

Did Nongovernmental Monitoring improve Working Conditions in the case of Nike and the Footwear Industry?

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Abstract

This article examines working conditions in the RMG sector of Bangladesh could improve through effective monitoring system. In a significant case Nike suggested that working conditions and labour rights can be improved through a systematic approach and a comprehensive and transparent monitoring system. External pressure from NGOs and other advocacy groups motivated Nike to introduce a Code of Conduct and a monitoring system. The process is discussed in this section.

Keywords: RMG, Code of Conduct, Monitoring System, Nike, Compliance, FLA, SHAPE and MESH.

JEL Code: I31, J53, K23, L49, M54.

Article Type: Research Article.

Methodology

The research also incorporates Literature reviews, Case studies in other countries, Journals, Research articles, Thesis papers, Newspapers, which are secondary sources. Research based on secondary data often runs the risk of being journalistic with the potential of being superficial and can be difficult to analyse. However the research attempts to provide an insight into condition in the industry that avoids this difficulty.

Corporate Codes of Conduct and various efforts aimed at monitoring compliance with these codes have been initiated around the world (NRC, 2008). Monitoring efforts started by effecting corporate or supplier compliance with national regulations and laws, working hours, wages, over time they have increasingly focused on compliance with private, voluntary Codes of Conducts (Richard, Locke, Qin and Brause, 2007). In a significant case Nike suggested that working conditions and labour rights to be improved through applying a systematic approach.

Nike is one of the largest athletic shoe brands in the world. While the company sells millions of shoes and pieces of clothing each year, it does not produce any of these products. Instead, the company contracts with manufacturing facilities located throughout the world. Nearly 800,000 people work in these factories, located primarily in Asia particularly in Indonesia, China, and Vietnam (Beach Emily, 2010). Nike has been criticised for working conditions and low wages at these factories and it has been said that the company is profiting from sweatshop labour (Bambi T., 2008). Following pressure from the public and human rights groups', Nike established a Code of Conducts on labour and environmental practices for its suppliers in 1992. The Code of Conducts now covers more than 900 factories with more than 650,000 workers around the world (Turner, 2008).

Table 1: Codes of Conduct

Standard	Fair Labour Association (FLA)	SA8000	Worldwide Responsible Apparel Production	Workers' rights Consortium (WRC)
Child labour, minimum age	15 or 14 if country of manufacturer allows or age for completing compulsory education.	15 or 14 if meets developing country exemption, or local minimum age if older.	14 or age for completing schooling or minimum age established by law,	15 or 14 if consistent with ILO practices for developing countries.
Harassment and Abuse	No employee shall be subject to any physical, sexual, psychological, or verbal harassment or abuse.	No corporal punishment, mental or physical coercion, or verbal abuse; no sexually coercive or exploitative behaviour.	No harassment, abuse, or corporal punishment in any form.	No employee shall be subject to any physical, sexual, psychological, or verbal harassment or abuse; no corporal punishment.
Non-discrimination	No discrimination in hiring, salary, benefits, advancement, discipline, termination or retirement, on basis of gender, race religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.	No discrimination in hiring, compensation, access to training, promotion, termination, or retirement based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, or political affiliation.	No discrimination on basis of personal characteristics or beliefs; question about discrimination based on seniority.	No discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination, or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, political opinion, or social or ethnic origin
Freedom of Association and Collective Bargaining	If right restricted by law, employer shall not seek state assistance to prevent workers exercising right to freedom of association.	If right restricted by law, employer facilitates parallel means for free association and bargaining.	Lawful rights of free association, including right to join or not join an association.	No employee shall be subject to harassment, intimidation, or retaliation in efforts to freely associate.

Health and Safety	Safe and healthy working environment is required. Standard also applies to employer-operated facilities apart from production facilities (e.g., housing).	Safe and healthy working environment is required. If provided, housing should be clean and safe.	Safe and healthy working environment is required. If provided, housing should be safe and healthy.	Safe and healthy working environment is required.
Wages	Local minimum wage or prevailing industry wage, whichever is higher, and legally mandated benefits.	Legal or prevailing industry wage and meet basic needs and provide discretionary income.	Legal minimum wage.	Legal minimum wage and benefits. WRC code requires paying a <i>living wage</i> .
Standard	8 hours per week and 12 hours overtime or the limits on regular and overtime hours allowed by the law of the country; 1 day off in every 7.	48 hours per week and 12 hours overtime maximum. At least 1 day off in every 7-day period. All overtime work shall be reimbursed at a premium rate.	Legal limitations of apparel production; 1 day off in every 7- day period, except as required to meet urgent business needs.	Limit of working hours (a) 48 hours per week or (b) at least 1 day off in every 7-day period, as well as holidays and vacations.

Source: Richard M. L, Fei Qin, and Brause (2007). *Does Monitoring Improve Labour Standards? Lessons from Nike. Industrial and Labour Relations, Review Volume 61 No. 1, October, 2007.*

Table 1 illustrates how the standards in the Code of Conducts are related to these standards in the various models used to develop the Nike Code of Conducts. These are FLA, SA8000, WRAP and WRC, respectively. The resultant Nike Code of Conducts as detailed in Appendix –A.

Nike was one of the first companies in the apparel and footwear industries to develop an internal compliance division. Supplier compliance with the code is monitored through a program of internal evaluation conducted first by Nike staff and then reviewed by external accounting, health and safety, and environmental consulting firms. Nike included its own on-staff team of nearly one hundred Inspectors for performing inspections of the company’s partner factories. Inspectors scored the factory on factors ranging from employee safety to humane working conditions. Moreover, the Nike Company allowed frequently factory inspections from the Fair Labour Association and set up independent monitoring with both US and international organizations (Turner, 2008).

In addition Nike has also developed internal monitoring tools, such as SHAPE (Safety, Health, Attitude of Management, People Investment, and Environment) Audit and MESH (Management,

Environment, Safety, and Health) Program that allow the company jointly evaluation of labour and environmental issues in relation to management practices and training. MESH resembles the 14000 Management Auditing Program of the International Organization for Standardization further by evaluating actual factory performance. High scorers often receives more lucrative orders, while low scorers risk losing contracts. Nike introduced these labour and environmental programs on long-standing quality control management systems for evaluating and ranking subcontractors. Requirements to improve labour conditions simply extend the scope of commitments agreed to in the Code of Conducts and subcontractor memorandum of understanding (Turner, 2008). Simultaneously Reebok and Adidas, Nike's main competitors, along with many other prominent footwear and apparel firms, have established similar programs that combine in-house assessment with external audits. Reebok, for instance, has established a worldwide Human Rights Production Standards Factory Performance Assessment System. Adidas also set up *standards of engagement* for fair labour practices and health, safety, and the environment for its sub-contractors. Companies such as Nike, Reebok, and Adidas now repeatedly rate their subcontractors for environmental and labour performance through these auditing tools. In particular, the standards are considered fundamental to workers' abilities to work, workplace safety and environment, labour standards, wages. (Nike) engages in concrete workplace actions to implement sustainable development targets (Bigg, 2002). There is some evidence that Nike, Reebok, and Adidas have cancelled some contracts due to a poor working environment and inadequate labour standards (Richard, Locke, Qin and Brause, 2007). In fact, Nike was motivated to introduce a Code of Conducts and a monitoring system by external pressure from NGOs and other advocacy groups. Nike developed its own internal standard, recruited, trained a professional staff, and implemented a monitoring system (Amin, 2011). Simultaneously, Nike's efforts to improve product quality and develop management practices complemented its efforts to improve monitoring and labour standards.

Conclusion

In conclusion, the Nike case suggests that a non-governmental monitoring system could improve labour standards and the working environment. Nike made efforts to improve working conditions for its contracted workers by introducing COC and developed internal standards through specially recruited and trained professional staff. This staffs monitors the working environment and examines the Code of Conducts in order to verify products certification. As a result, working conditions in the Nike and Footwear industry have improved. In the RMG sector, a Social compliance Certification System could be offered through buyers to promote and certify lawful, humane and ethical working conditions in manufacturing processing, and the working environment.

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Appendix A

Nike Code of Conduct

Nike, Inc was founded on a Handshake

Implicit in that act was the determination that we would build our business with all of our partners based on trust, teamwork, honesty and mutual respect. We expect all of our business partners to operate on the same principles.

At the core of the NIKE, corporate ethic is the belief that we are a company comprised of many different kinds of people, appreciating individual diversity, and dedicated to equal opportunity for each individual.

NIKE designs, manufactures and markets products for sports and fitness consumers. At every step in that process, we are driven to do not only what law requires, but also what is expected of a leader. We expect our business partners to do the same. NIKE collaborates with contractors who share our commitment to best practices and continuous improvement in:

1. Management practices that respect the rights of all employees, including the right to free association and collective bargaining
2. Minimizing our impact on the environment
3. Providing a safe and healthy work place
4. Promoting the health and well-being of all employees

Contractors must recognize the dignity of each employee, and the right to a work place free of harassment, abuse or corporal punishment. Decisions on hiring, salary, benefits, advancement, termination or retirement solely based on the employee's ability to do the job. There shall be no discrimination based on race, creed, gender, marital or maternity status, religious or political beliefs, age or sexual orientation.

Wherever NIKE operates around the globe, this Code of Conduct guides us and we bind our contractors to these principles. Contractors must post this Code in all major workspaces, translated into the language of the employee, and train employees on their rights and obligations as defined by this Code and applicable local laws. While these principles establish the spirit of our partnerships, we also bind our partners to specific standards of conduct. The core standards are set forth below.

Forced Labour

The contractor does not use forced Labour in any form-prison, indentured, bonded or otherwise.

Child Labour

The contractor does not employ any person below the age of 18 to produce footwear. The contractor does not employ any person below the age of 16 to produce apparel, accessories or equipment. If at the time Nike production begins, the contractor employs people of the legal working age who are at least 15, that employment may continue, but the contractor will not hire any person going forward who is younger than the Nike or legal age limit, whichever is higher. Further, ensure these age standards are complied with, the contractor does not use any form of homework for Nike production.

Compensation

The contractor provides each employee at least the minimum wage, or the prevailing industry wage, whichever is higher; provides each employee a clear, written accounting for every pay period; and does not deduct from employee pay for disciplinary infractions.

Benefits

The contractor provides each employee all legally mandated benefits.

Hours of Work and Overtime

The contractor complies with legally mandated work hours while employee uses for overtime is fully compensated according to local law. Informs each employee at the time of hiring if mandatory overtime is a condition of employment; and on a regularly scheduled basis provides one day off in seven, and requires no more than 60 hours of work per week on a regularly scheduled basis, or complies with local limits if they are lower.

Environment, Safety and Health (ES&H)

The contractor have written environmental, safety and health policies and standards, and implements a system to minimize negative effects on the environment, reduce work-related injury and illness, and promote the general health of employees.

Documentation and Inspection

The contractor maintains on file all documentation needed to demonstrate compliance with this Code of Conduct and required laws; agrees to make these documents available for Nike or its designated monitor; and agrees to submit to inspections with or without prior notice.

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