



FACTORY HOME: Chinese women, who came to Japan under the “technical trainee” program, were housed in this old factory in the city of Hakusan in central Japan. **REUTERS/ANTONI SLODKOWSKI**

JAPAN

Foreign interns pay the price for Japan’s labor shortage

Tokyo insists its “foreign technical interns” learn valuable skills on factories and farms. A raft of lawsuits claims they are little more than sweatshops.

BY ALEXANDRA HARNEY AND ANTONI SLODKOWSKI

JAPAN'S SWEATSHOPS IN DISGUISE

HAIMEN, CHINA/HAKUSAN, JAPAN,
JUNE 12, 2014

Wednesday, Oct. 31, 2012 was a regular work day at Kameda, a family-owned apparel factory housed in rusting corrugated metal buildings in the western Japanese city of Hakusan. For three Chinese women, it was a day of escape.

At about 6:30 that morning, Ichiro Takahara, a Japanese union organizer, rolled up outside the dormitory where the women lived. Lu Xindi, Qian Juan and Jiang Cheng were waiting - they had been secretly plotting this move for months. Takahara drove them to a convenience store and then to the local labor standards office.

The story behind their flight began three years earlier and more than 900 miles (1,440 km) away in eastern China's Jiangsu province. There, they signed up with a labor export company to work in Japan's "foreign technical intern" program, which Tokyo insists is designed to help workers from developing countries learn advanced technical skills.

In a lawsuit filed in a Japanese court, Lu, Qian and Jiang claim that rather than training them, Kameda forced them to work excessive hours at below minimum wage. In 2011, their busiest year, the women were working 16 hours a day, six days a week, with 15 minutes for lunch, according to the lawsuit and work records. For that, they were paid around \$4 per hour, according to records reviewed by Reuters.

Other former interns have made similar allegations in dozens of lawsuits filed in Japan. Their case stands out because during the time Lu, Qian and Jiang were working there, Kameda was putting pleats in Burberry clothes.

Japan is a key market for the British luxury brand, generating 12.8 percent of Burberry's pre-tax profit, or around 55 million pounds (\$92.5 million), in the year to March 31, 2013.



SEVERED TIES: Burberry terminated its relationship with Kameda in late 2012 saying the textile factory did not comply with its ethical standards. REUTERS/YUYA SHINO

“They were completely happy until they left and sued us.

Yoshihiko Kameda

The profits came from licensing arrangements, some of which date back decades. Today, Burberry maintains licensing arrangements with four Japanese companies. The largest of these is with apparel manufacturer and retailer Sanyo Shokai, a relationship that began in 1970. Though most of what Burberry produces in Japan is sold there, factories in Japan also supply two stores in Hong Kong that sell the Burberry Blue and Burberry Black lines. Kameda was putting pleats in shirts and skirts sold by Sanyo Shokai under the Burberry Black line.

Burberry declined to allow Reuters to speak to any executives directly about the Kameda case. Through a public relations agency, it issued a statement saying Burberry had asked Sanyo Shokai to

terminate its relationship with Kameda in late 2012 because Kameda was not complying with Burberry's ethical standards.

Among Kameda's other clients at this time were some of Japan's largest trading houses: Itochu <8001.T> and Mitsui Bussan Inter-Fashion (MIF), a wholly-owned subsidiary of Mitsui & Co <8031.T>. Mitsui said it was unaware of the lawsuit until Reuters contacted the company for comment; MIF said it would monitor the lawsuit and then decide about the company's relationship with Kameda. Itochu said it was not aware that Kameda employed foreign technical interns.

Kameda's website lists department store Isetan as a client. A spokesman for the retailer, now known as Mitsukoshi Isetan, said that it has only been buying women's apparel from Kameda since January.

The most recent government data show there are about 155,000 technical interns in Japan. Nearly 70 percent are from China,

where some labor recruiters require payment of bonds worth thousands of dollars to work in Japan. Interns toil in apparel and food factories, on farms and in metal-working shops. In these workplaces, labor abuse is endemic: A 2012 investigation by Japanese labor inspectors found 79 percent of companies that employed interns were violating labor laws. The Ministry of Health, Labour and Welfare said it would use strict measures, including prosecution, toward groups that repeatedly violated the laws or failed to follow its guidance in their treatment of technical interns.

Critics say foreign interns have become an exploited source of cheap labor in a country where, despite having the world's most rapidly ageing population, discussion of increased immigration is taboo. The U.S. State Department, in its 2013 Trafficking in Persons report, criticized the program's use of "extortionate contracts", restrictions on interns' movements, and the imposition of heavy fees if workers leave.

Japan faces a worsening labor shortage, not only in family-run farms and factories such as Kameda but in construction and service industries. It is a major reason that Prime Minister Shinzo Abe's administration is planning a further expansion of the trainee program.

TRAINEES, NOT WORKERS

Lu, Qian and Jiang arrived in Osaka by boat on Nov. 19, 2009. Lu was 30, Qian 28, and Jiang just 19.

The women had signed up to work in Japan with a labor export company in the city of Haimen, not far from Shanghai, called Haimen Corporation for Foreign Economic & Technical Cooperation.

A woman at the company's office who gave her name as Chen confirmed that the company sent workers to Japan to work in apparel factories. But she declined to discuss the Kameda case, or even confirm that the company had sent Lu, Qian and Jiang to Japan.



RUNNING THE PROGRAMME: The Japan International Training Cooperation Organization (JITCO), a foundation funded by the Japanese government, oversees the foreign internship programme. **REUTERS/YUYA SHINO**

12.8%

The percentage Japan contributed to Burberry's global pre-tax profits in the financial year to March 2013

Source: Burberry's corporate filings

The Haimen firm then signed an agreement with Shanghai SFECO International Business Service, a subsidiary of state-owned company China SFECO Group, according to Guan Xiaojun, head of the Japan trainee department. Shanghai SFECO signed a contract with the Ishikawa Apparel Association and sent Lu, Qian and Jiang to Japan.

Guan said Lu, Qian and Jiang probably paid about RMB30,000, or more than \$4,800, in "service fees", as well as a separate fee of RMB4,550 that would be returned to the women after three years as long as they did not violate Japanese law. Asked about the accusations in the lawsuit, Guan said her company had only dispatched the workers. "Labor disputes have nothing to

do with us," she said.

The rules of the program specified that Lu, Qian and Jiang's first year in Japan was to be devoted to training. Japanese law bars employing foreigners as unskilled laborers. But quietly, the country has been bringing in foreigners since at least the 1980s, originally to train staff of companies with operations overseas. The practice was formalized as the technical intern program in 1993.

The women received 18 days of Japanese language training in Osaka. Then, the Ishikawa Apparel Association put them on a bus for the drive to Kameda, said their lawyer, Shingo Moro.

Kameda specializes in making pleats. It had relied on foreign interns for about a decade because it couldn't find enough workers in Japan, Yoshihiko Kameda, its president, told Reuters.

The conditions the lawsuit describes are a world apart from the clean, efficient image Japan projects to the world, and a far cry from the quintessentially British reputation on which Burberry trades.

Not long after their arrival, the apparel association took the women's passports and passed them to Kameda in violation of Japanese law protecting interns' freedom of movement, according to the lawsuit. An Ishikawa Apparel Association spokeswoman, who declined to give her name, said the group does not conduct inappropriate supervision and training, but declined further comment citing the lawsuit.

At the factory, Lu, Qian and Jiang's overtime stretched to more than 100 hours a month, the lawsuit says. A timesheet prepared with data supplied by Kameda to the Japanese labor standards bureau shows Lu logged an average of 208 hours a month doing overtime and "homework" during her second year in Japan. That is equivalent to almost 16 hours a day, six days a week. Japanese labor policy considers 80 hours of overtime a month the "death by overwork" threshold.

For this, Lu earned about 400 yen, about

\$4, an hour at Kameda, the timesheet shows. The local minimum wage at the time was 691 yen an hour, and Japanese law requires a premium of as much as 50 percent of the base wage for overtime.

In addition, during lunch breaks and after work, the women were asked to do “homework”. For this, they were paid by the piece, rather than by the hour.

At night, Lu, Qian and Jiang slept in an old factory building, their lawyer says. To catch rats, Kameda brought in a cat, which brought fleas. Lu and Qian suffered so many flea bites they developed skin conditions, the lawsuit says. Evidence compiled for the lawsuit shows the women’s legs covered in bites.

REHEARSING THE INSPECTION

Like Lu, Qian and Jiang, most interns come through a program supported by the Japan International Training Cooperation Organization (JITCO), a foundation funded by the Japanese government and member groups. JITCO is also tasked with ensuring its members’ internship programs are properly run.

Kameda’s factory is in Hakusan, an industrial town of about 100,000 people on Japan’s west coast, a centre for Japan’s once booming apparel industry. That industry has largely been reduced to family-run factories, such as Kameda’s, which mostly do small orders with quick turnarounds at low margins. Around the Kameda factory are several others that employ foreign trainees from China and Southeast Asia.

In November 2011, Kameda told the interns the plant was going to be inspected by JITCO, according to testimony the women gave Takahara’s activist group. The inspection came after four Chinese interns at a nearby apparel factory – also a member of the Ishikawa Apparel Association – fled to Takahara’s shelter and filed a complaint about labor issues.

Kameda, who lives in a large house with a manicured Japanese garden opposite the

factory where he used to house the women, tried to hide their working conditions from JITCO inspectors. Kameda threatened to send them back to China if they didn’t do as they were told, according to their testimony.

The day before the inspector arrived, Kameda gave Lu, Qian and Jiang fake pay-slips, according to their testimony. Together with an interpreter and a representative from the apparel association, Kameda told them how to respond to questions from the inspector. They rehearsed their answers twice. The next day, when the inspector asked them if they still had their passports, the women knew to say that they did.

JITCO declined to comment on the Kameda case.

Asked about alleged abuses in the program, JITCO said in a statement that it will continue to provide legal protection for interns. JITCO will also help supervising organisations adhere to immigration and labor laws and regulations “by providing all kinds of advice, and through public relations such as seminars and teaching materials”.

In the interview with Reuters, Kameda said the interns approached him about how they should respond to the JITCO inspection several times. He denied coaching or threatening to send them home if they did not answer as instructed. But he acknowledged telling Lu, Qian and Jiang that they might be sent home, as workers at the nearby factory had been.

He also recalled telling the workers their overtime – which he said exceeded 100 hours a month at that time – might be a problem for the JITCO inspector. In fact, JITCO even warned him the interns were working too much overtime, Kameda said. Asked about this inspection, JITCO said it would not comment on individual cases.

Kameda acknowledged keeping some of his workers’ passports, but said it was at their request. He said the women sometimes worked 100 hours of overtime a month and may have put in as many as 173 hours.

Japan trainee programme to expand

Japan is both ageing and shrinking as it tries to emerge from two decades of economic stagnation. The construction workforce is a prime example. It has contracted by a third since its peak in 1997 and is set to continue that trend – a fifth of the workers in that industry are aged over 60.

Yet construction companies face boom times with new building projects tied to the 2020 Tokyo Olympics and rebuilding work in the areas of northern Japan destroyed by a 2011 tsunami.

The easy answer would be to open the immigration gates to foreign labor, but the Japanese public, worried about safety and the impact on their culture, are adamantly opposed. Prime Minister Shinzo Abe has found a halfway measure – expanding a controversial program that offers “trainees” from China and elsewhere work for up to three years in the world’s third largest economy.

The plan, to be unveiled later this month, contemplates letting trainees stay for up to five years, relaxes hiring rules for employers and would boost the number of jobs open to them.

It follows a government decision in April allowing construction workers who had completed their stint under the trainee program to come back for another 2-3 years as regular laborers.

While the government says it doesn’t have a specific target for the number of workers it wants to attract, the reforms amount to the biggest opening to foreign labor in many years. Abe’s economic plan specifically states that the enlargement of the program is not, however, an “immigration policy”.

Abe’s Liberal Democratic Party wants to strengthen the governance of the program with harsher penalties for companies that abused workers, and would rely on external inspectors and local governments to monitor compliance.

Kameda also said he initially paid them less than the legal wage. But he insisted the underpayment was the result of an administrative error. The additional hours and homework, he said, were provided at the women's behest. Kameda warned the workers that the hours they were working were longer than Japanese labor law allowed, but the workers expressed a "strong desire" to continue working long hours, he told Reuters.

No one from the Ishikawa Apparel Association visited Kameda prior to a JITCO inspection, the apparel group's spokeswoman said. She said she was not aware of any use of falsified payslips, or of any coaching of Kameda interns. She confirmed that the interns had complained to the association about their housing. The association, she said, asked Kameda to respond to the interns' concerns.

Lu, Qian and Jiang, who have since returned to China, declined requests for an interview. Interns who have sued their former Japanese employers can face difficulties upon returning home, including intimidation, lawsuits and penalties from the Chinese companies who sent them to Japan - and also pressure from family members ashamed of their problems overseas.

THE UNDOING

The women complained several times to Kameda about their living conditions, labor organizer Takahara says, but nothing changed until they complained to the Ishikawa Apparel Association. After the group passed on this complaint, Kameda moved the women into temporary housing while he cleaned the converted factory where they slept. It was two months before they could move back into the factory, according to Takahara.

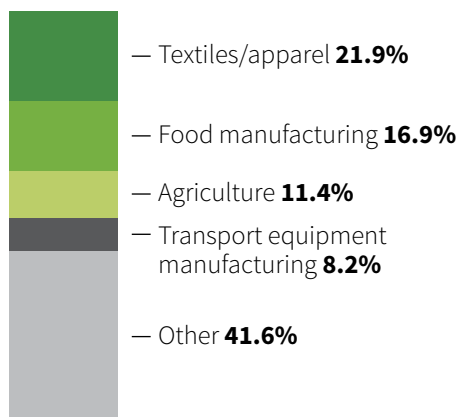
Around August 2012, the workers reached out to Takahara's group. Could he help the workers negotiate a settlement like the one the Chinese interns received at the nearby apparel factory? Through a

Sewing a gap

A majority of trainees work in the textile, clothing, and food manufacturing sectors.

YEAR ONE JITCO-SUPPORTED TECHNICAL INTERNS/TRAINEES BY INDUSTRY

Percent of total, 2012



Source: Japan International Training Cooperation Organization (JITCO).

colleague who spoke Chinese, Takahara told them they would not be able to continue to work after they filed their complaint. He advised the interns to keep working and collect evidence. Over the next few months, Takahara and his colleagues worked out a plan with the Kameda interns.

Takahara, now 62, had been involved in brokering settlements for foreign workers for more than a decade in western Japan. Over the years, Takahara, who also works as a gardener, had worked out a script that he followed several times a year with foreign interns with grievances.

Because workers who complain have been forcibly deported, Takahara and other union representatives encourage interns to fulfill their contracts. They are meticulous in their documentation: keeping time cards, sending faxes from convenience stores so there is a dated record of the communication, alerting local labor inspectors before bringing in interns to report alleged

violations to make sure staff are on hand.

The morning of their escape, Takahara drove the women from Kameda to a convenience store. There, they sent a fax to the factory requesting paid holiday until Nov. 19, the day their contract expired. Takahara then took them to the local labor standards office to testify about their experience at the factory. The inspectors were expecting them.

In late 2012, Kameda agreed to pay 1.3 million yen each to Lu, Qian and Jiang. In addition, the labor standards bureau ordered Kameda to pay 260,000 yen collectively to the three women for the "homework" they had been required to do on a piece rate. In the end, the women each received about 1.4 million yen, or nearly \$14,000 at current exchange rates, Takahara says.

Kameda told Reuters he paid the full amount the labor standards bureau demanded and did everything asked of him. He blames Takahara's group for stirring up resentment among the workers. "They were completely happy until they left and sued us," Kameda said.

Moro, the women's lawyer, says Kameda only paid what he owed the women for the second and third year of their time at his factory, and the homework settlement was not based on an accurate calculation of the hours the women worked.

On October 9, 2013, Moro filed suit on behalf of the three Chinese interns in a court in Kanazawa, naming Kameda and the Ishikawa Apparel Association as defendants. The suit asks for unpaid wages, expenses and damages for pain and suffering amounting to about 11.2 million yen, or about \$109,000.

EXPANDING THE PROGRAM

It wasn't until late 2012, after Lu, Qian and Jiang had left the factory and their complaints reported in the Mainichi newspaper, that a Burberry executive visited Kameda. Burberry asked Sanyo Shokai to terminate the relationship with Kameda "due to

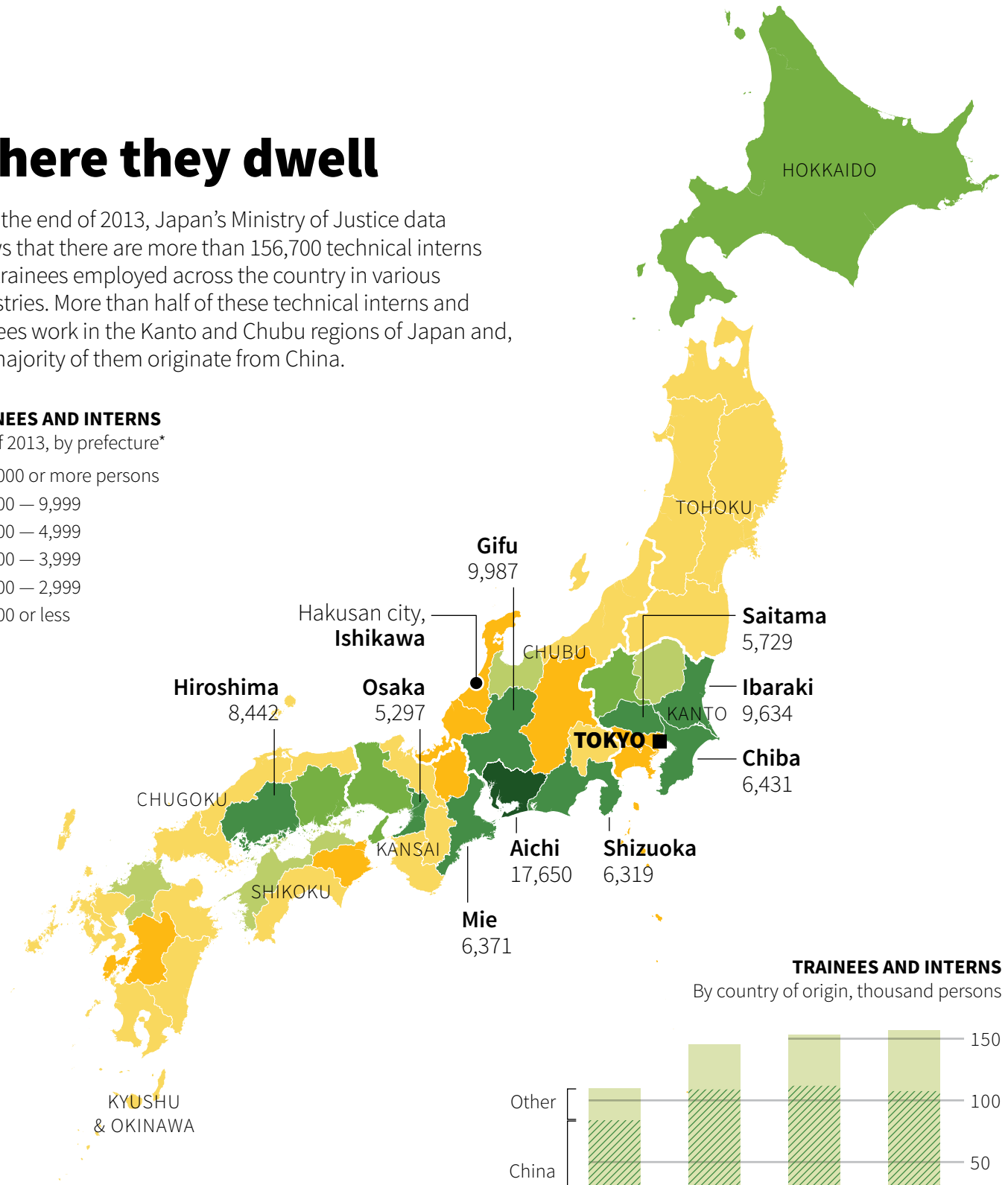
Where they dwell

As of the end of 2013, Japan's Ministry of Justice data shows that there are more than 156,700 technical interns and trainees employed across the country in various industries. More than half of these technical interns and trainees work in the Kanto and Chubu regions of Japan and, the majority of them originate from China.

TRAINEES AND INTERNS

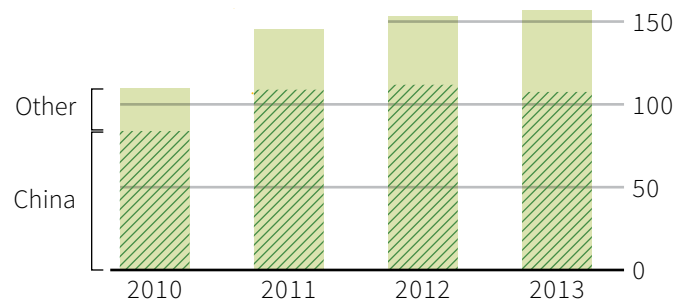
End of 2013, by prefecture*

- 10,000 or more persons
- 5,000 — 9,999
- 4,000 — 4,999
- 3,000 — 3,999
- 2,000 — 2,999
- 1,000 or less



TRAINEES AND INTERNS

By country of origin, thousand persons



* The location of 168 persons have been categorized as unknown.
Source: Immigration Bureau of Japan, Ministry of Justice.

JAPAN'S SWEATSHOPS IN DISGUISE

non-compliance and a lack of cooperation in the implementation of Burberry's ethical standards," Burberry said in its statement.

Burberry's code of conduct, which covers licensees such as Sanyo Shokai, prohibits homework and bans the use of bonded labor and the payment of "deposits" to employers. It requires factories to pay at least the national legal minimum wage and provide safe, clean accommodation for workers. Workers should not be required to work more than 48 hours a week or 11 hours a day, the code says. Overtime should be both voluntary and no more than 12 hours a week; it should not be demanded on a regular basis. Burberry also requires all factories to make sure workers keep their "passports, ID cards, bank cards and similar documents to facilitate their unhindered freedom of movement".

The luxury brand only began auditing Japanese suppliers for ethical compliance in 2009, the year Lu, Qian and Jiang arrived. Burberry's two auditors started, according to a person familiar with the company's activities, with the largest factories and those that produced finished goods.

Burberry's current licensing arrangement with Sanyo Shokai and Mitsui will expire in June 2015. Under the terms of a new license agreement, the Burberry Blue and Black labels will continue as Blue Label and Black Label, dropping the Burberry name. Burberry will continue to audit the supply chain.

Today, about 37 of the approximately 270 factories that supply Burberry branded items to licensees in Japan use foreign interns supported by JITCO. These factories employ around 307 JITCO interns. Burberry now offers training and access to a hotline in Chinese.

"Burberry takes the welfare of workers in all areas of its supply chain extremely seriously," the company said in a statement to Reuters. "In the case of foreign contract



STRETCHED WORKFORCE: Labor shortages in rapidly aging Japan have become acute, especially in the construction sector. REUTERS/YUYA SHINO

workers in particular, we are very focused on ensuring that they operate in conditions that adhere to the Burberry Ethical Trading Code of Conduct."

Japan strengthened protection for interns in 2010, putting them under Japanese labor laws for all three years of their internship. But the Japan Federation of Bar Associations, which represents more than 30,000 attorneys, argues the intern program should be scrapped on human rights grounds.

Kameda says his factory no longer employs foreign interns. He thinks Japan should drop the pretense of internships and allow foreigners to work as laborers. "Regardless of the women's requests, I regret that I didn't do things properly," he wrote in an emailed response to questions from Reuters. He intends to counsel partner factories that employ interns "so what Kameda is experiencing won't happen again."

- Additional reporting by Kevin Krolicki, James Topham and Aaron Sheldrick in Tokyo and the Shanghai newsroom. Editing by Bill Tarrant and Ian Geoghegan.

FOR MORE INFORMATION

Alexandra Harney,

Special Correspondent, China

alexandra.harney@thomsonreuters.com

Antoni Slodkowski, Correspondent, Japan

antoni.slodkowski@thomsonreuters.com

Bill Tarrant, Enterprise Editor

william.tarrant@thomsonreuters.com

Michael Williams, Global Enterprise Editor

michael.j.williams@thomsonreuters.com