

Production Country Myanmar

Business Relationship

We have been working together with our Taiwanese partner since 2002. The group headquarters is located in Taiwan and they have several different production facilities:

- One in China
- Five in Vietnam
- One in Myanmar

This manufacturer is specialized in the production of a specific type of garment for us, and from the very beginning we have had this item produced in all of his facilities, as all are likewise equipped for this production.

As our business grew, we focused on production in Vietnam and Myanmar.

Why Myanmar?

Our partner began operating in Myanmar in 1999, primarily for the USA market. After the embargo to the USA came into effect in 2003, he approached VAUDE and asked if we were willing to support his production in Myanmar. Due to the USA embargo, our partner lost his business and in order to keep the workers and his production facility, our top management decided to allow orders to be placed in Myanmar as well in 2003.

Today's Situation:

We have been working together with this partner since 2002 and we currently place orders to the five factories in Vietnam and the one factory in Myanmar. All factories have the ability to make exactly the same kind of styles. For VAUDE, this means that we have one partner who is specialized in one type of garment. And for the manufacturer, it is an advantage as he can place orders equally to all his factories based on the workload. From the time our business started in 2002 until today, our business has grown steadily and we have been able to expand together with our partner. At the beginning, we placed orders at only two of his seven factories; today we are placing orders at six factories.

For each season, we create a total forecast for all styles and quantities. Together with our partner, we then split the quantity between the factories, taking work load, production capacity, lead times and our planned shipment dates into consideration. With this system we can arrange early production starts and avoid heavy peak seasons and excessive overtime.

Today the factory in Myanmar has nearly 2000 workers. VAUDE's orders make up about 36% of the total capacity. The factory in Myanmar accounts for about 11% of the total turnover amount of all VAUDE product groups.

Because we are not expanding in Myanmar at the moment, no other manufacturers that we work with are affected. The current situation with our partner is a long-term partnership, with close understanding and regular exchanges of strategies and future planning.

Due to the long term partnership and production throughout the year, we have changed the QC system in the factory. Usually our quality controlling team from Vietnam travels to the factory regularly to approve orders. In 2014 the VAUDE QC team trained the internal staff in Myanmar as to

our quality requirements. Since that time the quality control is done by the production facility. This can only be done when the brand is placing orders for a whole year, covering every month and also in low seasons.

This is a big improvement and a step forward in our collaboration.

FWF Audit

VAUDE has been a FWF member since 2010 and from the beginning has planned to audit the factory in Myanmar as early as possible.

The current problem continues to be that Myanmar lacks a proper legislative framework for establishing and enforcing minimum wages and labor standards in general.

Nevertheless, VAUDE audited the factory in November 2014 with the local partners that were available.

Result of the 1st audit:

At the moment, FWF does not have a full stakeholder network established in Myanmar. This is a long and difficult process as the country itself has just started to establish these possibilities. It is expected that this will take quite some time, but we are continuously updated by FWF about its progress in this country.

The audit took place in late 2014 and there were several findings. After personally discussing the results of the audit with the manufacturer, we established the following list of results and corrective actions:

1. Factory Management System:

There is no system in place for complaints and grievances.

- Workers should be informed and educated about the grievance procedure, every grievance and complaint should be responded to and the outcome should be documented and made known to workers.

2. Communication:

Here we had several findings:

1. The workers are not well informed nor are they aware of the FWF Code of Labor Practices and/or relevant national or local legislation.
 2. There is no orientation program or training plan established and conducted to train the employees.
- The factory shall provide orientation and training program regarding the Code of Labor Practices and Labor law. In order to support this, VAUDE will play an active role in helping to train and inform workers.
 - As there are also other FWF affiliates producing in Myanmar, discussions regarding working together to provide training are already underway.

3. Discrimination:

The factory does not have a written policy regarding discrimination.

- The factory shall establish a written policy regarding discrimination, implement it and communicate the policy to all employees.

4. Freedom of association and the right to collective bargaining:

There is no record demonstrating regular meetings between the employer and the union/workers representative.

- The factory shall set up meetings with the union/worker representative on a regular basis and the factory shall disclose the meeting minutes to all workers by posting them or making them public through other channels.

5. Payment of a living wage:

There were several findings:

As there is currently no minimum wage in Myanmar, this point could not be properly evaluated.

- The factory and VAUDE must continue to check the actual situation regarding these regulations.

The majority of workers are not aware of how their wages are calculated, nor do they understand the process.

In cases of workers damaging the production facility, there is a punishment for the workers.

- The punishment has to stop immediately at the factory.
- Furthermore, the factory shall educate and inform workers regarding how their wages are calculated.

There is currently no living wage estimate for Myanmar, but there is an estimate from FWF stakeholders.

As previously stated, there is no minimum wage enforced in Myanmar. The following information is currently available:

The recommended minimum wage from the “Myanmar Garment Manufacturer Association” is 26,000 MMK/ month.

The industry average for public employees is reported to be 50,000 MMK/month.

The Burma Campaign UK and other reports published 29,500 MMK/month as average national earnings range for garment workers in Yangon.

The World Bank International Norm states that the poverty line for Myanmar is 32,370 MMK/month.

The payroll from May to October 2014 showed that there were no differences in wages between male and female employees in the same department. They all received at least 43,000 MMK as base salary with other benefits.

Overtime during the workweek and on rest days is compensated for at double the hourly rate – the legal requirement for workers.

6. Reasonable hours of work:

The workers’ attendance records are only recorded by the Line Supervisor when the workers come to work. Therefore it was not possible to verify actual total working times.

- As the factory’s working time records must be transparent, the installation this year of an automatic time measuring sensor has already been discussed.

In the factory, employees generally work 60 hours a week. But according to workers, there was not always one day off during peak season. Occasional off record cases of working on Sundays were found (not recorded in the official workers attendance and payroll logs.) Therefore, the correct payment of these hours could not be verified as well.

- This practice was also discussed; following the rule of one day off per week is mandatory.

7. Safe and healthy work conditions:

Here we had several findings:

- Fire alarms were not installed in every building
- Fire extinguishers were not placed in visible areas
- No evidence of building and construction inspections were found
- There were no control procedures for Chemical Management and electrical safety
- PPE was not provided for necessary workplaces
- There was no evidence that lighting in working areas was monitored
- There was no first aid training taking place

Each of these points was discussed with the factory and they will be improved immediately. Safety is a very important point and improvements are easy to implement. The factory will improve all findings by mid 2015.

8. Legally binding employment relationship:

The factory does not provide a contract to all workers.

- The factory shall provide a contract or appointment letter to all workers with the content/detail of employment when they start working at the factory.

All results were discussed with the management and conclusions were made as following:

- All points which can be easily implemented must be improved within 6 months (i.e. safety)
- Member brands of FWF will probably offer collaborative trainings to the factories regarding understanding and implementing CSR in the factories in 2015. Even though there are currently no laws in Myanmar regarding CSR, there are several possibilities to implement proper CSR understanding and procedure in Myanmar.

We will provide our partner in the factory with regular updates. We have a VAUDE team handling these FWF issues and they will follow up on all steps and implementations. This will be done in meetings directly in the factory as well.

At the moment we are planning another verification audit in Myanmar by the end of 2015 in order to confirm improvements and identify issues that still need improvement. This will done be in close contact with FWF.

To find out more visit FWF directly: <http://www.fairwear.org/506/resources/>