

The Public Eye on Davos, Globalization and labour rights panel, 27 January 2003

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Transnational Corporations have the potential to play a very positive role in reducing poverty. They can provide stable, long-term, decently paid jobs, enhance access to markets and be an important source of economic growth.

Conversely, corporations can also undermine the protection of fundamental human rights. This presentation focuses upon Nike as an example of a business model, widely used by others in the industry, which has this result.

In this presentation I will do six things:

First, I give a recent example of the kind of labour conditions that have led Nike to have such a poor reputation in the human rights field.

Second, I show how those conditions result from Nike's production model and buying practices.

Third, I suggest that Nike's production model is used by most Transnational Corporations operating in labour intensive industries. This model thrives on flexible employment practices including subcontracting, temporary contracts and other methods designed to lower costs and avoid payment of social benefits. Since women are often the main workers within these supply chains, their livelihoods and well-being are most affected, and there is also a harmful impact upon their families.

Fourth, I recognise that Nike has taken some steps forward, which have led to some improvements in some factories.

Fifth, I explain why those steps are a long way from being good enough.

And finally, I outline the steps that Nike and other corporations should take if they want to make a serious effort to ensure respect for workers' basic rights.

First, factory conditions.

Since 1991 there have been 30 or more independent investigations of conditions in factories supplying Nike goods. There is not time to discuss each of these this morning, but each has found significant infringements of workers' human rights. Today I want to focus on one recent case.

Last month I spent a week in Thailand meeting with workers from a factory owned by the Bed and Bath company, which made children's clothes for Nike, Adidas, Levi's and other buyers. In October 2002 (three months ago) the owner shut the factory and disappeared with the profits, owing workers back pay and severance pay. Nike and the other buyers have refused to contribute to paying workers' their entitlements.

Workers reported that they had worked up to 110 hours per week, that they were shouted at if they worked too slowly and that they were provided with amphetamines during busy periods to help them work through the night.

I spoke to workers whose job it was to put the pills in some of the large drink containers, mixed with ice, coca-cola and other soft drinks. Most workers took the drugs, because it was the only way they could work the hours demanded of them. When drinking from these containers they could work up to 48 hours in a row before they collapsed and needed to rest.

The women also told me they were paid according to a target system that meant that for a standard 8-hour day their wages were frequently below the Thai legal minimum. In order to earn a decent income they needed to work between 12 and 16 hours a day. They reported that the factory owner was constantly surrounded by 6 bodyguards and that they regarded him as akin to a mafia leader. He frequently made speeches over the factory loudspeaker in which he warned that any worker who tried to form a union should "say good-bye to your parents". Security guards constantly monitored workers during breaks and would investigate any gathering involving five or more workers.



My second point is that, although Nike is not solely responsible for the activities of suppliers such as Bed and Bath, conditions such as this are directly related to Nike's production model and buying practices.

Nike contracts out all its production. Nike's buying department puts pressure on suppliers to maintain quality, reduce costs and increase flexibility, and moves its orders to factories that are able to do so. Suppliers are commonly given short turn-around times.

Factories meet these demands by putting greater and greater pressure on workers. Factories like Bed and Bath, that can persuade workers to work through the night to quickly fill an urgent order, make themselves very attractive to companies like Nike.

Along with many other Transnational Corporations, Nike has also moved its production from country to country, putting states in competition with each other to provide the cheapest costs and the most reliable supply. This has put pressure on governments to keep minimum wages low and to reduce legal protections for workers' human rights, particularly their union rights.

In 1989 more than half of Nike's sneakers were made in South Korea, which was then ruled by an authoritarian government. As South Korea became a democracy and workers gained wage increases and union rights, Nike shifted production to Indonesia and China. Barely 2% of Nike's sneakers are now made in South Korea.

In 1996, when Indonesia was ruled by the Suharto and the only legal union was run by the government, 38% of Nike's sneakers were Indonesian-made. Since then Suharto has fallen, Indonesia has taken its first faltering steps toward democracy and workers have been able to form their own unions. In the process Indonesia's share of Nike's sport shoe production has fallen to 30% and may fall further following the closure of the PT factory. The decision by Nike and other companies to reduce their investment in Indonesia has put pressure on the Indonesian government to weaken the legal protection of workers' union rights in order to prevent further capital flight. Business interests have run a concerted campaign seeking to persuade the Indonesian government to curtail workers' right to strike in order to prevent the departure of more foreign investors.

My third point is that Nike is far from being the only company that operates in this way. The Bed and Bath factory did not only produce for Nike—Levi's, Adidas, Haddad and other companies were also customers. The so-called "Nike model" of contracting out production and putting pressure on suppliers to produce cheaply and quickly is promoted in management schools around the world. It has become the standard form of operation in the toy, clothing and footwear industries.

The widespread use of this production model pushes down respect for human rights in the workplace. It is mainly women from rural areas who are employed in the supply chains of TNCs who operate in this way, and it is they and their families who pay the price of precarious jobs with unstable or no contracts and with few or no benefits. This cost is particularly high where they have responsibilities as carers and must juggle family responsibilities with the unreasonable and extreme demands of this kind of work.

My fourth point is that Nike has taken some steps forward as part of their implementation of a code of conduct and involvement in a number of initiatives like the Fair Labor Association. These steps have led to some improvements in some factories. For example, as a result of a long-running campaign focused on the Mexmode factory in Mexico, Nike has supported the development of an independent union in that factory.

Further, there are a number of factories in Indonesia that Oxfam Community Aid Abroad has been monitoring since 1996, where there have been some improvements in health and safety and some reduction in the level of verbal and sexual harassment of women workers by supervisors and managers.

My fifth point is that those steps that Nike has taken fall well short of what is needed. Nike has not addressed payment of a living wage. Many workers in Nike contract factories are still not paid enough to support their children, and are forced to send their kids back to their home villages to be cared for by relatives. Those workers only get to see their children three or four times per year.

Nike's monitoring programme has also been proved inadequate on a number of occasions. For example, Nike was sourcing from the Bed and Bath factory for at least two years, but its monitoring program failed to identify widespread labour abuses. Workers at Bed and Bath told me that before Nike's monitoring staff visited the factory, factory managers told workers what they were allowed to say and threatened them with dismissal if they told the truth.

I have heard similar stories many times before from workers in Indonesia. Since 1996 Oxfam Community Aid Abroad has been telling Nike that workers will only be able to tell the truth if they are interviewed away from their factory managers. We have also argued that those interviews should be conducted in cooperation with local independent human rights organisations and unions that the workers have a reason to trust. So far Nike has failed to put such a system in place.

Significantly, the principles of corporate social responsibility that underlie the development and implementation of Nike's Code have not been integrated through their business. Thus, although the right hand of the company monitors supply chains for labour practices, the left hand squeezes suppliers on costs, turn-around times and other unreasonable contractual terms. Nike asks its suppliers to ensure labour standards are met but fails to recognise its own role and responsibility to do so.

My final point is that it does not have to be this way. Companies like Nike could and should contribute to Making Trade Fair by taking the following steps:

Nike should not punish countries that seek to protect workers' rights by moving production to countries that do not.

Nike should upgrade its code of conduct so that it includes a commitment to ensuring that workers are paid a living wage. A living wage being a full-time wage that is at least adequate for a family to meet its basic needs for food, shelter, health care, clothing and education.

Nike should demonstrate that its ordering and pricing practices allow suppliers to pay a living wage and respect workers' basic rights.

Nike should also be part of a monitoring and verification program that has been established in co-operation with workers, unions and credible human rights and women's organizations.

That monitoring and verification program should be transparent and should:

- Include worker education, provided by credible unions, human rights or women's groups, to ensure that workers are aware of their rights.
- include a confidential, accessible and independent complaints mechanism, for workers whose rights are not being respected,

Over the long term, Nike and other corporations that sell branded goods cannot afford not to take these steps. For these companies, their brand is one of their most valuable assets. Every newspaper or television report of labour abuses in a company's supply chain increases negative associations with that brand, and undermines public confidence in it.

Nike is the market leader in the sportswear industry. It could and should take the lead in persuading the industry to take concerted action to respect workers' human rights. If it fails to do so, Nike's famous swoosh will no longer be associated with self-confidence, assertiveness and sporting success. Instead, if Nike fails to change its practices, the swoosh will come to represent long hours, low wages and factories where workers are given amphetamines to help them work through the night.

## FREQUENTLY ASKED QUESTIONS:

### **Do you think your activism and research is driving Nike and other companies out of Indonesia?**

It is companies' production models and sourcing practices that determine their move from supplier to supplier and from country to country. Nike has always moved its production in pursuit of higher profits and is continuing to do so.

The international anti-sweatshop movement has researched Nike contract factories in numerous countries, including Taiwan, El Salvador, Bangladesh, India, Pakistan, China, Vietnam and Thailand. Nike knows that they cannot avoid criticism by moving production from country to country, we will monitor their activities wherever they go.

### **If you succeed in increasing standards won't that penalise poorer countries with lower wage structures and costs, and thus in effect undermine the comparative advantage of some of the poorest countries in the world?**

No. If Nike and other companies put in place a living wage standard, then that wage will be calculated on the basis of living costs in each country. Since the value of a nation's currency is determined primarily by that country's level of wealth, in US dollar terms living wages in poorer countries will still be much lower than living wages in wealthy, developed countries. A country like Bangladesh will not lose its comparative advantage.

### **Is Nike the worst Transnational Corporation in terms of labour practices? If not, why are you targeting Nike?**

Nike's sourcing practices are representative of those employed within the sportswear industry as a whole and conditions in Nike's supply chain are similar to those of other companies in the industry. Nike has received so much focus not because it is the worst, but because it has the largest profits and can most easily afford to lead a change in direction. If the sportswear industry as a whole is going to reform its labour practices, then Nike will need to play a leading role.

### **How many workers did you speak to from the Bed and Bath factory?**

I had five meetings with workers from the factory, and there were between five and ten workers at each meeting. I also conducted a two-hour in-depth interview with one worker. What they told me was consistent with a larger number of interviews conducted by the Thai Labour Campaign, reports of which are available on the Thai Labour website. I would strongly encourage news organisations represented here to arrange for their Bangkok correspondents to interview workers from the factory.

### **You mentioned Nike's involvement in the Fair Labour Association. Could you give more information about this initiative.**

The FLA's code of conduct includes most of the ILO core labour rights, including the right to freedom of association and collective bargaining. The FLA expects Nike and other member companies to monitor whether or not those rights are respected in their supply chains. The FLA then selects independent organisations that investigate whether the FLA code is being respected in particular factories. The FLA has promised that there will be public reports on each factory that is independently investigated. We see these steps as positive.

On the negative side, the FLA has no trade union involvement on its board of directors, there is no requirement that workers be paid wages that would meet a family's basic needs, no requirement that companies' buying practices do not undermine the code, and on average each factory will only be independently investigated once every twenty years. We also are yet to see the FLA ensuring that workers receive effective and appropriate training in their rights. Given these limitations, it is unlikely that the FLA will result in significant improvements in labour conditions.

[www.caa.org.au/nike](http://www.caa.org.au/nike)



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