bargaining agreements. This partly explains the low coverage of workers in CBA's against the total number of union membership²².

As this researcher personally experienced, the normal procedure when applying for a job in the zone is to acquire an endorsement from the local government official where the zone is located. This endorsement is presented together with the applicant's personal profile to the hiring center inside the vicinity of the zone where a company representative is present to choose whom they wish to hire based on the recommendation of the local government official. This procedure entails some kind of political patronage which can be easily used against the workers if they try to form or join unions.²³

6.3 Non-union type of workers representation

As provided by law, stipulated in the Philippine Labor Code and actively advocated by the National Conciliation and Mediation Board (NCMB), a bipartite workplace mechanism such as labor-management council and committees can be established at any enterprise²⁴, organized or non-organized alike. This type of workers representation aims for labor and management to work hand-in-hand to accomplish goals using mutually acceptable means. Conversely, to date there is still little acceptance of this scheme as workers perceives it as a way by the management to subvert their intention for a genuine workplace representation. A local union organizer lamented that companies are sometimes taking the initiative to form a labor-management council in their own workplace, appointing their chosen workers' representative and practically controlling the affairs of the council.

Pursuant to ILO recommendation in harmonizing its domestic law with the ratified conventions on freedom of association, the Philippine Government by default of the executive department lapsed into law the Republic Act 9481 or the Act Strengthening the Workers' Constitutional Right to Self-Organization in May 2007. After opposition from the employers' group and attempts to water down provision in the formulation of its implementing rules and regulations the same has been enforced after almost two years. According to this law, the legal requirement in the registration of labor unions and workers associations has been relaxed. This recent development paved the way for more attempts by the trade unions to organize by way of issuing charter certificates together with pertinent requirements indicating the creation of a local chapter.²⁵ Though, there are some reservations

²² Serrano, M. Addressing union decline in the ASEAN in the era of globalization: Some strategies and initiatives.

²³ Interview with Mr. Leyva of Cavite EPZ Public Employment Office.

²⁴ As amended by Section 22, Republic Act 6715 otherwise known as "Herrera Law"

²⁵ The provision is considered as federation-friendly as it remove the names of all its members comprising at least 20% of all the employees in the bargaining unit where it seeks to operate as one of the requirement for the federation created local union.

from the trade union camp on some provision of the existing rules and regulations implementing this new law. The existence of these other types of workers' representational bodies are seen as partly acceptable in some union quarters as it opens up space for more organizing opportunities.

7. Case Study

7.1 adidas Group: Strengthening compliance with the adidas Group supply chain Code of Conduct

adidas AG is a publicly listed company with headquarters in Herzogenaurach, Germany with more than 150 subsidiaries worldwide; more than 1300 independent suppliers in more than 60 countries (many of these are in one of the following five countries: China, Indonesia, Thailand, Turkey or Vietnam). In January 31, 2006 adidas AG acquired Reebok and with a net sale of more than 10 billion euro across the whole group in 2008, adidas Group produces sportswear and sports equipment and remains one of the leaders in sportswear and sporting goods industry. adidas Group offers its products primarily through three brands: Adidas, TaylorMade-Adidas Golf, and Reebok.

Fact Sheet

adidas Group AG	
Type	Public
Genre	Marketing of apparel, footwear & athletic equipment
Founded	1949
Founder (s)	Adolf Dassler
Headquarters	Germany
Key people	Herbert Hainer (CEO)
Revenue	EUR 10,084,000,000 (net sales 2006) EUR 10.8 Billion (2008)
Employees	226, 376 (2006)
Website	http://www.adidas-group.com

Source: www.germanwatch.org, adidas-group.com

In 2004, a new approach was introduced by adidas to monitor their suppliers' compliance to its code of conduct, called 'strategic monitoring'. In an email interview with Nicole Sieverding of adidas AG, she explained that previously suppliers 'waited' for audits by field staff that identified non-compliances before taking any remedial action. This reactive compliance model proved ineffective leading to incremental or sometimes purely cosmetic changes in performance rather than sustainable compliance.

adidas group strategic monitoring and its risk-based approach were further expanded in 2005. Internally, all of the tools were updated and revised as a result of pilot audits in 2004 and 2005. A users' guide was drafted in December, and finalized in first quarter of 2006. Training in the practices of root cause identification, interviewing techniques, and change management

was conducted. A new form of the action plan for remediation was developed along with institutional history and diagnostic tools. Strategic monitoring has been successfully linked to the new KPI factory rating, and strategic compliance planning.

To increase the consistency of different skill levels of the monitoring team, particularly in South East Asia (SEA), strategic monitoring working group members continued to mentor social and environmental affairs monitors in actual field conditions in China, Thailand, Honduras, and the Philippines. One on one mentoring activities in 2005 gradually replaced the original approach of larger group mentoring. SEA work in 2005 continued to address implementation issues for strategic monitoring, including improved understanding of the process, managing the change from the performance based approach, and re-prioritizing workloads during the implementation period.

In 2005, adidas issued the enforcement guidelines to its suppliers. The guidelines cover the principles of enforcement of the "Workplace Standards", and those sanctions or remedies that will apply where the supply chain code of conduct is breached. Such sanctions or remedies include: termination of the manufacturing agreement – in situations of severe or repeat non-compliance; stop-work notices – in life-threatening situations or where the manufacturing process is likely to have significant negative consequences for the environment; third-party investigations – where persistent or repeat violations of the "Workplace Standards" or local laws have become a matter of public interest; warning letters – in cases of ongoing and serious non-compliance; review of orders; and commissioning of special projects – to remedy particular compliance problems. This approach effectively assures that suppliers complied with adidas standards.

According to its website, *“adidas’ supply chain is global and multi-layered, with many different types of business partner some of whom are directly contracted, others who are not. The company’s social compliance is linked to the strength of its partnerships, and is often proportional to scale and stability of the orders placed with their suppliers. adidas also aims to further consolidate its supply chain, with fewer larger factories, with higher order volumes”*.

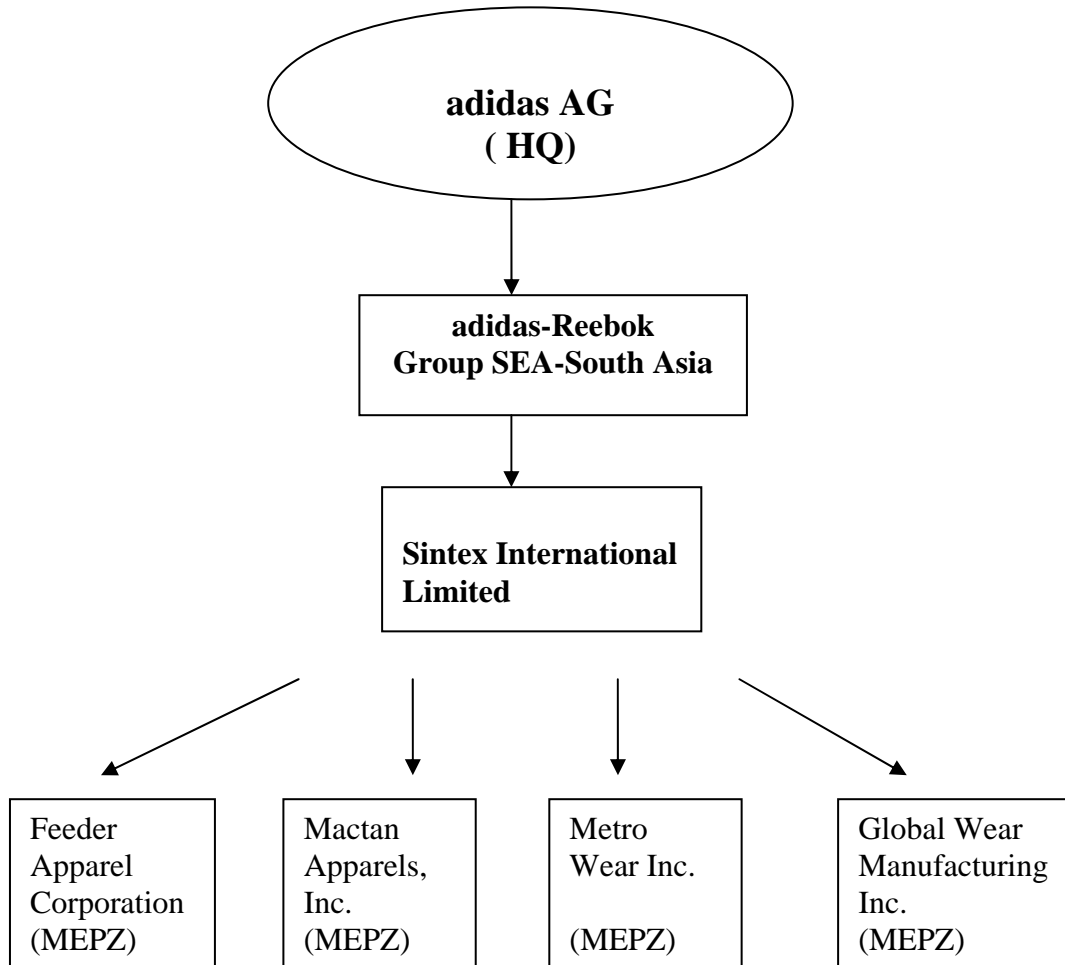
The adidas Group has business relationships with manufacturers in many countries around the world. Outsourcing the production in no way absolves the company of its moral responsibility for the way the products are manufactured and the conditions they are produced under the company. Recognizing this responsibility led the adidas Group to create a set of guidelines for the suppliers and to set up a social and environmental programme.

7.2 adidas suppliers view of Codes of Conduct application to their factories

adidas Philippines subsidiary office started its operations 14 years ago while adidas producing factories’ in the Philippines sprouted early 80’s and are operationally dispersed within the country. To date, there are less than 20 suppliers²⁶ and mostly concentrated around

²⁶ Current information from adidas Philippines that as of May 31, 2009 there will be 8 international and 3 local suppliers of adidas in the country.

export processing zone²⁷ south in the Philippines (see illustration below that shows adidas suppliers located at Mactan Export Processing Zone).



7.2.1 Globalwear Manufacturing Inc.

The Globalwear Manufacturing Inc. is one of the local producers of adidas sportswear apparel brand in the Philippines. Aside from adidas products, the factory is also producing for renowned “B” brands such as The North Face, Saucony and Hind. Located inside the Mactan Export Processing Zone (MEPZ) the company employs around 1, 642 of which 75% are women. Its parent company is Sintex International Limited which is based in Taiwan²⁸.

²⁷ For the factory list see ITGLWF website at www.itglwf.org

²⁸ Other regional affiliates of Sintex International Limited are in China, Cambodia and Indonesia.

In response to a questionnaire emailed to the company looking at the level of awareness of core labor standards application, the respondent management reveals that the company are aware of the International Labor Organization (ILO) Core Labor Standards particularly on the Convention on Freedom of Association and the Right to Organize.²⁹ However, the management view on the right of workers to organize is rather superficial as they confine their understanding to employees sharing of best practice with each other and openly voicing their concerns to the management as the primary focus of the workers in their desire to organize. It is not surprising that, when asked about their preferred mode of workers organization, they rather choose for the workers to organize a workers association instead of union.

In regards to the company's labor and social policies the management responded positively when asked if they refer to buyers' social responsibility guidelines when formulating policies relevant to labor. The company specifically mentioned the buyers' corporate social responsibility guidelines and codes of conduct as major references. In terms of disseminating the existence of those guidelines to the workers, the management responded by stating that its existence and provisions were made known to the workers by conducting orientation on the first day of work through continuous information drives and by providing an employee handbook.

With respect to implementation of labor and social policies the company focuses on provision of training for its employees, improvement of working conditions of employees and provision of adequate safety and health measures.

7.2.1 Feeder Apparel Corporation

The Feeder Apparel Corporation is a sister company of the Globalwear Manufacturing Inc. which is located also at the MEPZ. There is little chance to dig information at this Taiwanese- registered company due to its tight-knit management³⁰. Like Globalwear, the Feeder Apparel is also an unorganized establishment together with the rest of adidas suppliers operating inside the MEPZ. The company is about 5 years in operation. The types of products that are produced by the company are sportswear apparel (Woven, Knits, Flesh, Polyester, Tri-coat, Spandex). Its major product export destinations are the USA, Europe, Australia, China, Netherland, Taiwan, Russia, Spain, Canada, Brazil, UK, Germany, Hong Kong, Indonesia, and Japan.

Workers in this company typically work 8-12 hours, although eight hours work is prescribed by law. Earnings of Php267.00per day or Php 6,942 (\$US 147) average per month is not enough so workers needed to supplement their meager income thru overtime.

²⁹ There were also attempts by the researcher to extract workers views through contacts in the area, however, this got no response.

³⁰ The researcher only got the chance to send a supplemental questionnaire form to the same person at Globalwear Manufacturing, Inc. and the one respondent came from the Feeder Apparel Corporation.

The following benefits are provided by the company for the workers: Maternity Benefits, Service Incentive Leave, Paternity Leave, Sickness Benefit, Funeral Benefit, Employees Compensation, Birthday gift, Emergency Loan Assistance, Funeral Assistance, Free meals, Company Uniform, Memorial Benefit, Burial Assistance, Safety shoes, Christmas Giveaways, 13th month pay, Dental Benefit, Medical Benefit, Employee hospital visit and Fire Assistance. However, it may be argued that it is the practice and law that most of the benefits stated above shall be provided to regular employees.

In regards to industrial relations, there is no union organized in the company. Though the company recognizes workers' participation in discussing issues and concerns of their interest, this is only confined to delivering information and concerns of the employees through the established committees such as Grievance Committee, Workers' committee, Canteen Committee, Sportsfest Committee, Spiritual Committee, Family welfare Committee & six sigma Committee.

Like its sister company Globalwear, Feeder Apparel also recognizes its parent company's code of conduct and corporate social responsibility programs. For them, the company is fairly committed to its principles of integrity, fairness, proper transparency and social responsibility. Much of its CoC and CSR practices have a direct relationship with, and relevance to, Globalwear. Feeder Apparel, however, implied that they have system auditors to check and monitor the implementation of its CoC.

Equally, the adidas Philippine representative asserted that the brand observed and practiced what has been implied in their CoC down to their suppliers (Tier 2: printing and embroidery). However, in terms of compliance monitoring on the implementation of its CoC by suppliers it was recognized by the representative that there is still much to be improved and they suggested that local government authorities should in some way participate in communicating and endorsing the CoC within their jurisdictional boundaries.

8. Trade union actions

The International Textile, Garment and Leather Workers Federation (ITGLWF) is a global union federation operating around the textile, clothing and footwear sector at the international level. In 2006, building on a successful international campaign with the Clean Clothes Campaign and Oxfam International in highlighting worker rights violations along the supply chain of the sportswear companies, the ITGLWF initiated a global dialogue with MNCs in the sportswear industry focused on Corporate Social Responsibility. Alongside this, joint seminars were also held on freedom of association and collective bargaining which attracted strong participation by brands' representatives.

The Philippine affiliates were a part of this effort to engage with the major buyers in the sportswear industry in the July 2006 dialogue. The ITGLWF Philippine Council trade union leaders and organizers highlighted the issue of freedom of association and the right to collective bargaining to the CSR representatives of the brands who were present. These activities led by the ITGLWF are seen as a positive step towards establishing a constructive

and dynamic relationship between the suppliers in the countries involved together with the national unions. Thus, it envisions creating space that will enable unions to exercise their right to freedom of association.

According to Ms. Adviento of ITGLWF-PC initial steps have been actually undertaken by local affiliates towards putting into test the commitments of those brands, Three labor federations launched an organizing campaign. Desk and field research on target factories' have been conducted to validate the initial information and prioritize factories' for organizing. However, logistical support and incoherent organizing strategies failed to materialize its organizing objectives. Traditional method of organizing without extensive cooperation among affiliates, network organizations and even with the ITGLWF-PC office contributes to this failure.

Thus, after almost 3 years since those initiatives were undertaken, nothing significant so far has been achieved in terms of expanding union organization among suppliers of sportswear brands. This inability of the trade unions to maximize the potential opportunities needs a wider outlook on the trustworthiness of the buyers' intention to open up space for union formation within their supplier networks. An interview with some of the trade union organizers involved with the organizing project targeting sportswear MNC suppliers reveals that they fall short with their expectations that suppliers will respect the right of the workers to freely form unions. A Cavite Export Zone labor activist tells that little has changed in the attitudes of the management after the dialogue. At the time of writing, one company he organised had been shut down temporarily without due notice to the workers of when the factory will be operational again leaving almost 700 workers anxious of whether they will still have their job.³¹ In the same manner, three months after the July 2006 dialogue an organizer from one of the federation affiliated to ITGLWF launched an organizing drive with two of the identified suppliers of adidas. Later on he found out that one factory was already closed and transferred to an unknown location and one factory was heavily resisting the organizing campaign to the point of harassing their workers and threatened to close their factory if they pursued the formation of a union.³²

The ITGLWF Philippine Council on its part is optimistic about continuing organizing work amongst the suppliers of "A" and "B" brands utilizing the commitment of CSR brand representatives that they will respect the freedom of association of all workers in their supply chain - keeping in mind the commitment that the brands will urgently respond to complaints if there are any as long as detailed information is provided. The continuing dialogue and collaborative efforts between the ITGLWF and CSR representatives in terms of training and CSR implementation with the brands supply chain remains to be the driving force of the union to engage with the brands,

³¹ Interview with Eddie Bayona on April 12, 2009 on his view in organizing sportswear suppliers/factories in the EPZs.

³² Interview with Isidro Villaruel on March 30, 2009 in his experience on organizing adidas suppliers in Laguna.

9. Summary and Conclusions

The recent developments in the global production of sportswear apparel, which is now largely outsourced and concentrated in developing countries such as in South East Asia, involves the formation of a very complex relationship between the major buyers and their suppliers through the supply chain arrangements.

The Philippines garment and textile industry, of which sportswear is a sub-sector, falls under this international subcontracting arrangement and has limited opportunity to rise up the value chain given the lack of complementary raw materials and resources to expand and develop. Thus, buyers prefer to use it as a cut, make and trim production industry sourcing country only due to its low production and labor cost, highly skilled workforce and incentive opportunities provided for by the government.

The lack of the industry potential makes workers in the clothing and apparel sector vulnerable to pressure from the MNC buyers where they pass on the costs and risks down to the very low end of their supply chain.³³ Stories of worker rights violations are frequently highlighted especially in the export processing zones where most of the factories of clothing and apparel are located. This has also put tremendous pressure on trade unions to pursue organizing campaigns where international labor conventions and domestic laws and legislations on freedom of association and the right to organize are hardly enforced. In effect, trade union membership in the clothing and apparel sector continues to dwindle and needs to be revitalized in order to uphold workers rights and improve their working conditions.

On the other hand, the development of Corporate Social Responsibility and Codes of Conduct in the sportswear industry provides little evidence of compliance to Freedom of Association as exemplified by the Philippine cases of unorganized establishments in major sportswear brands in the country and resistance of the suppliers to organizing drives by trade unions. Partly to blame for this is the relaxed labor legislation, lack of enforcement mechanisms and incohesiveness of national development strategies.

In the meantime, the initiatives undertaken by the global union federation to establish working relationship with the MNC brands and other international sport bodies at the global level has a positive potential for the national unions to work on, provided that they know how to effectively utilize their leverage over those sportswear brands. This has to be done by carrying out an effective organizing campaign along the supply chain of major sportswear brands with exposure to global sports events. Alongside with this, close coordination with the ITGLWF-PC and its regional offices shall be maintained in order to monitor the suppliers' of the major brands. The ITGLWF-Philippine Council as the country's recognized organization for the clothing, textile and apparel sector remains confronted by the challenge of how to organize workers in the brands supply chain especially considering that large numbers of workers in the sector are contractual and irregular workers.

³³ Oxfam, 2004. Looking behind the Logo, The Global Supply Chain in the sportswear industry.

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