

Why sweatshops won't go away

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Ten years ago, Nike Inc. became the poster child for sweatshop working conditions in its then 500 contract factories around the globe: Nike = Sweatshop.

Fast forward to 2006: Nike has gotten religion on the issue “ although it continues to sin “ but the choir of transnational corporations genuinely committed to dealing with sweatshops in their global supply chains remains just a handful. Few recognize the underlying causes of sweatshops’™ persistence, and no one has taken decisive action “ either as a company or as an industry “ to attack the fundamental problems.

Nike’s™ story

Nike’s™ trajectory is instructive because it reflects the path followed by other companies in consumer goods (sports shoes, apparel, toys, and now electronics), and it measures the distance that a few corporations have come and how far there still is to go for everyone.

For the first 20 or so years of its existence, Nike never thought much about the issue of sweatshops “ just as there are many corporations today who still don’t even acknowledge the issue. Then the anti-sweatshop movement targeted Nike as the sports shoe industry leader and the symbol of contract factory conditions throughout Asia, Africa and the Americas.

Nike first denied sweatshop conditions existed. Then it denied its responsibility after factory sweatshops were irrefutably established by one report after another. Then, in May 1998, Nike bit the bullet acknowledging its responsibility. Since then the company has:

- systematically applied its “Code of Conduct” (first developed in 1992 and updated since) to supplier factories;
- expanded its “Corporate Responsibility” (CR) department to approximately 100 staff members;
- conducted two levels of annual monitoring of the active subcontractor factories producing Nike products;
- participated in “third party” factory monitoring schemes such as the Fair Labor Association;
- undertaken numerous initiatives with non-governmental organizations around the world (some of which are clearly little more than corporate public relations exercises);
- issued two CR reports with frank descriptions of conditions in its supply chain; and
- released the names of its now 700 suppliers’ factories worldwide, the first major company to do so.

So what has changed?

What have been the results of all this activity “ arguably one of the leading efforts in the corporate world? The last Nike CR report in April 2005 stated that 50-100 percent of supplier factories exceed the hours of

work limits in the Nike Code of Conduct, with 25-50 percent of factories exceeding the legal limit in their country; 25-50 percent of factories pay wages below the legal minimum; 25-50 percent of factories experience incidents of physical and sexual abuse and harassment; and 10-25 percent of factories are located in countries where freedom of association (the right to form a union) is prohibited by law.

Nike's report is not an outlier by any means. The latest corporate social responsibility (CSR) reports from companies like clothier Gap, Inc. and toy-maker Mattel and multi-stakeholder organizations like the Fair Labor Association and Workers Rights Consortium all document that sweatshop conditions in every country (including the U.S.) are alive and well.

The silent majority

But in fact, most companies benefiting from sweatshop labor around the world are doing nothing about it. Although more than 2,000 corporations file annual CSR reports, the Investor Responsibility Research Center discovered that only 12 percent of S&P 500 companies had formal requirements that their suppliers address labor issues, while only four percent had vendor codes that address all the issues the ILO considers fundamental rights, including freedom to organize and bans on child labor, forced labor and discrimination.

Embedded obstacles

The underlying causes of sweatshop conditions in the global economy are found both on the factory level and on a "big picture" level.

At the factory level: Anti-sweatshop efforts are fatally undermined by the schizophrenia of the transnational "brands" themselves. The brands' sourcing department pay ever-diminishing prices for the products (with ever-shortening delivery times) while the same brand's CSR department requires compliance with the minimum wage and hours of work limits in the brand's code and local laws,

often combined with other CSR initiatives to be paid for entirely by the contractors. If the contractor doesn't like this deal, then the brand will find someone else who will meet the order as offered.

Also on the plant level, all the current CSR schemes pay lip-service, at best, to involving the only people with a permanent commitment to ending sweatshops: the factory's workers. In huge factories where CSR auditors appear only sporadically in pre-announced visits, only the workers have the ability to identify the day-to-day hazards in normal operations and to verify that hazard corrections have been actually implemented and maintained.

On a "big picture" level: It's no surprise that the governments of poor countries desperate for economic development, and often without any labor laws, or the means to enforce the laws that do exist, turn a blind eye to sweatshop conditions. Most of these countries are heavily indebted and totally dependent on foreign investment to pay just the interest on the debt. Anything that "discourages foreign investment," such as actual enforcement of health and safety laws, is economic suicide and a political impossibility.

Transnational corporations know this quite well, of course, and compound the problem by demanding all kinds of service subsidies, tax breaks and economic incentives from local governments under threat of relocating their operations to some other, more accommodating location.

Three requirements for change

Given the mixed record of a decade's worth of efforts trying to combat sweatshops in the global economy, what's required to actually do the job? Three things are essential: transparency, genuine worker empowerment, and addressing the "big picture" context.

1. **Transparency:** Nike should be given credit for publicly naming its supplier factories, but this example must become the norm for global supply chains. Knowing which factories produce for which

company eliminates the ability of transnational corporations (TNCs) to hide sweatshops behind the veil of "trade secrets" and makes it easier to hold all TNCs responsible for ending sweatshops. Public accountability also creates a "level playing field" so that companies making the effort (willingly or unwillingly) to improve conditions do not have to compete with "free riders" like Wal-Mart who have only token programs.

2. **Worker empowerment:** No anti-sweatshop plan will succeed if workers do not have meaningful input and genuine participation in designing, implementing and verifying measures to combat the "multiple violations of labor laws" that define sweatshops. Workers are the only ones committed to improving conditions who are on the plant floor every day. Involving workers in peer training, conducting inspections, investigating accidents, and correcting hazardous conditions and unsafe work practices is absolutely essential.
3. **Addressing the "big picture" :** As untraditional as it may be, effective occupational safety and health in today's global economy must include massive debt relief for developing countries, combined with significant levels of technical assistance and new resources for governments, employers and worker organizations. Without recognizing the insurmountable barriers represented by crushing foreign debt and the lack of human capital and infrastructure in the countries that have become the world's factory floors, little progress will be made in ending sweatshop operations.

Some may believe that sweatshops, like the poor, "will always be with us." But that's only the case if those of us with the ability to do something about ending them stand by and do nothing.

Sidebar:

"Sweatshops" are defined by the U.S. Labor Department as

“workplaces involving multiple violations of labor, occupational health and safety, and environmental regulations.” The International Labor Organization (ILO) defines sweatshops as “enterprises which do not comply with fiscal and legal obligations, and which exploit workers and disrupt markets.”

References

For further reading on the subject:

- Nike Inc.: “fy04 Corporate Responsibility Report” available at: www.nike.com/nikebiz/
- Clean Clothes Campaign: “Looking for a quick fix: How weak social auditing is keeping workers in sweatshops” and other key reports available at: www.cleanclothes.org/publications/quick_fix.htm
- Maquila Solidarity Network: “Coming clean on the clothes we wear” Transparency Report Card” and their invaluable “Codes Memo” available at: www.maquilasolidarity.org/campaigns/reportcard/
- American Industrial Hygiene Association: “White Paper on Occupational Health, Safety and Environmental Conditions in Sweatshops” available at: www.aiha.org/Content/AccessInfo/gov/wpsweatshops.htm
- Maquiladora Health and Safety Support Network: “Why NAFTA Failed and What’s Needed to Protect Workers’ Health and Safety in International Trade Treaties” and related reports available at: http://mhssn.igc.org/trade_2004.pdf

Links

- <http://www.nike.com/nikebiz/>
- <http://www.maquilasolidarity.org/campaigns/reportcard/>
- [Garrett D. Brown, MPH, CIH](#)
- <http://www.aiha.org/Content/AccessInfo/gov/wpsweatshops.htm>
- http://mhssn.igc.org/trade_2004.pdf
- http://www.cleanclothes.org/publications/quick_fix.htm

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