

Can Corporate Codes of Conduct Promote Labor Standards. Evidence from the Thai Footwear and Apparel Industries

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Junya Yimprasert and Christopher Candland¹

¹ Junya Yimprasert was Human Rights Coordinator at Reebok, Thailand from January to May 1998. She is currently an advisor to the Assembly of the Poor (Bangkok, Thailand). Her work on this report was supported by the Hong Kong Christian Industrial Committee and the Asia Monitor Resource Center. Comments can be addressed to her at yimprasert@yahoo.com. Christopher Candland is an Assistant Professor of Political Science at Wellesley College (Wellesley MA, USA) and can be reached at ccandlan@wellesley.edu. The authors would like to thank Walden Bello of Focus on the Global South and Chaded Chaowilai and Nukul Kokit from Friends of Women Foundation for their support. Much of this report is based on interviews with workers and former workers at the Lian Thai and Par Garment apparel factories and the Wongpaitoon footwear factory. The authors are grateful to them for sharing their views and for their hospitality. While interviewees were willing to have their names published, the authors felt that it would be best to keep these interviews anonymous.

Contents

Introduction	3
Codes of Conduct	4
The Producers	7
The Labor Force	12
Labor Processes	14
Occupational Health and Safety	15
Codes of Conduct in the Apparel Industry	17
Violations of the Right to Association at Par Garment	19
The Piyavat Workers' Union	23
Codes of Conduct from the Manufacturers' Perspective	25
Control of Transnational Corporations over Manufacturers	27
Violation of Codes of Conduct	28
Can There Be Labor Rights without Labor Unions?	29
Conclusions and Recommendations	31
References	33

Introduction

Workers in advanced capitalist economies face increased job insecurity and, in many sectors, lay-offs and real wage contraction. Demands are rising in these economies for promoting labor standards internationally. One mechanism for promoting labor standards is for governments to attach social clauses to trade agreements and to initiate, or threaten to initiate, trade sanctions against governments which fail to meet the terms of these social clauses. The expectation is that the threatened governments will promulgate better laws or, often more importantly, implement existing labor laws more seriously.²

Governments in many countries, especially those where labor standards are not well enforced, claim that the linking of social clauses to trade agreements is a form of thinly disguised protectionism. Some scholars criticize the pursuit of international labor standards as aggressively unilateral and contrary to principles of international law.³ According to Philip Alston,

the form in which the standards are stated is so bald and inadequate as to have the effect of providing a *carte blanche* to the relevant US government agencies, thereby enabling them to opt for whatever standards they choose to set in any given situation.⁴

As labor rights provisions of US trade law require findings by the executive branch of government, they are typically initiated for foreign policy objectives rather than the principled promotion of international labor standards. The first countries to lose US Generalized System of Preferences status on account of their neglect of workers' rights were Paraguay, Nicaragua, and Romania. These were not the three countries with the world's worst records on labor rights, but were countries targeted for foreign policy considerations by the Reagan Administration.

Consumers in advanced capitalist countries claim that, given the choice and the information, they would purchase products that are made under conditions which respect labor rights even if these products are more expensive than those produced under conditions that deny to workers fundamental rights. In recognition of rising consumer consciousness, many US companies have promoted corporate codes of conduct. In the United States, those of Levi

² International labor standards are addressed in four pieces of US legislation. These are the Caribbean Basin Economic Recovery Act of 1986; the Generalized System of Preferences Renewal Act of 1984; the Overseas Private Investment Corporation Renewal Act of 1985; and the Omnibus Trade and Competitiveness Act of 1988.

³ Philip Alston borrows the phrase "aggressive unilateralism" from Jagdish Bhagwati's and Hugh Patrick's discussion of section 301 of the Omnibus Trade Act of 1988. Alston argues that the phrase applies as well to the worker rights provisions of US trade laws. See Philip Alston, "Labor Rights Provisions in US Trade Law," *Human Rights Quarterly*, 15: 1, (February 1993), 1-35 and Jagdish Bhagwati and Hugh Patrick, eds., *Aggressive Unilateralism: America's 301 Trade Policy and the World Trading System*, Ann Arbor: University of Michigan Press, 1990.

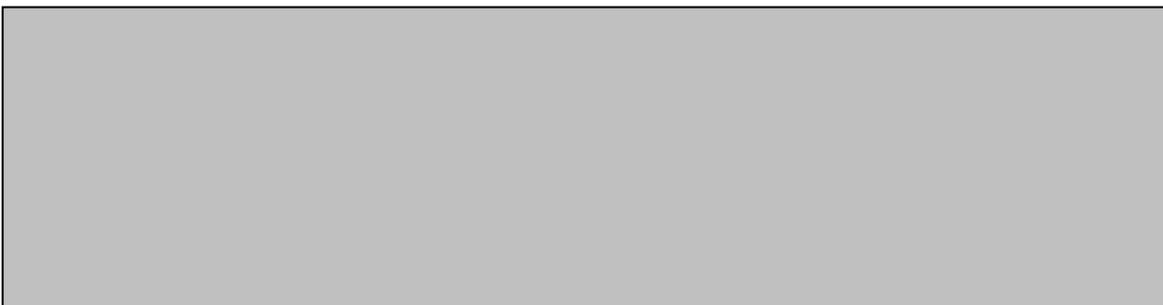
⁴ Alston, "Labor Rights Provisions in US Trade Law," 1993, 7-8.

Strauss & Company and Reebok are perhaps the best known. The Gap, Nike, Sears, Timberland, Walt-Disney, and many other US businesses have also adopted codes of conduct for their overseas producers and suppliers. In many of these companies and in the garment, footwear, and sportswear industries in general, widespread violations of fundamental labor rights have been observed. Have corporate codes of conduct been useful in improving labor standards or only in improving the public stature of these transnational corporations? Can corporate codes of conduct promote labor standards in a non-coercive fashion and without becoming instruments of foreign policy?

To address these central questions, this paper considers a number of related questions. What is the relationship between the transnational company and the producers? Does the implementation of a code of conduct allow one company to make inroads into another company's market share? Do corporate codes of conduct transfer the economic cost of corporate responsibility to subcontracting companies? Do codes of conduct encourage the formation of labor unions? This paper addresses these questions by examining footwear and sporting apparel production by Reebok and its major competitors, Adidas and Nike, which also subcontract production in Thailand.

Codes of Conduct

Each of the transnational footwear manufacturers subcontracting production in Thailand has a code of conduct, a set of labor standards to which producers are expected to adhere, for their business partners. These transnational corporations have persuaded some labor activists in non-governmental organizations that codes of conduct have been effectively implemented and have greatly improved labor conditions. More than any other major sporting goods manufacturer, Reebok prides itself on its human rights advocacy. Reebok has underwritten Amnesty International's Human Rights Now! campaign and is a founding member of Business for Social Responsibility and the Partnership for Responsible Global Sourcing of the Council of Economic Priorities. In 1992, Reebok devised and began to implement a code of conduct. Similarly, Nike prides itself on being a founding member of the Global Alliance for Workers and Communities and of US President Clinton's Apparel Industry Partnership Initiative. Further, Nike advertises that the monitoring of its code of conduct is independent.



Reebok Human Rights Production Standard

1. Non-discrimination. Reebok will seek business partners who do not discriminate in hiring and employing practices, and who make decisions about hiring, salary, benefits, advancement, discipline, termination and retirement solely on the basis of a person's ability to do the job.
2. Working hours/overtime. Working shall not work more than 60 hours per week, including overtime, except in extraordinary business circumstances. In countries where the maximum workweek is less, that standard shall apply. Workers shall be entitled to at least one day off in every seven-day period.
3. Forced or compulsory labor. Reebok will not work with business partners that use forced or other compulsory labor, including labor that is required as a means of political coercion or as punishment for holding or for peacefully expressing political views, in the manufacture of its products. Reebok will not purchase materials that were produced by forced prison or other compulsory labor and will terminate business relationships with any sources found to utilize such labor.
4. Fair wages. Reebok will seek business partners who share our commitment to the betterment of wage and benefit levels that address the basic needs of workers and their families so far as possible and appropriate in light of national practices and conditions. Reebok will not select business partners that pay less than the minimum wage required by local law or that pay less than prevailing local industry practices (whichever is higher).
5. Child labor. Reebok will not work with business partners that use child labor. The term "child" generally refers to a person who is younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.
6. Freedom of association. Reebok will seek business partners that share its commitment to the right of employees to establish and join organizations of their own choosing. Reebok recognizes and respects the right of all employees to organize and bargain collectively.
7. Safe and healthy work environment. Reebok will seek business partners that strive to assure employees a safe and healthy workplace and that do not expose workers to hazardous conditions.

Nike Labor Practices (“SHAPE”)

Safety:	The worker has a workplace where safety is paramount – in equipment, training, management and work practices.
Health:	The worker has access to proper food and water, to a work environment that is healthy, and to proper medical care.
Attitude:	The worker is managed in a manner that is characterized by dignity and respect for the individual, and appreciation of the culture.
People:	Management treats the worker like a valued asset: with vocational and personal training, recreation programs and on-site services.
Environment:	The factory seeks to minimize environmental impact, and emphasize environmental safety.

Source: Nike, mimeograph, February 1998, 1.

Many labor activists have little confidence in codes of conduct, largely because enforcement is voluntary and internally monitored. Information on cases of violations is kept within the company. According to Bandit Thanachaisethavut, Director of the Arom Pongpangan Foundation,

only if international standards guarantee the bargaining power of workers will there be serious support for workers’ rights by the government. [Otherwise] codes of conduct can be violated and misused by the employer.⁵

According to Lae Dilokwidhayarat, Director of the Center for Labor Development and Management and Associate Professor of Economics at Chulalongkorn University,

codes of conduct are [based on] double standards: the western standard of production and the local sub-standard labor conditions. To solve the problem, it is necessary to build a structure that allows government authorities to react fairly to both the management and the workers. ... At present, this structure favors management.⁶

Jaded Chaowilai, a well-regarded labor activist who coordinates the labor section of the Friends of Women Foundation, reports that

Reebok invited many labor-related NGOs [non-governmental organizations] in Thailand for discussion and is offering financial support to these groups. We have talked with Reebok twice, but we are still not sure what Reebok

⁵ interview, 10 December 1998.

⁶ interview, 26 August 1998.

hopes to achieve by funding NGOs. ... Reebok spoke about its' codes of conduct and how they are being implemented and the way in which NGOs could help. But the reality is that the Reebok's code of conduct is not truly effective. There are still many problems in its system, especially with regard to the use of subcontractors.⁷

According to a union member from the Lian Thai factory, "the Nike [pocket size laminated card] looks beautiful and has good words printed on it, but it is very un-specific."⁸ Many workers feel that the codes are useless.

The Nike SHAPE laminated card
(Translated from Thai version)

Nike and your employer agree to work together to follow Nike's SHAPE, regulations that are posted in the factory and which guarantee that you will receive fair treatment. The details are

- factories are to implement programs that benefit worker's health and safety;
- workers are to be paid a fair wage and provided with good benefits;
- workers' right to freedom of association must be recognized and respected;
- pay and promotion will be based solely on a person's ability; and
- regulations concerning working days and hours are to be followed.

Please contact the manager of staff representative for more information.

In order to understand why corporate codes of conduct enjoy such little credibility among labor scholars and workers, it is necessary to examine labor processes in the industry and the relationship between the transnational corporations and their subcontracted producers.

The Producers

Who are Reebok's and Nike's producers in Thailand, and what is their relationship to the transnational sportswear corporations? There are four main business groups which produce for Nike, Reebok, Adidas, and Timberland. These are the Saha Union Group, the Bangkok Rubber Group, Pan Asia Footwear, and the Wongpaitoon Group.⁹

⁷ Jaded Chaowilai, interview, 17 November 1998.

⁸ Lian Thai is an old apparel factory, established in 1972 and located in the suburb of Bangkok. It is owned by a Hong Kong businesswoman. The union was formed in 1983. The minimum wage is 162 baht in this area.

⁹ For details on Thai conglomerates, see Pasuk Phongpaichit and Chris Baker, *Thailand's Boom!*, Changmai: Silkworm, 1996.

The Saha Union Group is chaired by the former Prime Minister Anand Panyarachun. Panyarachun himself invited the Nike Company to Thailand in 1982.¹⁰ There are more than 50 separate companies under the Saha Union Group. Footwear manufacturing is only one of the more than 200 commodities produced by the group. In 1997, the group declared a net profit of 458.4 million baht on total income of 11.78 billion baht (US\$ 337 million), down from 12.64 billion baht (US\$ 361 million), or 6.9%, in 1996.¹¹ Within their shoe production sector there are three companies: Union Footwear, Union Shoes, and Unisole. These companies subcontract from Nike, Adidas, and Timberland, for which the main markets are the United States and Europe. In 1997, the total before tax income of the three footwear companies was 2.407 billion baht (US\$ 69 million), an increase of 3.4% over 1996. The companies subcontracted production of the shoe uppers to remote villages in the Northeast region of Thailand.¹²

The other two major manufacturers for the major footwear multinationals are the Bangkok Rubber Group and Pan Asia Footwear. Each is a subsidiary of the Sahapathanapibul Group. Thiem Chokwatana originally established the Sahapathanapibul Group under contract from the Japanese based Lion Company in 1942. Thiem Chokwatana later formed a joint venture with the Lion Company and expanded production into instant noodles under the brand name Mama. He also started a grocery business, which moved into manufacturing. From there he built the Sahapath conglomerate, which now produces over 70 consumer goods.¹³ The Sahapathanapibul Group, popularly known as the Sahapath group, covers many business sectors, including agricultural production, manufacturing of household, food, personal care, and baby products, as well as construction, investment, and international trade. In 1997, the Sahapath Group reported sales of 86.4 billion baht (US\$ 2.5 billion), an increase over 1996 profits of 12 billion baht (US\$ 343 million) with the net profit of 4 billion baht (US\$ 114 million).¹⁴ The Sahapath Group also has shares in nearly 40% of the garment, textile, and footwear companies registered under the Stock Exchange Market of Thailand. Bangkok Rubber Group and Pan Asia Footwear are part of the Sahapath group, which are now the largest manufacturers of shoes in Thailand, contracting to most of the major labels.

The Bangkok Rubber Group consists of 37 companies. Thiem Chokwatana's son, Mr. Narong Chokwatana, is the Vice-Chairman. The group started to produce shoes under the brand name Olympic in 1974, with registered capital of 10 million baht. Later, it established its own brand name, Pan. In 1979, the company signed an agreement with

¹⁰ Juanjai Ajanant, Faculty of Economics, Chulalongkorn University, interview, 18 August 1998.

¹¹ Before 2 July 1997, when the baht was made freely convertible, the baht was pegged at 25 to the US dollar. After 2 July 1997, the baht plunged to more than 40 to the US dollar before stabilizing in at the end of 1998 at 35. All dollar conversations given in this report are calculated at 35 baht to the US dollar.

¹² Saha Union Public Company Limited, *Annual Report 1996*, Bangkok: Saha Union Group, 1997, 31.

¹³ These include Pao, Hi-class, Pro, Sofran, Mama, Myojo, Nissing, Koka, Mermaid, Evian, Lotte, Danone, Kodomo, Salz, Bionic, Q'lean, and Tonic.

¹⁴ With the floating of the baht in July 1997 this 4 billion baht (US\$ 114 million) profit was effectively halved.

Blue Ribbon Sport Inc. to produce Nike footwear for the American and European markets. In 1987, the Bangkok Rubber Group established a new plant to subcontract for Reebok. The Bangkok Rubber Group rapidly expanded production for transnational companies. The group has diversified into many areas of production and service, including real estate, agriculture, foods and beverages, and retail, and is concentrated in the Sena Town Industrial Estate and Saharattana Nakorn Industrial Estate, both of which are in Ayuttaya Province, on the outskirts of Bangkok.

In 1996, the Bangkok Rubber Group declared capital reserves of 975 million baht (US\$ 28 million). The company's main customers are Nike, Reebok, Adidas, and Timberland. The Bangkok Rubber Group produces roughly 7 million pairs of shoes for Reebok each year. Its total income in 1997 was 4 billion baht, an increase of 2.9 billion baht (US\$ 83 million), or 71.6 %, over its 1996 income. The group's total assets exceed 7.4 billion baht (US\$ 211 million). The floating of the baht on 2 July 1997 reportedly had a negative impact on earnings. The company declared a loss of net profit of 657.45 million baht (US\$ 19 million) in 1997 due to the higher costs of imported materials. Sixty percent of the materials used by the Bangkok Rubber Group are imported, chiefly from Taiwan and South Korea, the centers of footwear production in the 1960s and 1970s.¹⁵

Pan Asia Footwear was established in 1979, a few years after the Bangkok Rubber Group. Pan Asian Footwear produces mainly for Nike footwear but also for Timberland and Adidas. The Bangkok Rubber Group, with a 33.5% stake, is the largest of its share holders. At the same time, most of the share are held by business persons within the Sahapath group. The total registered capital of the Pan Asia Footwear group rose from 10 million baht to 800 million baht between 1979 and 1997. It has expanded its business to cover many areas of shoe production, material, and sales, and to promote and expand its own brand name Pan and Tripper in the local market. Pan Asian Footwear's income in 1997 was 1.491 billion baht (US\$ 43 million). Local sales consisted of 75.845 million baht (US\$ 2.2 million), while income from subcontracting for Nike and other brand names was 1.287 billion (US\$ 37 million) with the net profit of 212.64 million baht (US\$ 6 million), on 18.48% increase from 1996. Its total assets are 3.191 billion baht (US\$ 89 million).¹⁶ Pan Asia Footwear reported that 72% of production cost went to materials, 20% to its management, and 8% to labor.¹⁷ Since Pan Asia Footwear mainly produces Nike products, its main competitors are the Union Footwear and Union Industrial of the Saha Union Group, which also produce for Nike.¹⁸

The Sahapath Group declared total assets in 1997 from shoe production in both its Bangkok Rubber Group and Pan Asia Footwear of over 10 billion baht (US\$ 286 million).¹⁹ The Sahapath Group provides shoes to almost all the big brand name footwear corporations. Therefore, the Sahapath Group has stronger bargaining power with these

¹⁵ Bangkok Rubber Public Company Limited, *Annual Report 1997*, Bangkok: Bangkok Rubber Group, 1998, 11.

¹⁶ Pan Asia Footwear Public Company Limited, *Annual Report 1997*, Bangkok: Pan Asia Footwear, 1998, 5.

¹⁷ *Ibid.*, 6.

¹⁸ *Ibid.*, 6.

¹⁹ Calculated from both companies' annual reports. *Op Cit.*

corporations than Saha Union, which produces mainly for Nike, and the Wongpaitoon Group, which produces only for Reebok. Pan Asia Footwear reports that its can sell at the highest rate of any other footwear producer in Thailand.²⁰

The Wongpaitoon Group is the sole retail agent for Reebok in Thailand. It is run by Mr. Charmsak Wongpaitoonpiya and his brothers. Mr. Charmsak is also the advisor to Deputy Minister of the Ministry of Commercial Affair, Mr. Paitoon Kaewtong. The Wongpaitoon Group started production in 1987 with 20 million baht in capital. In 1989, the Wongpaitoon Group started producing shoes for Reebok, and became one of five companies awarded Partnership Manufacturer status by Reebok International, which grants special privileges over other manufacturers. Benefits of being a Partner Manufacturer include access to information on market trends; technical collaboration; advance purchase orders; guarantees of orders of at least 80% of the production capacity or 600,000 pairs per month; and the right to select the model, which enables producers to lower production costs substantially.²¹

At present, the Wongpaitoon Group's capacity is 7.2 million pairs per year. The Siam Athletic Co. Ltd., a subsidiary of the Wongpaitoon Group, sells 710 pairs of Reebok shoes per month in their shops in Thailand.²² At the end of 1997, the company declared a loss of 756 million baht (US\$21.6 million dollar) largely due to the depreciation of the baht. Like the Bangkok Rubber Group, the Wongpaitoon Footwear Company has expanded its business to cover many areas of shoe production, from supplying materials, equipment, molds, to manufacturing and retailing under the Reebok license. The aim of this is to reduce the cost of imported materials by using local suppliers and materials. The Wongpaitoon Group has offered to build a six-story building for the Reebok's production department staff on it's own premises.

Mr. Charmsak Wongpaitoonpiya has a close personal relationship with Paul Fireman, Chairman of Reebok. On many issues, Mr. Charmsak will consult directly with Paul Fireman before consulting Reebok's local office. This relationship has caused some problems for the local and expatriate management staff of Reebok in Thailand, who have expressed their displeasure at sudden manufacturing or scheduling changes. In some cases Reebok staff in Thailand have been relocated, with 24 hours, over conflicts with the Wongpaitoonpiya family.

These three major footwear transnational corporations were not greatly affected by the economic crisis, while their producers reported large losses. According to the annual reports of the producers in Thailand for 1997, the Bangkok Rubber Group, Pan Asia Footwear, and the Wongpaitoon Group reported losses on the exchange rate of 657.45

²⁰ This claim is based on Pan Asia Footwear's fee on board price, the cost of production, packing, and delivery to the harbor. The customer handles all shipping and customs costs unless the manufacturer fails to meet the agreed deadline for shipping.

²¹ Wongpaitoon Group Public Company Limited, *Annual Report 1997*, Bangkok: Wongpaitoon Group Public Company, 1998, 10.

²² *Ibid*, 18.

million baht (US\$ 18.8 million), 271.00 million baht (US\$ 7.7 million), and 757.87 million baht (US\$ 21.7 million) respectively. However, their customers, Reebok, Adidas, and Nike, reported their net incomes for 1997 as 135.1 million, 258.5 million, and 399.6 million, respectively.²³ Nike reported a drop in profit and announced the redundancy of 2,000 management positions worldwide. Reebok also made managers redundant. Many of the redundancies were expatriates who had been enjoying benefits such as high salaries, housing allowances and maids, international school subsidy for the children, car expenses, personal drivers, and international transportation. These expatriates are replaced by local staff who is not entitled to any of these benefits. In Thailand, only over the last two to three years have companies like Reebok promoted local people to management positions.

In April 1998, the Wongpaitoon Footwear Company arranged a US\$ 100 million five-year loan from Daiwa Securities, a Japanese financial institution. According to Gerard Greenfield, research officer of the International Union of Food and Allied Workers in Asia and the Pacific,

securitization of future export earnings, and the new relationship of dependency on Daiwa as well as Reebok, adds another set of pressures which are passed on to workers in the form of a higher rate of exploitation. In addition, proponents of codes of conduct may also need to consider what impact this may have on the space for Reebok's code of conduct to be implemented. Given the iron cage of debt that Wongpaitoon is locked into, it seems that it is not just Reebok but Daiwa Securities too which holds a certain degree of power over the condition under which workers are exploited.²⁴

As of June 1998, Reebok was subcontracting production to seven footwear manufacturers under the Bangkok Rubber Group and Wongpaitoon Group, indirectly employing about 20,000 workers.²⁵ Reebok also subcontracts to 19 apparel manufacturers, which are small and medium side companies, employing a total of 15,600 workers.²⁶ As will be discussed below, codes of conduct have not been seriously applied to either the apparel or footwear industries.

²³ www.hoovers.com/cg...n/brand_nyt_mlist.cgi?co_name=adidas, accessed 20 October 1998; www.hoovers.com/cg...n/brand_nyt_mlist.cgi?co_name=nike; accessed 20 October 1998; and www.hoovers.com/cg...n/brand_nyt_mlist.cgi?co_name=reebok, accessed on 20 October 1998

²⁴ e-mail posting to iufasia@peg.apc.org from amrc@hk.super.net, 15 May 1998.

²⁵ The Bangkok Rubber Group has numerous subcontractors in villages in Uthai Thani, Chainart, Ayutthaya, Suphanburi, and Pichit, provinces in central Thailand. These are managed by Rungsit Footwear [RFC], Bangkok Rubber Sena 1 [SEN], Bangkok Rubber Sena 2 [SAN], Innovation [INF], and Innovation Nakornlaug [INN] of Bangkok Rubber Group. Wongpaitoon and Siam Unisole is managed by the Wongpaitoon Group.

²⁶ In footwear production, a subcontracting manufacturer will produce for different transnational companies simultaneously. For example, a factory in the Sena area within the Bangkok Rubber group, produces vulcanized rubber for Adidas, Nike, and Reebok.

The Labor Force

Over 80% of the labor force in the footwear and apparel industry in Thailand are female. Over 80% of these women are unmarried. Employers favor unmarried women because they are easier to exploit and to dismiss and because employers want to avoid giving paid maternity leave.²⁷ Previously, female employees were asked to give urine samples when applying for jobs so that applications from pregnant women could be rejected. Job applicants are still asked if they are married. Often, if new workers, who are recognized under law as regular employees only after a four-month probation period, became pregnant, they are fired.

In the footwear industry, male laborers usual work in outer sole production which requires lifting heavy molds and pressing hot rubber. Men also work in cutting and packing. Workers in these areas of the production process receive 20 to 30 baht (US\$ 0.57 to 0.89) per day more than other workers. Thus, male workers generally earn more than female workers. Some women apply to work in these areas, so that they can earn higher wages. Siam Unisole, a subsidiary of the Wongpaitoon Footwear Company, in addition to manufacturing footwear, produces outer-soles and rubber pressings, supplies both Wongpaitoon and their own manufacturing division. Because of the heavier work required, Siam Unisole employs a greater ratio of men to women. However, 65% of the work force is still female.²⁸ In Wongpaitoon, female workers comprise 82% of the labor force.

The Bangkok Rubber Group is located in Ayuttaya Province, just outside of Bangkok. Workers there come mostly from the nearby districts and provinces. The minimum wage in Ayuttaya province is 130 baht (US\$ 3.50) per day, lower than the Bangkok area which is 162 baht (US\$ 4.38). As the Wongpaitoon Group manufactures in the Bangkok area, the minimum wage there is 162 baht per day.²⁹ Although many of the areas where workers produce footwear fall just outside of Bangkok, where the minimum wage is lower, the cost of living is similar to that of Bangkok. Overtime pay and bonuses are crucial for workers because regular wages are very low. Pan Asia Footwear assured its clients in its annual report in 1998 that, due to the economic recession in Thailand, there would be no further increase in the minimum wage in 1998.³⁰ The company was right. The minimum wage has remained the same for the past 18 months even though consumer prices have increased dramatically.

²⁷ Under Thai labor law, mothers who are regular employees are entitled to 90 days of paid leave, shared by the Ministry of Labor and Social Welfare and the employer.

²⁸ Siam Unisole's workers report sheet for 22 April 1998.

²⁹ This minimum wage rate has been in effect since 1 January 1998.

³⁰ Pan Asia Footwear, *Annual Report 1997*, 7.



Siam Unisole employees in the stitching line. This photograph was taken after the introduction of personal protective equipment.

Although the facilities are in urban areas, most workers in Wongpaitoon group are from villages in the remote provinces, especially in the Northeast region of Thailand. Workers are generally poorly educated. In Siam Unisole, 57% of workers completed primary school. Only 35% have an education to the secondary school level. Education attainment among workers in Wongpaitoon is also low;

65% finished primary school; 25% completed M 3 [grade 9] and only 4.7 % completed M 6 [grade 12] at the secondary school level.³¹

As footwear producing does not required high skill, many workers seek initial employment in the industry to develop their skills for better paying jobs in other manufacturing sectors, especially in the electronics sector. According to management, one of the biggest problems in the footwear industry is high employee turnover. High employee turnover has an impact on the quality and quantity of production. This is different from the apparel industry where manufacturers normally terminate workers just before their four-month probation period is complete so as to avoid contractual obligations to workers. Although footwear manufacturing does not demand highly skilled workers, it is necessary for workers to develop shoe production skills. New workers need to receive some job training. Apart from productivity considerations, the high rate of turn-over among a capital scarce segment of the population, indicates that working conditions are poor and health hazards are great. If workers were minimally satisfied with their working conditions and their income, they would not resign. Since the economic recession, employee turnover has diminished. Large numbers of workers have been laid-off, especially in labor intensive industries such as garment and textile production. The Ministry of Labor and Social Welfare estimates that at the end of 1999 there will be approximately 2.36 million people, 7% of the total labor force, unemployed.³²

³¹ Wongpaitoon's workers report sheet for 16 February 1998.

³² Arom Pongpangan Foundation, "Workers Comply with Government, Reducing Unemployment to 1.01 million," *Labour Review*, (April 1999), 24, citing *Krungthep Thurakit* [Business Bangkok], (31 March 1999), 11.

In both the Bangkok Rubber Group and Wongpaitoon Footwear Company, the majorities of the workers are under the age of thirty and have been working in the factories for fewer than three years. In Siam Unisole, for example, over 60% of workers are between 20 and 25 years of age. Of the total work force at Siam Unisole, 61% has worked for less than 1 year, and 22% of workers have only 1 to 3 years' experience. In Wongpaitoon, 55% of the workforce is between 20 and 25 years of age. More than forty percent is in their first year work. At the closing of the Piyavat factory, workers were transferred to Wongpaitoon Footwear Company, bringing the proportion of workers with more than five years at Wongpaitoon to 22%.

Labor Processes

Mr. Narong Chokwatana of the Bangkok Rubber Group introduced labor management mechanisms now applied throughout the Bangkok Rubber Group. For example, he created a "satellite" program in which manufacturers subcontract production to smaller factories in villages so as to provide employment there. Many workers appreciate not having to move to congested and expensive urban areas. At the same time, the company saves on labor costs. Workers in these remote areas are paid a minimum wage of 130 baht (US\$ 3.71) per day.



Workers using cleaning solvents without protective gloves. The heat in the factory makes the use of plastic gloves intolerable.

Mr. Narong also instituted a system by which wages are calculated according to specified target rates of work activity. Many workers in the main manufacturing units can reach the target and receive wages which are higher than the minimum wage. However, some workers, especially those in the Bangkok Rubber Group's subcontracting communities, receive less than the minimum wage even while working in excess of the maximum overtime. Payment at an hourly rate calculated by fulfillment of productivity norms, rather than according to hours worked, satisfies many workers in the main factories in the industrial town in Sena Area, but not in the subcontracted community factories where the workers have fewer mass-production related skills. In the Bangkok Rubber Group's Rungsit Footwear in Sena district, workers occasionally received more than the minimum wage. In Uthai Thani province the workers in most of the village subcontracting communities were underpaid for over time, from 1.5 % to 36% of the minimum wage.

Although, the Bangkok Rubber Group management explained the underpayment as an error in recording, the company has yet to resolve the problem.

The adoption of the target rate system at other manufacturers has been decidedly less welcome. The application of strict target rates has made it difficult for even experienced workers to work at a pace that would ensure a minimum wage. It is especially difficult to meet target rates in the stitching section. After the introduction of the target rate system at the Wongpaitoon factory, workers who cut uppers were first expected to cut 2,400 pieces per day. If workers met that target, they would be paid for 8 hours, at the minimum wage, and 2 hours, at an overtime rate. Recently, after a Reebok manager assumed responsibility for managing the Wongpaitoon factory, the calculation of time required to meet the target rate was reduced to 8 hours. Workers often must do overtime just to meet the target rate and to receive the minimum wage.

This system makes minimum wage rates meaningless, as workers often must do overtime, effectively without pay, in order to meet mandated quotas. If workers labor at a comfortable rate and fail to meet the mandated targets, they will be issued warnings and fired within a matter of days. For many workers, the experience of working feverishly to meet the target rate is an experience similar to forced labor.

Occupational Health and Safety

One place where corporate codes of conduct have had a positive impact is in the area of occupation health and safety. The transnational corporations are particularly serious about fire safety. With every visit human rights coordinators must check fire exit and extinguishers.

Shoe production workers are exposed to many dangerous chemicals and physically hazardous environmental conditions.³³ Workers dip their hands in tubs of solvents without protective gloves. Workers in glue sections are especially vulnerable, as there is no effective protection from the toxic fumes. Many Reebok management personnel think that workers in the glue line have become addicted to the glue fumes. Many of these workers feel angry and emotional when they are not inhaling glue fumes.

Much of the protective equipment that can be used is also not appropriate and the workers do not want to use it. Although not all workers handle chemicals, are exposed to high heat, or are located in the high noise areas, the size and layout of the production facilities entail that most workers are affected from these chemicals or environments. Both the Bangkok Rubber Group and Wongpaitoon Footwear Company have been trying out the appropriate protection equipment and exchange information among themselves.

³³ Chemicals used in the industry include Hisil, ZnO, Tio2, Mbt, TMTM, Wax, PEG, Stearic, Promol PD, Teepol, Silicone, MEK, Glue 2200, 5100, 6250, primer 007, 107, 230, toluene, shellsole, MC, 112 which authorised supply by Dong Young, a Koran company

After long protest by labor activists, Nike and Reebok agreed that their producers would use water-based solvents to eliminate the carcinogenic chemical toluene. Nike and Reebok have heavily advertised this fact. However, not all of the dangerous chemicals can be eliminated. Some of the most dangerous chemicals for processing, binding, and cleaning rubber are agents which pose a serious threat to unprotected workers.



Workers stitching uppers in a Siam Unisole factory. Manufacturers provide cloth-masks to workers to satisfy the codes of conduct. However, as much of the air-born pollutants in the factories are chemical and solvent-based, these masks are of little use.

The personal protective equipment that has been supplied to workers is in many cases not suitable for the intense heat in the factories. When supplied with plastic gloves, workers' hands will be soaked with sweat after only half an hour. Therefore, workers typically refuse to use the equipment provided. Most workers can not perform their work wearing such equipment. Moreover, some equipment is inadequate to the threats to health and safety for which they are provided. For example, the cloth-masks supplied are useless against chemical fumes.

Many workers request transfers or resign because their work gives them headaches and makes them feel like vomiting. Even though codes of conduct have been in force for some time, health and safety violations are prevalent throughout the industry in Thailand. Occupational health and safety has only recently been discussed and improved. Many manufacturers still seem to think that it is acceptable for workers in stitching lines to have their hands cut by sewing needles, for workers in the pressing line to be struck by heavy machines, and workers in assembly lines to have solvent spit into their eyes. Every day, workers complain of rashes, headaches, stomachaches, and nausea. Medical check-ups, which are typically provided only once a week, if at all, attract queues of hundreds of workers. Serious accidents are also common. Most management turns a blind eye as they do with many other such occupational health and safety issues.

With Nike's focus on the environment, Bangkok Rubber Sena 1 factory, its manufacturer, thought it necessary to install waterfalls in the factories, at great expense, after Nike suggested the factory appearance needed improvement. Innovation Nakornlaug plowed significant funds into a beautiful orchid garden at their factory to please Reebok and Adidas. While the Wongpaitoon Footwear Company claims that they have spent more money in improving the factories' working environment than any other manufacturers, the Rungsit Footwear factory is better designed. Situated in an open space in the middle of the rice fields, the factory does not require extensive air ventilation.



The Wongpaitoon disadvantage is that it is located in an urban area and therefore the inside temperature is higher and the proper ventilation is difficult and expensive to provide. The Wongpaitoon Footwear Company factory's temperature is significantly higher than the outside temperature. In summer months, when the outside temperature can be up to 40 degrees Celsius, the working temperature inside the facility is difficult to bare. In the afternoon, workers used to apply baby powder to freshen up and reduce perspiration. Wongpaitoon has prohibited workers from applying baby powder, as the company claims that it soils the products. For shoe production, having an open working environment is generally better than a closed one.

Workers in the Bangkok Rubber Group factory were applying Toluene, a carcinogen, with bare hands.

Rungsit Footwear, a part of the Bangkok Rubber Group, being one of the coolest factories, is well regarded among workers of the industry. Many workers from the Bangkok Rubber Group group have gone to work for Rungsit Footwear. In an effort to reduce the numbers of workers migrating to Rungsit, the Bangkok Rubber Group declared that workers who resigned from their manufacturing operations would not be re-employed for a period of three months.

Codes of Conduct in the Apparel Industry

Labor practices in the apparel industry are quite different from those of the footwear industry. The capital required to set up an apparel manufacturing unit is lower than the footwear industry. Therefore, apparel is mostly produced in small and medium sized businesses and in sweatshops. There are few skills or materials required. Generally, the apparel manufacturers produce for many different brand-names and therefore the incentive to follow codes of conduct is very limited. Since apparel manufacturers have

been operating in Thailand longer than the footwear industry, many manufacturers, including Par Garment, Eden Group, and Lian Thai, for example, have workers' unions. Apparel manufacturers dislike unions. The Austrian-owned Eden Group, for example, where a union had organized in the late 1980s, closed down operations in September 1996 without paying any compensation to its 700 workers. The Eden Group continues to sell subcontracted products to transnational corporations, including Waltz Disney and Warner Bros. Workers' legal suits against the owner are still pending. The Par Garment company has also suppressed union activities. Par Garment produces for nearly 20 brand-name products, including Nike and Adidas sportswear, have violated many labor rights. For example, the company fired union members without paying compensation, subcontracting production to sweatshops where workers are not protected by law.

Enforcement of codes of conduct in the apparel industry is very weak and performed only on a voluntary basis. Thus, not many of the apparel producers follow codes of conduct. Although there are not many dangerous chemicals used in the apparel sector, the apparel sector is one of the worst violators of workers' rights. In apparel factories, workers are often expected to work more than 60 hours per week. Reebok human rights teams know that the apparel manufacturers violate their codes of conduct, but they choose not to act because the companies in the apparel sector do not need the Reebok orders, as they have many other companies willing to purchase from them. Instead of canceling their orders and finding another manufacturer, the apparel corporations ignore the problem.

The contrast between labor conditions in the footwear and the apparel sectors suggests that a reliable relationship between transnational companies and subcontracted producers is prerequisite to the effective implementation of corporate codes of conduct. The experience of workers at Wongpaitoon, however, demonstrated that management at transnational corporations must also be attentive to the labor policies of their producers and subcontractors. It is unacceptable for transnational corporations to claim that they are not responsible for the practices of their so-called vendors. Transnational corporations which do not wish to take responsibility for their producers' labor practices should not advertise that they have corporate codes of conduct.

Labor practices within the Lian Thai company help to illustrate the conditions within the apparel sector. Lian Thai employs approximately 700 hundred workers and subcontracts their orders to more than 40 sweatshops in the Bangkok area and in Burirum and Ubon Ratchathani, in the Northeast. Often the quality of the products produced by these small subcontractors is so poor that the products must be repaired in the main factories. Workers from Lian Thai, which produce sportswear for Nike, Reebok and Adidas, claim that they have been working at least 4 to 6 hours of overtime every day for the past year and on most Sundays. If orders are high, they work until morning. Every week many workers suffer serious cuts and injuries to their hands, including broken bones, from industrial sewing machines.³⁴

³⁴ Lian Thai union members, interview, 28 December 1998.

It is the usual practice of Lian Thai to fire workers before the completion of the four-month probation period. Just before this period is completed, the workers are dismissed and asked to re-apply for their job if they would like to continue their employment. Lian Thai can then avoid being held responsible for workers, such as the payment of medical insurance, under Thai labor law.

The union at Lian Thai no longer has any power to negotiate with management. Workers with less than one year of work experience at Lian Thai who applied for union membership were dismissed. The union now has to avoid accepting membership applications from workers with less than one year's experience.

Violations of the Right to Association at Par Garment

The apparel industry has seen increased subcontracting to sweatshop, reduction of employment of regular workers, and moves to crush union organizing. The experience of workers at Par Garment Apparel Manufacturer illustrates this trend. Par Garment Co. Ltd is a medium size manufacturer, based in Phatumthani. It produces shirts and sportswear for nearly 20 transnational companies, including Nike, Adidas, the Gap, Old Navy, Champion, Karet Francisca, Chicago, Britannia, London Fog, Fila, and Gymboree. Mr. Apiwat Rattanamongkla, the nephew of textile magnate. Mr. Sukree established the company in 1987, with capital of 14 million baht, and employed over 800 workers.³⁵ Par Garment's property alone is valued at over 288 million baht (US\$ 8.2 million).³⁶

Over the last ten years, the company has expanded its' business to another three subsidiaries, the Par M Co. Ltd. in 1991, the Par Consortium Co. Ltd. in 1992, and the Monthinee Co. Ltd. in 1992. However, the growing prosperity of the business is not reflected in the welfare and security of the employees. A large number of workers have been laid-off since 1995 from Par Garment manufacturers as the company is subcontracting orders to small sweatshops. The number of regular workers has declined as business has grown. In 1995, there were 500 regular workers, but as of October 1998, when additional batch of 70 workers were laid-off, there were only 200 workers remaining at Par Garment Co. Ltd.

The Par Garment owner has long and much exploited its workers by giving underpayment, denying... pay[ment of] overtime wages, [requiring] forced overtime [work], providing none of the working welfare necessary under laws. Employees were made to work in shifts, which each lasted for straight 12 hours with strict permission time to use the toilet. Women workers were also sexually harassed and violated.³⁷

³⁵ Pasuk Phongpaichit and Chris Baker, *Thailand's Boom!*, Chiang Mai: Silkworm Books, 1996, 18.

³⁶ The Par Garment financial report to the Pathumthani Chamber of Commerce, 25 April 1998. This does not include the property of Par Garment's four subsidiaries.

³⁷ Asia Pacific Workers Solidarity Links, Bangkok, "The Closure of "Par Garment," mimeograph, (24 December 1997).

In 1990, the employees united to form a workers union, lead by Sripai Nontri. The management opposed the formation of the union.³⁸ Nearly all of the workers went on a 9-day strike to mobilize workers to form a union and press the management to recognize it. The 9 days strike concluded with the successful formation of a trade union on 11 June 1990. While ten years has passed, workers still receive only the minimum wage and work under very poor conditions.

In 1995, the four main Par Garment union committee, Sripai Nontri, the chairwoman of the union, Nora Putuchon, Saneh Hongtong, and Vacharee Sangsuk, were fired. Each of these four workers filed lawsuits against the employer and won their cases in the Labor court. Sripai and Saneh lost subsequent cases in the court, while Nora and Vacharee settled their case with a 60,000 baht (US\$ 1,714) settlements out of the court.

On 27 October 1997, the negotiation day between the union representatives and management, the management handed the union representatives a letter announcing the closure of manufacturing, commencing on 29 October 1997. The management claimed that the factory needed to be closed because an agreement could not be reached with the union.

“The management thought that the workers would not be able to continue the strike for so long and would give up in the end,” but the management was wrong.³⁹ Four hundred and forty nine of the 500 remaining workers of the Par Garment workers called a sit-in protest in front of the factory. A few months passed, but the employers would not come to meet with the union committee at the negotiation table. In March 1998, in the fifth month of their protest, the union committee met with the Prime Minister to seek his help. The Prime Minister ordered the Minister of Labor and Social Welfare to help urgently settle the case. Then on 13 March 1998, the employer attended a meeting with the union for the first time and the case was settled; the manufacturer agreed to re-open operations on 22 April 1998, and not to take any action against the demonstration workers. During the six month protest, workers received much support from both local labor unions and international labor institutions. Asia Pacific Workers’ Solidarity Links assisted in a letter writing campaign to the Thai Prime Minister and publicized the problem throughout its network. However, when the manufacture re-opened on 22 April 1998, only 318 workers return to work.

Although the agreement was written in the labor office and an officer of the Ministry had signed as a witness, only one month after the operation of the manufacture, on 25 May 1998, the personal manager posted two announcements. The first announced the dismissal of the 24 workers who had organized the demonstration and disrupted production. The workers, accused of inciting other workers to strike, were dismissed

³⁸ The Par Garment workers union members, who are mostly women, were one of the leading union in the Rungsit Industrial Area. The union has joined the Young Christian Workers activities and share its offices. Sripai Nonsri and Saneh Hongtong are now working for the Young Christian Workers – Thailand.

³⁹ Par Garment Workers’ Union Committee member, interview, 24 December 1998.

without any compensation. The second notice announced that the manufacturer had filed a law suit in the labor court asking for the dismissal of the six union committee members. The manufacturer agreed to pay wages to the six, on the condition that they did not come to the factory premises until the day of their dismissal. After the announcement from the management, the Par Garment Workers Union Committee sent a letter to the director of the Department for the Workers' Welfare and the Protection of Worker, the Ministry of Labor and Social Welfare requesting help.

With the help of Mr. Chat Jittipong, a lawyer from the Union for Civil Liberty, a legal aid non-governmental organization, these 24 workers and the six union committee members filed a counter suit against the employer, demanding compensation and the return of their guarantee deposit money and unpaid bonuses. The total claim was approximately 53,000 baht (US\$ 1,514 dollar) per worker. In the first trial of the 24 workers on 17 December 1998, the judge tried to persuade the workers to settle the case out of court and accept 50% of their claim. The workers rejected the judge's advice, and the cases are still pending.

Since the manufacturer produces for many transnational corporations which have codes of conduct, in particular The Gap and Nike, the manufacturer should respect workers' right to form a union. Instead, workers have not been apprised of the codes of the transnational corporations. The workers have never been interviewed or questioned by any of the transnational corporations representatives, about their working conditions. Indeed, it is very difficult for the workers to talk to the transnational corporations representatives. The manufacturer informs workers the day before the arrival of the transnational corporation representatives that

[t]he workers should not look in the eye or speak with the customers because this is an important customer, and we are to receive a big order. The management also clean up the factory and had told the workers not to leave anything on the ground the day of the visit, though it is not a practice in the daily situation.⁴⁰

Apparel products are increasingly produced under the subcontract system, employing workers in Bangkok sweatshops and in rural areas, especially from Isan, the poorest region of Thailand. According to Asia Pacific Workers' Solidarity Links, over 20 sweatshops in the Bangkok area have been contracted to produce for Par Garment.⁴¹

Many of the laid-off workers have to turn to sub-contracting of these products, although they know that they will be exploited and the wage they receive from subcontract is lower than what they received when working for the manufacturer. The sub-contract system payment is made on the amount of pieces produced. As the price is set at a very

⁴⁰ Committee member of Par Garment workers' union, interview, 11 December 1998.

⁴¹ Asia Pacific Workers' Solidarity Links, "The Closure of Par Garment Company," mimeograph, (December 1997), 3.

low rate, the workers receive less than the minimum wage. They have to work longer hours, and without labor laws for protection. They live each day of their lives in uncertainty.

Many manufacturers are attempting to work a loophole in labor law number 75 to close their manufacturing and pay only 50% of their wages. The law was passed in 1997 in response to the economic crisis, which began in 1997. Labor law number 75 states that

[i]n the event that any employer has to stop its operation, either permanently or temporary, [for] an [un]expected reason, the employer is allowed to pay the employee not less than 50 % of their wage and at the rate the employee received before the date of notice of closure and for the whole period that the employee is not working.... The employer must inform the employees and the labor officer before the day of closure.⁴²

Many manufacturers have been abusing this gap in the law by announcing the temporary closing of the manufacture when orders are low and paying only 50% of the wages to their workers. The Par Garment Manufacture have also been abusing this law. The management made an announcement on 13 September 1998 that they were going to stop operation from 26 until 29 September and then again from every Saturday until Tuesday during October and November [26 days in total]. Since the normal working wage is already low, it has been very hard for the workers to survive.

The workers are feeling so desperate, especially the workers with children. Their lives are so suffering. Many women workers who have been laid-off also are facing the situation that the husband had left them to handle the children and all the household's bills alone.... Due to the economic suppression, they are facing many kinds of family violence."⁴³

The Par Garment workers receive only the minimum wage of 162 baht per day. Workers face a very serious situation if they receive only 50% of that minimum wage. Statement by Par Garment Workers helps to illustrate their plight.

Now my elder brother has to bring rice from our field and some money to give to me because I haven't been working since May 1998. I can not even afford 200 baht for a bus to go home for this coming new year holiday. I was very strong before I came to work in this industry, and could handle hard work in the field. Since I have been working for Par Garment for almost ten years, I can no longer work in the field. Not because I do not try to working in the field. I have tried, but I have no energy left for this hard work any more. My health is getting much weaker now.⁴⁴

⁴² Ministry of Labor and Social Welfare, *Government Gazette*, 1997.

⁴³ Committee member of Par Garment workers' union, interview, 11 December 1998.

⁴⁴ Committee member of Par Garment workers' union, interview, 11 December 1998

We have been eating very poor food now...only eating salted fish and *som-tum* [papaya salad]. Since the pre-cooked food is so expensive for us - a plate of rice and curry costs 25 baht - we have to share the price of the food with friends and cook at home. But sharing with friends still costs us about 12 baht for each person...For these 12 years of working in the Par Garment, I remember there was only one time when I allow myself to see a movie in the cinema and paid 90 baht for the ticket. Though it was only 90 baht, after the movie I was regretted going because that 90 baht could enable me to buy food for 3 days.⁴⁵

Before 1997, we called for the strike because we were forced to work overtime with no opportunity to take a holiday, we wanted to go home for the holiday. But now we have so many holidays, and we have no money to go home. There is nothing in balance...I have no question why people commit suicide.⁴⁶

The employers have been applying many strategies to divide and weaken the unions. Many of the union committee members have been sued by the employers. They are also stopped from going into the factory and from working.

The Piyavat Workers' Union

The experience of the Piyavat Workers' Union demonstrates that corporate codes of conduct do not guarantee workers the right to freedom of association or collective bargaining. Piyavat Rubber Co.Ltd. was one of the first manufacturers of the Wongpaitoonpiya family. Piyavat started manufacturing in 1976, and at that time employed over 3,000 workers. The Piyavat Workers Union was established in 1981. The Wongpaitoon Group were and still are very scared of the words "trade union," because the Piyavat Workers Union had been quite active since it was established. Piyavat produced sportswear for Reebok and Converse. The production capacity was 8,000 to 10,000 pairs of shoes per day.⁴⁷ The factory closed on 7 March 1996, laying off 730 workers without compensation. Before the closing down of the factory there were 2,300 workers employed at Piyavat. By law, retrenched workers are entitled to six months' salary for the completion of three years of work, three month's salary for completion one year of work, and one month's salary for fewer than one year of work.⁴⁸

⁴⁵ Committee member of Par Garment workers' union, interview, 11 December 1998

⁴⁶ Committee member of Par Garment workers' union, interview, 11 December 1998

⁴⁷ Arom Pongpangan Foundation, "Workers' Rights in Thailand's Sportswear Industry," October 1995.

⁴⁸ Ministry of Labor and Social Welfare, *Government Gazette*, volume 112, special issued part 18d, 1 June 1995. Labor Protection Law (no. 14), article 46.

The Piyavat factory was in very poor condition, one of the main buildings, a five-story structure had little fire protection equipment and had caught fire on several occasions. On these grounds, Piyavat closed the factory. However, before closing, the management had started transferring 800 mostly non-union workers to the Wongpaitoon manufacture for almost 4 months. After they announced the closure, applications were taken from other staff to work at Wongpaitoon. However, the Wongpaitoon rejected the 730 applicants who had been on the union committee or who had been active union members. Piyavat also refused to pay any compensation to the dismissed workers. These workers called a strike to demand compensation. According to a former employee,

the Piyavat factory was not closed down because of the poor condition of the building. The management wanted to destroy the Piyavat workers union. The Piyavat building is still being used to produce supplies for the Wongpaitoon factories without any repair of the building.⁴⁹

On 8 March 1996, the 730 laid-off workers joined the union committee members to protest against the Wongpaitoonpiya family and to demand compensation. The workers demonstrated continuously at the Parliament House, where they camped from 12 March 1996 until the case was settled on 5 April 1996. These 48 days ended after nine negotiation sessions when the Wongpaitoonpiya family agreed to pay full compensation to every worker in accordance with the law.

The case was not easily settled. The workers had been seeking support from the Prime Minister, the Minister of Labor and Social Welfare, and from labor organizations to help pressure the Wongpaitoonpiya family to come to the negotiating table. The American Federation of Labor-Confederation of Industrial Organizations (AFL-CIO) also sent a letter of complaint to Reebok, but there was no response from Reebok. According to Boonphen Saengrung, a former Piyavat workers' union committee member, "no one from Reebok helped or visited us at all during the period of our demonstration."⁵⁰

After the settlement, the former union committee members had great difficulty finding new work. This was not just because they were over 30 years old. Most factories will not hire staff over 25 years. Wongpaitoon sent their details including photographs to all manufactures in their industry. Many times their applications for work were rejected because of this. A former Piyavat worker described her experience since being dismissed.

I have changed jobs 10 times in the last year, because I can only find jobs in heavy industry or in the department stores, and I am not familiar with that type of work. I can't work in the apparel industry anymore because I have been blacklisted at all factories after our demonstration at Piyavat.⁵¹

⁴⁹ Former Piyavat workers' union committee member, interview, 9 April 1999.

⁵⁰ Former Piyavat workers' union committee member, interview, 9 April 1999.

⁵¹ Former Piyavat workers' union Secretary, interview, 25 April 1999.

Since it is difficult to get a job, nine of us have pooled our savings to buy sewing machines and organized to do subcontract work. We have nothing left after nine years of working for Piyavat. We used all the money we had earned from the past two years to buy the sewing machines.⁵²

Reebok states that they "seek business partners that share its commitment to the right of employees to establish and join organizations of their own choosing," however they still trade with the Wongpaitoon group. Producers such as Wongpaitoon fear trade unions because they violate the rights of the workers. Therefore, they suppress the union movements at any cost.

The Piyavat workers' union was the only union in the entire sportswear industry. Shutting down this union and not employing ex-union members has caused workers throughout the footwear and apparel industries to shy away from forming unions or even participate. Wongpaitoon started to transfer 800 workers who were not union members from Piyavat to work in the Wongpaitoon Footwear Company several months before the announcing the closure of Piyavat. This strongly suggests that the Wongpaitoon Footwear Company planned to close the factory in an effort to break the union and get rid of the union members. Wongpaitoon rejected the 730 applicants who were former union members that applied to work for Wongpaitoon Footwear Company after they closed Piyavat. Piyavat only paid compensation after the workers demonstrated for 48 days in front of the Government House in Bangkok. Wongpaitoon Footwear Company sent photographs and names of the former union committee members to all other organizations in the industry. The workers were effectively blacklisted and have not been able to continue working in the industry in which they were trained. Reebok officers, in contradiction to the principles professed in their code, kept quiet about the violation of their right to freedom of association.

Codes of Conduct from the Manufacturers' Perspective

The producers are components of large business groups which do not have a long-term commitment from the transnational companies which give them orders. The absence of security in their relationship between producers and transnational companies has a detrimental effect on conditions of work in the subcontracting factories. As there is no security in the order, the satisfaction of the client, whether it be Reebok, Nike, Adidas, is the most concern to the manufacturers. It is amazing to see how these manufacturers, especially the Bangkok Rubber Group which produces for Reebok, Nike, and Adidas, slavishly follow their customers' policies.

⁵² Former Piyavat workers' union committee member, interview, 9 April 1999

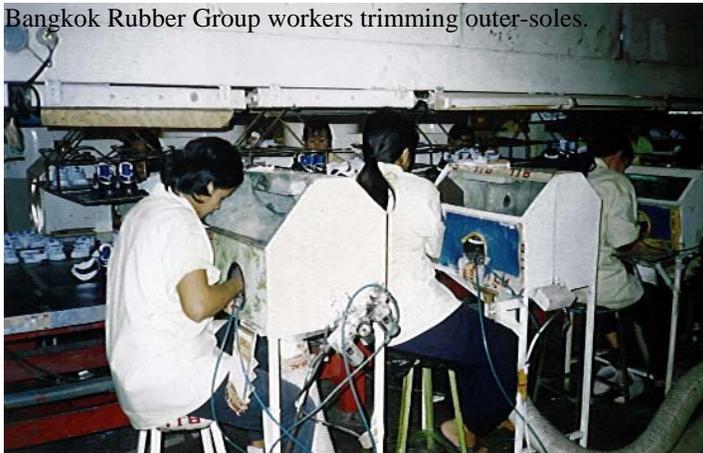
In the Bangkok Rubber Group, employers hand out separate codes of conducts to the workers. Nike's code of conduct is printed on a beautiful pocket size plastic-laminated card. Workers are asked to bring the card to the factory every day so that they might refer to them at any time. However, the principles articulated are impossibly broad and vague. For example, Nike's codes does not specify wages or working hours. Instead, the card states that workers can ask for more detail from the managers or its' representative. However, no contact information is provided on the card.

Business is naturally dependent upon orders. As orders are seasonal, there is great uncertainty in the production volumes. Therefore, the producers are always eager to maximize profit and get a quick return on investment. Unfortunately in Thailand, because there are not strong labor laws, the producers cut cost at the risk of the workers to gain a competitive advantage. Further, there is a lot of pressure from the transnational corporations for the producers to both reduce the cost of the production and to strictly follow the codes of conduct. Many producers feel that they shoulder the majority of cost of implementing codes of conduct. Without more commitment from the transnational corporations, producers are not given incentives to invest in their workers or to improve working conditions. Instead, transnational corporations cut costs of production forcing the producer to reduce the most flexible cost, labor costs.

The costs of the import materials around 60% of the total cost to produce shoe with varying exchange rates. The producer therefore has only 40% of the cost, made up of local components, premises and labor where they can attempt to reduce the costs of production. Unfortunately, this means cutting the cost on the working environment and safety, denying workers personal protective equipment, and cutting wages and welfare by manipulating the few labor laws.

The management of transnational corporations says that they care about the rights of their

Bangkok Rubber Group workers trimming outer-soles.



workers, whether they be local or subcontracted. These transnational corporations maximize profit by manufacturing in countries that have cheaper labor than their own. Maximizing profit is fine, as long as it is not at the expense of another rights. If the transnational corporations are not prepared to absorb the cost of ensuring that the rights of their subcontracted workers

are not violated, there will not be a stop to the exploitation of these workers. If transnational corporations keep trying to squeeze every penny as they do now, more and

more major name brand products will be made in sweatshops so that they can show their shareholders more and more profit.

Control of Transnational Corporations over Manufacturer

Many producers, like Bangkok Rubber Group, are under the impression that they will pay major fines - in the order of \$US 5000 - for continued violation of codes of conduct. In fact, the transnational companies do not impose any such punishment. Rather, these companies use the threat of moving their production to lower labor-cost countries, which producers generally take to mean China or Vietnam, to obtain producer compliance. Further, the producers are required to purchase materials, including the shoe boxes, imported from specified companies, even if these materials are available within the country at a lower cost.

Bangkok Rubber Group management is particularly outspoken and critical about unfair relations with the transnational footwear corporations. They believe that the transnational corporations do not take adequate responsibility for maintaining consistent orders and for matching the requested production capacities of the manufacturer. Particularly in the low season, when orders can drop by 60%, manufacturers must maintain an idle staff. However, during the peak season, although the production limit of the manufacturer has been agreed, many of the transnational corporations' orders are larger than the capacity of the producers. Thus, workers must do overtime, in some cases more than 80 working hours per week, to fill the order.

In December 1997, workers of the Sena manufacture, a part of the Bangkok Rubber Group, called a strike for two days because they did not want to work overtime anymore. They had been forced to work overtime in excess of reasonable working hours for several months. This is because Bangkok Rubber Sena 1 is the only manufacturer which produces vulcanize rubber soles for Reebok, Nike, Adidas, Timberland, and its own brand name Pan.⁵³ Because of this, they are always receiving orders from customers that exceed the factory's capacity. Management from both Reebok and the manufacturers has been heard to say "we are a business and a business has to make a profit." For the manufacturers and the transnational corporations, business always comes before human rights.

In another case, the Reebok human rights department learnt that Bangkok Rubber Group workers were working 80 hours per week to fill a Reebok order. The producer said the workers had to work excessive overtime because Reebok had placed an order, which was beyond the capacity of the producer. The human rights manager declared that, regardless of the demands of the order, the producer would need to limit workers' hours to 60 hours

⁵³ The Bangkok Rubber Group wants to create a market in Asia for their own brand name Pan. As this athletic shoe market in Asia is not yet strong, they have to do subcontracted production for foreign footwear companies.

per week. In this situation, Reebok promotes two contradictory demands. Reebok wants the manufacturers simultaneously to follow its code of conduct and to fill the order. If transnational corporations are serious about improving labor standards, then their human rights coordinators need to be concerned with the demands that the management places on the manufacturers not only with their labor practices. The manufacturer can only provide adequate terms of employment and conditions of work for their employees if it has a more stable relationship with the transnational corporation. Many transnational corporation managers and even some production managers are sincere about improving the working conditions and terms of employment of workers. The subcontracting system itself, however, is exploitative and prevents such managers from effectively improving labor conditions and terms of employment.

Violation of Codes of Conduct

The majority of the violations of the codes of conduct relate to excessive working hours, underpayment, denial of the freedom of association, suppression of trade union organizations, and inadequate occupational health and safety standards.



Piyavat workers demand compensation for over 700 laid-off workers in front of the Government House, Bangkok, March-April 1996.

The situation that Par Garment workers and union members face demonstrates that codes of conduct have not benefited many workers, especially in the apparel industry. The way that transnational corporations' labor standards are written and implemented are highly questionable. The codes of conduct state that the workers have rights, such as freedom of association and collective bargaining, however, as in the case of workers at Par Garment, the workers have had their rights denied.

The workers employed by the subcontractors are under-paid, forced to work long hours with no addition pay and no social welfare as many of the sweatshops are unregistered and therefore fall outside even the local labor law. Many of the sweatshops also employ children. Transnational corporations with conduct codes have not provided support or protection to either the workers at places such as Par Garment and Lian Thai or the workers in the sweatshops.

As manufacturers in the apparel sector produce many brand names it is very difficult to pressure the manufacturing companies to follow any codes of conduct. The manufacturer can always sell to someone else. The objective of the transnational corporations is to find the cheapest price per item, not selecting a manufacturer that provides the fairest treatment and welfare to the workers. The transnational corporations do not want to increase their costs by pressuring the manufacturer into following conduct codes. Instead, the transnational corporations tend to turn a blind eye to labor abuses. If transnational corporations are not willing to pay more for production to ensure that conduct codes are adhered to, the workers in these industries will continue to struggle to find enough money for food and clothing. Their children's education will suffer, and their health will continue to deteriorate. The workers suffer while transnational corporations continue to gain more revenue and enjoy their prosperity.

The workers who make Reebok, Nike or Adidas shoes, which cost over \$US 50 in retail outlets, never get the chance to wear them. The management, on the other hand, at the corporate offices of Reebok and Nike are given newly released shoes for free. At the minimum wage, purchasing a pair of the shoes they make is not possible. Even if they could buy them, the workers would not wear these shoes for fear of being accused by their employer of stealing them. Business is about making profit and finding the cheapest cost of production for the highest profit, but when this profit is made at the expense of the worker welfare, health, and life, it is criminal.

Can There Be Labor Rights without Labor Unions?

Corporate codes of conduct do not guarantee workers' rights to form unions. Instead, as in the case of Reebok, they provide broad statements such as "a commitment to the rights of employees to establish and join organizations of their own choosing."⁵⁴ However, in the case of the Par Garment Company, workers who were active in organizing unions were dismissed. Years later, they are still seeking compensation in court.

In 1995, Woogpaitoon closed down Piyavat, the only footwear factory in Thailand that had a one. Workers in the Wongpaitoon Footwear Company avoid talking about the

⁵⁴ Reebok Code of Conduct, mimeograph, February 1998.



Workers protest the closure of the Piyavat plant without compensation.

union. Workers who were transferred from Piyavat manufacturing before its closure deny any involvement in the Piyavat workers union.

Codes of conduct allow transnational corporations to achieve some legitimacy through non-government organizations. Reebok claims that they recruit labor activists, in their human rights

department. In fact, only one of the human rights coordinators in Reebok's Asian offices has a labor activist background. The rest are recruited from management positions within the Reebok. The human rights activities of Reebok, Nike and the other transnational corporation focus on gaining credibility in the marketplace not on protecting the rights of the production workers. This is suggested by the distribution of Reebok Human Rights Awards. Sixteen of the 50 awards presented between 1992 and 1998 went to individuals from the largest Reebok market, the United States. People in Latin America and Mexico received 11 of the awards. Thus, more than half of the awards went to the Americas. Eight awards went to Africa; seven to Asia; and two to Europe.

Nike is world-famous for its spending on advertising. Nike spends US\$650 million (22,750 billion baht) each year on advertising.⁵⁵ If only a small fraction of this had been used for workers, the lives of tens of thousands of workers would be greatly improved. US\$ 650 million would enable 11,000 workers to buy a simple house or enable three million workers to buy a television.⁵⁶ Workers spend 30 or more years working to be able to purchase a house.

⁵⁵ Charles Kernaghan, "Behind the Label: 'Made in China'," Washington, D.C.: National Labor Committee, March 1998.

⁵⁶ A simple house can be constructed for 200,000 baht. The official poverty line in Thailand is 12,764 baht per person per year in urban areas and 8,336 in rural areas. Somsak Samakitham, "Khvam Yak Jon Nai Klum Kammakon," [Poverty Among Workers], Narong Phetprasert, ed., *Khon Jon Thai*, [The Thai Poor], Bangkok: Political Economy Study Centre, Chulalongkorn University, 1998, 156, citing National Economic and Social Development Office, "Sen Khvam Yak Jon Lae Kan Chai Prayote," [The Poverty Line and How to Use it], *Newsletter*, 2: 2, (March 1998), 10.

Conclusions and Recommendations

Management in transnational corporations often claims that they are constrained from ensuring better wages and conditions of labor for the workers who produce their goods by their need to make a profit in a highly competitive marketplace. Clearly, business does require making a profit. But what are the social and moral limits to profit taking? Corporate codes of conduct, by specifying minimal labor standards, articulate these limits to profit taking. But how can these codes be made more effective? How can corporate codes of conduct be used to promote labor rights?

If management is supportive, codes of conduct can be effective. For example, Mae Sot Maharacha, a satellite factory of the Bangkok Rubber Group, employed Burmese workers at wages below the minimum until two non-governmental organizations, the Union for Civil Liberty and Burma Issues, pointed out the violation. Reebok responded by canceling its orders. Occupational health and safety in many footwear factories has also improved with the application of corporate codes of conduct. Some of the management at Wongpaitoon and Siam Unisole have tried to implement the Reebok codes to improve the working environment. Siam Unisole, for example, involves Ministry of Labor and Social Welfare officers to check their factory for excessive noise, light, and heat. The personnel management teams also engage doctors from government hospitals to give free weekly medical check-ups to the workers. Periodically, they have organized health information for the workers on AIDS, occupation health diseases, drug abuse, and workplace safety.

However, in an anonymous interview, some workers from the Wongpaitoon factory reported that "the only thing that is better now is that the factory is cooler." They went on to say that work rules are now stricter and they have lost many benefits. They said that the company announced that these measures were necessary because of their increased expenses associated with complying with the codes of conduct. Whatever the reason, manufacturers are cutting costs. Target rates are increasing while real wage rates are contracting. Before 1997, workers at the Wongpaitoon factory received several benefits. These included an annual bonus of 4,212 baht [US\$ 120.34] (26 days of pay); a monthly attendance bonus from 60 to 250 baht [US\$ 1.71 to 7.14] (depending on seniority) for regular attendance; an annual attendance bonus of 1,000 baht [US\$ 28.57]; and medical expenses. Unused medical expenses could be taken in cash. Since 1998, the bonuses have been eliminated and unused medical expense accounts are no longer available in cash. Workers need at least four uniforms per year. Previously, the employer provided these. Workers are now provided with only two uniforms and must purchase the other two. None of the workers interviewed knew the details of Reebok codes of conduct, even after several years of implementation. Nor could they recall talking to Reebok human rights staff.

Corporate codes of conduct are not designed to promote social justice or economic democracy. Codes of conduct do not address such issues as job training and promotion, job satisfaction, investment in education and health, human dignity and satisfaction at work, much less the economic policies upon which footwear and sporting goods

production in Thailand are based. Nor can codes of conduct prevent transnational corporations from shifting production to areas where workers are more easily exploited. Corporate codes of conduct are designed only to protect workers from the worst excesses of labor intensive production. However, against the relentless mechanization and dehumanization of the labor process in the apparel and footwear industries, codes can not be expected to perform even this function.

While the commitment of transnational and production managers is essential, ultimately the consumer is the key to the promotion of labor standards through corporate codes of conduct. Only with sufficient consumer consciousness, can corporate codes of conduct be instrumental in transforming labor extraction-oriented production to human investment-oriented production. Only with sufficient consumer consciousness, can corporate codes of conduct be made effective in ensuring that employers have greater commitment to their labor forces. Rather than attempting to extract maximum work with minimal investment, employers might be persuaded to invest in workers for greater productivity.

Transnational corporations and their producers should be more responsive to workers rights. Transnational corporations should give their producers written guarantees for long term contracts. The uncertainty of the month by month contract system encourages employers to extract as much as possible from workers. Transnational corporations should be more diligent in ensuring that their manufacturers respect workers' rights, especially the right to a living wage, to freedom of association, and to collective bargaining. However, if all of the cost of implementing codes of conduct is transferred to the producer, there will be early and high limits to the degree to which exploitation can be reduced.

Labor costs should be calculated upon a realistic assessment of the cost of living in the area where employees work and live. The minimum wage is inadequate, especially in and around Bangkok. Many workers can only afford to work at the minimum wage because they receive family support. Workers should be given greater job security. The working environment should conform to occupational health and safety standards. Workers should be provided with maternity leave and childcare facilities. They should not be penalized for having children.

Corporate codes of conduct alone are not sufficient to improve labor standards. While they articulate admirable ideas, corporate codes of conduct are so unspecific as to be impossible to effect. Moreover, without effective implementation and monitoring, codes of conduct amount to little. They must be accompanied by vigorous consumer campaigns and truly independent monitoring. Employers should cooperate with independent monitoring teams. Employers should promote workers' education programs related to labor rights, or at least permit other parties to teach workers about their rights. No programs or mechanisms for social justice including codes of conduct will be effective unless workers know their rights. Workers must be granted their right to organize, to form and join trade unions, and to bargain collectively.

Corporate codes of conduct must be assessed within the context of the commodification of life, increasing income inequality, exorbitant salaries and benefits for senior management, and declining real wages. When asked what recommendations they had for improving labor conditions, workers report that most of all they would like to be treated as if they are human beings.

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