

stern-Reportage

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The price of decency

Millions of Asian women sew our clothing – often in miserable conditions. Twenty major companies have now come to the realisation that something has to change. Because of the women. And because of the business.



Seduno factory in Phnom Penh: Sewing for C&A and H&M

©Philipp von Dittfurth / stern



Norbert Höfler

Autor im Ressort Politik und Wirtschaft

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We can easily find out where our t-shirts, shirts, blouses, jeans and pullovers have been made. All we have to do is take a look at the label: Made in Bangladesh, India, Vietnam, Pakistan, China – _or Made in Cambodia. And everyone has an inkling of the tale of suffering that may lie behind it. It's highly likely the seamstresses were not paid fairly. That they were easily treated so badly that we'd rather not think about it. But our guilty conscience remains. A coat for 39.90 euros! How is this even possible? An autumn dress for 19.90 euros! Under what conditions was it sewn? The photo of the dusty corpses of a woman and a man recovered from the rubble of the collapsed Rana Plaza textile factory in Bangladesh in the spring of 2013 is uppermost in our minds.

Improve the lives of the seamstresses?

In the shops of C&A, H&M, Zara or Primark, customers are increasingly asking critical questions: what is your company doing to make things fairer? Why don't you just raise the prices for T-shirts and trousers by a few cents and improve the lives of the seamstresses and their families?

Yes, why don't you?

As studies conducted by the market research institute GfK reveal, ethics and morality play an important role in shopping for half of these customers. They are even prepared to pay more for clothing

produced sustainably and fairly. So as you can see, a feeling can be transformed into a real economy.

The factory is located behind high walls on the outskirts of Phnom Penh, the capital of Cambodia. A security guard opens the three metre-high steel gate to Seduno's factory site. The hall with the seamstresses is as big as a football field. Here, in 42 long rows, 2000 mostly young women sit in front of sewing machines on narrow wooden benches that are slightly bent forward. There is the sound of rattling and humming. A roar fills the hall, like the sound of surf. They manufacture 18 million garments here every year. The boss of the factory laughs, his whole body shaking in the midst of the waves of noise and humid air. "That's what it sounds like when everyone's working well", he says proudly. Some women look up and smile, slightly embarrassed. They sew hoodies for C&A and blouses for H&M that will end up being sold in Germany in a few weeks' time.

A can of Coke costs a dollar

At the markets in front of the factories, the seamstresses shop for their families. A can of Coke costs a dollar, syrup made from pressed sugar cane just a few cents. At 6 o'clock on the dot, the gates of the Dakota factory open. Workers want to get home as soon as possible. In the dark, the roads are dangerous. Accidents and deaths are commonplace.

A coloured pennant hangs above every seamstress. If it's green, she's on target. Orange means detention. During the lunch break, some lie exhausted in the shade under a truck with a shipping container on it. It's currently being loaded with goods for Europe.

At six o'clock in the evening on the dot, all the sewing machines stop. The women clock themselves out at a time recording machine using their fingerprints. Minutes later, the bright neon light in the hall goes out. Three seamstresses stay behind to talk to stern. No-one from the factory management is there, but as a friendly gesture six bottles of water have been left in a meeting room for us. The women say they can talk openly. It is apparently a good factory. There are many that are worse, they say. They work eight to ten hours a day, six days a week. Sometimes seven. If they perform well, they make about a dollar an hour. A starvation wage, even here in Cambodia. Their families can't live off their wages.

Now the interpreter translates the question: how much more would you like to earn?

The three of them look at each other in disbelief. No one's ever asked them that before. In Cambodia, the government determines how much is paid to workers in the factories –namely the minimum wage of 170 dollars a month.

Maybe five dollars?

So will anyone say anything? Finally, Phorn, the oldest in the group at 37, says, "maybe five dollars". She means five dollars more a week. Heng, the youngest, shouts, "or ten?".

Their faces beam. They're now talking about what they'd do with the money. They could buy better food, not just the cheap and sour

soups that are available for ten cents in plastic bags from the dealers in front of the factory gate.



INTERVIEW

BANGLADESCH, VIETNAM UND CHINA

**"Missstände nicht
totschweigen": Wie sich Tchibo
für Menschenrechte in
Textilfabriken einsetzt**

Von Norbert Höfler

The women eat too little, they save every cent they can, including on food. Sometimes they collapse at work. Or they could buy a used moped. Then they would no longer have to go to the factory on a truck where they have to stand on the flat-bed at the back. Those vehicles are a threat to their lives. Every week, seamstresses in Cambodia die on their way to work. Or even better: they would save the money for their children's education.

Just a few more dollars a day would make a huge difference to these women and their families. And the shirts, pullovers and trousers that they sew would actually cost only a few cents more. No consumer would feel that.

Up to 20 cents wage costs

The wage costs for a t-shirt in Cambodia are between 15 and 20 cents. Five cents more – why isn't that possible? Or even 50? So far, the companies' responses have been as follows: "Well, we don't own the factories in which the goods are manufactured" – We don't set the wages" – "But minimum wage is paid!". And when they actually answered honestly, they said, "We're not keen on giving up the profit".

So that's the way it's been.

But now a rethink is taking place. Quietly, 20 international corporate fashion groups have joined forces. C&A, H&M, Tchibo and Zara (Inditex) are involved, as is the US group PVH with its brands Tommy Hilfiger and Calvin Klein. Even the cheap fashion house Primark is taking part. They want higher wages to be paid in the textile factories. And this is the ground-breaking new thing: the companies are prepared to bear the higher costs themselves. Even if it ends up being at the expense of their own profits.

Collaboration and change

The organisation they founded together is called ACT – Action, Collaboration, Transformation. And that's exactly what this is all about: action, cooperation, change. The German Frank Hoffer, who worked for the International Labour Organisation (ILO) in various key positions for many years, is coordinating the initiative. He says: "Our concept is radically new and ambitious. It is the most promising way to improve the working conditions of many millions of textile workers." Up to now, fashion companies have had their garments sewn in the countries and factories where it is cheapest for them to do so. They intend to stop this. Capitalists breaking with the rules of capitalism.

Furthermore, fashion companies that have long hindered the trade unions from carrying out their work in their own branches are now promoting the model of collective bargaining in Asia. Trade unions and employers are negotiating the wages. The government is staying out of it. Employees are integrated into the companies' processes. They are asked and listened to. They are also allowed a

say when it comes to occupational safety, health protection or extra pay for certain work. Cambodia is the test case. If it works here, Bangladesh, Myanmar and many other countries will follow.

Cambodia, with its 16 million people, is one of the poorhouses of the world. For the past 33 years, the autocratic Prime Minister Hun Sen has ruled over it with his power clique. The most important export articles are textiles. They account for over 75 per cent of the country's trade. Every tenth t-shirt in the world bears a 'Made in Cambodia' label. The most important raw material the country has are young employees, above all women, who are prepared to graft for little money. More than 730,000 people are employed in the textile factories. The whole country is dependent on this cloth-related industry.

These companies and brands are involved

Arcadia, Asos, bestsellers (Jack & Jones), C&A, Cotton On, Debenhams, Esprit, H&M, Inditex (Zara), K Mart*, N Brown Group, New Look, Pentland, Primark, PVH (Tommy Hilfiger, Calvin Klein), Target, Tchibo, Tesco, Topman, Z-Labels (Zalando Essentials)

*in Australia and New Zealand

Behind the Cambodiana Hotel in Phnom Penh, the Mekong flows through, brown and heavy. It is the rainy season and gigantic masses of water are rolling south into the Gulf of Thailand. During the Vietnam War, war correspondents from all over the world stayed at the Cambodiana. Under the mass murderer Pol Pot, the hotel was used as a storage place for fertiliser. Following the end of the Khmer Rouge's reign of terror, the building was renovated. Now the fashion industry wants to make history here. It is mid-September and the conference rooms have been block booked for one week. Trade unionists, factory owners and government representatives are expected.

Purchasing managers from the fashion groups and experts in sustainability - the sustainability managers - are already here. Some of them are only allowed to speak to stern if they can remain anonymous. Because unpleasant truths about their industry are coming to light. The industry has reached a dead end with its production methods.

Industry barely changed for 100 years

One says: "Our industry has barely changed for 100 years. People still sit in front of sewing machines. We have become faster and have moved once around the globe with our sewing machines. It was a race to the bottom: cheap, cheaper, cheapest, from Europe to China, Vietnam, Cambodia, and soon it'll be heading to Africa. But have we modernised the industry? No! It's a scandal".

Instead, a monitoring system was developed, known as audits, to prevent the worst excesses and reassure critical consumers in Europe and North America. Independent controllers and NGOs, i.e. non-governmental organisations, were entrusted with this task. Tens of thousands of well-paid jobs were created. A plethora of watchdogs sprung up around the industry, financed by donations from consumers and the corporations themselves.

But the audits turned out to be a sham. The watchdog system hoovers up millions yet delivers little. It was not possible to remedy the shortcomings in the factories on a permanent basis. As

soon as the inspector was out of the door, another bale of cloth was back blocking the emergency exit.

During the coffee breaks, the sustainability experts talk about the battle they can't win. The heads of the auditing teams are bribed by the factory managers. They simply gloss over imminent audits. According to Transparency International, Cambodia ranks 161 out of 180 in the list of the most corrupt countries in the world.

In the Cambodiana, the young guard of textile managers is setting the tone. They call themselves "the third generation". Unlike their predecessors, they don't just want to repair the old system or cover up or trivialise grievances, they want to achieve fundamental change. Instead of relying on external controls, workers and trade unions should be strengthened in the factories. They are the first to notice when fire extinguishers are missing, seamstresses are forced to work on Sundays, overtime bonuses are not paid or women are sexually harassed.

"I imagine it's my own daughter sewing"

Jenny Fagerlin has worked as a social sustainability expert for the Swedish fashion giant H&M in India and Asia for the past ten years. She can speak freely. She says she has clear instructions from the corporate headquarters in Stockholm to push the new ACT system. She is being encouraged to support unionists. If one of the factory owners takes a stubborn position, she is permitted to threaten to withdraw orders if necessary. This quickly involves amounts in the millions. About her personal motivation, she says: "I imagine it's my own daughter sitting in front of a sewing machine. Then I ask myself 'How would I feel about that?'"

But it's not just out of kindness for other human beings that this is happening. The fashion giants are also reacting to pressure from their customers, who want to shop with a clear conscience. H&M or C&A, for example, publish a list of factories that sew for them on the Internet. At Arket, a sub-brand of H&M, the buyer can even find out the factory in which their t-shirt or trousers were made. Fashion companies and sewing factories are moving closer together. The old excuse of "we couldn't possibly know what was going on behind the factory door" simply doesn't wash anymore.

And something else is different to how it was before: the owners of the fashion companies are undergoing a generational change. Industry giants such as C&A, H&M, Tchibo and Zara are all or to a large extent family-owned companies. The children or grandchildren of the company founders do not want to be presented to the public as torturers and exploiters. A manager at the Cambodiana says, "The owning families have understood that they can't run away from their responsibilities".

New territory for everyone

However, the idea of ACT didn't originate with the top management teams of these corporations. Jenny Holdcroft, a

trade union woman with Australian roots, was the one to fire the starting gun. Holdcroft is vice president of the global trade union federation Industriall, founded in 2012. This organisation represents 50 million employees worldwide. Its president is Jörg Hofmann, head of Germany's IG Metall.

Jenny Holdcroft plops onto one of the plush green chairs in the hotel lobby. It's Friday afternoon, and she has a week full of negotiations behind her. She says, "It's new territory for everyone. We've never been so close to the goal before".

The talks have been going on for five years. Following the collapse of the Rana Plaza textile factory in Bangladesh, where more than 1100 people died and over 2000 were injured, the industry was shocked. All the controls had failed. It was the 9/11 of the fashion industry. Corporations were now ready to make fundamental changes. Holdcroft seized the opportunity and promoted a completely new approach: collective agreements for the textile industry in Asia. To her surprise, the big names in the industry got involved. Now all they had to do was clarify where the experiment should be launched.

Holdcroft remembers: "We spent a whole day consulting. It had to be a country in which there were trade unions and in which the ACT companies could exert as much pressure as possible on factory owners and the government with their purchasing power". All according to the ethos: either you take part or we'll produce our garments in other countries in future. General Information

Factories easy to spot: no windows

With C&A, H&M and Zara on board, it was clear that the country had to be Cambodia. With their orders, the corporations utilise about a third of the factories in the country.

The journey leads us to a suburb of Phnom Penh. The taxi takes almost two hours to drive 20 kilometres. Trucks, cars, tuk tuks and mopeds crawl along the eight lanes of a four-lane road through the permanent traffic jam. This city is growing at super speed. In addition to settlements of corrugated iron huts, investors from China have had office and apartment high-rises plucked out of the muddy ground. Children play in open sewers. Dead end streets lead to huge grey halls. These are the textile factories. They're easy to spot: no windows, instead large openings with fans that blow fresh air inside so that the clothes don't get musty.

Through an archway as high as a four-storey house, we head into the special economic zone. The entrance and exit are guarded by armed security guards. Right behind this is a modern office building: the headquarters of the Association of the Textile Industry in Cambodia, GMAC for short. In the lift to the executive office, quiet piano music by Chopin is playing. It's almost 38 degrees outside, barely 20 inside. The air conditioning system is soon to be supplied with solar power from the roof, the boss proudly says as he greets us.

Ken Loo, 44, is the most powerful man in Cambodia's textile industry. He represents the interests of over 560 companies. Most belong to investors from China and Hong Kong. Loo loves to talk about figures: 46 per cent of items produced are exported to

Europe, 21 to the USA, the rest to Japan, Australia and China. Business has been growing for years. But margins are shrinking. Only three to five per cent profit remains, says Loo.

"Hey, that's the way it is"

His view of the world is firmly capitalistic. For the visitors from Europe he sums it up briefly: "The young women in Cambodia have the choice of grafting hard in the rice fields in bitter poverty or hiring themselves out as seamstresses". Neither is great, but hey, that's the way it is. Loo regards the textile industry as a pioneer of globalisation. He says, "We're the first to come, and when the wages go up, we move on". For a textile factory, all you need is a large hall, sewing machines and a few thousand skilled workers, and you can get started anywhere in the world. He points to a world map behind him and says: "Yesterday it was Singapore, Korea and China, today it's Vietnam, Myanmar and Cambodia, tomorrow it'll be Africa".

He reaches into the fridge next to his desk, puts bottles of ice-cold water on the table and says theatrically: "The price of plastic water bottles is rising, the price of clothes is falling. Something isn't right here." It will be interesting to see what he thinks about the idea of having to negotiate collective agreements with trade unions as a collective bargaining partner in the future.

There are no guarantees of success

Loo smiles. He says quietly: "What is happening now is revolutionary. The philosophy behind it is revolutionary. If it is put into practice, it will change the textile industry". Up to now, fashion companies have constantly suppressed prices and at the same time demanded that workers be paid better. According to him, this is the first time he's seen something different happening. Revolutionary.

David Sävman, Head Buyer at H&M in Hong Kong, wants to push prices down further, Dakota Manager Herman Leung is focusing on good pay – and more machines Loo pauses for a long time. We wait for a "but".

And then it comes, "But we want guarantees".

Loo demands reassurance that H&M and the like won't move on in a few years because wages have risen and factories in other countries offer cheaper products.

Ken Loo says: "The factories in Cambodia are taking part in this, but the factories in Vietnam, Bangladesh and Pakistan must also do so in the foreseeable future".

And then comes the threat: "If that doesn't happen, I'm not optimistic". Loo gets up and walks to the window, he needs have a smoke. Last question: who convinced you to join the ACT?

He blows a load of cigarette smoke out the window. His answer: "I did. My board of directors is sceptical. The members of my organisation are even more so. Personally, I believe in it. If it succeeds, it'll be fantastic. Progress. I am therefore in favour of the factories being able to decide freely whether they want to

participate in ACT or not. I say: "Put the fish on the table; if it's tasty, it'll be eaten up, if it stinks, it'll stay where it is"..

This would mark a turning point

He has to go now. They're waiting for him at the Cambodiana. There, Loo learns that the fashion companies are willing to give him guarantees. A breakthrough. The trade unions are on board anyway. The Cambodian government has been for a few days now too. It is now possible that the first collective wage agreement in the Asian textile industry will be concluded this year. This would mark a turning point.

If wages increase, production must become more efficient. Some factories, such as Dakota Industrial, which has sewing factories in China, Myanmar and Cambodia, are adapting to this.

Herman Leung from Hong Kong runs the business. He leads us through the factory near Phnom Penh. The ground floor is still used in a traditional way: sewing machine after sewing machine. On the first floor a computer controls the production process. Semi-finished garments are pulled on hangers from one sewing station to another. Like an assembly line in a car factory. At Dakota, they can even tell which seamstress has made a specific garment. They could print the name on the label.

Digitisation instead of squeezing wages

"We're staying in Cambodia"

Three seamstresses show stern their pay slips. They earn between 300 and 400 dollars – considerably more than the minimum wage of 170 dollars. The company pays bonuses for good performance, gives subsidies for health insurance and covers part of their travel costs. There's even a few dollars for childcare.

The wages in the factories are usually paid out in cash at the end of the week. At Dakota, workers can load their wages onto a credit card at cash machines. This means that the money is under their control, rather than their husbands. Does Dakota make a profit? Manager Leung says, "Yes".

Will his company in Cambodia stay or move to Africa?

"We're staying put".

A team is working on a new production system. In future, fashion companies won't order specific quantities from Dakota anymore, but buy production hours via an app. This speeds up the processes and has a nice side effect: it will become even easier to invoice the wage increases directly to the employees.

However, Dakota sewing machines and computers are also powered down at six o'clock on the dot. Leung would like to have the expensive plants run in shifts. But that won't work. Travelling to work at night is too dangerous for the seamstresses, and the error rates in production were too high. In the end, it is the buyers of the fashion companies that determine which factories get the rewards. It is up to them whether this wage revolution succeeds or not.

"We no longer buy from the cheapest"

The buyers from H&M are sitting in an anonymous office tower in the centre of Hong Kong. David Sävman, head of purchasing, manages 3300 employees across the world who provide supplies for the 4800 branches and 200 online shops of the fashion giant. Sävman counts himself as one of the revolutionaries. He says, "We no longer buy from the cheapest. That's over and done with". He also says he has no problem with higher wages for the seamstresses. After all, the wages and thus the costs of each individual t-shirt will also rise for the company's competitors, Zara and C&A. So nobody has a competitive advantage. The constant downward pressure on the weakest in the chain is decreasing. That's good, he says.

But competition is still an issue with others. Sävman and his people are working to keep costs down, up the pace of the supply chain and increase profitability. At H&M they have developed a method for this which they call "Scientific Pricing". Every button, every package is optimised. They also help the factories to make processes more efficient.

Every piece of clothing was made by hand

So the race goes on, but perhaps now with a few new rules that are in the interest of the women in the factories. First in Cambodia, then hopefully everywhere within a short period of time.

As the seamstress Phorn said as she bade us farewell: "When you get back home again and see 'Made in Cambodia' on a label, then remember that every piece of clothing was made by hand. Maybe by me and the other women here. It would be nice if you could remember that the next time you wear them".

We will, we promise.

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