

# New Findings on Conditions Across Walmart's Garment Supplier Factories in Cambodia, India and Indonesia

MAY 2015

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## EXECUTIVE SUMMARY

Walmart is not just a retailer; it is the largest private employer in the world and dominates the global supply chains of nearly every consumer product. Such a large and complex supply infrastructure also means that Walmart is able to conceal the exploitation of the workers who create those thousands of products. This study will focus on one such product – garments, one of the oldest and most globalized commodities. The study will cover three of the six major countries that supply to Walmart: Cambodia, India, and Indonesia. The study focuses specifically on Walmart because of its role as the world's largest retailer, its reputation for keeping costs at a minimum, and its trendsetter status in the global garment industry.

This study has documented several heinous abuses by Walmart garment-supplier factories at the same time that the giant buyer expresses nothing but stony silence. Labor-rights activists and trade union leaders in Asia corroborate the fact that Walmart is notorious for

being the most difficult large brand to communicate with. Whereas other large brands, even those who have received negative attention in recent years, have representatives on the ground in Asian countries, Walmart remains one of the few large brands that do not provide local representation for compliance issues.

Through this report, we want to draw these cases to attention of national and international organizations and other stakeholders.

### Denial of Freedom of Association / Right to Organize

- In Cambodia, a Walmart supplier called for the army's intervention during a strike, using his personal connections to the infamous Brigade 911 (whose past human rights abuses have been reported by the UN). The result

was a violent crackdown beginning on January 2, 2014, that led to the deaths of five workers, injuries to dozens, and the arrest and illegal detainment of twenty-three workers, union leaders, and activists, who were held in prison until their sentencing and suspended release on May 30, 2014.

- In Indonesia, when workers raised important grievances at a Walmart supplier factory, the management terminated all trade union officials and almost all union members, replacing them with new workers. When the trade union protested, a paramilitary organization was used to disperse protestors.
- In India, none of the supplier factories interviewed had a union. If the supplier-factory management notices a worker speaking out about an injustice, it leads to threats, violence, slashed wages, or even termination. Interviews revealed that company goons are involved in intimidating and harassing workers when workers assemble to have tea or lunch together inside or outside the factory grounds. Researchers were told that these were common tools that the management employs to suppress workers. Nearly all of the Noida workers interviewed for this study (92 percent) stated that they were in an agitated state of mind due to their working conditions, but felt helpless to object.
- In Cambodia, supplier factories promote employer-run or pro-government unions in order to block representative and democratic unionization. Workers are often not aware that they have a union representative or that there is a union office, even though member dues are deducted from their paycheck every month. Although it is against the Cambodian Labor Law of 1997 to deduct union fees directly from a paycheck without signed consent and approval, this practice is fairly common in factories using employer-run or pro-government unions. In such cases, negotiations between workers and employers are non-existent.

## Wage Theft

- In India, the research shows a variety of wage-theft practices such as incorrect payment of wages based on skill level, denial of legally stipulated overtime rates, and late payment.
- Indian supplier factories deduct from workers' wages for Provident Fund (PF) payments and Employee State Insurance (ESI) but pocket these deductions rather than depositing them with the relevant state accounts. The PF scheme requires employers to contribute a certain amount of matching funds for each employee, which they also do not do. Such practices deny important social security benefits to workers, forcing them to go into debt during family emergencies or in order to fund their children's education.
- In a supplier factory in Tamil Nadu, India, a female worker was verbally abused, sexually harassed and forcefully terminated under false pretenses. She was not paid the wages she was due and was forced to come back later to be given only partial payment. In Gujarat, India, labor contractors fail to pay workers the wages due to them on time, and sometimes do not pay them at all. Workers often get laid off without notice or compensation.
- Garment workers, working at poverty-level minimum wages, depend on overtime work as a means to supplement their income in order to survive. However, the field study in India shows that most supplier factories not only fail to pay the legally stipulated double rate for overtime work, but also under-report overtime hours.
- In Cambodia, workers work for poverty wages and depend on special allowances such as "attendance bonuses" to augment their income. The study found that most factories deduct these allowances at a highly disproportional amount. For example, one supplier factory offers a \$10-per-month attendance bonus, which, by law, should be reduced by \$0.40 for each day missed. Instead, the management regularly deducts \$5 for each day missed up to three days, plus an additional \$4 as a penalty for subsequent missed days. This "bonus" can thus easily become a penalty, cutting into a worker's already meager monthly income.

## Forced Labor

- Workers are forced to work overtime. Eighty-six percent of the Cambodian workers interviewed for this study reported that their typical workday was 10-14 hours and that they did not have the option to leave the factory prior to overtime hours beginning. Workers reported being forced to work Sundays and national holidays. Refusing overtime work is often not an option: many factories refuse to give permission to workers to leave before overtime hours are over, while other workers reported fear that their contract would not be renewed if they argued.
- Workers also reported being forced to work when ill, which is particularly problematic during the hot season, which lasts from March until November and overlaps with the industry's ten-month-long high season. During this season, mass fainting episodes regularly occur as a direct result of overexertion without proper nutrition.
- Cambodia's national holidays amount to 15-18 days of leave per year. However, in nearly all cases, workers reported that their employers preferred to pay out the holiday leave rather than allow workers to actually take the time off.
- Forced labor, aside from being illegal, has serious health consequences. Mass fainting has become an epidemic in the Cambodian garment industry. Defined as an instance in which large numbers of garment factory workers faint at work, the issue has sparked mass media attention as well as comprehensive research. At a national level, more than 600 workers fainted in the first five months of 2014 alone, compared to a total of 800 over the whole of 2013.
- In Indonesia, workers work well over 40 hours a week in pursuit of unrealistic performance targets and are forced to work overtime when orders increase. Workers cannot refuse overtime assignments; if they did, they would simply be laid off. Because the minimum wage in the garment sector only covers 62.4 percent of the average worker's expenses, many workers are willing to prolong their working hours beyond the limits of endurance. These conditions were found in India as well as Indonesia.

## Manipulations to Avoid Following Labor Laws

- In India, subcontracting is common; supplier factories outsource labor recruitment and management to labor contractors who organize groups of workers and bring them to the factory. In this way, suppliers distance themselves from any obligation to their employees.
- In India, researchers found that most of the "daily-wage" workers interviewed were falsely designated. In reality, they were not daily-wage workers, being paid only biweekly or monthly. Being designated a daily-wage worker is in itself degrading and dehumanizing; it denies legitimate status and devalues a worker's skills and experience. It also means being denied legal rights to a minimum wage commensurate with skill level, social security, paid leave, and so forth. The use of daily-wage labor facilitates the hiring of workers under the contract labor system, stymies unionization, and helps employers control the labor market.
- In Indonesia, a supplier factory closed its plants on the grounds that it was receiving insufficient orders from buyers and could not afford to pay minimum wages. The regular workers received only 75 percent of the compensation stipulated by the law, while the contract workers were terminated without any compensation at all.

## Insecurity

- In India, many workers work on a piece-rate basis, which has hidden exploitative conditions. One piece-rate worker explained that "when there is enough work to be done, we are able to earn above the standard minimum wage, but when there is no work for us, we are laid off without any notice or compensation."
- In Cambodia, research showed that supplier factories increasingly employ almost all workers under three-month Fixed Duration Contracts (FDCs), which provide no security of employment and leave workers extremely vulnerable to exploitation. Factories are supposed to change these contracts to long-term contracts after

two years of employment, but interviewed workers claim that almost all workers remain on FDCs. Factories tend to fire the workers after two years rather than offering them long-term contracts.

- In India, where supplier factories hire employees indirectly through labor contractors, workers are not given employment identification. Workers told researchers that, as they left their factories at night after overtime work, the police would harass them for not having identity cards.
- In other cases in India, the supplier would change a worker's identity card repeatedly, each time issuing the card under a different contractor's name and making the worker a "new hire," keeping him at an entry-level wage.

## Sexual Harassment and Gender Discrimination

- Workers interviewed at supplier factories in Cambodia reported that human resources and administrative personnel often sexually harassed female employees. Workers responded that there were no mechanisms in place to register complaints.
- Within the factories included in this study, several respondents reported that becoming pregnant jeopardizes employment. Because most workers are employed under very short FDCs, if a woman becomes pregnant, she will usually not receive a renewal at the end of her contract.
- In India, especially in the north, women working late at night – which they frequently must due to forced overtime – face danger. They have to return home through poorly lit and unsafe streets. Sexual harassment from supervisors is widespread and women feel they must endure it in order to meet production targets or to receive benefits. Complaining about such harassment leads, more often than not, to termination.

## Physical Environment

- In Cambodia, in nearly every factory interviewed, workers voiced serious concerns about their access to clean drinking water and sanitary toilet facilities, and about overheating – a cause of many of the fainting instances reported. In one factory, there are daily instances of at least two or three workers fainting and two workers have died within the past year. Neither the factory owners nor Walmart conducted any investigation into either death nor was any compensation provided to the families.
- In India, facilities were also reported to be abysmal, with toilets often in a filthy and unusable condition or absent altogether.
- All of this is similar to what was experienced in Bangladesh where building and construction safety became an internationally recognized crisis after fires and building collapses killed thousands, first at the Tazreen Factory in 2012 and then at Rana Plaza in 2013.

## Recommendations

The report concludes with several recommendations for Walmart to improve conditions in its supply chain and ensure workers' rights are protected. These include having local CSR-compliance representatives in supplier countries, investigating claims of workers' rights violations by suppliers, paying suppliers a fair price so those earnings may be passed onto their employees, beginning dialogue with the Asia Floor Wage Alliance about covering the minimum wage-living wage gap, among others.