

SAN FRANCISCO SWEATFREE

PROCUREMENT ADVISORY GROUP

ANNUAL REPORT

2016-2017

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EXECUTIVE SUMMARY

The Sweatfree Procurement Advisory Group (SPAG) submits this report of activities for calendar years 2016 and 2017. Our work during the period has been focused on trying to improve the City's ability to enforce the Sweatfree Ordinance through researching and discussing possible changes to how City contracts are solicited, scored and monitored. The Advisory Group notes that San Francisco continues to be a leader in the effort by local governments to fight sweatshop manufacturing through purchasing practices, research and advocacy. This report is a short summary of status and includes a variety of recommendations for 2018 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 Ordinance, compliance and factory inspection reports performed under requirements of the Ordinance, and information for vendors who want to do business with the City.

HISTORY AND BACKGROUND ON SAN FRANCISCO'S SWEATFREE CONTRACTING

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 Ordinance. Since then the Ordinance has been strengthened and other policy changes have been instituted. The City’s efforts in this area 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 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 gather and disclose complete information about their supply chain.
- A scoring and evaluation process for commodities subject to the Sweatfree Ordinance. The scoring affirms compliance with the City’s core requirements regarding wages and working conditions for vendors. The system rates vendor bids on the level of disclosure and completeness about their supply chain and the supply chains 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 3 and Section 4 below).
- A factory inspection effort. This effort was suspended during much of this reporting period while the City’s contract with an inspector organization lapsed. A new contract has now been executed between the City and the *Worker’s Rights Consortium* to conduct onsite evaluations of suppliers and report on their factory conditions, worker treatment and related issues (See Section 5 below). We anticipate productivity in this area during 2018.
- An advisory committee of citizens and city departments, the Sweatfree Procurement Advisory Group which reviews and makes recommendations regarding the City’s enforcement and compliance with the Code. The Committee works to encourage participation by the City in other efforts to reduce sweatshop manufacturing and disclose clothing and textile manufacturing conditions.

- 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 which facilitate zoning and protect space for light industrial activities and otherwise support a resurgence in urban light manufacturing.

CITY PROCUREMENT PROCESSES, SWEATFREE CONTRACTING AND NEW APPROACHES

The Sweatfree Ordinance covers “all items of cloth that are produced by weaving, knitting, felting sewing, or similar production processes.” This product category includes, but is not limited to cloth, sheets, pillows, pillow cases, towels, blankets, comforters, bath mats, mattress covers, table linens, cloth napkins, cleaning cloths, draperies, upholstery, rugs, and entrance mats. 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 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 systems 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 which furnish complete information on their suppliers including listing all contractors and subcontractors. Disclosures show the contract dollar values for subcontractors, factory locations, contact information, and link the disclosures to 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 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 which are making an effort to provide information and thereby help bring their supply chain into compliance from those which 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 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. The SPAG has worked steadily to seek changes to the bid scoring and disclosures structure in the hopes that new information, independent certification processes and other changes in the industry offer improvements in this area.

During calendar year 2016 and 2017, SPAG worked with a Fellow assigned to this area by the Office of Contract Administration. The Fellow performed detailed research on industry conditions, certification and compliance models, and the effects of these on the apparel industry. Using this research, the SPAG reviewed Federal models (the Berry Act, the Kissell Amendment and the Buy American Act) for their applications to San Francisco. The SPAG reviewed apparel industry and independent certification models (the Worldwide Responsible Accredited Production [WRAP], Social Accountability International [SAI], Fair Trade USA, Workers Rights Consortium certification, Free2Work, the Higg Index).

Using this research, SPAG considered a variety of models which would use these tools and certifications to try to address the weaknesses, or replace altogether, the City's current bid solicitation and scoring processes. None of these models however provided the SPAG with an approach that sufficiently matched the goals of the Sweatfree Ordinance while meeting the practical demands of the City's need to purchase commodities. We observed that the certification models in the apparel industry are improving over time and can likely offer San Francisco new tools in the future.

CONTRACTS CURRENTLY SUBJECT TO THE SWEATFREE ORDINANCE

The Office of Contract Administration provides a periodic report to the SPAG showing all contracts that are subject to the Sweatfree Ordinance—their commodity type, status, value, bid and renewal period, and other information. During 2016 and 2017, the SPAG has worked with staff in the OCA to improve this report and the spreadsheet that OCA maintains now has more complete data. We appreciate the OCA’s staff effort in this area.

As of the end of calendar year 2017, nine term contracts totaling approximately \$11 million worth of purchases of uniforms, inmate clothing, towels, mops, mats, and other items are subject to and have been scored and awarded using the Sweatfree Ordinance and OCA’s point system analysis. Two additional term contracts were under bid processes.

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 another City standards or criteria such as quality or price. This is an indicator of the need for requiring and improving the Compliance Plans that become part of vendor contracts.

OCA Sweatfree Contract Status Report 2017 – Sample – For Information Purposes

Vendor	City Agency	Commodity	Compliance Score	Annual Amount
Galls LLC	Police Dept.	Uniforms & equipment	46.9	\$596,000
Galls LLC	various	Ballistic vests	79.4	\$750,000
AlSCO Inc	various	Garment rental	100	\$1,500,000
Aramark	various	Garment rental	68	\$1,500,000

RECOMMENDATIONS AND WORKPLAN FOR 2018

Following on our research and discussion processes in 2016 and 2017, the SPAG discussed and has set up a workplan around the following recommendations:

- The SPAG recommends that the OCA set minimum threshold compliance scores that disqualify bidding companies. The thresholds should disqualify 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 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 also a categorical improvement – meaning gains in both disclosure-related points and in points related to the City’s core requirements.
- The SPAG continues to be interested in substantive changes to the scoring process. We will work with OCA to design and propose changes that reward sweatfree manufacturing more directly and focus less on disclosure as the primary measure of compliance.

APPENDIX

PRIOR EVALUATIONS OF COMPLIANCE THROUGH DIRECT FACTORY INSPECTIONS

The Sweatfree Contracting Ordinance provides that the City can contract with an independent non-profit organization to assist in monitoring contractors' compliance. The City contracted with the *Worker's Rights Consortium* from 2007 to 2015, and during that time the organization conducted five investigations, summarized below, of compliance with the Ordinance at factories that produce City apparel. These reports were publicized on the SFGOV website and were shared with other municipalities in the Sweatfree Consortium.

- (1) **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.

- (2) **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 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.

- (3) **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, prime contractor to City vendor Galls, met with WRC and the City in December 2013 and agreed to ten steps to improve conditions at Alamode including training on worker rights, accident reporting and enrollment of workers in Honduras' national health care program.

- (4) **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.

- (5) **SMC (Dominican Republic)** – The WRC conducted an assessment of the factory in September 2013 and submitted a report of its findings and recommendations.

SWEATFREE PROCUREMENT ADVISORY GROUP MEMBERSHIP

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