

SAN FRANCISCO SWEATFREE

PROCUREMENT ADVISORY GROUP

ANNUAL REPORT

2013

TABLE OF CONTENTS

Contents

Executive Summary	1
Background	7
Current Enforcement Strategies	14
Challenges to Addressing Wage Theft	25
Findings	28
Recommendations	29
Conclusion	34
Acknowledgments	35

I. Executive Summary

The Sweatfree Procurement Advisory Group is pleased to submit this report of our activities for calendar years 2012 and 2013. Our work has been strengthened in 2013 by the nomination and service of additional members, by the efforts of City staff in the Office of Contract Administration (OCA) and Office of Labor Standards Enforcement (OLSE), and by investigations performed by the Worker Rights Consortium (WRC). San Francisco continues to be a leader in the effort by local governments to fight sweatshop manufacturing. This report is a short summary of status and includes a variety of recommendations for 2014 and going forward. The City's website at <http://www.sfgsa.org/index.aspx?page=434> has a complete set of information and reports on San Francisco's efforts including the text of the Sweatfree Contracting Ordinance, compliance and factory inspection reports performed under requirements of the Ordinance, and information for vendors who want to do business with the City.

During 2014, the Sweatfree Procurement Advisory group will work with OCA, OLSE and other stakeholders to proceed on the list of recommendations in Section VI of this report.

II. Background

SAN FRANCISCO'S SWEATFREE CONTRACTING ORDINANCE AND POLICY EFFORTS

The City of San Francisco has a long-standing policy of working to support better manufacturing practices and labor conditions in the garment and textile industries. The City specifically established a “sweatfree” procurement policy and contracting effort in 2005 with the passage of Administrative Code Chapter 12U—the Sweatfree Contracting Ordinance. Since then, the Ordinance has been strengthened and other policy changes have been instituted. The City’s efforts in this area now include:

- Overall policy requirements that the City and all its departments evaluate the companies and vendors that sell garments and textiles and related goods to the City and make a broad effort to avoid participating in sweatshop manufacturing. To this end, the Sweatfree Contracting Ordinance insures that the City work to buy from and reward vendors who do not conduct or participate in sweatshop manufacturing and who make a strong effort to disclose complete information about their supply chain.
- A scoring and evaluation process for commodities subject to the Sweatfree Contracting Ordinance, which affirms compliance with the City’s core requirements regarding wages and working conditions for vendors in its bid documents and also rates vendor bids on the level of disclosure and completeness about their own supply chain and those of their subcontractors. The City’s Office of Contract Administration administers this procurement and scoring process with assistance from the Office of Labor Standards Enforcement (see Section III and Section IV below).
- A factory inspection effort currently performed through a contract between the City and the Worker Rights Consortium to conduct onsite evaluations of suppliers and report on their factory conditions, worker treatment and related issues (See Section V below).
- An advisory committee of citizens and city departments, the Sweatfree Procurement Advisory Group (SPAG), which reviews and makes recommendations regarding the City’s enforcement and compliance with the Code and works to encourage participation by the City in other government and political efforts to reduce sweatshop manufacturing and disclose clothing and textile manufacturing conditions (see list of SPAG members in Appendix A). In this area, the City is part of a group of governments working together as the Sweatfree Purchasing Consortium. Participating governments include the City of Los Angeles, Berkeley, Seattle, Portland, Milwaukee, Austin, Santa Fe and others. See information at <http://buysweatfree.org/>.
- An initiative begun in December 2013 by the Mayor and members of the Board of Supervisors to support the local textile and garment manufacturing industry in San Francisco. Working with industry partner SFMade, the City proposed changes to the Planning Code that facilitate zoning and protect space for light industrial activities and otherwise support the recent resurgence in urban manufacturing. Further efforts are planned in this area (see section 6 Recommendations).

III. The City's Procurement Process

The Sweatfree Contracting Ordinance covers "apparel, garments and corresponding accessories, materials, supplies or equipment" as well as textiles, meaning "all items of cloth that are produced by weaving, knitting, felting, sewing, or similar production processes." The Office of Contract Administration is in charge of writing specifications, conducting procurement processes and awarding contracts, with the assistance of other city department staff.

- After an initial period in which no suppliers were able to meet the Sweatfree Contracting Ordinance threshold requirements and therefore all garment and textile vendors effectively received waivers, San Francisco amended the ordinance in 2007 to create an evaluation system to allow relative rating of bids. In summary, the point system rewards vendors that meet the City's core requirements such as compliance with labor rights and standards on minimum wages, overtime, and working conditions but also rewards those that furnish complete information on their suppliers including listing all contractors and subcontractors with dollar values, their locations, and contact information together with insuring the City's right to inspect those factories and facilities.
- There are multiple levels of disclosure requested in the City's compliance forms and vendors can improve their bid score by supplying information about additional links in their supply chain. The OCA administers this point system which is applied to all procurement processes subject to the Sweatfree Contracting Ordinance. Out of a 100 point total, 30 points can be awarded for complete supply chain disclosure and 15 points for guaranteeing the City's right to inspect factories. This approach has helped differentiate between companies that are making an effort to provide information and thereby help bring their supply chain into compliance from those that are not.
- After a bid is awarded, OCA's process includes an update of compliance at each annual milestone of the contract period. The update consists of OCA going back to the vendor and asking again that the vendor provide and update their supply chain information.
- The scoring and update processes described above have improved the City's ability to compare among bids and encourage the supplier industry to disclose. However, there are substantial weaknesses in the process still and the Advisory Committee has a number of recommendations in this area (see Section VI below).

IV. OCA Reporting & Current Contracts Subject to the Sweatfree Contracting Ordinance

The Office of Contract Administration provides a periodic report to the SPAG showing all contracts that are subject to the Sweatfree Contracting Ordinance—their commodity type, status, value, bid and renewal period, and other information. During 2012 and 2013, the SPAG has worked steadily with staff in the OCA to improve this report and the spreadsheet that OCA maintains now has much more complete data. We appreciate the OCA’s staff effort in this area.

- As of November 2013, six current term contracts totaling approximately \$6.2 million in purchases of uniforms, inmate clothing, towels, mops, mats, and other items are subject to and have been scored and awarded using the Sweatfree Contracting Ordinance and OCA’s point system analysis.
- As shown below in the sample lines from an OCA report, in some cases City contracts have been awarded to vendors whose compliance score is very low. This can occur where other more compliant vendors are not able to meet other City standards or criteria such as quality or price. For example, in the City’s rental of garments, Aramark, with a compliance score of 45.4 was chosen because its bid price was more than 15% lower than the next bidder with a higher compliance score. This is an indicator of the need for requiring and improving the Compliance Plans that become part of vendor contracts.
- The OCA reports also consistently show that there is a significant amount of City business, on the order of \$1.25 million at minimum, and possibly much more, where a previous term contract for apparel, garment, and textiles has expired. For some of these items, the OCA has a current procurement process underway and the Sweatfree Contracting Ordinance will be applied to bidding. However, for others, the term contract that formerly governed the purchases has expired and no new procurement process has started. Purchases are typically made under extension or emergency provisions and effectively, long time periods pass and large dollar amounts can be expended without forward movement on sweatfree requirements. This is of concern and the Committee has recommendations in this area (see Section VI).
- Sample Lines from the OCA Sweatfree Contract Status Report

Vendor	City Agency	Commodity	Compliance Score	Annual Amount
Galls	Municipal Transportation Agency (MTA)	MUNI Uniforms	83	\$3,000,000
Galls	Parking & Traffic	Parking Uniforms	71.2	\$186,429
Aramark	Various	Garment Rental	45.4	\$1,000,000
Alsco	MTA	Garment Rental	30.2	\$1,000,000

V. Evaluation of Compliance through Direct Factory Inspections

The Sweatfree Contracting Ordinance provides that until such time as the City determines that it is able to adequately monitor compliance with the Ordinance using City personnel, the City shall contract with an independent non-profit organization to assist in monitoring contractors' compliance. The City contracted with the *Worker Rights Consortium* in 2007, and since that time the organization has conducted five investigations, summarized below, of compliance with the Ordinance at factories that produce City apparel. The City uses the WRC reports by publicizing them on the SFGOV website and sharing them with other municipalities in the Sweatfree Consortium.

- **Productora Clinimex (Mexico)** – The WRC's assessment in 2010 identified noncompliance with the Sweatfree Contracting Ordinance's requirements in the areas of freedom of association, legally mandated benefits, wages and hours (with respect to voluntary overtime and the City's non-poverty wage requirement), harassment and abuse of employees, and occupational health and safety. The WRC issued recommendations for corrective action, and Productora Clinimex responded fairly positively, agreeing to take meaningful corrective action in most areas where noncompliance was identified. However, the City, for unrelated reasons, did not place further orders with the factory, and, accordingly, the WRC was not able to conduct a follow-up assessment to determine whether the factory fulfilled these commitments.
- **ITIC Apparel (Dominican Republic)** - The WRC's factory assessment in 2012 found that ITIC Apparel violated the Sweatfree Contracting Ordinance's requirements in the areas of wages and hours (with respect to the City's non-poverty wage requirement, overtime and pay errors), freedom of association, harassment and abuse (including sexual harassment), legally mandated benefits, and occupational health and safety. ITIC apparel initially agreed to work with the WRC to correct the violations, but subsequently failed to fulfill this commitment. The City vendor purchasing apparel from the factory, Robinson Textiles, refused to require the factory to remedy the violations, and the City ultimately ceased doing business with Robinson Textiles.
- **Alamode (Honduras)** - The WRC's assessment in 2012 uncovered violations of the Sweatfree Contracting Ordinance in the areas of occupational health and safety, legally mandated health care benefits, wages and hours, legally mandated terminal benefits (severance pay), harassment and abuse, and freedom of association, as well as efforts by factory management to interfere with the WRC's investigation. Fechheimer, a subcontractor to City vendor Galls, met with the WRC and the City in December 2013 and agreed to take steps to improve conditions at Alamode including training on worker rights, accident reporting and enrollment of workers in Honduras' national health care program.
- **Industrias Sinteticas (El Salvador)** – The WRC conducted an assessment of the factory in September 2013 and has submitted a report of its findings and recommendations which are currently being reviewed by the City.
- **SMC (Dominican Republic)** – The WRC conducted an assessment of the factory in September 2013 and has submitted a report of its findings and recommendations which are currently being reviewed by the City.

VI. Recommendations

- The SPAG recommends that the annual update of compliance scores for existing awarded contracts be clarified and strengthened. The OCA could specify a minimum standard such as collecting and reporting labor information for an additional number of suppliers or percentage of suppliers relative to the original information that was submitted with the bid. These specifications can appropriately be included in the Compliance Plan, which is an element of the contract.
- For contracts that have a renewal clause, the SPAG recommends that in order to renew a contract, the City require a minimum threshold of 20% improvement in the Sweatfree compliance score overall and a categorical improvement – meaning gains in both disclosure-related points and points related to the City’s core requirements.
- The SPAG recommends that the OCA set minimum thresholds that disqualify bidding companies that say no to substantive questions in the compliance forms related to important core requirements including wages, hours and overtime, and labor rights clauses.
- The SPAG has observed as noted above that commodities continue to be purchased on an emergency basis, and effectively sidestep the Sweatfree requirements due to the OCA’s inability to perform procurement processes for expired contracts. We recommend that the OCA and the Mayor’s Office address this situation by augmenting OCA staff and/or otherwise acting to support Sweatfree enforcement and follow-up by the City.
- Mayor Lee’s budget for Fiscal Years 2013-14 and 2014-15 included a pilot program within the Office of Contract Administration to encourage the purchase of products developed by local garment manufacturers that also adhere to the principles set forth in the Sweatfree Contracting Ordinance. The pilot program, currently funded at \$25,000, seeks to analyze how to make the purchase of locally manufactured garments by making the process economically feasible for local manufacturers and allowing them to compete with other garment industry manufacturers. However the OCA has not begun work on the pilot program. The SPAG recommends that the City immediately proceed on development and implementation of the local manufacture pilot program.
- The SPAG urges OLSE to issue a Request for Proposals and enter into a contract with an independent non-profit to monitor compliance with the Sweatfree Contracting Ordinance as soon as possible. The SPAG looks forward to the continuation of this important monitoring work.

Appendix A: Sweatfree Procurement Advisory Group Members

The Sweatfree Procurement Advisory Group has eleven members, with five appointed by the Mayor, five appointed by the Board of Supervisors, and one appointed by the Controller. The Sweatfree Contracting Ordinance requires that seven of the members have specific areas of experience. The members, by the type of appointment and area of required experience, are:

Mayoral Appointments

Conrad Mackerron, (Chair)

Leslie Alexander - Public representative

Manish Goyal - Experience in procurement for a public entity

John Logan - Experience as an advocate for human rights or the poor

Conchita Lozano-Batista - Experience representing employees in labor matters

Board of Supervisors Appointments

Jason Oringer (Vice Chair) - Experience representing employees in labor matters

Julienne Fisher - Public representative

Heather Franzese - Experience in procurement for a public entity

Daniel Marroquin - Experience as an advocate for human rights or the poor

Robert Rosoff - Public representative

Controller's Appointment

Peg Stevenson - Experience in finance, financial auditing, or accounting
