

Ethics and the sportswear industry essay



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Ethical Issues affect every kind of business, from the smallest to the largest multinational company, for this essay I shall limit my investigation to the ethical concerns surrounding the very lucrative sportswear industry, the sports wear supply chain, and how it impacts on the lives of people world wide. Sportswear marketing is now aimed at all sectors of society, irrespective of age, sex or social class, it has grown into a multi million dollar industry (Lancaster & Reynolds, 2005). Although sportswear is essential for athletes and sports players, millions of people the world over buy and wear branded sports clothes and shoes, and every year the market is increasing. Powerful Global brands in the west, such as Nike and Reebok, spend millions of dollars on advertising and promotions (Douglas, 2004).

These global brands do not own their own factories but contract factories in third world counties to do the manufacturing keeping the cost down and maximising the profits. These factories are able to make cheap deals and quick deliveries unlike western factories (Douglas, 2004). If a less developed country does not have local regulations equal to the tough western standards, should the firm investing in a developing nation adhere to the local standard or to the western standard? An important ethical issue is whether an international firm should adhere to the same standards of product safety, work safety and environmental protection that are required in its home country (Hill, 2005). Western nation's laws are amongst the toughest in the world, where product safety, worker safety and the environment are all regulated and enforced rigorously. These ethical issues have received plenty of media coverage in recent years following revelations

that western enterprises have been using child labour or very poorly paid sweat shop labour in developing nations (Hill, 2005).

Multi million dollar sports companies such as Nike and Adidas were criticised for using sweat shop labour. If using strict western standards were to make a foreign investment unprofitable, it could then deny much needed jobs in a developing nation. Is it better to have a low paying job in a “sweat shop” than to have no job at all? If a multinational company decided to manufacture in the west, would this benefit the workers who were previously employed in a third world factory? (Lantos, 2001). When consumers in the west boycott and protest on behalf of exploited victims in the third world most workers do not support these protests. Poor countries are afraid that tighter labour and environmental controls will reduce their competitiveness and deter foreign investors.

This is an area where ethical decision making becomes complicated and ethical choices can be controversial. Defining the word “ethic” is straightforward and easy to follow but combine it with the word business and it becomes much more complicated. The word ethics is derived from the Greek ethos, which refers specifically to the “character” and “sentiment of the community.” Specific definitions include “the principle of conduct governing an individual or a profession” and “standards of behaviours” (Carroll, & Gannon 1997). Ethical means conforming to the standards of a given profession or group, (any group can set its own ethical standards and then live by them or not).

Ethical standards, whether they are established by an individual, a corporation, a profession, or a nation, help to guide a person's decisions and actions (Carroll, & Gannon 1997). International business ethics did not emerge until the late 1990s; many new practical issues arose out of the international context of business. Issues such as cultural relativity of ethical values receive more emphasis in this field. Other issues and subfields include;

- “ Comparison of business ethical traditions in different countries.
- Comparison of business ethical traditions from various religious perspectives.

- Ethical issues arising out of international business transactions; fair trade movement;
- Issues such as globalisation and cultural imperialism.
- Varying global standards – e. g. the use of child labour.
- The way in which multinationals take advantage of international differences, such as outsourcing production (e.

g. clothes) and services (e. g. call centers) to low-wage countries” (Enderle, 1999). What do these definitions and statements of ‘ Business Ethics’ actually mean to the football stitcher in India making US\$0. 88 per ball or the Indonesian factory worker gluing together Nike sports shoes for as little as \$1 a day, it probably means very little.

Sadly these are just typical examples of workers who are employed in factories producing for the sports wear giants like Nike, FILA, Adidas, Puma, New Balance and Ascis. These employees work long hours, in dangerous working conditions and suffer many human rights abuses (Oxfam Australia, 2008). Business ethics is supposed to be about doing the right thing and not continuing to do the wrong things just because that's the way things have

always been done. Business ethics requires a company to make conscious decisions about what is good and right and from an ethical point of view the global market should treat all people as equal (Longstaff, 2001). But fortunately today, in response to growing world wide disapproval, there are now various campaigns to persuade sports brands to respect the rights of workers; Oxfam Australia, Clean Clothes Campaign, Fair labor Association and Fair Trade to name a few.

These non profit organisations are dedicated to improving factory conditions and ending sweat shop conditions around the third world. The Fair Labor Association states that “ ending sweatshop labour is an enormous challenge with no single solution, But progress has been made, by bringing to the table the combined voices and power of universities and colleges, companies and other parties from the manufacturing and marketing process, as well as many non-governmental organizations dedicated to protecting the rights of workers around the world” (Fair Labor Association, 2008). Today consumers and buyers in the developed world are more informed than ever, and like to align themselves with businesses that are seen to have good corporate ethics, and companies that have a high profile “ ethical image” such as the Body Shop. In-Store magazine (2006) reports that consumers attitudes have changed and shoppers now look for products that are considered ‘ ethical’ or ‘ organic’. Large multinational brands are enthusiastic to link up with companies that have spent time and effort to establish an authentic reputation for ethical trading (In-Store, 2006).

It would not be possible to discuss multinational companies and the subject of ethical challenges with out commenting on the most notorious case of the <https://assignbuster.com/ethics-and-the-sportswear-industry-essay/>

1990s. Although many sports brands such as Asics, Puma, Adidas and Reebok have come under fire for unethical treatment of its employees, Nike must be the most studied and well documented case of them all. After beginning operations in Japan, Nike moved its production into Taiwan and Korea. During this time Nike was expanding at such a fast pace that the suppliers were unable to keep up with increasing orders so were forced to subcontract to less developed and cheaper third world countries such as China, Indonesia and Vietnam.

More than 500 factories were involved in supplying athletics wear to Nike from 45 different countries (DeTienne, Lewis, 2005). With this ever increasing chain of supply, subcontractors outsourcing to other factories, Nike was to lose control and awareness of factory and working conditions. It was at this point in the story that Nike was to find out what was allegedly happening in their factories as the tale of conditions in their factories in the third world broke into the national press. A New York Times columnist accused Nike of building its wealth using the “ slave” labour of young Asian women and accused Nike of using sweat shops of wretched origins” (DeTienne, Lewis, 2005). Not surprisingly this article had a big impact on consumers, activists and international corporations.

The story of Nike and human rights abuses escalated further when several non-profit groups gave accounts describing human rights abuses, violence, and hideous working conditions in Nike factories in Asia. Protests, boycotts and demonstrations followed forcing Nike to respond. Of course this was a serious situation for Nike and they needed to do something about the negative publicity. In 1998 the CEO issued a statement of corporate

responsibility, which committed Nike to new standards for its manufacturing monitoring; •Minimum age •Environmental safety standards •Employee education program And greater transparency of corporate responsibility (Nike, 2004). Factories were also to display a code of conduct on the walls to ensure all employees would be aware of their rights.

This answered criticisms against Nike and these new practices and were designed to ensure a safe, humane future for its production factories. Slowly but surely many businesses and organisations just like Nike are realising the importance a code of ethics has in our culture today. Following such codes keeps a company out of trouble; it can also increase the morale, productivity and shareholder value (Williams, 2002). Nike's next big challenge is to restore its trust in the 500, 000 workers in 58 countries that it employs around the world. Even before the Nike scandal attracted the attention of the international media, economists and researchers were pressurising the World Trade Organisation to take action to stop western enterprises from exploiting nations in the developing world. Many western companies are being pressurised to ensure that the third world suppliers they deal with follow the minimum standard of employment.

It is a step in the right direction to have codes of practice but they may not be effective unless there is effective monitoring (Littlefield, 1996). The WTO is under some pressure to insert a “ social clause” into the international agreement on free trade to cover issues such as child labour, equal opportunities and freedom of association (Littlefield, 1996). Treatment of workers has always been an important ethical issue in western business. But

it does not appear to have the same amount of importance when operating a business in a third world country.

Generally large corporations do not own factories and are not responsible for the manufacturing of their goods. This makes it much easier for a corporation to distance themselves from the poor and often inhumane working conditions and claim that it is not their responsibility (Given, 1997). Another concern is the way Multinationals exploit the ethics of paying fair wages for workers. Foreign governments often set their national minimum wage as low as possible to compete against other poor nations to attract wealthy foreign investors. Unfortunately this allows the multinationals to pay the lowest wages possible and still comply with local regulations (Given, 1997).

Although Nike made improvements to the working conditions of its factories it would appear that it only took those measures when it suffered the consequences of negative publicity and public outrage. Adidas the German sportswear company were also to suffer bad publicity when they were accused of exploitation by a British MP, at a controversial hearing in the European parliament (Osborn, 2000). According to aid organisations underpayment and poor conditions for child workers in the developing world is severe. Children are found making sporting goods in appalling conditions in counties such as India and Indonesia. Workers in Adidas factories are subject to forced overtime, physical abuse and poverty-line wages.

Of course Adidas were quick to defend their reputation and denied all the allegations, a spokesman stated, “ Adidas was maintaining a special team to

check that suppliers adhere to the Adidas firm's code of conduct" (Osborn, 2000). Ethics and unethical treatment of workers in China always receives plenty of news coverage in the west, either articles on the booming economy, economic reforms or criticisms of China's human rights records, and lately with China hosting the Olympic games this summer, the media is full of 'rights abuses' and 'slave labour' stories. China, the world's most populous nation with an economy growing at an amazing rate, but still even with its rapid growth over the last decades it is still a poor nation. The Chinese textile and apparel industry alone employs almost twenty million workers in several thousand enterprises, giving employment to 100 million rural people (Dickenson, 2007).

China's sporting goods market is currently valued at between US\$4.2 and \$5.6 billion annually (Play Fair, 2008). The competition in China is tough, western companies demand lower prices from their Chinese suppliers, giving consumers in the west inexpensive sports clothes and sports shoes.

Most factories manufacturing goods for sports companies are located in the provinces and these come in for criticism from many focus groups and activists such as, "the anti-sweat shop movement" as employees are routinely forced to work 70 to 80 hours a week for as little as 13 cents an hour. (The official minimum wage, which is set by local or provincial governments, is from \$45 to \$101 a month). Over the last decade Multinationals have been continuously accused of unethical behaviour and exploiting Chinese factory workers, but these big companies defend themselves and answer critics with accounts of 'onsite factory monitoring' and 'codes of conducts'. But in China many factories have just got better at <https://assignbuster.com/ethics-and-the-sportswear-industry-essay/>

concealing their abuses, states a report from BusinessWeek. International industry documents reviewed by BusinessWeek, reveal that a number of Chinese factories keep double sets of books to fool auditors and inspectors (Roberts, Engardio & Bernstein, 2006).

Factory managers complain that they are pressurised by western prices to cheat on labour standards to keep them in the competition. The price the foreign buyer pays never increases, but to comply with labour laws costs the factory money especially paying overtime wages. The fair labour association released its own study, findings showed that many factories continue to break the labour laws, these include excessive hours, under payment of wages, health and safety problems and personnel conceal low wages, no overtime payments and hide original documents and show monitors falsified books. The Chinese government is pushing local authorities to try harder to enforce the labour laws but so far it has only had limited success.

It would appear that the practice of falsifying records is on the increase especially as there are so many poor Chinese labourers willing to work as many hours as possible even if they don't get properly paid. The conflict between human rights and profit will continue to be a topic of debate. Most people would agree that it is wrong to exploit the third world and it's unethical to exploit workers in poorer nations, but most people accept that operating a business in a foreign country for cheaper labour, less tax and fewer regulations is not ethically wrong. But it is unacceptable to take advantage and keep a nation in poverty. All people in the world share some basic characteristics of human dignity that ought never to be violated, regardless of social context e.

g. whether they live in a rich or a poor nation” (Kruegar, 2008 pg. 115). In today’s global market place consumers want to buy from corporations that reflect the growing concerns of corporate social and ethical responsibility for its workers. Sadly throughout the research for this essay, not one sports company has been identified as a business fitting the ethically and sociably responsible ideal. References Carroll, S.

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