

Nike sweatshops: poor conditions of work



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Sweatshop also been known as sweat factory is refer to any working environment that is considered and negatively involved in poor, unacceptably difficult or dangerous situation that can harm the employees. Sweatshop workers worked for long hours and sometimes exceeding 14 hours daily with a pay below living wage. Nike were attacked for unethically took advantage of these labour markets. However, Nike has denied this claim many times, and expressed that they did not have any control over the factories. Nike factories in Vietnam, Korea, Taiwan, Indonesia and china been criticized due to the negative press are exposed to the public which been revealed from the interviews of factory worker's interview, site visits and the protest by activist which showed is Nike's fault for allowing poor condition of working conditions are persist in these factories. According to ABC News, April 2010 in Vietnam, thousands of Nike factory workers went on strike due to poor working conditions and low wages. Beside that, workers were unable to leave the plant if they did not meet the quota or target before attempting to go home. All these showed Nike seriously committed to the violation of human rights. Thuyen Nguyen part of the Vietnam Labour Watch wrote one

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extreme situation documented in 1996, when 100 workers were forced kneel in the sun for an hour because one of the workers had spilled fruit on the alter. According to Vietnam Nike Fact Sheet (1996), 15 Vietnamese women workers told CBS News that they were hit over the head by their supervisor due to poor sewing. Two workers were sent to the hospital after the incident. Nike's CEO Phil Knight respond to above two incidents by minimized the first incident, stating incorrectly there were only one worker was truck on the arm. Besides that, fact sheet as well stated there were 45 women workers were forced by the Nike supervisors to kneel down with their hands up in the air for 25 minutes. Apart from that, Vietnam fact sheet as well stated that, Women workers form Nike factory told CBS News that they are forced to work overtime to meet a daily target which is set unrealistically high. Most workers at Vietnam Nike plants are forced to work exceeded 600 hours of overtime per year, and according to Vietnam Labour Law Article 69, the labour user and labourer are allow to work overtime, but it is limit to not more than four hours a day and not more than 200 hours per year. Nike factories in Vietnam are clear violation of this Article. In Vietnam case, workers are treated slavery, there are only 24 hours in a day but they have to spend 16 hours or more at work in order to keep a job, it is a complete denial of a right to life, or in other words is a human rights violation. Another case happened in International Women's Day of 1997, 56 women failed to wear the proper shoes into the Nike factory. In order to let they learn from their mistake through punishment, they were forced outside in the heat to run around the building. As a result of the punishment, many women fainted due to dehydration and spent the day in the hospital. This entire incident stated above was the physical abuse towards the workers.

It is an embarrassment for Nike to have its image associated with sweatshops in Asia, the revelations is threatened to the sales of Nike's products. Sales were declining and Nike was being claimed by the media as a company who was willing to exploit workers and deprive them of the basic wage needed to sustain them in an effort in order to expand profits.

2. 2 Child Labour Issue

Another ethical major issue is child labour. Nike was labelled as forced children as slavery in hazardous working conditions for below-subsistence wages (Hill, 2009). According to Hill (2009), Nike was found for producing the popular “ Air Jordan sneakers using 11-year olds in Indonesia making 14 cents per hour”. According to Hill (2009), a Nike factory which owed by Korean Subcontractor, hired children as young as 13 years old as workers for earning less than 10 cents per hour were required to work up to 17 hours a day without talking.

Child labour is scattered all over Pakistan, but the greatest impact was on a north-western province called Sialkot. Sialkot is an important centre for the production of goods for export, especially sporting goods. Child labour exists in both the export and domestic sectors of the economy in Sialkot. In Pakistan, livelihood is difficult and many families had to push their children to employment.

In year 1996, Life Magazine reported an article regarding the child labour in Nike Pakistan, this is when Nike was found hired children as their labour. The article included a photograph showed twelve years old boy, called Tariq was surrounded by the Nike soccer ball, which he spent most of a day to stitching

together for the pay of 60 cents. When this photograph was exposed, activists all across Canada and United States were standing in front of Nike shop by holding up Tariq's photograph to pressure Nike to solve the problem. This had caused Nike faced ethical issue about its labour practice abroad, and as well faced to public relations impact which adversely affect their reputation and image. (<http://www1.american.edu/ted/nike.htm>).

Nike factory in Pakistan, child labours were using in the production of soccer balls, more than 200 children some of which are as young as 4 or 5, involved in the process (Sengel, 2005). Children stitch soccer ball for only 60 cents an hour. According to 1. american.edu, Nike's entered in to the Pakistan markets was part of its long term strategic planning. Nike went into Pakistan, with having full knowledge of the favourable conditions prevailing in terms of child labour and has taken no precautions to prevent the use of child labour in the production of its soccer balls. Instead Nike has made a profit from their Pakistan's contractor who has used bonded child labour in the production process. According to a Foulball campaign report, Nike has refused twice to have a check in their Saga-managed centre in Pakistan while conversely Nike's rival Reebok readily granted access to its Moltex-managed centre in Pakistan (<http://www1.american.edu/ted/nike.htm>). Several rumours come out regarding this matter, it let government have no choice to pressure Nike to look into and solve this problem.

According to Ted's case studies (1999), in Indonesian a 12 years old girl was working 70 hours a week, in an unhealthy environment plant making shoes for Nike. Nike is profiting from the cheap labour cost of production, due to the contracted factory is employing children to make the product. Nike

ignored the laws that protecting the workers in prefer of cutting costs and lowering health standards. According to César Rodríguez (2005), political leaders were bribed by factory supervisors in order to limit governmental interference. The leaders passed the messages to military and police units to overlook the conditions in factories so that the illegal environment could remain open and functioning. Leaders also were warned to watch for the signs of labour activists near the factories to prevent workers from aligning with activists for better conditions.

2. 3 Discrimination Issue

There was a court case on Nike discrimination issue in 2003 in Chicago. According to Barbara Rose the reporter to Chicago Tribune, 2003, this dilemma happened obviously, Nike Chicago was not complying with their matter of respect policy under the Nike code of ethics. Nike prohibited discrimination and harassment to happen, in order to prevent these situation happens, Nike provides employees with an effective complaint process. But, this court case has clearly showed that, there are not all the Nike's store is complying with their Code of Ethics.

The plaintiffs of the case stated that African-American employees claimed that they are being segregated for poor treatment. The employees were alleged that Chicago's Nike had involved in discrimination issue that Nike segregated African-Americans into lower paying jobs such as stockroom or cashier positions. Besides that, African-Americans as well do not have opportunity to get promotion to sales position by failing to post job openings. Nike ' s store supervisor are only hired African-American into part-time rather than the full-time positions that can received better benefits, for example:

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health insurance and paid vacation, this condition of employment is vary than Caucasian staff. Caucasian staff was hired as full time staff which means they can get all the benefits of the company. Apart from this, African-American employees are subjected to searches when leaving the store, while Caucasian employees were free from such searches. According to the suit, work rules and regulations regarding attendance, sick leave and employee discounts also were unequally applied.

The area of the complaint is clear stated that this discrimination is the caused a hostile work environment. Nike Chicago's supervisor was not complying with the Nike code of ethics, under matter of respect policy. This dilemma leads to racial discrimination, which pressure the employee to sound out their rights by putting court case against Nike. Due to this is a sensitive issue, Nike was under the government pressure to settle this court case as fast as they could.

3. 1 Ways Deal With Sweatshop

According to the analysis in 2. 1, Nike overseas contracted their works to foreign companies and therefore not under their direct supervision. However, when news about the harsh conditions was being revealed, actions were taken against Nike. According Global Exchange (2001), six promises were made by Nike's President, Phil Knight and Nike factories throughout the world were required to obey the rules (<http://www.squidoo.com/nike-sweatshop-allegations>). The first initiative is stop using the harmful chemical adhesive called toluene. Nike found toluene caused harmful effects to workers who are not properly guarded by wearing masks or gloves to prevent the poison and the fumes that it emits. To respond to this critic, Nike

was able to create water-based adhesive athletic shoes, which has no such side effects. By this creation, Nike managed to establish a positive air quality control model for their competitors. Phil Knight also assured that Nike would continue with its research and ensure all Nike factories met United States Occupational Safety and Health Administration (OSHA) standards in indoor air quality. In order to assure this requirement, Nike stated that indoor air testing of all footwear factories and follow-up testing were required to conduct when necessary. These tests would be a climax in the final report that made by independent non-government organization (NGO). Nike were given three months of improvement or correction on the air quality levels from the date of the final report were made.

Nike responded to the child labour ethical dilemma by practising the second initiative. Nike raised the minimum age of all footwear factories to 18 years old and raised the minimum age of apparel and equipment factories to 16 years old. Phil Knight reported that Nike has zero tolerance for underage labour, and there has never been a time in Nike's history where child labour has been a problem, as well that it really hasn't been a problem in the shoe industry as a whole (<http://www.stanford.edu>).

In the third initiative, Nike is recognized the need for the independent monitoring of the manufacturing facilities. The monitoring system is a very important initiative; in the meantime it established a means of public accountability. By referring to immediately launching a structured monitoring system, Nike was implying that their current working conditions are sufficient. This initiative was improving and avoids the sweatshop condition which occurred in Nike's factories. By implemented this monitoring system, <https://assignbuster.com/nike-sweatshops-poor-conditions-of-work/>

any of poor condition of working environment detected efficiently and the period take to solve the problem is shortened. Referring to 2. 1 sweatshop issue which happened in Vietnam , 2003, this initiative practised by Nike factory and solve the sweatshop issue by paying the average wage of \$54 a month; it is a three times the minimum for a state-owned enterprise. Nike job provide the benefit with a regular wage, with free or subsidized meals, free medical services and training as well as education. Better working conditions and higher pay lead the economic productivity been improved. According to Jakarta post (2011), Nike as well developing programs to train factory's manager cultural sensitivity as well as their leadership skills. To avoid any abusive treatment cases happen again, Nike's headquarters in Beaverton, Oregon has invested heavily in training managers and more closely monitoring their activities in the Nike's factories (Wright. S, 2011).

The fourth and fifth initiatives are to improve and making positive contribution or offering benefits to employees. These initiatives are improving the Nike poor working conditions and child labour issue. Nike offered an educational program in the factories; including middle and high school equivalency course accessibility, as well as free class during non-working hours for all workers in Nike footwear factories. In these Initiatives, Nike's factories are encouraged to raise the pay of employees who complete the programme. Besides that, in Nike's fifth initiative, small business loan program provide funds to support thousand families each in the nations of Indonesia, Pakistan, Vietnam, and Thailand. This program provides loans to women who wish to create small businesses and as well support those unemployed women who can run small businesses that increase their

family's economic well-being as well as subsidize to the society's overall development are the effort of this program. When the economics of families is increased, children will not need to work to earn living wage, therefore they can have better education.

Finally, the sixth initiative is to support the independent research by sponsoring the university research or open forums to explore issues related to global manufacturing and reasonable business practices (Tim. c, 2001). Sponsorship made by Nike could increase their reputation and good image; it can be a method to release positive press which can please the public and stakeholders, so that the negative issue will be forgotten.

By introducing and applying the six initiatives, Nike is practising descriptive stakeholder theory in their action taken. Descriptive stakeholder theory is defined as a company is trying to find out whether and how company actually do take into account stakeholder interest (Crane and Matten, 2007). From the six initiatives applied, Nike attempting to please their stakeholder by applying these initiatives, and it as well as guidelines to their management. Improvement can be seen, criticisms from the public is successful responded by these initiatives. Poor condition of working environment is closely monitored, low wages been raised, child labours been solved by providing benefits to employees, when a family income increased, children are not needed to work in order to earn living wage. Nike is aware to the ethical dilemmas they faced, and certainly precaution is developed to avoid such criticisms occur again.

3. 2 Compensation

The decision by paying compensation to the workers is one of the actions taken by Nike to solve their bad image that created to the public, they hope that by this case been settled, and the reputation of Nike could be increase.

Nike has denied the accusation of discrimination issue in court. However, Nike settled the lawsuit by paying compensation amounted US \$7. 6 million. In addition, the settlement called to appoint a diversity consultant to ensure Nike Chicago complied with the consent decree. (David. S, 2007). Nike agreed in the settlement to improve their work force more tolerant and more diversity. For example: Nike's store in Chicago would need to have diversity consultant and all their supervisors and managers are required to train in diversity (Sachdev. A, 2007). By the agreement which Nike promised in the settlement, the discrimination issue and their business ethics been closely monitored. As a result, Nike can practised business ethically and convinced publics to trust their products again.

4. 1 Corporate Social Responsibilities

Corporate social responsibilities (CSR) are the policy of the company itself to conduct social activities, such as donation, charity, sponsorship, community involvement, and protect of environment, to benefits their stakeholders. It is a process that a company makes positive contribution and impacts to the society to form a long term investment in a safer, better educated, more fairness community, which can create beneficial and stable circumstances to do business for the corporation (Crane and Matten, 2007).

According to Nike annual report 2009, Nike is committed to CSR, they are driven to do not only is required by the law, but also what is expected of a leader. Donation is one of the Nike's compassion toward the society. Nike donated USD \$1 million to the Lance Armstrong Foudation (LAF) on May 17, 2004. LAF and Nike were together launched the campaign of " Wear Yellow Live Strong", to raise fund for LAF's backup support, education, public health and also their research Programs. Nike donations had led LAF's fund raised to additional millions of dollars through the sale of yellow wristbands. As of October 28, 2004, there are more than 20 million of wristbands being sold, this efforts benefits the LAF programs to help the people who living with cancer. Nike continued this contribution by carried out by selling the LIVESTRONG wristband in all the Nike stores and outlets.

According to Crane and Matten, 2007, corporate social responsibility is differentiated into four aspects: economic, legal, ethical and philanthropic responsibilities. Nike is apply to philanthropic responsibilities by improving the education programs for the society community who with low income families. In April 2004, Nike is committed to Head Start, a National School Readiness Program that provides comprehensive education, health, nutrition and the services of parent involvement to the low income children and families. The contribution of USD \$ 5. 2 million from Nike has help Head Start Programs to provide a total of 2102 computers to reach thousands of kids and their families. Besides that, on Dec 14, 2004, Nike launched NikeGO Afterschool program associated with SPARK (Sports, Play and Active Recreation for Kids), this programs brings physical activity which including training and education plan. Nike as well donated the Nike products of

equipment kits and other facilities to children age five to fourteen of the program. In order to expand the benefit to more community, Nike also launch the programs in a total of 42 sites in United States (<http://www.knowmore.org>).

From Nike Sustainability report, Nike is trying to do their best in practice in how to doing the right thing and just and fair to all. When natural disaster happened, Nike expressed their sympathy by the helping communities who are affected by disaster with funding and product donations, in order to immediately replace what had been lost. However, Nike found that by donation, they did not always meet the needs of those affected at the right time or in the right ways. Nike had refine their approach, and they found that by supporting NGO partners, such as Mercy Corps and CARE (Cooperative for Assistance and Relief Everywhere), during the immediately consequences of a disaster through donation and supporting by Nike's employees who wanted to contribute to help the disaster victims. Nike as well concentrate in using the power of sport to assist young people who affected by natural disasters to overcome with the trauma of losing loved ones, their homes, their properties and sometimes even their communities. Moving Forward Program is created By Nike and NGO partners to overcome and help communities rebuild after the natural disaster. This program provided tools to teachers, trainers and parent to assist youth post-disaster through well-designed sports activities and counselling courses. This program as well has been implemented in many communities around the world, such as: Japan, China, Peru and Haiti. Nike is so passionate about the impact of the program and its adaptability that Nike has made it available online for any community or

organization to practice. Besides that, Nike's employees who volunteer to involve in assisting to rebuild schools and community centres. For example, the earthquake happened in Haiti, January 2010, there are more than 1600 of Nike employees had made personal donations which totalled more than USD \$170, 000, after combined with Nike donation, the total of Haiti disaster relief was USD \$450, 000. Beside of this case, for Japan Tsunami in 2011, Nike had contributed USD\$1 million in cash and product in value of USD \$250, 000 to relief and rebuilding efforts to the disaster victims.

From the CSR had done by Nike, Nike is applied to the Ethics of Duties. Ethics of Duties is defined as values judge by the morality issue no matter who is involved or profits and who is harmed by the principles (Crane and Matten, 2007). It is concerned with what people do, but not based on the consequences of their actions. Nike practiced CSR in their corporation is because there are doing the right thing, and also because it's the right thing to do. Nike justify that CSR is an action by showing that it produced good consequences.