How To Protect Workers in Global Supply Chain?

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UCSF– March 2016

Disclosures

I have nothing to disclose.
Presentation Outline

• The global economy today
• The failure of “corporate social responsibility” to protect workers
• Bangladesh case study
• What we can do about all this

Why care about global supply chains?

• US economy directly impacted by global supply chains:
  – Fractured workforce
  – Non-compliance with regulations
• Only way to protect working conditions here = counteract downward pressures that erode and undermine conditions everywhere
Global Economy

• 51 of 100 largest economies in the world are transnational corporations – not countries
• 500 largest transnational corporations:
  – 70% world trade
  – 1/3 manufacturing exports
  – 3/4 trade in commodities
  – 4/5 technical and management services

Global Economy

• Profound shift in manufacturing:
  - from: “well-regulated,” high wage, often unionized plants in developed world
  - to: very low wage, basically unregulated, non-union plants in the developing world
• All these plants are competing with one another for maximum competitive advantage in production costs
Global Economy

- Long, long production chains:
  - International brands/retailers
  - Contractors
  - Sub-contractors
  - Brokers and agents
  - Industrial homework in workers’ houses

Global Companies

- Examples:
  - Nike: 700+ factories, 52 countries, 900,000+ factory workers -- not one of them working for Nike
  - Gap: 2,000 factories world-wide
  - Disney: 6,000 licensees with 40,000 factories worldwide
  - Walmart: 20,000 factories in China alone, over 100,000 worldwide
Global Workers

- Vulnerable workforces:
  - 168 million children (ages 5-14) at work
  - 310 million immigrant/migrant workers (including ~190 million migrants in China)
  - 67 million in “Export Processing Zones” (EPZs) with few or no legal rights
  - Millions working as temporary, “contingent,” or “perma-temp” workers in both developing and developed countries

Global Inequality

- Growing inequality and deep poverty:
  - 900 million people live on less than $1.90/day
  - 700 million people live on less than $1.25/day
  - Top 1% owns 41% of wealth; top 10% owns 86%; bottom half owns just 10%
Global Inequality

- OECD and World Bank studies: increased inequality within as well as between countries
- In 1981 the LIC poor had 24% of the GDP of their countries; by 2010, they had just 8%
- By 2010: “average” poor person in LIC = 78 cents/day and 78% of them in rural areas
- 2008 crisis and “recovery” means 62 individuals have the wealth of the bottom 50%
Global Power

• The top six transnational corporations’ revenues are greater than the combined budgets of 64 countries with 58% of the world’s population
• Economic resources brings political power and influence

Supply chain problems

• Very long hours of work
• Very low pay
• Pay delayed, under-paid, or never paid
• Unsafe and unhealthy conditions
• Physical abuse and sexual harassment
• Child labor
• Lack of basic human and labor rights
Bad conditions continue: How do we know?

- News media reports
- Factory reports from non-governmental organizations (NGOs)
- Reports from Multi-Stakeholder Initiatives (MSIs)
- Reports from transnational corporations themselves
NIGHTMARE ON SESAME STREET

Ergo Toy Made in Chinese Sweatshop

Young workers, including several children:
- Forced to work
- 14 to 16 hours a day
- Seven days a week
- One 25 1/2 hour shift
- Cheated of half their wages

JULY 15
LABOR COMMITTEE

Deadly Denim

Endancing in the Bangladesh Garment Industry

Clean Clothes Campaign
25 Years of CSR

- Marginal improvements in last 25 years, even with “high road” employers
- Growth of global CSR industry
- Continuing “race to the bottom” as all factories in the global economy compete with one another for lowest production costs and highest profits

Why so little progress?

Three key factors:

- Sweatshop business model
- Ineffective, corrupt monitoring
- Lack of any meaningful worker participation in developing, implementing and maintaining programs
Factor #1: Sweatshop Business Model

Internal conflict between CSR and sourcing departments:

- Lack of integration of CSR goals with the “iron triangle” of price, quality and delivery time
- Relentless drive to cut per unit price year to year
- Unfunded and last-minute changes
- Lack of financial support for mandatory factory-level CSR programs

Sweatshop Business Model

“The US is really putting us into a dilemma,” says Li Wencheng (a Disney supplier in Dongguan, China), “Clients talk about high-quality products and human rights in one breath, and in the next they are telling us we have to cut prices.”

Factor #2: Ineffective Monitoring

- Unqualified auditors - corrupt auditors
- “Drive-by” and “tick the box” inspections
- Growth and outsourcing
  - Bureau Veritas, Intertek, SGS - public companies with their own profit goals
  - Subcontracting actual inspections
- Inescapable conflicts of interest
  - “keep the client happy”
An inside voice

“Just about everyone, at least off the record, will tell you that monitoring doesn’t work and auditing of supplier factories doesn’t work, because people cheat.”

- John Ruggie, Harvard University and former UN Secretary-General’s Special Representative for Business and Human Rights, *Women’s Wear Daily*, October 2009
Factor #3: Workers Missing from the Picture

• Requires giving actual content to buzz words of “worker empowerment” = genuine, meaningful participation by workers
• OHS roles for workers:
  – Conduct inspections and identify hazards
  – Investigate accidents and exposures
  – Evaluate and verify hazard abatement
  – Peer training with co-workers

Workers’ role

• On site all day, every day
• Direct knowledge of the problems
• Ideas for possible fixes
• Verify whether fixes work
• Whether suppliers are “gaming” the audits
Worker Participation

“We have inspections of factories, both announced and unannounced. But we just don’t have the assurance that things will be the same the next day. Factories in China are incredibly sophisticated at finding ways to fool us. The best monitors are the workers themselves.”

- Doug Cahn, Reebok CSR Director, Financial Times, December 2002

Bangladesh Case Study

How globalization looks in real life and for real people
Bangladesh exports 2009-10

- Ready-made garments: 77.1%
- Others: 15.4%
- Frozen food: 2.7%
- Raw jute & products: 4.8%

Source: BGMEA

Current Bar
Minimum wage per month for selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum Wage</th>
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<tbody>
<tr>
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<tr>
<td>Bangladesh</td>
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</table>

Source: State Department

The Wall Street Journal
Sweatshop Business Model in Bangladesh

“How much less you could pay for a product? How can a garment businessman keep up with this ever-increasing demand? Of course, by using every opportunity to minimize production costs -- paying workers less and not caring about workplace safety.”

Sweatshop Business Model in Bangladesh

“What kinds of pressure are imposed on factories in Bangladesh that factory orders literally force their workers to risk death in order to get shipments delivered on time?”

“Can one really expect that safety measures and compliance with overtime regulations are going to be the supplier’s priority if they cause shipment delays and cost money?”

Outliers? Rogue Plants?

Emergency audits in 2013 after Rana Plaza:

– BGD gov’t survey - 300 “unsafe” factories
– BGMEA-BUET inspections of 200 of “the best” factories - 20 immediately closed
– No building codes until 2006 (after Spectrum)
– Virtually no inspectors – as of April 2013:
  • Dhaka: 15 building inspectors for 10,000 factories
  • 40 building inspectors for 1,000,000 structures
  • 20 H&S inspectors for the country’s 78 million workers

The Brands Knew & Know

• Terrible conditions known to all
• CSR has failed – except as PR for brands and retailers
• “The market made me do it”
  – Shareholders demand high profits
  – Low-road competitors undermine efforts
  – Consumers want low prices
What to do about it?

• Bangladesh Accord
• Other international and national efforts
• Role of OHS professionals
Bangladesh Accord

- Legally binding agreement
- 215+ brands, 1,800 factories, 2M workers
- 5-year program with annual fees
- Competent, genuinely independent inspections – fire, electrical, building
- Public reporting of inspection results
- Mandatory repairs - brands responsible

• 2-year requirement to stay at inspected factories
• Worker participation
  – Inspection walk-arounds
  – Health & Safety Committees
  – In-plant and Accord training
  – Worker “right to refuse” unsafe work
Other Initiatives

- International Labor Organization
  - Training, technical assistance, OHS center
- Bangladesh government
- Labor and Community NGOs
  - Solidarity Center, DCH’s COEH, OSHE
- Business initiatives
  - Alliance, ISC’s EHS, brands

Overall Progress

- 3,660 export garment factories inspected
  - Competent, independent and public audits
  - Use of a common set of minimum criteria
  - Included critical local factor: building structure
- 103,000+ hazards identified by Accord alone
- Corrective Action Plans submitted to inspecting organization for approval
Progress to Date

- Hazard corrections = mandatory
  - Accord: 8 factories terminated, 120 more warned
  - Alliance: 23 factories terminated, 12 more warned
- 136 factories get further review
  - 37 shut down
  - 36 partially closed

Progress to Date

- OHS training underway at all levels
  - Manager, supervisor, worker, union
- New law requires factory H&S Committees, plant medical officer
- Increase government capacity
  - Triple the number of labor inspectors
  - Dedicated OHS department – 69 trained staff planned
Progress to Date

Unprecedented gains
- No other country, no other supply chain, has a comparable focus on worker safety with the resources at hand
- Now how to “make it stick”? 
- How to follow the example elsewhere?

Global solutions

• New business model
  – Integration of CSR goals and sourcing practices
  – End the “race to the bottom” in pricing
  – Move beyond policing to capacity-building

• Establish a “Level Playing Field”
  – Support OHS/labor law enforcement

• Genuine worker participation
  – Training, authority, paid release time
What we can do

• As OHS professionals at work – advocate for effective programs here and abroad
• As consumers – demand brands/retailers obey the law and make good on their CSR promises
• As citizens – demand governments do their job to protect workers here and abroad
• As OHS professionals in society – support OHS initiatives and capacity-building projects

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