

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

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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.
- 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.

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.

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.

Introduction

The second half of the twentieth century witnessed dramatic industrial integration at the global level, especially the rapid integration of the developing economies of the Global South into competitive global markets. Liberalized economic policies have facilitated export-oriented economies and enabled unprecedented transnationalization of production. Transnationalization of production is the process by which firms (transnational corporations, or TNCs) from the developed world (the Global North) have decentralized their production processes into subcomponents and subprocesses, then distributed these across the developing world (the Global South) wherever labor and resources are cheapest, thereby acquiring cost competitiveness at the global level.

These policies were motivated by the assumption that opening up the domestic markets of developing countries would enhance the competitive efficiency of domestic enterprises there as they absorbed technology, knowledge, and skillsets from abroad. This assumption has now been refuted. Contrary to expectations, severe competition in global export markets has led domestic firms to cut costs at the expense of their employees' welfare, leading to a prevailing condition of oppressive labor relations across the manufacturing sector in the Global South.

Firms deny payment of minimum wages, social security, and benefits to their workers and increasingly resort to informal employment contracts that ensure labor flexibility by allowing businesses to fire employees en masse without consequences. Persistent minimum-wage violations and wage-theft practices, coupled with a lack of freedom of association, are becoming alarmingly visible across the Asian manufacturing sector. In short, since the rise of neo-liberal globalization and the international division of labor, the industrial trajectories of developing countries have changed dramatically, becoming strongly anti-labor.

Garment production was already internationalized before the implementation of the neo-liberal agenda. However, the establishment of the Multi Fibre Agreement (MFA) in 1974 specifically reinforced the need for multiple

garment-production sites and for setting up export quota ceilings for all exporting countries, in order to protect the domestic markets of developed nations. The outcome of the MFA was a deepening of the neo-liberalization of garment production. In fact, as global buyers had to rely on multiple production nodes, an increasing number of countries were incorporated into the global garment commodity chain.

The phasing out of the MFA in 2005 was a great opportunity for small factories to increase garment production for exports. As the market became highly competitive, only factories that could produce at the lowest cost survived; many were forced to close. Thus, stiff competition was inevitable, both among factories within each country and among the countries of the Global South. By the late 1970s, the synergetic effect of these processes, coupled with increasing labor costs in East Asia, determined a second geographical shift of this chain, first towards South-east Asian, East Asian, and Latin American countries, then towards China and South Asia.

Persistent institutional violations and a lack of collective bargaining create an environment in which forced labor is common. Retail giants like Walmart enjoy a lack of accountability that does not square with their direct involvement in global subcontracting chains. In Asia, the lives of garment workers and their families depend on a system that is characterized by avaricious government policies and a lack of accountability on the part of either governments or the multinational corporations that make millions of dollars each year off of this enterprise. Garment workers face poverty wages, exploitative contractual agreements, harsh working conditions, few or no employment benefits, limited or no freedom of association, and the constant threat of abuse at the hands of their employers.

The case in point of this study is Walmart, because it is the world's largest retail corporation, has a reputation for keeping costs to the minimum, and is a trendsetter for corporate practices in the global garment industry.

Methodology

This research covers three countries in Asia – three of the six major supplier countries to Walmart.

In India, the research was conducted by the Society for Labour and Development, based in Delhi. SLD conducted the research in three different regions of India: Vapi in Gujarat, in the west; Tirupur in Tamil Nadu, in the south; and Noida in Uttar Pradesh, in the north. In Cambodia, Community Legal Education Center (CLEC), based in Phnom Penh, collected data on the working conditions in Walmart sourcing factories. In Indonesia, the research was conducted by LIPS.

The bulk of this research depended on direct access to those who are most familiar with working conditions in Walmart supply factories: garment workers. In India and Indonesia, surveys were conducted, and in Cambodia, focus groups were chosen as the tool. Participants were selected at random from among a pool of volunteers. All participants were informed of their right to confidentiality, as well as the right to skip questions they were not comfortable answering.

Lack of transparency in the corporate sector in Asia led to researchers being unable to procure significant information on the companies or the industry as a whole. In Cambodia, information was relatively accessible, easing the process of research. In Indonesia, initial information had indicated that seven companies produced for Walmart brands, but a closer investigation found that five had stopped. In order to determine which companies were actively producing for Walmart and to determine the number of orders and the total sales figures, Indonesian researchers contacted the Ministry of Industry and then, at their suggestion, Badan Koordinasi Penanaman Modal (BKPM, or the Coordination Board of Investment). They received no reply. They also tried to contact Better Work Indonesia, but were unable to get any response.¹ Ultimately, the Indonesian researchers chose Batam for a case study.

In India, where union density in the garment industry is low, interviews were conducted with local union leaders. In Cambodia and Indonesia, interviews were also conducted at national and regional levels.

Overview of Garment Industry

India

India has made a name for itself as a garment-manufacturing center of global renown. Today, the textile and apparel sector employs 35 million people (and is the second-largest employer). It generates roughly 20 percent of the country's total export earnings and contributes 4 percent to the GDP, making it the largest industrial sector of the Indian economy. This textile industry is worth \$37 billion, and its share of the global market is about 5.9 percent.

Indian garment production is particularly concentrated around areas such as Delhi, Noida, and Gurgaon (together called the National Capital Region), Ludhiana and Kanpur in northern India, Kolkata in eastern India, Mumbai and Gujarat in western India, and Chennai, Bangalore, and Tirupur in southern India. The National Capital Region (NCR) alone accounts for 60 percent of Indian garment exports.

Garment manufacturing in India takes place in a variety of facilities. The most advanced large factories (Tier 1) carry out design, fabrication, and delivery to the sales point; they often subcontract to labor contractors and little-known subcontracted factories, which in turn subcontract to almost anonymous home-based workers (Tier 4). Typically, Tier 1 companies have direct commercial relationships with international brands and are fairly large enterprises, often having more than one industrial unit engaged in the production of garments. Distributing their workforce across several units allows Tier 1 companies to register each unit as a small-scale business enterprise, taking advantage of policy incentives intended for small-scale industries (SSIs). It also allows them significant labor flexibility.

Multinational retailers and brands source ready-made garments from the aforementioned garment clusters in

India. The leading brands sourcing garments from Indian clusters include The Gap, H&M, Walmart, Target, JCPenney, Tommy Hilfiger, Marks & Spencer, Next, Adidas, Nike, and Puma; they account for almost 35 percent of the total textiles being sourced from India.

India's niche in the global garments market has been carved out at the cost of hundreds of thousands of workers in this industry's predominantly female, migrant, and informal labor force. The educational profile of the workforce is extremely poor and mostly restricted to primary education. This low educational profile can be explained by the fact that a majority of the workers joined the garment industry (or industrial work generally) at a very young age, abandoning education in the process. A majority of the workers are from marginalized and less-privileged caste groups. The gender composition of the garment workforce varies across the garment clusters. In the northern and western clusters, the proportion of male to female workers in the workforce is fairly equal; in southern India, women make up 90 percent of the workforce.

The workforce is primarily informal. The practice of hiring workers on regular employment contracts is in decline, while short-term informal and irregular contracts are emerging as the basis of most new recruitment. Casual and contract labor now accounts for the majority of garment workers. This allows employers to sidestep statutory obligations and maintain a constant state of insecurity among workers, which has its own unsavory disciplinary value. Workers' insecurity and vulnerability are further exacerbated by firms violating minimum-wage laws, denying social security benefits, and constraining the right to freedom of association.

The fact that the working population largely comprises migrants from socially weaker or marginalized sections of society, coupled with the near absence of unions in the garment factories, makes it difficult for workers to organize themselves or generate bargaining power. Unions in the garment sector face significant obstacles; labor mobility among the garment workers is especially high and managers actively block any attempt workers make to raise grievances.

Indonesia

The abolition of the MFA textile quota negatively affected the garment industry in Indonesia. Indonesia imports all of its textile machinery: in 2012, for example, the cost of imported machinery from China, Japan, and other countries reached \$1 billion. Raw material, such as cotton, is also almost 99 percent imported. Indonesian producers must compete with new competitors such as China, Vietnam, Cambodia, Bangladesh, and Sri Lanka, as well as old competitors like Taiwan, South Korea, and India.

The Indonesian garment industry is the tenth-biggest supplier in the world and the third-largest supplier to the United States. According to Henrietta Lake, senior consultant for the International Development Project, foreign garment businesses are turning to Indonesia because Indonesian garment factories produce better products than their competitors in Bangladesh. In terms of price, Indonesian garments are more competitive than those from Vietnam, the Philippines, China, or Cambodia. Garment-business orders, according to Lake, increase 10 percent every year. In 2008, some 30 brands ordered garments worth \$230 million from Indonesian garment producers. The orders came from Abercrombie & Fitch, Dewhirst, Hanes, J.Crew, JCPenney, The Gap, Jones Apparel, Liz Claiborne, Nike, Ralph Lauren, Target, Vanity Fair, and Walmart, among others.

In Indonesia, there are around 3,000 TPT (Tekstil dan Produk Tekstil, or Textile and Textile Products) companies; about half are export-oriented and produce for global brands. Ninety percent of the TPT industry is concentrated on the island of Java, mostly in West Java.

The TPT industry represents 15.8 percent of employment in the manufacturing sector and annually exports garments worth well over \$5 billion. The industry as a whole employs between 1.5 million and 2.5 million workers; medium- and large-scale garment producers account for only around 500,000 of them.

In the pursuit of productivity and competitiveness, the textile-and-garment industry has become sensitive to various state policies, like cuts in fuel subsidies, increases to electricity tariffs and the minimum wage, and reduced

infrastructure spending, as well as international market fluctuations. The government provides subsidies to the garment industry worth 11 percent of the state budget. In addition, the garment industry circumvents minimum-wage laws at a higher rate than any other industrial sector. In 2012, after the increase of the minimum wage, the government issued a circular to all governors to ease the ability of garment businesses to suspend payment of the minimum wage.

At the same time, since 2008, through Presidential Decree No. 28/2008, the Indonesian government has looked to the textile-and-garment industry as a source of jobs and a means of reducing poverty. The Ministry of Industry plans for the garment sector to account for five percent of Indonesia's international trade by 2023. The government is working to open new Free Trade Zones and increase the capacity of old FTZs. The opening of new FTZs is accompanied by improvements to supply lines and the expansion of additional shipping lines.

A poor relationship between labor and management is considered to be one of the main causes for low productivity in the garment industry. Managers describe their workers as unproductive, demanding, and low-skilled. They often use minimum-wage increases as an excuse for layoffs.² The rate of compliance with labor laws is lower in the garment industry than in any other industrial sector of the Indonesian economy.³ Workers are expected to put in far more than 40 hours each week in pursuit of unrealistic production quotas.⁴ Researchers also found that workers were forced to work additional overtime when orders increased. Workers could not refuse such overtime; if they did, they would be laid off. Also, due to poverty-level minimum wages, workers are willing to prolong their working hours beyond reasonable limits. Workers' real expenses are significantly higher than the minimum wages they receive: the minimum wage covers only 62.4 percent of the average garment worker's cost of living.⁵

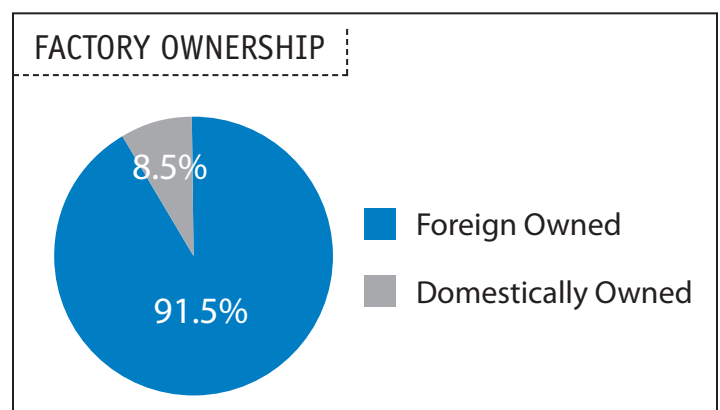
Cambodia

Cambodia's 1994 Law on Investment gave the country an open foreign-investment regime and legally established a precedent to allow 100-percent-foreign ownership in

most sectors, including the garment industry. In 2014, only 8.5 percent of Garment Manufacturers Association in Cambodia (GMAC)-registered factories were domestically owned. The actual figure is most likely even lower, as many factories are joint partnerships.⁶ As a result, there is little room for local initiative or entrepreneurship, the consequence of which has been problems with commitment and a lack of incentive for socially responsible investment. For example, the 2012-2013 conflict between workers and the Chinese owners of the Kingsland garment factory began when the owners fled the country, leaving more than 200 workers without jobs and owed thousands of dollars' worth of back wages. Domestic investors would likely be more committed to their investments, and a higher rate of Cambodian ownership could decrease the likelihood of such conflicts.

Not only are more than 90 percent of all garment factories in Cambodia foreign-owned, but GMAC also estimates that at least 80 percent of all middle managers within the factories are non-Cambodian nationals.⁷ Therefore, while the garment industry has been widely purported to support Cambodian workers through stable employment, the profits are disproportionately retained by citizens of more-developed countries in the region, such as China and Malaysia.

As monitored by the Council for the Development of Cambodia (CDC) – which is the government body established to oversee investment policy and strategy – foreign investors have a guarantee that the government will neither nationalize foreign-owned assets nor establish price controls and will grant them the right to freely repatriate capital,



generous incentives are provided to investors of projects geared towards export, making investment in the garment industry particularly attractive.⁹ To date, the only restriction on the garment industry being 100 percent Foreign Direct Investment (FDI) is the 2001 Land Law, which stipulates

that ownership of land by investors may only be granted to Cambodian citizens. However, the Law on Investment has also made this law flexible through the issuance of long-term leases (up to 50 years), which are easily renewable and, in practice, perpetual.¹⁰

Supplying to Walmart

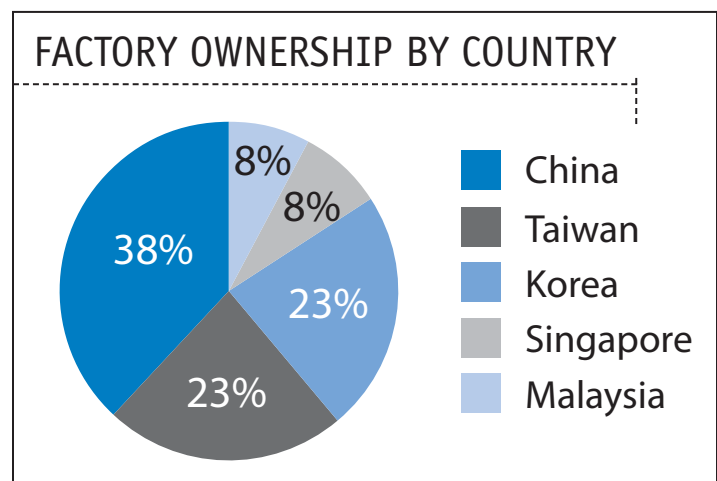
Cambodia

Of the 14 factories included in this study, all but two are registered with GMAC as 100 percent foreign owned and 100 percent FDI (see Appendix 4).¹¹

In 2013, textile, garment, and footwear exports from Cambodia earned the country approximately \$5.52 billion, which accounted for a 20 percent increase over exports made in 2012.¹² As a result of the increased presence of European brands, the visibility of Walmart's production line in Cambodia has received slightly less attention since mid-2013. However, the reality of Walmart's involvement in the Cambodian garment sector has not changed. Year-end customs data reporting imports from Cambodia to the United States from 2011 to 2013 show that Walmart's presence in Cambodia has generally remained steady and has even increased by some measurements, such as the number of factories listed in export data as Walmart suppliers.¹³

Analysis of customs data from 2013 can also be used to expose Walmart's share of the full Cambodian export market. In 2013, 31 Cambodian factories made exports to Walmart or Walmart-owned companies in the United States. Based on weight, these shipments accounted for 2.9 percent of the total exports sent to the United States and close to two percent of all garment exports out of Cambodia.¹⁴ When measured against shipments to brands with comparable reputations, such as retail giant Target (0.4 percent) or popular sports brand Adidas (0.7 percent), 2.9 percent of all exports to the United States is not an insignificant figure.

Although customs data offer the most accurate way to determine Walmart factory presence, the Cambodian



Ministry of Commerce also reports year-end figures on monetary exports by buyer. Analysis of 2011-2013 data corroborates customs figures, showing a steady increase of Walmart exports that is in line with increases by other major buyers. Although The Gap and H&M are still believed to have the two largest shares of exports from Cambodia to the United States, Walmart is probably now among the five largest brands in this regard.

Garments continue to represent nearly 80 percent of all Cambodian exports, and 87 percent of reported Walmart shipments are composed of apparel and garments.¹⁵ Export data and on-the-ground research show that the vast majority of production for Walmart is focused on simple cut-and-sew t-shirts, sleepwear, and women's undergarments. Other items produced include men's sleepwear, girls' and boys' t-shirts and tanks, and women's cardigans, pants, and skirts. The vast majority of these goods are cheaply produced products made from inexpensive fabrics such as cotton and synthetic textiles.¹⁶

Over the past several years, the Cambodian garment industry has come under fire in the local and international media for poor working conditions, accidents, and inadequate wages. Walmart has been a target of concern in nearly every case. In 2013 and early 2014 alone, there were five cases of extreme conditions involving Walmart suppliers, including two cases of mass fainting, one factory closure, and two incidents related to the violent January 2014 crackdown on striking workers that left five dead. In many of these cases, the local and international media were quick to identify the brands associated with the factories involved, putting international pressure on factory owners and the government.¹⁷ For example, in April 2013, 219 employees of Kingsland Garment Factory received \$235,000 in compensation after a Walmart and H&M supply factory closed without notice or proper compensation. The case made waves internationally, and, although the matter was eventually settled amicably, only H&M made any effort to publicly respond to the complaint, while Walmart initially adopted a stance of denial.¹⁸

Of the more than 700 garment factories in Cambodia, 31 were identified as Walmart suppliers (see Appendix 2). The vast majority are located in and around Cambodia's capital, Phnom Penh. Of those located near Phnom Penh, 21 of 26 are located outside export-processing zones, while three are located in the Vattanac I Industrial Park, one in the Vattanac II Industrial Park, and one in the Phnom Penh Special Economic Zone. The few outside of the capital are located in Takeo and Kandal provinces, which are just outside Phnom Penh.

The supplier factories chosen for this study were selected due to the estimated volume of Walmart production there based on customs and shipping data from 2013. Information related to the length of each factory's relationship with Walmart and the volume and value of production is difficult to determine due to the secrecy of the factories themselves. However, shipping data from 2013 provides some insight into what they provide for Walmart and the total percentage of their shipping that goes to Walmart. The factories chosen from the full list of confirmed suppliers, the items they produce, and the volume of their sourcing are provided in Appendix 3. Among the sample, factory sizes range from 300 to over

7,000 workers. Close to 75 percent of all work within this sample is in the production of t-shirts and cotton blouses. Other items produced include trousers, bathing suits, and, at one factory, large camping tents. Throughout the sample, the average worker can expect to be employed on a short-term basis, while the range of individual employment greatly varies. In line with the average for the Cambodian garment sector, 94 percent of workers at the factories studied are female.

In addition to shipping data, interviews with workers also provided an idea of the volume of each factory's production devoted to Walmart products. Although most workers were not familiar with the overall production line or the label system, some could make educated guesses about how much of their overall work time was spent producing for each label. In particular, workers at Yakjin, Heart Enterprise, and New Mingda were able to identify Walmart labels as a large proportion of their production. Workers at Heart Enterprise estimated that Walmart products could be as much as 90-100 percent of their overall production. This contradicts the results of desk research and earlier estimates by trade unions, and could be a result of inaccurate guesswork on the part of the workers. However, it could also reflect a change in or exception to the typical production methods that Walmart employs.

Although the financial and political status of each individual producer factory is not completely documented, the status of several high-producing suppliers is known, and well-documented in some cases. For example, the financial statuses of several factories are documented on the websites of their foreign-owned parent companies. Yakjin, which has particularly poor working conditions, boasts an ever-increasing sales performance that has nearly tripled, from \$162 million to \$339 million, since the establishment of their Cambodian factory in 2005.¹⁹ Other factories, such as King First, make their sales turnover figures available through sustainability reports and presentations. In 2009, King First reported an annual turnover of \$28 million within their two Cambodia factories.²⁰

In other cases, financial strength is not publicly known, but links to political power have been exposed. In one extreme example, a Korean newspaper reported that

Yakjin's ownership had used personal connections to the Royal Cambodian Armed Forces to arrange for security forces, including the counter-terrorist unit Brigade 911, to attack striking garment workers in January 2014. The connection was made via reports that former members of the infamous Brigade 911 were working as private security guards at Yakjin during the strikes and had helped facilitate a special relationship between the factory ownership and the Brigade.²¹ 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 23 workers, union leaders, and activists, who were held in prison until their sentencing and suspended release on May 30, 2014.

The biggest complaint Cambodian unions have of Walmart is that Walmart never takes any action, even in response to such violent events. In nearly every case, including the crackdown by government security forces in January 2014, Walmart failed to directly respond to questions linking the brand to complaints. In February 2014, however, Walmart was among a group of 30 international brands and trade unions that met with the Cambodian government and issued a joint statement condemning the violence.²² Although Walmart was a party to the joint project, the union leaders and workers interviewed in the course of this research did not regard the company's participation as having been in good faith.

India

The garment industry in Gujarat has some peculiar characteristics. There are very few large units; most production takes place in galas (small rooms in multi-story industrial estates), which typically employ 10-19 workers each, or even smaller units in slums. The value of the garments is low compared to those produced in Delhi – or Ludhiana, for that matter – and the employers stay competitive in the market by spending as little as they can on the workers. Thus not only are the wages below the legal minimum in the vast majority of cases (as evident in the field data) but facilities are also abysmal; toilets, for example, are often in a filthy and unusable condition or absent altogether. Except in a few large units, the cutting and much of the stitching are done by men, and most of the

female workers are relegated to even more poorly paid parts of garment production.

By contrast, Tirupur in Tamil Nadu, which has emerged as a major garment center, has much larger units. Even here, most workers do not have the status of regular employees; they are dismissed without notice and without grounds. Employers actively discourage unionization. The gender division of labor in these units, in contrast to those in Gujarat, is along lines familiar in most of the world's garment factories – the majority of sewing-machine operators are women, particularly young, single women. Most importantly, industrialists seem to have devised a strategy for surviving in a very competitive industry. They specialize in batch production, on a scale too small to be handled by units in, for example, China, and have formed "industrial clusters" in which several units pool resources to buy expensive machinery (e.g. embroidery machines) and then share it.

On the other hand, the National Capital Region (NCR), which includes Delhi, Noida, and Gurgaon, has emerged since the mid-1980s as the major site for the production and export of readymade garments. Production for the domestic market dates back to the 19th century, when Delhi housed a number of large textile mills. Once, most of the garment units were concentrated in and around Okhla, Karol Bagh, and Gandhinagar, but civic regulations now prevent industrial units from doing business within residential areas. As a result, garment units and other industrial activities have moved away from Delhi and into the newer industrial sites of Noida and Gurgaon. The garment units are largely concentrated in Noida Sectors 6, 10, 57, 58, and 59, the Hosiery Complex in Noida Phase-II, Udyog Vihar Phase I to VI in Gurgaon, and Manesar. In these areas, samples are chosen representing variations in the type of garment that is knitted or woven. In the NCR, there is not much variation in size categories in garment units; this is primarily because firms were set up on plots defined by the respective state governments. Firms mostly produce women's and children's woven garments, but one may also find in Noida and Gurgaon a few units specializing in the production of home furnishings, the demand for which has increased in European countries over the years. Firms in the NCR are largely exporting

units that developed between 2000 and 2003. These are either firms relocated from Delhi, new startups, or extensions of existing units.

The supply chain of the units investigated is, in all three regions – Vapi, Gujarat; Tirupur, Tamil Nadu; and Noida, Uttar Pradesh – pyramidal. At the top of the pyramid is the Tier 1 supplier factory, which has direct commercial contact with the buyer, an international brand. The Apparel Export Promotion Council (AEPC), a public-private institution created in 1978 to manage the allocation and registration of garment-export quotas in India, provides detailed data on export performance and classifies exporters as merchants or manufacturers. A merchant exporter (also called a buying agent) does not own production facilities, but rather contracts out its export orders to a number of garment-supplier factories. For instance, the primary operations that generally take place inside one garment unit in Tirupur are cutting, stitching, thread cutting, ironing, and checking and packing. Other processing activities required are printing and washing, generally performed by specialized agents. Sub-contracting may be practiced either to increase actual tailoring capacity or to realize different processing or ancillary activities. The labor process mirrors the fragmentation of the production process, and the workers bear the brunt of the logic of cost minimization.

Research on Walmart needs to be situated within the context of labor informalization in the Indian garment sector. Employment in the garment industry in India is largely unorganized (that is, non-unionized), with a tendency towards informalization (that is, obfuscation of the employer-employee relationship). There are a large number of informal workers (who lack any clear employer-employee relationship) in the garment sector. Around 80-90 percent of workers in the garment industry are informal.

“My salary gets cut if I take even a day’s holiday. All of us feel that there is no job security; we are under constant threat of being fired by our supervisors,” says Banu, a garment worker in Tirupur. “Minor mistakes in the work or non-completion of targets could trigger the management to ask us to leave the job,” she adds. Most are semi-skilled migrant workers and the sole source of income for their families.

On the basis of the field study conducted in the garment clusters of Vapi, Noida, and Tirupur, this study highlights what can only be described as practices of wage theft and forced labor by businesses in the Indian garment sector. Minimum-wage violations, non-payment, underpayment, and late payment of basic wages, illegal overtime, denial of social security benefits, threats against workers who seek to unionize, and sexual harassment of female workers are clearly evident in all three garment clusters.

Indonesia

In Indonesia, no specific data are available on the number of suppliers or the degree to which they are foreign-owned; however, we can surmise that Walmart’s and their suppliers’ earnings are supported by a set of industrial, security, and labor policies designed to encourage foreign investment and economic growth. The violation of workers’ basic rights is part and parcel of these policies.

This research focuses on the largest city in Kepulauan Riau province, Batam, which is a Free Trade Zone (FTZ). The island city, not far from Singapore and Malaysia, became an FTZ and free trade port under Government Regulation No. 46 of 2007. Industrial development in Batam began in earnest only in 1973, when the government hoped to turn the island into a logistics hub and link Sumatra’s economic corridor with the global market. The Batam FTZ benefits from fiscal incentives such as exemptions on import duties, value added tax, luxury sales tax, and excise duties; an allowance of up to 99-percent-foreign ownership; investment permits for up to 30 years, which can be extended; land leases for up to 80 years, which can be extended; easy export-import procedures; no export/import tax for machinery, tools, spare parts, or raw materials; generalized system of preferences (GSP) facilities in 33 donor countries; preferential tariffs within the Association of Southeast Asian Nations (ASEAN); and deferred tax assets agreements with 56 countries.

In just the first two months of 2013, ten foreign companies invested a total \$121.87 million in Batam.²³ Currently, according to BP Batam, there are more than 1,000 foreign companies and more than 10,000 local companies with facilities in Batam.²⁴ They are scattered across 24 indus-

trial estates and managed by the owners of the estates. Batam City Government divides industrial estates into two categories, light and heavy. The light industrial category comprises the processing, electronics, garment, and plastics industries, among others. Heavy industrial estates consist of shipbuilding, fabrication, steel, metal, and other such facilities.

There is no job security in Batam and workers' basic rights are not upheld. In October 2014, the employers association APINDO established Garda Bima Sakti. It is an alliance of companies' security forces, described by the head of APINDO's Batam branch as existing to confront workers who try to hold demonstrations in Batam, to struggle for business interests, and to create a business-friendly climate in Batam.

Working Conditions

Migrant Contract Labor

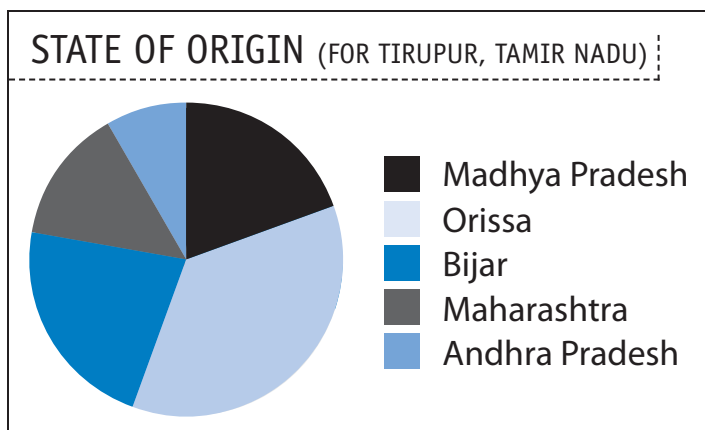
In India, reservoirs of cheap labor are found in a footloose, migratory labor force. In Tirupur and Vapi, 95 percent of workers were migrants (see Table 1). The units investigated consisted of mainly temporary and casual workers, employed for short periods or on a daily basis. The combination of sub-contracting with the utilization of a migratory workforce inside the garment units allows the garment industry to maintain flexibility in the use of labor. Because export orders placed by multinational buyers like Walmart are highly variable, the local exporter minimizes labor costs by strategic utilization of highly segmented labor markets – in other words, by being able to hire and fire workers at will according to varying production needs.

High poverty in the eastern states of Bihar and Uttar Pradesh pushes people in search of work into large urban centers in the south, north, and west. These workers' geographical mobility and lack of industrial experience are relevant assets for the thekedaar (contractors) and, indirectly, for the exporters. Some migrant workers use these jobs as a stopgap opportunity to make extra money

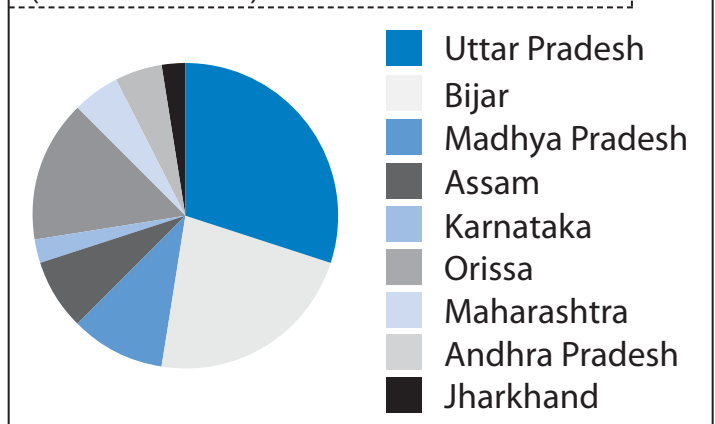
Table 1: Data on Where Workers Are Recruited From

Field Sites	Locals (in Gujarat, Tamil Nadu, or Uttar Pradesh)	Non-Locals
1. Vapi (Gujarat)	0	40
2. Tirupur (Tamil Nadu)	4	36
3. Noida (UP)	27	0

Data showing migration status of workers and state-of-origin percentages



MIGRATION DATA - STATE OF ORIGIN (FOR VAPI GUJARAT)



and go back home better off, making a step upwards in the social hierarchy (for a lot of lower-caste and otherwise marginalized workers). “For upper-caste workers,” as one respondent from Jayanita Exports remarked, “dispossession of the land, due to mega-projects and family disputes, leads to a lack of options and makes them do factory work.” As one worker clearly says, “Once I get a better job, I will quit factory work and go back.”²⁵ These attributes of the workforce keep wages low and make workers less likely to unionize.

Particularly in Vapi and Noida, migration flows are “fluid,” in the sense that they are based on yearly mobility cycles. A migrant worker stays for a period of around nine or ten months (sometimes less), after which he or she returns home, generally at the beginning of the lean season. According to unions and labor organizations, workers are made redundant when the lean season begins; according to the exporters and subcontractors who were interviewed, workers leave voluntarily “because they want to reunite with their families and it is time for harvesting.”²⁶ Either way, one can conclude that the industry has found an ideal workforce for factory production. This workforce, whose social profile is shaped by geographical provenance and mobility, is not only well-suited to meet flexible industrial requirements, but also reproduces the conditions for its own casualization.

In India, suppliers outsource labor recruitment and management to contractors who organize groups of workers and bring them to the factory. In this way, suppliers distance themselves from any obligation to their workers. Suppliers in Vapi and Tirupur, when asked about their manufacturing capacity, always mentioned the number of sewing machines they owned, not the number of workers working under them.²⁷ The number of machines is effectively their business card; the number of workers is variable and, in any case, not their direct concern.

Under the contract labor system, most of the workers (investigated in the field – see Table 2) in manufacturing are “daily-wage workers” and are paid only for an entire day’s work. They are not actually paid on a daily basis; the contractors generally adhere to a biweekly or monthly payment schedule. At one of the companies covered under

Table 2: Data on Nature of Employment of Workers Investigated

Field Sites	Regular	Daily-Wage & Piece-Rate	Total
1. Vapi	4	36	40
2. Tirupur	13	27	40
3. Noida	3	24	27

the study (Aditya Apparels in Vapi), some contract workers have been working for ten years on a daily-wage basis.²⁸ 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.

As one contractor from Tirupur who arranges workers for seven different units remarked, “The companies just have to inform the contractor regarding the demand for workers during a particular time or season, and we arrange for workers without fail. We are expected to take care of the workers’ profile documentation while recruiting them, as that it makes it easy for companies.”²⁹ Contractors are the ones who frequently terminate employees without due process, workers explained.

Employees of Eastman Exports in Tirupur cited the example of a female co-worker’s termination over a row with her supervisor that began when she was falsely accused of having spoiled a piece of fabric deliberately. The worker resisted the supervisor’s accusation, pleading that it was a mistake, but the supervisor, insisting that she had done it on purpose, threatened to recover the value of the garment by garnishing her wages. She was further verbally abused and sexually harassed. The contractor was informed about the incident and the worker was simply told not to come in to work again. At that point, the contractor had not paid the woman for a month and a half. When she was paid after a few weeks, she found that 600 rupees had been illegally deducted from her wages.³⁰

During interviews, workers brought to light many incidents of contractors failing to pay wages on time, and some in which they simply never paid them at all. When wage disputes occur, some companies make partial payments to the workers; others refuse to engage with their employees at all in matters relating to payment.

Contract workers at Jayanita Exports in Noida, for example, often have difficulty claiming the wages due to them from contractors after termination from service. The contractors harass them by delaying payment; workers end up losing working days while pursuing recovery of their hard-earned wages. Researchers also noted here, as elsewhere, that workers get laid off without notice or compensation.

Workers from Laxmi Creations in Vapi reported that they are laid off for 15-20 days a year, from half a day to seven days at a time, and are not paid any compensation for those days. They come back to the same company and work there again when they are called. Workers report that these temporary layoffs put them in a very precarious situation.

The other side of the situation in the data collected is the piecework that predominates in all three research fields. Workers earning at piece rate earn wages according to the quantity of their output. One worker from Diksha exports remarked "When there is enough work to be done, we [piece rate workers] 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." The contractors also harass piece-rate workers by delaying their due wages after termination.

In Indonesia, the number of workers in Batam reached 240,509 in 2007. They mostly came from outside Batam, especially from Java, Sumatra, Nusa Tenggara Barat, and Timur. Their migration was mediated by outsourcing companies. In April 2010, 56 outsourcing companies were publicly listed and incorporated in Asosiasi Lembaga Penempatan dan Perusahaan Penyedia Jasa (Association of Institutions Placement and Corporate Services Provider – the association of outsourcing companies). There are probably even more operating agents than those

listed. Outsourcing agents are easy to find on the Tanjung Uncang docks in Batam City. Workers employed under unlawful contracts were easy to find at companies like PT Yee Wo Indonesia and PT Ghim Li Indonesia.

One of the Walmart suppliers in Indonesia was PT Crystal Garment. This branch of Makalot Group produced pants, pajamas, and other clothes for the brands Old Navy, Kohl's, Ekolot, and Walmart. From the moment it began operating on January 21, 2002, the company discriminated against its workers with regard to employment status. There were 414 permanent workers and 250 contract workers in the production section. In 2014, the company closed its plant in Tangerang, a suburb to the west of Jakarta, claiming insufficient orders from buyers and an inability to pay the minimum wage.³¹ The contract workers were terminated without any compensation; the permanent workers received 75 percent of the compensation stipulated by law.³² Because Makalot Group owns plants in other provinces, there were allegations that PT Crystal Garment's orders had simply been transferred to other branches.³³

In Cambodia, in all of the factories studied, workers are employed under a Fixed Duration Contract (FDC) or an Unspecified Duration Contract (UDC). In every factory, all workers begin with FDCs. FDCs are often very-short-term contracts and allow the employer to terminate workers without cause at the end of the contract; they are preferred by employers. Employers often terminate workers at the end of their FDCs if they have taken an active role in a union, have refused overtime, or have voiced complaints. FDCs help sustain substandard working environments by making workers insecure, fearful, and less likely to organize or speak out about mistreatment.

Most of the FDCs encountered in this study ranged from three months to one year, with the majority of workers employed under a three- or six-month FDC. However, there are some exceptions. For example, Heart Enterprise offers some one-year FDCs, while Blossom Century starts all its workers off on two-month FDCs. There are also factories offering UDCs, which are slightly more stable. Both Cambo Handsome and Yakjin Cambodia offer UDCs. However, UDCs are only offered after strict probationary

non-contracted periods, and are still considered fairly rare even in those factories that do offer them. Most of the workers at Cambo Handsome and Yakjin Cambodia are employed under FDCs.

Some of the most troubling conditions exist at Ghim Li Cambodia and Yakjin Cambodia. Ghim Li Cambodia employs all of its workers under three-month FDCs, which provide no job security and leave workers extremely vulnerable to exploitation. Yakjin Cambodia claims to adhere to labor laws and offers UDCs after two years of employment, but interviewed workers claim that almost all workers remain on FDCs. In both cases, the factories tend to keep workers on very short-term FDCs for two years, then terminate them so as to avoid having to offer them UDCs.

Wages

Wage regulation in Indonesia uses, as the basis for a minimum wage, the estimated cost of a long list of commodities and services, including 3,000 calories per day of rice. These commodities and services notionally provide a “decent standard of living” (Kebutuhan Hidup Layak, or KHL). Each year, regional governments calculate the minimum wage based on KHL and economic growth indicators.

Because minimum-wage standards are not determined by a democratic process, they have received some criticism. KHL is not formulated based on objective prices from a market survey, but rather from a process of negotiation in which representatives from trade unions and the employers association take part. A survey conducted by a Batam newspaper, Haluan Kepri, suggested that the minimum wage received by a single worker each month is not sufficient to meet even his or her basic needs, no less those of dependents. Out of 500 workers surveyed, 350 stated that their wages only covered 20 days in a month. In order to make their pay last until the end of the month, they eat fewer meals. Workers could afford only eggs, dried fish, or small helpings of chicken. By the end of the month, they could afford only instant noodles. Many workers made up for their inadequate wages by working overtime. Of 500 workers surveyed, 70 percent said that, in order to gain more income, they had taken secondary jobs as motorcycle taxi drivers, vendors, or private tutors, among others. Some workers seek help from their

Batam Minimum Wage Compared to KHL			
Year	KHL Derived from Survey (Rp)	Enacted KHL of Batam City (Rp)	Batam City Minimum Wage (Rp)
2007		1,029,438	860,000
2008		1,026,793	960,000
2009		1,072,258	1,045,000
2010	1,308,160	1,350,000	1,110,000
2011	1,302,992	1,288,908	1,180,000
2012	2,030,191	1,302,992	1,310,000
2013	2,173,970	1,900,000	2,040,000
2014		2,172,973	2,422,096

Source: Batam City Department of Labor

families. The survey found that the minimum wage was inadequate both because the prices of basic necessities were skyrocketing and because the KHL figures do not take into account the fact that workers must save money to help their families with expenses unrelated to the basic standard of living.

On top of the minimum wage being inadequate to begin with, employers often avoid complying with minimum-wage regulations by keeping workers under contract employment.

In Cambodia, in the factories interviewed, the average minimum wage was \$100 per month. Although minimum wages range from \$95 to \$110 per month, none of the factories currently provide a minimum wage that meets worker needs. Base wages typically begin at the minimum within each factory and increase as workers achieve seniority status, which can take anywhere from two to six months depending on the factory. According to recent research compiled throughout Southeast Asia, these wages rarely exceed \$180 per month, which is still below the level required to provide for basic human needs.³⁴

In late 2013 and early 2014, the struggle for decent wages in Cambodian garment factories reached a point of high tension. Strikes in December 2013 involved 200,000 workers by the end of the year; they ended with a violent crackdown by the authorities starting on January 2, 2014. Security forces killed five workers and arrested 23 workers and union leaders.³⁵ Despite the violence, work-

No Clarity for Contract Workers

Jayanita Exports paid a contractor for the work done by his contract workers, but the contractor delayed payment to the workers. By the middle of the following month, the workers had grown frustrated about the delayed payment; they protested on the shop floor by putting down their tools. Company management tried to engage with the protesting workers. The workers reported that the contractor had not paid them for the previous month. The contractor maintained that he had given the money to a supervisor to distribute to the workers, but the supervisor contended that the contractor had never given the money to him. At this point, the company manager slapped the supervisor. The workers protested further and, at this point, the management called the police, who are readily available to companies and contractors to assist in labor disputes in Noida. The police helped the company settle the matter with the workers for 25 percent less than the sum they were actually owed. The police also instructed the workers who had protested not to come back to work.

ers throughout Cambodia have continued to voice their demands for a minimum wage of \$160 – which would still be lower than a basic living wage.

All factories studied for this report offered multiple benefits that could augment the base wage. However, factories consistently place unrealistically strict requirements on workers seeking these benefits, often withdrawing them for unjustified reasons. Although benefits have increased in the past year, it remains difficult for most workers to earn the full range.

All of the factories where interviews were carried out offer an attendance bonus or performance bonus. Attendance bonuses range from \$10 to \$17 per month, and are only offered if a full 26 days are worked in a given month. Eight of the factories interviewed – more than half – offered the lower-end \$10 per month, while only one factory offered the higher \$17 bonus. In general, attendance and performance bonuses are large additions to a monthly salary, but are perceived as encouraging forced labor and add intense pressure to work overtime.

All factories also offer a transportation bonus that ranges from \$7 to \$13 per month. Approximately half of the factories interviewed offer \$7 per month; the factories that offer more are generally the same ones that offer higher attendance bonuses. Transportation bonuses are fairly new to the garment industry in Cambodia and represent an improvement over conditions within the same factories when they were researched just two years ago.

Other benefits on offer in the factories within this study include seniority, annual leave, and lunch. Nine of the factories offer a seniority bonus ranging from \$2 to \$11 per month, depending on the amount of time a given worker has been with the factory. In general, a seniority bonus begins after three months and increases incrementally. Annual leave is only offered in two of the factories. Annual leave covers paid time off during Cambodia's two largest holidays: Khmer New Year and Pchum Ben. Other factories notionally offer leave, but pay it out as extra wages rather than actually give workers time off. Finally, lunch packages are offered in all but four of the factories included in this survey. This is widely considered a win for workers, as it had been a frequent subject of negotiation for the past three years.³⁶ However, lunch benefits remain quite low, with benefits ranging from 200 riels (less than \$0.10) per day to \$3 per month. A majority of the workers surveyed reported continuing negotiations to increase lunch benefits to at least \$0.50 per day.

Combining the highest base wages with the highest potential benefits and allowances, workers have the potential to earn a total monthly wage of \$117 to \$147 depending on the factory, with the average hovering around \$130 per month. While this is a vast improvement over conditions two years ago – when the average worker could only hope to earn \$75 per month³⁷ – this is still far below the wages needed to sustain a basic standard of living. Furthermore, workers' reliance on benefits and allowances has increased in recent years, giving factories more power to force overtime and maintain an environment of fear.

In Cambodia, the most common institutional strategy for employers to squeeze extra profits from their workers is the unjust denial of benefits. As noted earlier, benefits and allowances are instrumental ways for workers to increase their monthly income. In some cases, benefits and allowances can increase a worker's monthly income by as much as 50 percent of his or her base pay. The most common example of employers unfairly withholding allowances is in the case of attendance. Attendance bonuses are offered to workers as an incentive to work all 26 workdays in a given month. The law requires employers to deduct only 1/26 of the total bonus for each day missed.

In practice, this formula is not followed. Most factories deduct wages at a highly disproportional rate. For example, New Mingda offers a \$10-per-month attendance bonus, which should translate to a deduction of approximately \$0.40 for each day missed. Instead, New Mingda management regularly deducts \$5 for each day missed up to three days, plus an additional \$4 for days beyond the first three, which can easily result in the attendance "bonus" actually cutting into a worker's monthly wages.

In India, the research reveals a variety of wage-theft practices. Wage violations include denial of minimum wages; payment of wages according to the wrong skill level; deduction but not allocation of social-security benefits; denial of legal overtime rates; and late payment.

Several firms make Provident Fund (PF) and Employee State Insurance (ESI) deductions from worker's salaries, but do not deposit the deducted sums with the relevant state accounts. In fact, the PF scheme requires the firms to contribute a certain amount towards each worker's fund, which the firms also fail to pay. Such practices compel workers to borrow money during family emergencies like accidents and illness and to pay for their children's education, thereby making them prey to debt bondage.

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 shows that most firms do not pay legal overtime rates – they both under-calculate the hours and deny the legally specified double-time rate.

Though one employer at Adam Exports confidently promised that "each and every worker will be issued identity cards signed by the principal employer and the contractor,"³⁸ many contract workers from the same unit explained that they were provided with identity cards neither by the company nor by any contractors. Their irregular status is strengthened by the absence of any documentation, which becomes a significant obstacle when workers seek legal redress in a dispute with their principal employer or contractor. It also exposes them to harassment by the police and by the local administration.

Workers from Jayanita Exports in Noida reported that they had worked there for more than two years and had repeatedly requested that the contractor provide them with identity cards.³⁹ Some of these workers had recently approached the local union with a complaint regarding the police, who had been harassing workers leaving the factory at night, after overtime shifts, for not having identity cards. These stories indicate that workers have human security neither inside the factory workspace nor in public.

Elsewhere, as in the case of Chicklet Fashions, companies do issue identity cards, but change them frequently in order to avoid having to offer raises to their employees. The worker will be re-registered as a new hire under a different contractor. One worker from Chicklet stated that, although he has worked at his factory continuously since 2008, employed through the same contractor, the company has changed his identity card four times, each time issuing the card under a different contractor and making him a "new worker," thus maintaining his low wages.⁴⁰

This prevailing scenario of working conditions reflects the highly insecure nature of labor relations in the garment industry. One worker explained that "we lack job security and are highly vulnerable to being fired at any given point in time. Moreover, there exists hardly any or no prospect of promotion or mobility within the enterprises. This has led to workers constantly shifting jobs from one firm to another within the state."⁴¹

With regard to benefits, a worker at Algendria in Tirupur reported that "Employee State Insurance and Provident Fund benefits are provided to a core segment of workers

and are available to no more than 20 percent of the total workforce. On record, a shift comprises eight hours of work, but in actual terms it is twelve hours – that is, one and a half shifts and beyond; although overtime is paid, it is not double wages as it should be."⁴²

Freedom of Association

In 2012, of the 4,000 companies operating in Batam, workers had only joined unions at around 200 of them. During 2010, trade unions signed a Memorandum of Understanding with the Batam Business Association. The trade unions involved in this MoU were KSPSI, FSPMI, and

SBSI. They agreed to make Batam a zero-demonstration area. With that MoU, trade unions and businesses agreed that, in resolving any labor problems, they must prioritize bipartite and tripartite negotiations over anything else.

In Cambodia, among the 14 factories included in this survey, five did not allow unionization at all. Of the factories that do have unions, four have unions established and run by the employers, while another two have pro-government unions. Employer and pro-government unions severely restrict the ability of workers to voice real and legitimate concerns to union leaders. Such unions do not participate in any type of negotiations between workers

The Cost of Walmart's Ignorance

The Collective Union of Movement of Workers (CUMW) is an independent advocacy organization that has been actively campaigning with working partners and other stakeholders to demand an increased minimum wage for workers and pursuing respect of labor rights in accordance with the Labor Laws of Cambodia and the international conventions established by the ILO.

CUMW is particularly concerned about four garment factories: Quicksew (Cambodia) Ltd., Cambo Kotop Ltd., Alim Cambodia Co., Ltd., and Canteran Apparel (Cambodia) Co., Ltd. These are all supplier factories for the international brand Walmart, and all are seriously abusing the law. CUMW has consistently noted that Walmart does not press its supplier factories to respect labor laws or workers' rights.

Quicksew and Cambo Kotop dismissed local union leaders and union activists and were ordered by the Arbitration Council to re-instate them. The companies did not do so.

The Arbitration Council ordered Quicksew to reinstate Ms. Khorn Simeng, a local union leader, and reimburse her for wages lost since the date of her dismissal, but the company has ignored that ruling. CUMW has

requested that Quicksew's buyer, Walmart, intervene in this case, but they have failed to take action.

In another case, on January 17, 2014, Canteran Apparel sent hundreds of armed security personnel into the factory, threatening to shoot the union representatives and workers if they did stop protesting immediately. The workers were demanding better working conditions. This came two weeks after a brutal crackdown by state security forces on striking workers throughout Phnom Penh, which saw five workers killed, more than 40 seriously injured, and 23 arrested.

Days later, on January 20, 2014, the security personnel at Canteran Apparel again threatened to shoot union representatives and workers, then seized equipment belonging to CUMW. CUMW wrote a letter to Walmart seeking intervention in this serious case, but they continue to pay no attention. As a result, the company continues to intimidate and threaten its employees.

Walmart's behavior has been neglectful. They have failed to honor the promises they made to their customers, including that they would urge their suppliers to respect labor laws and workers' rights. We want to bring these cases to the attention of national and international organizations and hope that they take note.

and factory management and thus cannot improve working conditions or collective-bargaining measures. In at least one case, workers reported that management specifically blocked efforts to create a union or go on strike.

Of particular concern are again Yakjin Cambodia and Cambo Handsome. Yakjin Cambodia currently has two unions, an employer-run union and a pro-government union. However, none of the workers interviewed at Yakjin were aware of a union representative or union office, although member dues of 2000 riels (\$0.50) were being deducted from their paychecks every month. Similarly, Cambo Handsome currently has only an employer-run union. None of the workers interviewed was aware of who the union representative was or where the union office was located. Cambo Handsome union dues are 1000 riels (\$0.25) per month, which are deducted directly from workers' paychecks. 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 these cases, negotiations between workers and employers are non-existent.

Of the 14 factories included in this study, only one has a collective bargaining agreement. The lack of CBAs at the other 13 factories demonstrates how thoroughly Walmart supplier factories are able to suppress their workers' freedom of association. Workers at Sin Lan Ho have access to a CBA through the Cambodian Federation of Independent Trade Unions (CIFTU). However, although they have an independent union and CBA and are aware of these things, workers interviewed at Sin Lan Ho factory told interviewers that they felt their union did very little to help them.

Union leaders interviewed in this study find it difficult to unionize within Walmart supply factories. The Deputy Secretary of the National Independent Federation Textile Union of Cambodia (NIFTUC) said that the main obstacle to forming local unions within the factories that Walmart has chosen to work with is that the employers already maintain unions of their own.

One Indian worker remarked that "although the garment labor force is informal and contractual, factory owners fear potential unionization."⁴³ In addition to employing a migratory labor force, employers spread their manufacturing capacities over multiple industrial units in order to avoid any "labor problem." None of the factories investigated in Noida has a recognized trade union, and no worker who was interviewed had tried to form a union in any of these factories. Only 4 percent of the workers reported that they were members of trade unions. Almost all the employers in Noida, according to the workers at Jayanita exports, employ local goons to take care of any sort of grievance among the workers in the company – sometimes by physically attacking workers.⁴⁴ Workers stated that they could not even complain about late payment of wages. If they tried to form a union, they would simply be fired. Many workers reported that company goons intimidate and harass them when they assemble to have tea or lunch together, whether on or outside the factory grounds.

Workers in Noida reported that management generally discourages workers from trying to unionize by painting a negative picture of unions, promoting rumors that unions make empty promises and cheat workers by associating with management through back doors.

Climate Chills Labor Organizing

A few of the workers at Jayanita Exports discussed how they want to be part of a union at the company with the belief that a union will make them strong and protected in their interactions with management. They also expressed that they are scared of retaliation. If the management notices anything abnormal, such as a worker talking in a group, or to anyone about an injustice that is happening, their experience is that such activity leads to threats and force, cut wages and job loss. They asserted that if management has an inkling about a worker associating with any group, they will harass that worker and terminate him or her as soon as possible.

There was no mechanism in any of the factories, either at Vapi or Noida, for settling disputes. No worker could recall any kind of strike or collective action in their factories. Workers at Noida explicitly stated that the management made threats and fired workers when they detected any sign of conflict. The vast majority of the workers responding in this study – 92 percent – stated that they were in an agitated state of mind due to their working conditions, but they always suppressed their urge to object out of a feeling of helplessness.⁴⁵

The picture in Tirupur is slightly different. Wages are generally distributed on a weekly basis and, in most of the units, according to owners' representatives at Sri Hari Knitters, they are paid in accordance with Tamil Nadu's minimum-wage laws. According to some of the workers at the same unit, on the other hand, most employers doctor their records of wages and benefits received by the workers in order to avoid their legal obligations.

In Tirupur, the culture of labor organization is stronger than in Noida. There is no trade union in the city that represents workers at the firm level, but at the district level, at least in the negotiations to determine the minimum wage, central trade unions play a significant role, according to workers. There are about 22 associations involved that represent producers and traders at varying degrees. Besides associations of exporters such as the Tirupur Exporters Association, there are associations representing knitting units, printers and dyers, compacting and calendaring units, yarn merchants, collar-stitching units, button makers, and so on. There are six major trade unions that take part in the district-level negotiations: CITU, AITUC, INTUC, MLF, LPF, and ATP.

Forced Labor

A typical workweek in a Cambodian garment factory is advertised as eight hours per day, six days per week, with a holiday on Sunday. Overtime is offered in all factories, allowing workers to have the option to work two additional hours per day, or to work on Sundays or national holidays. However, for the average worker at a Walmart supplier factory, overtime is not voluntary. Nearly all of the workers interviewed (86 percent) 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. Overtime is typically paid at between 1,000 and 2,000 riels (\$0.25-\$0.50) per hour. For example, workers interviewed at New Mingda reported a factory-wide formula that provides overtime bonus pay at 50 percent of the normal pay for the first two hours, and 100 percent of the normal pay for the next two hours worked. Workers from four of the factories reported being forced to work Sundays and national holidays as well. 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.

All factories provide a one-hour lunch break but offer no other breaks during the day. Workers also reported being forced to work when ill, which is especially problematic during the hot season, which lasts from March until November and overlaps with the industry's ten-month-long high season.

Most of the factories included in this study offer provisions for annual leave during Cambodia's national holidays (particularly Khmer New Year in April and Pchum Ben in September), which amounts to 15-18 days of leave per year. However, workers at every factory reported management's preference to pay out the holiday leave rather than allow workers to take the time off. This pressure is mostly due to workers' fixed-duration contracts, which keeps them in a constant state of employment insecurity. Only two of the factories included in this study offer an annual leave package that the workers felt secure enough to take.

In all of the factories where workers were interviewed for this report, their responses indicated that they are being subjected to forced labor of at least one form. As defined by the International Labor Organization (ILO), forced labor is "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily." This includes, but is not limited to, the illegal practice of enforcing mandatory overtime. Respondents at all factories also reported violations of workers' right to freedom of association through union organization. At Walmart supply factories

in Cambodia, both of these violations of the national labor law are frequent.

Forced overtime is a characteristic of management practices in all of the 14 factories included in this study. Workers from all 14 factories reported that the standard workday was 10-14 hours per day, even though all factories are supposed to have an eight-hour workday throughout the workweek. Workers in all 14 factories reported that they could not leave the factory before overtime hours and that requests for sick leave were often refused. This form of forced labor is often exacerbated by the fact that workers in all of these factories are employed under FDCs, which do not provide any employment security, leaving the workers vulnerable to intimidation and fear tactics by the management.

Forced overtime is most common during the peak of the garment industry's high season, which overlaps with Cambodia's hottest season. From April to August, workers report being forced to work up to 14 hours a day, including Sundays and national holidays, in sweltering heat, without adequate access to clean drinking water or any breaks. It is during this season that mass-fainting episodes are most likely – a direct result of overexertion without proper nutritional support. Of particular concern are Makalot Garment and Quicksew, whose workers reported working an average of 12 hours a day and frequently being forced to work on Sundays.

Restricting workers' right to freedom of association and their right to form unions makes them more vulnerable to these and other violations of their legal rights under the national labor law. As previously discussed, at all 14 Walmart supply factories included in this report, factory management has limited workers' rights to unionize independently; as a result, many workers have access only to an employer-run or pro-government union, and many others have no union at all. Only one Walmart supplier factory within this sample has a CBA between its workers and employers.

In India, as shown above, garment suppliers consistently practice theft of wages and social security benefits, openly defying their statutory obligations. Like their Cambodian

counterparts, these firms have also managed to legitimize mandatory overtime work. They under-report overtime hours, which are frequently above legal allowances. Workers also state that they cannot refuse to work overtime, as they would simply be told to leave the job if they did so.

Safety and Health

In Cambodia, although all factories included in this study have an on-site medic available in cases of poor health, only very serious accidents or illnesses receive any care other than paracetamol (also known as acetaminophen – i.e. Tylenol). Most factories provide compensation and medical treatment for serious incidents, including mass fainting, but headaches and overheating are neither addressed nor acknowledged as potentially being the preliminary stages of advanced illness. While direct access to at least some form of medical care is now common, it is by no means inclusive or preventative.

All factories interviewed reported at least some instances of fainting, with at least five reporting instances of mass fainting. Mass fainting has become something of an epidemic within the Cambodian garment industry. Defined as an instance in which groups of garment factory workers faint together at work, the issue has sparked mass media attention as well as comprehensive research.⁴⁶

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 2013.⁴⁷ Fainting is a direct result of an unsafe working environment and the physical strain of the job combined with a wage that does not provide for an adequately nutritious diet.⁴⁸ In almost every factory where interviews were carried out, workers voiced serious concerns over their access to clean drinking water and sanitary toilet facilities. Furthermore, in all factories studied, workers reported problems with overheating – a cause of many instances of fainting.

At one Walmart supplier factory, Yakjin, workers reported daily instances of at least two or three workers fainting. Two Yakjin workers had died during the preceding year: a man who died after fainting at the factory and being taken to the hospital, and a woman who complained

of fatigue in the morning and died on her lunch break. Neither the factory owners nor Walmart conducted any investigation into the deaths of the workers, nor was any compensation provided to their families.

Sexual Harassment and Gender Discrimination

In Cambodia, 90 percent of garment workers are women.⁴⁹ Complaints within the industry related to sexual harassment are few. While this could be a symptom of workers being reluctant to complain, it may also be indicative of the industry responding to pressures and management understanding its reliance on the female workforce. In all but two of the factories included in this study, workers responded that there had been no cases of sexual harassment to their knowledge.

Workers interviewed at Cambo Handsome reported sexual harassment to be a frequent problem among the line leaders and direct supervisors. Workers interviewed at Unipros Cambodia reported that human resources and administrative personnel often sexually harassed the female staff. In both cases, workers responded that there were no mechanisms for registering complaints. The situation at Cambo Handsome is particularly alarming, as workers reported that tolerating the harassment made work easier and allowed them greater opportunities to earn benefits.

Most factories within this study offer pregnant women their requisite maternity leave in accordance with the national labor law: 90 days at 50 percent pay. While it is rare, some factories provide childcare, and all factories that provide maternity leave also allow pregnant women to leave five or ten minutes earlier at the end of the day and provide an hour for breast-feeding when they return to work.

Unfortunately, several respondents reported that becoming pregnant jeopardizes a worker's employment security. Because most workers are employed under very short FDCs, if a woman becomes pregnant, she will usually

Workers Occupy, Bring Walmart to the Table

When Kingsland Garment Co. Ltd., a Korean-owned Walmart supplier, shut down, Thy Phalla and 200 of her coworkers were left out in the cold. They did not stand still though, as Phalla became a leader for the workers when they occupied the front of the factory in protest, demanding that Walmart act. Finally, two months after the occupation began, and after international pressure, Walmart sent a representative to deal with a factory issue in Cambodia for the first time ever. Though Phalla and the workers only received \$400 each from Walmart and H&M, she continues to remain a leader at her new factory, saying that, "We'll continue to fight until brands end all exploitation of garment workers and pay us a proper wage."

Workers from Yakjin reported that when workers there become pregnant, the employer will not continue the contract and may terminate the worker early.

In India, especially in the north, women working late at night – which they frequently must due to mandatory overtime – face danger. They have to return home through poorly lit and unsafe streets. Sexual harassment from supervisors is more prevalent in the north than the south. Complaining about such harassment leads, more often than not, to termination.

Maternity benefits are granted inconsistently, ranging from none at all to well below statutory requirements. Such practices are in gross violation of the Maternity Benefit Act of 1961, which mandates that all factories and establishments should provide a pregnant woman leave for one month prior to the expected date of delivery and for six weeks after her delivery date. It also mandates that the average daily wage as specified in the Minimum Wage Act should be provided to them.

Complaints

At the factories included in this study, no serious complaints have been made in the last year against Walmart on behalf of the workers. However, at least one large legal case against Walmart has been successful, and it represents the only current case study of workers who were able to gain compensation in a Walmart case.

In November 2012, the managers of the Kingsland garment factory, a supplier for Walmart and H&M, closed its doors without sufficient warning, leaving its workers without employment or their legal claim to compensation. From the date of closure through to the end of the case, the owner of the factory refused to attend any legal proceedings or arbitration meetings. As a result, the workers were forced to sit on guard 24 hours a day outside the factory to ensure the owner was not able to move his equipment from the rented factory property.

Under the Cambodian Labor Law of 1997, garment-factory workers are to be financially compensated in the case of a factory being closed. They should receive compensation equal to their last month's pay and any unused annual leave, plus indemnity for failure to provide prior notice. The amounts due to the workers in this case varied depending on each employee's monthly wage prior to the factory's closing. Under the national labor law, Kingsland, H&M, and Walmart were responsible for financial obligations to the employees of the Kingsland factory.

Eventually, in March 2012, the workers received notice that they would be paid compensation in the amount of \$235,000 for the 219 workers involved in the case. H&M and Walmart agreed to pay their respective portions of the wages due. However, while the results of the case were positive, one noticeably negative outcome of the

case was Walmart's failure to send representatives to assist in negotiating a settlement for the case. At no point in the legal process were any Walmart officials directly involved, signaling to the workers that, for all intents and purposes, Walmart didn't care.

As previously noted, Cambodian industry experts, factory owners, and union leaders recognize Walmart as one of the largest clients of the garment industry. Cambodian union leaders characterize Walmart as one of the more difficult buyers to work with. The union leaders interviewed during this project all identified Walmart as a buyer typically unresponsive to workers' needs and complaints.⁵⁰ This is likely due in part to the fact that Walmart is the only buyer investing in Cambodia at such a high capacity that does not have a representative in the country. While other brands, such as H&M, Target, and The Gap, have local brand representatives available to investigate complaints and oversee negotiations, Walmart's lack of local representation has given it the reputation of not being serious about compliance issues and being indifferent to Cambodian laws.

However, as a result of Walmart's size and financial power, the same leaders and workers that view the company as unresponsive to their needs recognize that it would be worse for the more than 45,000 Cambodian garment workers indirectly employed by Walmart if the company were to leave Cambodia.⁵¹ Although frustrated that Walmart is not held responsible, union leaders are aware that the brand helps to keep many workers employed, and is therefore crucial to Cambodia's continued development. Likewise, workers do not want to see Walmart move to another country; instead, they are pushing the Cambodian government to better hold brands accountable for the factories that they contract with.

Garment Supplier Case Study: PT Ghim Li

PT Ghim Li Indonesia is one of the many companies that enjoy economic incentives in Batam. The company, located in Tunas Industrial Estate, produces or has produced apparel for brands including Walmart (including Faded Glory, Secret Treasure, No Boundaries), The Gap (including Old Navy), Target (including Xhilaration, Circo, C9), Foot Locker (including Lady Foot Locker), Les Affaires, Lane Bryant (including Catherine's and Fashion Bug), Bobbie Brooks, Eddie Bauer, Kmart/Sears, Macy's, Aeropostale, Belk, Bon-Ton, Hanes, Russell, Abercrombie & Fitch, Lands' End, Blair, and New Balance.

PT Ghim Li Indonesia is a subsidiary of Ghim Li Industries Technology (GLIT) Holdings, Pte Ltd. GLIT was established in 1977 in Singapore, but registered its stock in Australia. Its marketing offices are in Hong Kong, under the name Ghim Li Global International Ltd, and in the United States, under the name of Ghim Li Enterprise Inc. The United States is Ghim Li's main market. Ghim Li's products are also marketed in Canada and Dubai.

The company's value chain consists of research, design, and development, purchasing, processing, and management of the production chain. Ghim Li owns facilities in Brunei under the name Jati Freedom Textile Sdn Bhd, in China under the name Ghim Hong Fashion, in Cambodia under the name Ghim Li Cambodia Pte. Ltd., in Malaysia under the name Ghim Li Fashion (M) Sdn. Bhd., in Singapore under the name Maxim Textile Technology Pte Ltd, and in Sri Lanka under the name Ghim Li Lanka Pvt Ltd. Overall, Ghim Li produces apparel, namely pajamas and casual wear. Ghim Li owns its own brand, Les Affaires.

Ghim Li calls itself "a global textile and apparel supply chain manager" and employs more than 15,000 workers across 250 production lines, which are able to produce some 65 million pieces of knitted garments each year. Ghim Li claims to be committed to upholding ethical, sustainable business practices and complying with international standards.

Ghim Li started to operate in Indonesia on February 22, 2005, on 36,504 square meters of land in Batam. PT Ghim

Productivity of PT Ghim Li, Indonesia ⁵²		
Product	Daily Output	Monthly Output
Jacket	1.8 dozen/sewer	540,000 pieces
Short/long	4.0 dozen/sewer	960,000 pieces
V/R/C collar	2.4 dozen/sewer	600,000 pieces
Polo/dress	2.5 dozen/sewer	780,000 pieces

Li Indonesia employs roughly 6,000 workers, 100 of whom are expatriates. Around 54 percent of the work at PT Ghim Li is sewing.

In December 2013, PT Ghim Li employed 4,173 workers. They were divided into two shifts. Out of that number, more than 3,800 workers were contract workers who had been contracted three times or more in the past three years. Generally, workers are terminated after the second contract ends. Nearly all (90 percent) were married women. Mostly came from Bandung, West Java, Medan, Palembang, and Lampung.

PT Ghim Li's Workers Protest

"For three years, as a contract worker, I always worked on the night shift. They paid me minimum wage for a month and then they registered me to Jamsostek [Jaminan Sosial Tenaga Kerja, Workers' Social Insurance]. No bonuses. When the orders were high, all workers were forced to work overtime. They paid only Rp 15,000 per hour for overtime. Overtime work means death. Most of the workers are women. There is no menstrual leave. Women also work the night shift, but there is no transportation. I often heard that women got robbed on their way home." (Abdi, November 2014)

Since its establishment, there have been persistent problems in this factory. For example, on September 6, 2005, workers protested in front of the company's office during their lunch break. The workers demanded a transport allowance, menstrual leave, lunch, and attendance incentives. Workers also demanded that the company must not carry out illegal layoffs – namely unilateral layoffs without grounds.

On March 19, 2011, PT Ghim Li workers protested in front of the company's office at 8:00 in the morning. The workers rejected management's plan to cut their March wages by as much as Rp 47,000 per day for three days. Management had announced these cuts on the grounds that they were facing losses. The protest ended after management promised to review their wage-cut policy.

In December 2012, the trade union demanded that management grant permanent employment status to 3,800 contract workers in the core production section. They also raised other issues, such as forced overtime, menstrual leave for women, and bonuses. This case ended with the termination of all trade union officials. Only 1,000 workers became permanent employees; management recruited new workers from outside Batam. Only a small number of trade union members were left.

Another conflict began with an alleged insult to Indonesian workers by an expatriate from the Philippines, Bunag Majesusa Vacual. On September 17, 2013, Bunag, a supervisor in a sewing section at PT Ghim Li, allegedly told one of the operators that Indonesians are lazy. This time, resistance came from Batam People, which was part of the Alliance of Batam City NGOs. This alliance demanded that Bunag be deported.

Indonesian regulations state that overtime cannot be more than three hours a day or more than 14 hours a week and must be voluntary. In PT Ghim Li, overtime work is an obligation and only paid Rp 15,000 an hour. Workers have no job security whatsoever. Workers are not cycled between shifts – those who work the night shift will always work the night shift. Female workers do not have menstrual leave. There is no transportation for women who work during the night. Women are often robbed or sexually harassed on their way home from working the night shift.⁵³ The company pays Batam City minimum wage without any bonuses – no attendance bonuses, no working period bonuses, and no shift bonuses.

PT Ghim Li had had a trade union – Serikat Pekerja Seluruh Indonesia (SPSI) – but it was not effective and there was no collective bargaining agreement (CBA). Finally, in December 2012, workers established a new trade union,

PT Ghim Li's Workers' Expenses ⁵⁴		
Routine priority	Price per month	Survival strategies
Room rent	Rp 500,000	They share rooms so they can share the rent, eat one meal a day plus some instant noodles, take extra overtime work, cancel visits to their hometowns, attend meetings less frequently, work secondary jobs, fast on Mondays and Thursdays, and ask their families at home for help.
Gasoline	Rp 300,000	
Mobile phone credit	Rp 100,000	
Motorcycle credit payment	Rp 400,000	
Recreation	Rp 200,000	
Eat (twice a day)	Rp 600,000	
Drink (coffee and bottled water)	Rp 450,000	
Total	Rp 2,550,000	

Note: This list does not include incidental expenses that, though not strictly necessary, are routine and regular – contributions to Independence Day celebrations, for example, or wedding-related expenses. An apartment complex might require residents to pay monthly dues for cleaning and security of Rp 30,000 to Rp 50,000; Independence Day celebrations could cost Rp 20,000 to Rp 30,000; attending a wedding ceremony Rp 30,000 to Rp 50,000; and helping family members who are getting married Rp 200,000 to Rp 500,000. An average worker who is married with one child will have to bear monthly expenses of between 1 million and 2 million rupiahs per month.

an affiliate of Federasi Serikat Pekerja Metal Indonesia - Aneka Industri (FSPMI-AI).

With the newly established trade union, workers attempted to renegotiate their employment contracts. Workers questioned the use of temporary, contract labor for regular, perennial work. For six months, after several negotiations with management, workers held protests in front of the company's office in Tunas Industrial Estate, at the local Labor Department offices, and in front of regional parliament.

Eventually, PT Ghim Li management agreed to change the workers' status into that of permanent workers, as requested in the new CBA. However, the CBA itself was rejected. The company was only willing to grant permanent status to workers based on their productivity, and the process would be carried out gradually. The company

also terminated 600 contract workers who were union members.

The union held another protest and reported this case to the Labor Department of Batam City. Management claimed to be unable to meet the workers' demands on the grounds that they would make the company unprofitable. The workers then prevailed on the regional parliament (DPRD) to force PT Ghim LI to promote contract

workers to permanent workers. The meeting with DPRD resulted in another CBA, but management again refused to follow through on their promises. As one member of the trade union of put it, "What else can we do? The company just does not want to do it!"

In late July 2013, the union held a protest to demand that the company honor the CBA. The action was broke up by a paramilitary organization.

Recommendations

Given Walmart's dominant position within the global garment supply chain, the company should take responsibility for the conditions of supply-chain workers and, in each country, convene an ongoing dialogue among its suppliers, local unions, and representatives from the company itself. This would require Walmart to have engaged and responsive local CSR-compliance representatives in each country. Their goals would be to ensure that suppliers are complying with local laws, particularly those that protect workers, and that worker representatives have a safe space for negotiations. The issues include:

- The freedom of association, the right to form a union and bargain collectively
- Protection against wage theft, and a clear process for workers to recover stolen wages
- Safe, sanitary, and secure working conditions
- Zero tolerance for sexual harassment and physical violence against workers.

We recommend that Walmart open an immediate investigation into, and take actions to correct, claims of:

- Forced labor within its garment supply chain in Asia, as outlined in this report
- Misclassification of workers and illegal documentation that deny workers access to benefits and seniority
- Discrimination against pregnant workers
- Discrimination against union leaders and members.

Last, we call on Walmart to:

- Pay its suppliers fair prices, allowing them, in turn, to compensate workers with wages and benefits in line with national laws and norms
- Eliminate short-term fixed-duration contracts, replacing them with long-term contracts
- Manage changing labor needs through ongoing dialogue among Walmart, the unions, and the suppliers in a way that does not cause hardship to workers
- Improve its purchasing practices and manage its inventory and orders in ways that minimize the incentives for forced labor
- Give suppliers positive incentives for compliance and engage in long-term relationships that bring stability to the workplace
- Begin dialogue with the Asia Floor Wage Alliance specifically about covering the gap between each country's minimum wage and an actual living wage, using the Asia Floor Wage as a benchmark for the region's living wage
- Assure transparency in the company's auditing and training activities by encouraging the participation of independent groups who demonstrate reliability of data collection and reporting, engaging with workers and their representatives, and making publicly available the results of the audits
- Make public its list of suppliers so that transparency and accountability are ensured.

Appendices

Appendix 1: Walmart Supplier Factories in Indonesia

Companies Producing for Walmart in Indonesia

(including Faded Glory, Secret Treasure, No Boundaries), The Gap (including Old Navy), Target (including Xhilaration, Circo, C9), Foot Locker (including Lady Foot Locker), Les Affaires, Lane Bryant (including Catherine's and Fashion Bug), Bobbie Brooks, Eddie Bauer, Kmart/Sears, Macy's, Aeropostale, Belk, Bon-Ton, Hanes, Russell, Abercrombie & Fitch, Lands' End, Blair, and New Balance.

Company	Year of establishment and location	Brands	Number of workers	Status
PT Sritex	Central Java	JCPenney, Bershka, Timberland, Sears, Walmart, Guess, Quicksilver, Gymboree, Charles Vögele, Okaidi	15,000-20,000	Still producing for Walmart
PT Ghim Li	2005, Batam Kepulauan Riau	Walmart (Faded Glory, Secret Treasure, No Boundaries), The Gap (Old Navy), Target (Xhilaration, Circo, C9), Foot Locker (Lady Foot Locker), Les Affaires, Lane Bryant (Fashion Bug, Catherines), Bobbie Brooks	5,000-6,000	Still producing for Walmart
PT Best Bintang Apparel	1996, Bintan Kepulauan Riau	Walmart (Faded Glory, Secret Treasure, No Boundaries), The Gap (Old Navy), Target (Xhilaration, Circo, C9), Foot Locker (Lady Foot Locker), Les Affaires, Lane Bryant (Fashion Bug, Catherines), Bobbie Brooks		Still producing for Walmart
PT Olympic Garment International	Kawasan Berikat Nusantara (Nusantara Bonded Zone)	The Gap, JCPenney, J.Crew, and B-Three	800-1,000	Walmart production ended around 2010
PT Crystal Garment	2002, North Utara	Bershka, Ekolot, Walmart	600-700	Closed in 2014
PT Kaho Indah Garment	Kabupaten Bekasi	Adidas, Nike		Walmart production ended around 2005
PT Pan Brothers	Tangerang	Calvin Klein, J. Crew, Tommy Hilfiger, Adidas, Nike, H&M, Kate Spade, VF Corporation (The North Face), Salomon		Walmart production ended around 2005
PT Panca Prima Eka Brothers	Tangerang, Boyolali, Sragen, and Sukabumi	Under Armour, Arc'teryx, Jack Wolfskin, H&M, Adidas, Nike, Salomon, VF Corporation (The North Face)	20,000-21,000	No Walmart production since 2005
PT Sinar Gaya Busana	Bekasi	Nike, Adidas	2,000	No Walmart production
PT Kukdong International	Bekasi	Nike, Reebok, JCPenney, Walmart	1,000-1,500	Still producing for Walmart
PT Liebra Permana	1977, Bogor	L Brands (Victoria's Secret), La Senza, JCPenney	2,000-3,000	Walmart production ended around 2005

Appendix 2: Walmart Supplier Factories in Cambodia

Factory Name	Location	Number of Workers
Berry Apparel (Cambodia) Co Ltd	Phnom Penh	3,600
Blossom Century (Cambodia) Ltd	Takeo	1,200
Cambo Handsome Ltd	Phnom Penh	6,000
Camitex (Cambodia) Mfg Co Ltd	Phnom Penh	645
Camitex II (Cambodia) Mfg Co Ltd	Phnom Penh	461
Chang Sheng (Cambodia) Garment	Phnom Penh	825
Dignity Knitter Limited	Kandal	2,173
Dongdu Textile (Cambodia) Co Ltd	Vattanak II	1,031
Fairdon (Cambodia) Limited	Phnom Penh	170
Ford Glory (Cambodia) Manufacturing	Phnom Penh	476
Ghim Li Cambodia Pte Ltd	Kandal	2,315
Heart Enterprise (Cambodia) Co Ltd	Kandal	917
JK Forever Co Ltd	Phnom Penh	410
Ju Hui Footwear Co Ltd	Phnom Penh	N/A
Kie & Kie World Co Ltd	Phnom Penh	900
King Fashion Garment Co Ltd	Phnom Penh	3,412
King First Industrial Co Ltd	Kandal	1,740
Makalot Garments (Cambodia) Co Ltd	Vattanak I	4,916
Miaw Shun (Cambodia) Garments	Phnom Penh	650
New Mingda (Cambodia) Co Ltd	Phnom Penh	2,125
Quicksew (Cambodia) Ltd	Vattanak I	1,364
San Fong International Co Ltd	Phnom Penh	492
Sin Lan Ho Garment Co Ltd	Phnom Penh	300
The One (Cambodia) Industries Co	PPSEZ	737
Top Centre Manufacturing Ltd	Phnom Penh	750
TY Fashion (Cambodia) Plc	Phnom Penh	2,375
Unipros (Cambodia) Enterprise Co Ltd	Phnom Penh	150
Unison Garment Co Ltd	Phnom Penh	748
Whitex Garments (Cambodia) Co Ltd	Vattanak I	1,440
Yakjin	Phnom Penh	2,850
Yu Fa Garment Industry (Cambodia)	Phnom Penh	395

Appendix 3: Items Produced by Walmart Suppliers in Cambodia

Factory Name	Volume Percentage	Products
Berry Apparel	2%	Women's pants
Blossom Century	1%	Women's cardigans
Cambo Handsome	3%	Women's and kids' apparel
Dongdu Textile	1%	Girls' apparel
Ghim Li Cambodia	42%	Women's apparel
Heart Enterprise	1%	Unknown
JK Forever	1%	Unknown
Makalot Garment	1%	Women's running shorts
Miaw Shun	0%	Women's tanks
New Mingda	Unknown	Unknown
Quicksew	0%	Women's swimwear
Sin Lan Ho	3%	Women's and kids' apparel
Unipros	13%	Tents
Yakjin	Unknown	Unknown

Appendix 4: Ownership of Walmart Supplier Factories in Cambodia

Factory Name	Ownership
Berry Apparel	Malaysia
Blossom Century	China
Cambo Handsome	Korea*
Dongdu Textile	China
Ghim Li Cambodia	Singapore
Heart Enterprise	Taiwan
JK Forever	Taiwan
Makalot Garment	Taiwan
Miaw Shun	China*
New Mingda	China
Quicksew	Korea
Sin Lan Ho	Taiwan
Unipros	China
Yakjin	Korea

*Some degree of Cambodian ownership; all others are 100 percent foreign-owned and 100 percent FDI

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ENDNOTES

- ¹ Walmart is one of a number of businesses that donate to Better Work Indonesia. See http://betterwork.org/indonesia/?page_id=306&lang=id.
- ² SMERU, an Indonesian think-tank funded by USAID/PEG, claimed in 2001 that every 10 percent increase in real minimum wages causes a 1 percent reduction in total employment. See: <http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN018658.pdf>.
- ³ The research was conducted by LIPS and AMRC (2010) on occupational health in the garment industry.
- ⁴ The research was conducted by Südwind, LIPS, and TURC (2012) on factories that produce garments for the European market.
- ⁵ Based on the results of a 2010 survey conducted by Pusat Analisis Sosial Akatiga, SPN, Garteks, FES, and TWARO of workers in 50 textile and garment companies that produce for Walmart, Nike, Adidas, Marks & Spencer, Double Two, Levi's, Teijin, and Tetonon.
- ⁶ Daniel de Carteret, "Made Here, Owned There," *The Phnom Penh Post*, Jan. 31, 2014, <http://www.phnompenhpost.com/business/made-here-owned-there>.
- ⁷ Anna McMullen, "Shop 'til They Drop: Fainting and Malnutrition in Garment Workers in Cambodia," (Labour Behind the Label and Community Legal Education Centre, 2013), <https://www.cleanclothes.org/resources/national-cccs/shop-til-they-drop>.
- ⁸ Law on Investment of the Kingdom of Cambodia, Aug. 1, 1994, <http://www.cambodiainvestment.gov.kh/#fragment-3-tab>.
- ⁹ Subdecree No. 111 on the Implementation of the Law on Investment of the Kingdom of Cambodia, Dec. 29, 1999, <http://www.cambodiainvestment.gov.kh/#fragment-3-tab>.
- ¹⁰ See: Investment Guidebook 2013, Council for the Development of Cambodia, <http://www.cambodiainvestment.gov.kh/#fragment-3-tab>.
- ¹¹ See: <http://www.gmac-cambodia.org/>
- ¹² "Cambodian Garment Exports Surge 20% to \$5.53bn in 2013," *Fibre2Fashion*, Feb. 3, 2014, http://www.fibre2fashion.com/news/garment-apparel-news/cambodia/newsdetails.aspx?news_id=159290.
- ¹³ All figures shown have been calculated from customs data drawn from 2013 shipping figures. Data processor available at: <https://www.importgenius.com/>.
- ¹⁴ Import Genius Shipping Data, 2013.
- ¹⁵ Ibid.
- ¹⁶ McMullen, "Shop 'til They Drop," 2013.
- ¹⁷ See: Sun Heng and Holly Robertson, "Global Brands Linked to Latest Shamed Garment Factory," *The Cambodia Daily*, July 12, 2014, <http://www.cambodiadaily.com/archives/global-brands-linked-to-latest-shamed-garment-factory-63900/>.
- ¹⁸ See CLEC press release at: <http://www.clec.org.kh/clecnews.php?cnsID=56> and Alex Pearlman, "Cambodian Workers Win \$200,000 Settlement from Walmart, H&M," *Global Post*, Mar. 3, 2013, <http://www.globalpost.com/dispatches/globalpost-blogs/rights/cambodian-workers-win-200000-settlement-wal-mart-hm>.
- ¹⁹ "Sales Performance," Yakjin Trading Corp., http://www.yakjin.com/eng/biz/biz_02_001.asp.
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- ²¹ *A Week that Shook Cambodia: The Hope, Anger and Despair of Cambodian Workers after the General Strike and Violent Crackdown* (Hong Kong: Asia Monitor Resource Center, 2014), http://dev.amrc.org.hk/sites/default/files/FFM-Cambodia-Report-022014-amrc_0.pdf.
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- ²⁵ Interview conducted at Jayanita Exports in Noida, May 21, 2014.
- ²⁶ Informal interviews and discussions with employers conducted in Vapi during July-August fieldwork.
- ²⁷ Interviews conducted during fieldwork between July 15 and August 16 at 23 different manufacturing units in Gujarat and Tamil Nadu.
- ²⁸ Interview conducted outside Aditya Apparels, August 4, 2014.
- ²⁹ Interview conducted outside Algendria Exports with a contractor employed there, July 2014.
- ³⁰ Interviews conducted in Tirupur between June and July 2014.
- ³¹ Correspondence with Dinas Tenaga Kerja of Tangerang City, April 25, 2014.
- ³² Interview with Suparmi, a worker at PT Crystal Garment.
- ³³ Makalot Group owned seven companies in Indonesia: PT Makalot (in North Jakarta, part of the capital region), PT Crystal Garment (in Tangerang, part of Banten province), and PT Glory I, II, III, IV, and V (in Semarang, the capital of Central Java province). The minimum wage is lower in Semarang than in Tangerang or Jakarta.
- ³⁴ McMullen, "Shop 'til They Drop," 2013.
- ³⁵ *A Week that Shook Cambodia*, 2014.
- ³⁶ McMullen, "Shop 'til They Drop," 2013.
- ³⁷ CLEC internal research, 2012.
- ³⁸ Interview, August 14, 2014.
- ³⁹ Interview, June 6, 2014.
- ⁴⁰ Interview, August 8, 2014.
- ⁴¹ Interview conducted outside Eastman Exports (Tirupur, Tamil Nadu), August, 2014.
- ⁴² Interview, June 21, 2014.
- ⁴³ Interview conducted at Pooja Garments (Vapi), July 31, 2014.
- ⁴⁴ Focus-group discussion conducted outside Jayanita Exports (Noida), June 10, 2014.
- ⁴⁵ Interviews conducted during June and July 2014.
- ⁴⁶ For detailed information on mass fainting in 2014, see: McMullen. "Shop 'til They Drop," 2013.
- ⁴⁷ Chhay Channyda, "Factory Faintings Back on Rise," *The Phnom Penh Post*, Jun. 4, 2014, <http://www.phnompenhpost.com/national/factory-faintings-back-rise>.
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- ⁴⁹ Veasna Nuon, Melisa Serrano, and Edlira Xhafa, *Women and Gender Issues in Trade Unions in the Cambodian Garment Industry* (Phnom Penh: ILO, 2011), <http://betterfactories.org/?p=3205>.
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- ⁵¹ This figure is derived from the number of workers currently employed by the 31 confirmed Walmart suppliers (see Table 1). The actual number could be close to 100,000.
- ⁵² Thomas Rudy Junaidi, "Pengaruh Kepemimpinan Transformasional dan Motivasi Kerja Terhadap Kinerja Karyawan Dimoderasi oleh Pelatihan Studi Kasus pada PT Ghim Li Indonesia di Batam" (master's thesis, Universitas Terbuka, 2014).
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- ⁵⁴ Based on interviews conducted in September 2014.

