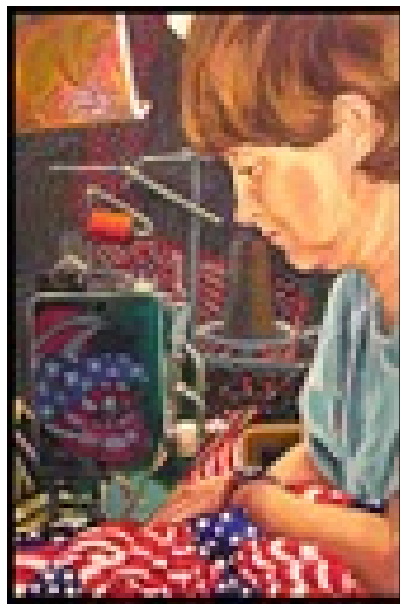




2010 Annual Report Committee on Sweatfree Purchases



USA

Presente: Paintings by Janet Essley

February 2011
Monette McGuire

COMMITTEE MEMBERS

Satya Rhodes-Conway, Madison Common Council Member, District 12

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STAFF:

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Introduction

Background. In October 27, 2005, Madison Common Council created Madison General Ordinance (MGO) 4.25 to ensure that City procurements of apparel totalling \$5,000 or more are not made in sweatshops. Consistent with Madison’s inherent intellectual and social conscience, the ordinance declared the City’s intent to enhance the rights and well being of workers worldwide. Through the intentional allocation of public funds, procurement rules can significantly influence the behavior of apparel industry contractors and subcontractors throughout the entire supply chain.

Human Rights and labor Rights. The basic principles of MGO 4.25 reflect the international consensus about human rights and labor rights in the pursuit of **sweatfree procurement**.¹ Labor exploitation—depriving workers of decent, dignified work and adequate wages—is a fundamental human rights violation no matter where it takes place. Workers who are able to fully exercise core labor rights may, if they choose, join a union and bargain collectively for improved wages and working conditions.

Organized workplaces are likely to be more productive and efficient, which benefits a nation as a whole. Decent wages, better working conditions, and respect for core labor standards translate into sustainable economic development as workers who earn more consume more. Global economic security contributes to political stability. Furthermore,

workers with more disposable income are better able to care for themselves and their family members, promoting better nutrition, education, and health care. Finally, labor exploitation abroad creates unfair competition in the global labor market, accelerating a “race to the bottom” in which U.S. workers face unreasonable competitive pressures and often lose their jobs.

Committee on Sweatfree Purchases. The ordinance provided for the creation of the Committee on Sweatfree Purchases to assist Purchasing Staff with ongoing evaluation and application of this ordinance and the furtherance of its purpose.

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The Committee shall provide the Common Council with an annual report describing any suggested recommendations regarding the ordinance, including the feasibility of expanding the ordinance beyond its original application to apparel only. This committee is also encouraged to communicate with other units of government to encourage similar policies to further increase the effectiveness of this ordinance in achieving its policy goals.

¹ *Principles for International Sweatfree Federal Government Procurement, Compiled by Sweatfree Communities, Working Draft, November 2009*

City of Madison Apparel Purchases

The ordinance applies to all City apparel purchases that total \$5,000 or more. In the day to day application of this \$5,000 threshold, City Purchasing has determined that a clearer definition of this threshold was needed in order to properly apply the requirement. This task was one among several tasks that the Committee sought to examine and clarify in 2010.

To the extent that City Purchasing could reasonably require compliance for specific contracts, it did so in the most stringent interpretation possible.

In 2010, the following competitive solicitations and contracts were subject to the sweatfree rule:

Description of Purchase	Annual Contract Value
Madison Fire Department Dress Uniforms, Cottonwear	\$ 110,000
Madison Fire Department Footwear	\$ 4,500
Madison Metro Transit, Bus Driver and Supervisor Uniforms	\$ 70,000
Uniform Rental (Various City Agencies)	\$ 65,000
Madison Police Department Uniforms and Footwear	\$ 209,000
Safety Supplies (Various Agencies)	\$ 25,000
Cottonwear (Various Agencies)	\$ 15,000
Total	\$ 498,00.00

Committee Activities

Charged with promoting the intent of the ordinance to its fullest potential, the Committee began meeting in 2010 to explore the various components of the ordinance to determine whether the current framework provides for any meaningful measure of compliance.

Workplan.

Guided by Purchasing's account of practical and conflicting experiences in the implementation of this ordinance, the Committee prioritized and organized its activities in a workplan:

- 1. Bidder Disclosure Statements.** The ordinance requires bidders to complete Disclosure statements that reveal information about factory names and locations, hourly wages percentage of wage level paid as benefits, etc. With the goal of implementing a practical, clear and fair

method of evaluating bidders' ability to provide the information required in these disclosure statements, the Committee will review the appropriateness and meaningfulness of the required information, the form and process by which information is submitted, the length of time for which these statements should remain valid, how far down the supply chain the information should be required as well as any proposed fees that may or may not be imposed for the purpose of verifying information and monitoring contractor performance.

- 2. Interpretation and Implementation of the Ordinance.** Among the provisions that need further clarification and discussion include the definition of \$5,000 threshold for purchases, fair wage and the need for quarterly submission of Bidder Disclosure Statements.

3. **Framework for Compliance.** Recognizing the absence of a clear and credible mechanism by which compliance is enforced, the City will define evidentiary standards for verifying information submitted by vendors and clarify the language used for awarding contracts in the face of conflicting information. The Committee will also develop a practical and fair method for evaluating bidders' ability and willingness to submit information required in the disclosure statements.
4. **Other.** The Committee will address additional tasks that include the internal education of appropriate stakeholders in the City about the value of applying the ordinance to small purchases that may not be captured by the competitive bidding process as well as a discussion of the context and expansion of the applicability of ordinance beyond apparel only.

Sweatfree Purchasing Consortium

As one of the first cities in the country to implement a sweatfree ordinance, the Committee recognized that by collaborating with other public purchasing entities and organizations that share the same goal, we can achieve greater impact through joint policy of enforcement.

In April 2010, Resolution 17892 was adopted by the Common Council authorizing membership by the City of Madison in the Sweatfree Purchasing Consortium (SPC). Membership with the consortium facilitates access to monitoring resources and factory information as well as policy implementation assistance.

SPC's mission is to "end public purchasing from sweatshops and assist member governments in meeting their goals for responsible sweatshop-free purchasing.

³The Sweatfree Purchasing Consortium has two major functions:

1. Connect government purchasers to pre-screened sweatfree suppliers. The Consortium oversees the work of independent monitors in producer countries to verify factory compliance with sweatfree standards, and works with brands and vendors to ensure responsible business practices, including fair pricing, reasonable production scheduling, and long-term business commitments. The Consortium is developing a database of prescreened sweatfree factories and compliant vendors.
2. Coordinate complaint-based investigations of working conditions. The Consortium functions as a contact point for worker complaints of code of conduct violations, ensures appropriate dissemination of information, provides forums for discussion of specific cases and coordinates engagement with vendors and brands to ensure effective remediation of violations.

Vendor Forum.

On November 9, 2010, the Committee hosted a Vendor Forum to engage the vendor community in a discussion of opportunities for cooperation among government institutions, vendors and suppliers in all levels of the supply chain to promote compliance with the City's ordinance and influence the working conditions in the global marketplace.

Representatives from various suppliers and brands, as well as from the Sweatfree Purchasing Consortium participated in the conference call.

Vendors expressed their overall support and acknowledged their responsibility and

³ Sweatfree Purchasing website, <http://buysweatfree.org/about>

commitment in protecting workers throughout the world. They also voiced concerns about the broad requirements for certifying compliance with local, national and international laws, which may not be possible, the competitive disadvantage that can result from disclosing factory locations, the capability of bidders to effectively complete bidder disclosure statements and the potential possibility of increased cost of bidding if fees were to be implemented.

The comments from the forum were significant in affirming many of the ideas that the Committee had about the difficulties as well as the opportunities for improving the process of compliance with the ordinance.

Amendment to the Ordinance Clarifying the \$5,000 threshold.

Strict application of the ordinance would require compliance for all apparel purchases regardless of dollar value. Such interpretation is not feasible, practical or even meaningful to the intent of the ordinance.

To clarify this threshold, an amendment will need to be made to further define the parameters, conditions, and terms for application. For example, careful consideration was given to measuring the impact of this change in terms of how much of the City's total apparel purchases will still be covered, so as not to reduce the application of the ordinance to only a minimum number of contracts or to a smaller percentage of annual total purchases. Purchasing staff estimates that the ordinance will still apply to the larger contract purchases

that account for approximately 80% of the total annual apparel volume.

As the City implements an Enterprise Resource Planning system (ERP) that will have capability to capture total annual spend by commodity, Purchasing staff will have the necessary data to aggregate specific commodity requirements that are common across agencies and leverage the purchasing volume appropriately. This will provide more potential to identify even those small dollar purchases made using purchasing cards or limited purchase orders that otherwise are not currently being tracked.

Policy Implications.

In developing strategies for meaningful and enforceable compliance, the Committee will contemplate a cohesive and complementary policy direction that incorporates the broader context implications and integration of all related purchasing directives, such as local purchasing, living wage, sustainable purchasing, fair trade, etc.

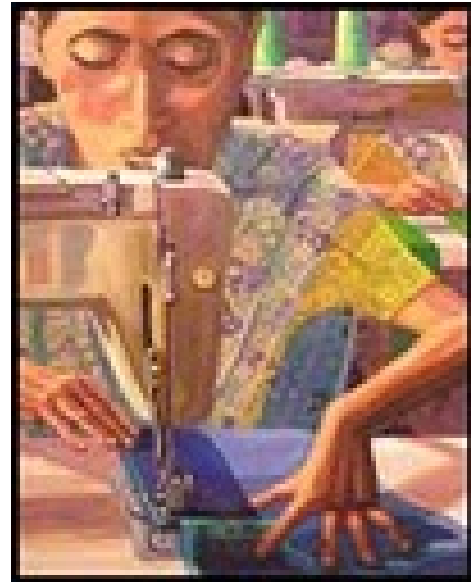
In further recognition of the complex supply chain relationships and transparency problems inherent in the garment industry, the Committee will consider pragmatic and incremental measures that encourage compliance, provide opportunities for corrective action and seek continuous improvements in the industry.

While the original ordinance that was passed was comprehensive in addressing all the necessary provisions for a program policy, some adjustments and modifications are in order to ensure a practical and credible policy enforcement. Nonetheless, it has served a purpose in ratcheting up industry standards overall and progressive improvements have been made by the creation of a baseline for compliance.

Emerging Efforts

Rules of competition. Over 180 U.S. states, municipalities and government entities have committed to “sweatfree” policies and the number is growing every year. The City of Madison and the , City of Milwaukee are among these agencies that have preference for “sweatfree” products. As these public agencies collaborate towards a shared goal of respecting international workers’ labor rights and human rights, the rules of competition will no longer favor businesses that produce the cheapest possible goods at the expense of workers. Instead, access to contracting opportunities will be increasingly offered to Contractors who are able and willing to comply with code of conduct requirements.

To date, ³nine states, forty-one cities, fifteen counties, 118 school districts, and four individual high schools have adopted sweatfree procurement policies and resolutions



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³ Sweatfree Communities website,
<http://www.sweatfree.org/policieslist>