

“A World Without Strangers, That Excluded Workers”

**A Report of the Working Conditions of
Giordano Subsidiaries and Suppliers in China**

Students & Scholars Against Corporate Misbehavior (SACOM)

December 10th, 2005

Foreword

Introduction to Students & Scholars Against Corporate Misbehavior

University professors and students joined together to establish Students & Scholars Against Corporate Misbehavior (SACOM) in June 2005. The main purpose for establishing the organization was to monitor the actions of transnational firms and to pressure those firms that violate workers' rights, health, safety, welfare and dignity to improve their treatment of workers in mainland China. Likewise, we conduct campaigns to raise public awareness and attention about the rights of workers.

Previous and ongoing work: “Searching for Mickey’s Conscience” Campaign:

In the summer of 2005, SACOM surveyed four factories in the region of the Pearl River Delta that were suppliers for Disney. SACOM discovered these factories were seriously violating Chinese Labor Law and exploiting workers. (For further details, please see the SACOM website: <http://www.sacom.org.hk/>)

For this campaign, SACOM released its report in August and twice organized protests in September at the site of the Hong Kong Disneyland. Under the pressure of the media, NGOs and consumers, a few of the factories improved their treatment of their workers. However, a mechanism for systematic improvements is still missing, and workers still have no avenue for participating in decisions at the factories that affect them. Though Disney professes to respect and fulfil its social responsibilities, workers have no way to effectively raise their suggestions regarding their conditions.

About Giordano

Workers are the exception to “a world without strangers”

The phrase, “a world without strangers”, implies a world where neither nationalities, class, ethnicity nor gender divide people. People feel affection for one another as if they were friends regardless of the distances between them. It is an utopia that everyone wishes for. For Giordano, this widely held ideal is one of the primary ideas behind its marketing image. The idea is meant to fit with the simplicity and modesty of Giordano designs, clothing that is meant to give people a sense of familiarity. In the minds of many Hong Kong people, the phrase is already a standard advertisement, and its success contributed to the quick rise and development of the Giordano name. The publicly traded firm, Giordano, is a model of a successful, domestic Hong Kong line of clothing.

However, it turns out that this ideal of “a world without strangers” is merely a marketing

strategy, and in its actual production practices, Giordano is far from achieving this ideal. For Giordano, this “world without strangers” is only conceived for their high-spending, affluent consumers, and has nothing to do with the workers who sacrifice their youth, blood and sweat to manufacture Giordano clothing. Workers are the exception, the strangers shut out from this “world without strangers”, seeking out their bitter lives on a tiny link of the manufacturing chain.

To lower its manufacturing costs, Giordano have outsourced their manufacturing to factories in mainland China. However, we suspect the workers at these factories are exploited and are forced to work in environments that are in violation of the law. At the five Giordano suppliers we surveyed, working hours were the most serious violation of workers’ rights. During peak seasons, workers work 13 hours a day, 7 days a week. These factories violate, for instance, the Chinese law requiring employers to guarantee their 1 day of rest every week. Likewise, most factories do not give workers their overtime wages according to the requirements of the law.

Development of Giordano

Giordano was established in 1981 and, since 1991, is a publicly traded firm. A number of nations and regions are part of its network of retail markets including mainland China, Hong Kong, Taiwan, Korea, Singapore, the Philippines, Malaysia, Thailand, Burma, Vietnam, Australia, New Zealand, the Middle East and Europe. After over two decades of development, Giordano is a well known name for clothing in the Asia Pacific region, especially widely known in the region of mainland China and Hong Kong. As of June 2005, Giordano operates 1,604 retail outlets worldwide in over 30 nations and regions of the Asia Pacific. Giordano employs in excess of 8,000 people, and its year sales amounted HK\$3.7 billion.

Giordano in China

In Guangzhou in August of 1992, Giordano opened its first retail apparel outlet in mainland China dedicated only to its line of clothing. Thereafter, Giordano continued to open retail outlets all over the province of Guangdong. In 1993, Giordano enlarged the scope of its mainland market, opening Giordano dedicated retail outlets throughout the provinces of the nation, stabilising and expanding the success of their sales. In 2005, Giordano maintains over 680 stores throughout the Chinese mainland.

However, this Hong Kong firm, with its stunning record of growth, does not seem to have attached much significance to workers’ rights and the work environments of its manufacturing suppliers. A number of transnational firms have established “codes of conduct” and work with local unions and NGOs to monitor the working conditions of their suppliers. At the beginning of 2005, for instance, the world renowned transnationals, Nike and Levis, have released the names and addresses of their outsourcing suppliers and have announced their willingness to accept public scrutiny of their suppliers worldwide.

Presently, it is factories in the Pearl River Delta cities of Shenzhen, Zhongshan and the like that receive Giordano orders. Some of these suppliers, Giordano directly owns and operates.

Others are independent factories that receive outsourcing orders from Giordano. Whatever the arrangement, Giordano have not actively implemented a “code of conduct” or other similar measures. As a result, they have not effectively sought to monitor the working conditions of their suppliers and ignore the ruthless treatment of workers. Their paper promises regarding ethical sourcing practices are thus empty (for further details on Giordano’s promise, please see the Giordano website: <http://www.giordano.com.hk/>).

Survey Methods

In September of 2005, SACOM investigated websites, firm records, and other information provided by relevant persons to find factories in mainland China that were manufacturing for Giordano. These earliest efforts set the boundaries of the survey.

Thereafter, from September to November 2005, SACOM researchers went to the cities of Zhongshan and Shenzhen, targeting five Hong Kong owned factories in the survey. Of these factories, Giordano directly owns one (A1). The other four factories (B1, B2, B3 and B4) are suppliers that receive outsourcing orders. Interviews with open-ended questions were conducted outside of the factories and approximately 40 workers were interviewed.

Survey Results

If it is said that Giordano wants to build “a world without strangers” for its consumers, then those who are woven together in this wonderful world should include the workers who are toiling on the manufacturing lines of the factories. Just what is their world like?

According to our surveys, the working conditions of workers at Giordano factories are something quite different from the Giordano ideal.

Giordano workers have no choice except to work excessively long hours of overtime for low wages and without minimum protections. And we discovered that the conditions of Giordano outsourcing suppliers are significantly worse than those of the factories Giordano directly owns! Thus, it is quite evident that Giordano does not effectively monitor the conditions of the factories that manufacture its clothing. If this is the situation, how will Giordano fans distinguish what clothing is coming from sweatshops, and what clothing is not coming from sweatshops?

In the following sections, we look from the perspective of workers to examine exactly what kind of a world this “world without strangers” is.

(I) The issue of working hours

In this SACOM survey, regardless of whether it is low season or peak season, the working

hours of ordinary workers was the most prominent issue. All five of the factories surveyed have working hour systems that **exceed the maximum restrictions of the law and violate fundamental workers' rights.**

Working hours during the peak season:

	Direct subsidiary	Outsourcing suppliers			
	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Daily work hours during the regular work week	10 - 11	12	12 - 13	12	12 - 12.5
Saturday hours	8	12	12 - 13	12	10 - 10.5
Sunday hours	No work	8	12 - 13	8 - 12 (Varies depending on the department.)	12 - 12.5
Number of days of rest per month	4	0 - 1	0 - 1	2 - 4 (Electricity is shut off on Wednesdays. However some departments still have overtime.)	0
Total monthly work hours	252 - 274	336 - 344	348 - 389	296 - 336	352 - 367
Maximum working hours according to the law	Regular work hours: Zhongshan limits regular work week to 168 hours per month; Shenzhen limits regular work week to 174 hours per month Overtime: Maximum of 36 hours per month				

Working hours during the low season:

	Direct subsidiary	Outsourcing suppliers			
	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Daily work hours during the regular work week	8 - 10	8 - 11	8 - 9	12	10 - 11
Saturday hours	8	8 - 11	0	12	10 - 11
Sunday hours	0	0	0	8 - 12 (Varies depending on the department)	0
Number of days of rest per month	4	4	8	6 - 8	4
Total monthly work hours	208 - 252	208 - 286	132 - 148 (Workers only work ½ of the day on some days)	248 - 288	260 - 286

Note: Though these are hours of the low season, these factories still exceed the standard of the law.

Daily overtime

In the four factories where Giordano outsources, workers work overtime throughout the peak season till 10:00 or 11:00 in the evening almost every day of the week. When they are

pressed for orders, the departments of some factories will work overtime till 12:00 midnight or even 2:00 or 3:00 in the morning.

No days of rest

The “Labor Law” requires that workers have at least one day of rest every week. However, workers do not even have the luxury of imagining a day of rest as they work night and day on the manufacturing lines!

“Time off” is a difficult to obtain luxury in the world of these workers.

Relative to the outsourcing factories, the issue of working hours is less severe at Giordano’s direct subsidiary. Through the peak season, workers work overtime till 9:00 or 10:00 in the evening at the most. Workers work overtime on Saturdays during the day. However, they have time off in the evening.

In the low season, it is still definitely not as if workers enjoyed a work schedule of 5 days a week, 8 hours a day. Some factories (B4, for example) have only reduced overtime (so that workers work overtime till 9:00), and workers do have a day of rest every week. Other factories (B2, for example) give workers the weekend off only as a result of the factory not having enough manufacturing orders. However, these workers are not able to earn the minimum wage required by the law.

(II) The issue of wages

During the low season and when they are first hired, workers do not earn the minimum wage required by the law

In three of the five factories surveyed, workers are not earning wages that meet the minimum requirements of the law, and are thus seriously violating the protections of Labor Law of mainland China. This violation mostly concerns workers during the low season, workers just after they are hired and workers in some specific departments.

	Direct subsidiary	Outsourcing suppliers			
	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Peak season income (yuan)	1,000 – 1,500	800 – 1,300	900 – 1,300	800 – 1,100	800 – 1,200
Low season income (yuan)	800 – 1,200	600 - 1000	200 – 700	Info not available	500 – 1,000
Factory guaranteed minimum wage (yuan)	580	Sewing: 600 Packaging: no minimum	None	Sewing: None Packaging: 480	Sewing (on probation) and short term workers: 400
Minimum wage	580 (3.33)	574 (3.43)	574 (3.43)	580 (3.33)	580 (3.33)

	Direct subsidiary	Outsourcing suppliers			
required by law (per hour) (yuan)					

In the peak season, workers at most of the factories are able to earn wages of approximately 1,000 yuan a month. As a result, could conclude that the wages of these factories are OK. However, behind this “OK” is the price of working close to 12 hours a day, 7 days a week! If we figure this in to the wage equation, wages are far below the minimum standards of the law (Shenzhen 3.33 yuan, Zhongshan 3.43 yuan for regular working hours). This is not to mention the serious violation concerning overtime wages!

Overtime wages not paid according to the law

The “Labor Law” of mainland China specifies that during the regular working week, employers should pay overtime at a rate of 150% of regular wages; overtime on days of rest (Saturdays & Sundays), employers should pay 200% of regular wages; and on holidays like the National Day, the Labor Day, and the Spring Festival, employers should pay overtime wages that are 300% of regular wages. If we use the Shenzhen minimum wage of 3.33 yuan per hour as a standard, workers should enjoy overtime wages of at least 5 yuan per hour during the regular work week, 6.66 yuan per hour on the weekend and 9.99 yuan per hour if they work on national holidays.

The employment advertisements of the Giordano subsidiary A1 specify the details of the overtime wages required by the labor law. And according to workers, the A1 facilities do manage to enforce these requirements. The misfortune is that workers interviewed at the other four outsourcing factories do not receive overtime pay according to the requirements of the law.

	Direct subsidiary	Outsourcing suppliers			
	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Regular work week overtime wages	150% of regular wages	0.5 yuan per hour above regular wages	1 yuan per hour above regular wages	1.5 yuan per hour above regular wages	Addition of 2 yuan to regular wages for two hours of overtime, addition of 3 yuan for 3 hours overtime
Weekend overtime wages	200% of regular wages	Paid as regular work hours	Paid as regular work hours	Saturdays are paid as regular work hours, Sundays are paid 3 yuan per hour above regular wages	Paid as regular work hours
National holiday overtime wages	300% of regular wages	Paid as regular work hours	300 yuan bonus for Spring Festival	Info not available	Paid as regular work hours

Thus, though workers wages appear “OK”, once we consider the question of overtime, it is evident that employers seriously exploit these workers.

Example:

The interview of a woman worker on the sewing line of the B4 Factory in Shenzhen

demonstrates how the factories are exploiting workers. This worker’s regular working week for the month of October was 160 hours. She worked 168 hours of overtime (80 hours of overtime were during the regular work week; 40 hours were on Saturdays; 48 hours were on Sundays). She worked a total of 328 hours in the month of October. She mentioned that she had 2 days of time off from work for the National Day (The law requires 3 days of time off for this holiday).

According to the requirements of the law, she should have earned the following wages for the month of October:

Regular work week minimum wage:	20 days x 8 hours x 3.33 yuan =	532.80 yuan
Regular work week minimum overtime wage:	20 days x 4 hours x 5 yuan =	400.00 yuan
Saturday minimum overtime wage:	4 days x 10 hours x 6.66 yuan =	266.40 yuan
Sunday minimum overtime wage:	4 days x 12 hours x 6.66 yuan =	319.68 yuan
National holiday minimum overtime wage:	1 day x 12 hours x 9.99 yuan =	119.88 yuan
National holiday paid days of rest	2 days x 8 hours x 3.33 yuan =	53.28 yuan
	Total =	1,692 yuan

However, this worker earned wages of only 1,100 yuan for this month. This is 592 yuan below, or 35% less of, what she should have earned! On the surface, she earns a wage of 3.35 yuan per hour (1,100 yuan / 328 hours), and this meets the requirement of the minimum wage of 3.33. However, if we do the math according to the law, not only is this worker working excessively long hours, she is also not earning the minimum wage.

This example explains the reality of these factories and their violations of the law. The misfortune is that the situation of this worker is a wide spread phenomenon.

(III) Withheld wages

The five factories surveyed ordinarily withhold wages for half a month or even a month before paying workers. That is, employers withhold workers’ September wages till the middle or even the end of October. This affects the daily spending of workers, their plans, etc. For instance, they are hard pressed to provide for their needs when they sick or have other urgent needs.

	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Withheld wages	20 days	1 month and 5 days	approximately 18 days	approximately 22 days	approximately one month

(IV) Wage receipts are not appropriately specific

At the five factories surveyed, though workers do receive a wage receipt, most wage receipts leave out key information that would allow workers to verify their wages. For instance, without knowing the amount of time they were recorded to have worked and the actual piece rate of their work, workers have no way to ensure that their rights are respected.

This is especially the situation at the B4 site. The wage receipts show neither workers' working hours nor the piece wage for piece rate workers. Their receipts only have the following two points:

1. Wages due to workers (including a minimum wage, total piece rate wages, total overtime wages, fees for night meals, attendance bonus, incentives and subsidies, etc);
2. Deductions (including taxes, fines for violations of factory rules, rent and utilities).

The workers of this factory complain that they have no way to verify their wages were paid properly.

Contrast this to the situation at the Giordano subsidiary facilities (A1). There, workers are always able to verify three aspects of their wage receipts:

1. Working hours (including regular working hours, overtime during the regular work week, weekend overtime, time off, etc);
2. The wage per product (including the product number of different products, the unit price, the total price);
3. Bonuses, subsidies, etc.

These wage receipts are transparent and allow workers to quickly and smoothly verify that their wages for the previous month are correct.

(V) Difficulties in resigning

The Labor Law in mainland China requires workers to give their employer one month's advance notice if they decide to resign. If workers give this advance notice, the law specifies that workers have a right to all of their remaining wages. However, at the factories we surveyed, with the exception of the A1 facilities, employers would refuse to "approve" workers' requests to resign during the peak season even when workers give one month advance notice. The situation is especially severe at the B3 site where workers' requests to resign are rarely "approved" regardless of whether it is the peak or low season.

If workers do not have their employers' approval to resign, they are forced to "leave voluntarily". This euphemism signifies that employers deny workers their remaining wages owed to them, equivalent to a month or more of their wages depending on how long employers withhold workers' wages.

(VI) Maternity leave for pregnant women

Women represent the majority of workers at all five factories, and at 3 factories, women workers represent over 70% of the workforce. However, women workers from the B2 site of Zhongshan are very straightforward in reporting that they do not receive the "paid maternity leave" that they should. What is more, workers note that some women workers, once pregnant,

do not have the strength to continue the intensive work. As a result, the vast majority of workers on the sewing line ask to resign and return home if they are pregnant. In contrast, at the A1 Giordano subsidiary, even men workers know that women workers should receive paid maternity leave. And if the wives of these men workers are pregnant, they too have the right to ask for a week of paternity leave.

(VII) Excessive fees

At two of the factories surveyed, workers have to give management money for a variety of fees when they are hired. For example, the management at B3 requires workers to give 40 yuan for a health certificate, 5 yuan for a factory badge, 20 yuan for a factory management fee, etc. At the B1 site, workers have to purchase their work uniforms, including two uniforms for the summer for 30 yuan, and two uniforms for the winter for 60 yuan. They likewise pay 5 yuan for slippers and other similar fees. Thus management concocts various ways for further exploiting workers.

(VIII) Labor contracts, pension & insurance

A labor contract is the most essential document to determining the relation between workers and their employer. However, at the B1 site, only a portion of workers sign a contract. At other factories where workers have contracts, they do not receive a copy of it. Without a contract, workers have difficulties proving their employment status, and this oftentimes prevents them from seeking their due recompense in the event of a disagreement with their employer.

The government likewise requires that firms provide their employees with old age pensions. Yet, not even half of factories are guaranteeing that all of their employees have old age pensions.

	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Workers have a labor contract	Yes	Only a portion of workers have a contract	Yes	Yes	Yes
Workers have a copy of their contract	Yes	No	No	No	Yes
Old age pension	Yes	No	Yes	No	Long term workers, yes; Short term workers, no

In conclusion, the results of the survey demonstrate that there are significant problems where workers' hours, wages, welfare, maternity leave and insurance are concerned. These factories have not provided workers with the rights they have according to the law. To a significant degree, Giordano does not take its responsibilities to its manufacturing workers seriously.

(IX) Giordano & Corporate Social Responsibility

Ineffective monitoring of factories

It is not possible for factory audits to achieve the objective of monitoring the actions of suppliers and understanding their working environment. In implementing its system of corporate social responsibility, Giordano did not enlist the participation of workers. As a result, the information it received from its suppliers was superficial, if not even falsified. If this is true, how is it possible for Giordano to profess that it fulfills its social responsibilities?

	A1 Shenzhen	B1 Zhongshan	B2 Zhongshan	B3 Shenzhen	B4 Shenzhen
Audits	Workers report there are audits	Workers report there are audits	Workers report there are audits, though there are very few	Workers report there are audits 3 to 4 times a year	Workers report there are audits
Auditing methods	The auditor chooses names from the list of employees	Info not available	Inspections firstly are on the manufacturing lines for quality; working conditions are secondary.	Audit visits are announced ahead of time; auditors only look at manufacturing lines; auditors are not in touch with workers	For the most part, these are inspections of the manufacturing lines for quality; working conditions are secondary.
Methods of the supplier to pass the audit	Info not available	When workers are hired, they undergo training for how to respond to auditors' questions to ensure that they reveal no "mistakes"	The management of the firm chooses the workers that auditors are to interview	Info not available	When workers are hired, they undergo training for how to respond to auditors' questions; before audits, workers' time cards are punched appropriately; workers do not punch their time cards on Sundays

Thus, it is evident that factory auditing will not achieve the objective of effectively monitoring the social responsibilities of transnational firms. And it is evident that though Giordano is a brand of multinational significance, they have not developed effective systems to connect to the workers of their outsourcing suppliers.

Outdated policies of corporate social responsibility

The Giordano website mentions the firm's Core Ethical Sourcing Requirements (<http://www.giordano.com.hk/web/HK/investors/social-requirements.html>). It requires its suppliers to maintain its standards in six areas. Those six areas are: minimum working age, prohibition of forced labor, prohibition of physical punishment and threats, the environment, occupational health & safety and the promise that suppliers will "cooperate to improve."

There is no doubt that Giordano is a step ahead of other Hong Kong brands. However, from the perspective of corporate social responsibility, Giordano's steps are still only beginning steps. Important issues that other firms have widely accepted are missing entirely from

Giordano's six fold sourcing requirements.

Essential shortfalls of their statement of social responsibilities

- No promise regarding “wages” to meet the standards of local law
- No promise regarding “hours” to meet the standards of local law
- No promise to respect workers right to “collective bargaining”
- No promise to respect workers right to “association”
- No promise to not reduce or stop orders to suppliers who are cooperating and in the process of improving their work environment

Essential shortfalls of their system for addressing social responsibilities

Besides the shortfalls of their social responsibilities on paper, Giordano's efforts to implement a system to address the firm's social responsibilities are weak too. The following weaknesses are the most serious:

- A lack of effective mechanisms to communicate with workers
- A lack of discussion and cooperation with NGOs with relevant expertise
- A lack of efforts to inform and train workers regarding their rights and the responsibilities of their employers
- A lack of transparency to the public

With the weakness of Giordano's efforts to implement its social responsibilities, even its relatively weak Ethical Sourcing Requirements are little more than empty words on paper.

Conclusions

Through its phrase, “a world without strangers”, Giordano gives us a sense of equality for all people, gives us the wondrous image of a world where people feel concern for one another. We all want to imagine and pursue a world like this.

However, when we enter this world of Giordano's, when we seek out the countless ordinary apparel workers who toil away bitterly to produce this world, we find the world we thought we knew is strange, exhausting, unsafe and unequal. Workers work day and night on the manufacturing lines, their sweat and tears mingling together for the slimmest of wages just to survive. On the manufacturing lines, it's impossible for workers to control their own lives, impossible for them to see their future. For those living their lives inside the factories, the world is “a world full of strangers.”

Hong Kong is on the verge of hosting a ministerial meeting of the WTO, and the government is asking everyone to support efforts to promote free trade. We have seen that Hong Kong business people and wealthy transnational firms are deriving a host of advantages from the free competition of globalization. In the Pearl River Delta, these businesses enjoy the manufacturing accessories they need, low cost labor and even high quality manufacturing facilities. As a result, they earn significant profits. Though Hong Kong businesses got all the advantages in mainland China, they have not fulfilled even their most fundamental social responsibilities. Their development rests entirely on the exploitation of workers.

SACOM continues to demand that transnational firms respect the fundamental rights of workers and fulfil their responsibilities to society. Likewise, we demand that those Hong Kong businesses that are living amidst us take responsibility for workers, for their consumers and for the public good.

SACOM strongly demands Giordano:

1. Seriously **implement Chinese labor law** and its own code of conduct to protect the rights of workers specified by the law.
2. Strengthen its system for addressing the firm's social responsibilities by allowing workers a greater role in the monitoring of its suppliers; likewise, Giordano should invite NGOs to participate and aid factories to **establish a representative monitoring mechanism** to protect the workers' rights within the law, their health, safety and welfare.
3. Strengthen the transparency of their system for addressing the firm's social responsibilities by **releasing the names and addresses of all Giordano subsidiaries and outsourcing suppliers to the public.**
4. **Raise the price of its orders to its suppliers to more reasonably reflect the costs of labor.**
5. Actively give factories concrete suggestions to improve their work environments; monitor factories to pressure them to implement improvements within a fixed time period; and develop **a reasonable procedure for stopping orders to factories who fail to implement improvements.**

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