



The Dollars and Sense of the Sweatfree Consortium

Non-sweatshop products don't cost much more

Academic research and apparel industry sources show that **labor costs represent a very small part—typically 1-3%—of the retail price paid by consumers.** This means that we can double the wages paid to apparel workers in developing countries—a step usually required to provide a non-poverty wage—and still have a very limited effect on what we must pay for the product. For example, on \$30 overalls, a doubling of wages would result in the price of the overalls rising to about \$30.60. Consistent with these estimates, **the City of Los Angeles estimated a low 0.7 – 2.3% increase in the cost of goods made by workers paid a “procurement living wage.”**

Sweatfree purchasing makes “very little difference” in states’ budgets

Two of the leading states in sweatfree procurement, Pennsylvania and Maine, report **“very little difference”** between the prices they used to pay before the sweatfree requirements and prices they now pay.

The Sweatfree Consortium can save state and local governments money through economies of scale

By joining with other public entities in the Sweatfree Consortium for large cooperative sweatfree purchasing contracts, state and local governments may be able to **lower their product costs by achieving economies of scale.** With the combined purchasing power of state and local governments, the Consortium will attract low bids from companies eager to capture this market. The Consortium will also keep sweatfree products affordable by making it easier for vendors to bid on sweatfree contracts through an up-to-date information clearinghouse and uniform sweatfree standards and requirements.

The Sweatfree Consortium can save state and local governments money by lowering administrative costs

By teaming up with other public entities to stop tax dollar support for sweatshops, state and local governments can ensure that there is **no duplication of government budgets and staff efforts in conducting investigations of contractors and subcontractors.**

State and local governments don't have to foot the bill

The States of Pennsylvania and Maine are showing that it is possible to raise the limited money needed to enforce a sweatfree procurement policy without new appropriations. Many state and city contracts already include small vendor fees to help cover administrative costs; Maine and Pennsylvania apply small vendor fees to their contracts to help cover the annual Consortium membership fee. We can have a voice in determining the Consortium fees and other governance issues by joining the Consortium in its early stage.

Council Communication

February 5, 2013, Business Meeting

Report on City of Ashland's Sweatfree Purchasing Policy, Program and Participation in the Sweatfree Purchasing Consortium

FROM:

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SUMMARY

The City of Ashland's Sweatfree Purchasing Policy requires that to the extent practical, uniforms and apparel are purchased from manufacturers who conform with standards intended to combat poor working conditions and hostile working environments. In FY 2011-2012, the City spent \$46,000 on uniforms. While the City requires these suppliers to provide statements of adherence to sweatfree standards and gives preference to suppliers who readily provide proof that their product meets our requirements, other compliance activities are conducted through the Sweatfree Purchasing Consortium (SPC), of which the city is a member. This report addresses staff efforts to comply with policy requirements and how participation in SPC assists with compliance. Additionally, the report explains staff's recommendation for the potential benefit of additional support to SPC including total fees of up to \$1000 per year and support of the drafted Responsible Manufacturer Program.

BACKGROUND AND POLICY IMPLICATIONS:

The City adopted Resolution No. 2008-45 for a Sweatshop Free Procurement Policy on December 16, 2008, and an administrative policy supporting the resolution on June 16, 2009. Both documents are intended to provide support to State and local governments in their fight against poor working conditions and hostile work environments around the world through collaboration and leveraged purchasing power to make changes, especially in the garment industry.

The policy requires any cost beyond 1% of annual purchases to be reported to Council. In FY 2011-2012 the City spent \$46,000 on uniforms. Per the policy the 1% threshold is \$460. City of Ashland has joined an international consortium which includes the states of Maine and Pennsylvania, cities of Austin, Milwaukee, New York, San Francisco and Portland, Oregon, to mention a few. The annual membership cost is \$500 per year at this time although the consortium is considering an increase in dues or fees to maintain a stable service to the government agencies that utilize its network. Staff requests latitude to expend up to \$1,000 per year to support this important program.

Council may recall that there have been several disasters in the garment industry recently with 115 souls perishing in a factory fire in Bangladesh. The devastating element of the fire was absence of a fire escape for a cramped work environment. SPC has called for and is supporting an investigation into the incident, in part, because there were manufacturer labels found in the remains that could represent uniforms purchased by government agencies. Attached is a summary report dated December



CITY OF ASHLAND

20, 2012, entitled *Lessons from the Factory Fires in Bangladesh and Pakistan: Principles of Social Compliance*. I think you will find it informative.

Operational efforts:

The policy includes five points to show compliance in the program. Generally speaking, they are to:

- A. require documentation from the vendor identifying production location,
- B. require a statement from the supplier of adherence to sweat free standards,
- C. require correction of violations when they are identified,
- D. give preference to those suppliers who readily provide proof their product meets requirements,
- E. document information to support purchasing decisions within guidelines of the policy.

Ashland is a very small municipality buying a relatively small amount of garments and has limited funds to ensure compliance. Staff does work at reasonably meeting all items, especially B, D and E on purchases that fit within the program however, the City has virtually no real leverage to force compliance for A and C and looks to SPC and its joint governmental efforts to effect change in those areas. SPC's performance in these areas is growing and leveraged by larger government agencies that spend more in a single purchase than Ashland does in a year or two. Ashland supports SPC efforts to add new agencies to provide greater strength. The information Ashland receives from SPC efforts helps with compliance to the policy.

Staff has spent a few hours each month supporting the consortium as well as reviewing City purchases in light of the Policy and documenting performance. The City is one of the smallest entities in the consortium, thus leveraging Ashland's purchases to steer changes in the garment industry will not happen. Joining with many other agencies to steer the industry is more effective.

The consortium held teleconferences and conducted business electronically to minimize costs. It developed databases to aid agencies of all sizes to consider existing contracts and "certified" suppliers before buying or bidding. Because Ashland purchases a small amount, comparatively speaking, this information provides anecdotal information on items purchased. It may never become absolute assurances that the items our employees wear, paid for directly or indirectly by the City, did not come from an unacceptable work environment but the cooperative work as a member of SPC provides a means of accomplishing the intent of the resolution and policy.

During FY 2011-2012 the City budgeted \$52,095 and spent \$45,639 on uniforms and apparel. Approximately 70% were bulk purchases and 18% went toward small employee reimbursements that fall outside the policy. Other expenses included 10% for cleaning and repairs that also are outside the policy.

Purchasing staff researched bids and assisted other departments in documenting purchases to raise the level of assurance that we are compliant with our Policy. This is considerable work compared to the amount of dollars spent but it is an important effort as can be seen in the attached articles.

Finally, this effort is one of awareness of working conditions and employee rights violations over the short term and improvement of conditions over the long term. The increased interest and number of participating jurisdictions is growing and beginning to generate positive influence on manufacturers through, cooperative efforts, buying power and onsite inspections. The end result will be better



working condition for employees brought about by the leveraged purchasing power and awareness nationally.

Co-operational efforts through SPC:

The Sweatfree Purchasing Consortium is in a process to finalize a Manufacturer Sweatfree Program designed to provide a straight-forward manner that manufacturers can certify compliance and garner easier access to government agencies intent on buying “sweat-free products.” This program is a win-win program for all participants, the manufacturer, the buyer and the factory worker. A draft (still subject to change) of the program document is attached as is a Q&A for government buyers and it asks agencies to go on record in accepting it with the following statement:

We, the undersigned public entities intend to recognize the Consortium’s Responsible Manufacturer Program in our bids and proposals, or in the award and contract performance stage. We believe that the program is consistent with our sweatfree purchasing requirements, will help further our goals of Sweatfree procurement, and that vendor participation in the Responsible Manufacturer Program will save time and money for both vendors and public entities.

This is another step consistent with Ashland’s policy and program and staff recommends acceptance. Any other questions or feedback Council may have can be directed to staff and passed on to the consortium.

FISCAL IMPLICATIONS:

Hard costs of membership in the consortium have been \$500 annually and could rise in the coming year. Staff support is limited to time (no travel costs have been realized to date) and efforts to raise awareness in other departments and work toward sufficient documentation to adhere to the Policy guidelines. Information garnered from the consortium is likely to help contain such costs in the future.

STAFF RECOMMENDATION AND REQUESTED ACTION:

Staff recommends continued participation in the Sweatfree Purchasing Consortium and acceptance of the proposed Responsible Manufacturer Program.

SUGGESTED MOTION:

I move to accept this report and approve participation in the Sweatfree Purchasing Consortium and Responsible Manufacturer Program through staff participation and authorize dues and fees not to exceed \$1000 per year.

ATTACHMENTS:

Lessons from the Factory Fires in Bangladesh and Pakistan: Principles of Social Compliance.
Sweatfree Purchasing Responsible Manufacturer Program – draft subject to change
Responsible Manufacturer Program Questions & Answers for Government Buyers
Resolution 2008-45 Sweatshop Free Procurement Policy
Administrative Policy 09-06.01 Sweatshop Free Procurement per Resolution 2008-45

