



TED Case Study: NIKE: Nike Shoes and Child Labor in Pakistan

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I. Identification

1. The Issue

Nike has been accused of using child labor in the production of its soccer balls in Pakistan. This case study will examine the claims and describe the industry and its impact on laborers and their working conditions. While Pakistan has laws against child labor and slavery, the government has taken very little action to combat it. Only a boycott by the United States and other nations will have any impact on slavery and child-based industries. Furthermore the U.S constitution states that child labor is an illegal and inhumane practice and any U.S. company found guilty practicing and encouraging it will be prosecuted. GATT and WTO prohibits member nations, like the United States, from discriminating against the importation of goods made by children. Are dolphins becoming more important than children? A question making WTO to reconsider the children's appeal of the third world.

2. Description

Brief about the tradition of child labor in Pakistan

Pakistan has a per-capita income of \$1,900 per year - meaning that a typical person survives barely on \$5 per day. And that's not all, Pakistan has a traditional culture where earning of one person goes on feeding 10 mouths; and with the high rate of inflation it becomes difficult for a low income population to survive. Child labor is spread all over Pakistan but has the greatest impact in the north-west of Punjab province, that is Sialkot. Pakistan has a population of approximately 1 million and is an important centre for the production of goods for export to international markets, particularly sporting goods. In 1994, exports from Sialkot brought income of almost US\$ 385 million into the Pakistan economy. Sialkot is thus one of the world's most important centres for production of sporting goods.

Child labor exists in Sialkot both in the export sector and the domestic sector. This fact has been well documented and reported by the international media for several years but nothing has been done about it. In Pakistan it is clearly documented that child labor is against the law, but the government carries lack of willingness to do anything about it. Provision for education is very limited, due to the fact that very low priority is given to education in the national budgets. Education receives around 3% of the total gross domestic product when compared to over ten times of this amount spent on military. Gender and other forms of discrimination plus adding to the lack of political will, gives the clear picture of the existence of child labor in Pakistan.

Recently if you go to a shop to buy your child a new soccer ball. There is a good possibility that the ball has been made by someone your child's age or even younger. About half of the world's soccer ball are made in Pakistan, and each one of them passes through a process of production where child labor is involved. This problem not only pertains to Pakistan but is worldwide. More than 200 children, some as young as 4 and 5 years of age, are involved in the production line. Majority of these children work in Asia, e.g in the nations of India, Pakistan, Bangladesh and Indonesia.

Nike is characterized of making its equipments in countries which are in the developing phase, having very cheap labor, authoritarian government and lack of human rights appeal and union movement. In doing this it has made greater margins on the cost of mere cents to its workers. So Nike success story is not based on good name and advertising alone but also attached to it is the tears of tortured workers and child labor.

A columnist 'Stephen Chapman' from Libertarian newspaper argues that "But why is it unconscionable for a poor country to allow child labor? Pakistan has a per-capita income of \$1,900 per year - meaning that the typical person subsists on barely \$5 per day. Is it a revelation - or a crime - that some parents willingly send their children off to work in a factory to survive? Is it cruel for Nike to give them the chance?"

Stephen argues that the best way to end child-labor is to buy more of the products that children produce. This would increase their demand, and as they will produce more, they will earn more, hence giving themselves chance to rise above poverty level and thus also benefiting the families of the children and as well as the nation.

However, the issue is not that simple. Increasing the demand of the products produced by child labor means encouraging more child labor, encouraging more birth rates, more slavery, increasing sweatshops and discouraging education - as parents of the children working in factories would want them to work more and earn more. If this happened to be the case, then more and more children will

be bought and sold on the black market, leading no end to this problem. By encouraging more child labor, you are not only taking away those innocent years from them but also the right to be educated and the right to be free.

As a good chess player Nike always thinks ahead of its movement. It does not launch its production directly in to the developing country, such as Pakistan, but instead it subcontracts it to them by selecting a local firm. When doing this, the local firm, in this case SAGA sports, has to abide by the Nike's international rules and regulations when producing its goods. And it is the duty of the international firm (NIKE) to monitor its subcontracted production units and hold it to tight scrutiny. But this is not what really happens. Both Nike and the local production company aims to minimize cost and earn the highest amounts of profit thus involving themselves in illegal practices, such as child labor, a practice which is not so highlighted by the government of the host developing country. So what happens when you question Nike about its labor practices? An answer comes that it is not they who are involved in this illegal labor practices but it is the local subcontractor who is doing so. This is wrong to say as Nike and SAGA sports both benefits with access to cheap child labor in Pakistan. And if Nike cannot control its subcontracted plants, it means they have not implemented their rules and regulations effectively and is not abiding by the international standards which they have set for themselves.

Nike's entrance in to the Pakistani markets was the part of its long term strategic planning. It is false to explain that Nike didn't knew that child labor is an ages-old practice in Pakistan. Nike went into Pakistan, having full knowledge of the favorable conditions prevailing in terms of child labor and has taken no precautions whatsoever to prevent the use of child labor in the production of its soccer balls. Instead Nike has made a profit from its Pakistani contractors who inturn has used bonded child labor in the production process. Critically analyzing the situation, "Why Nike always land up in places having cheap or bonded labors or in places where it can easily get away with illegal labor practices?" Examples include: Vietnam, China, Indonesia, Pakistan, Bangladesh and India. Nike simply bases its operations on finding the lowest-cost labor to make its products. Twelve-year-old girls work in Indonesian sweatshops 70 hours a week making Nike shoes in unhealthy plants.

According to a Foulball campaign report, Nike has refused twice to have a check in their Saga-managed center in Pakistan while on the other hand Nike's rival Reebok readily granted access to its Moltex-managed center in Pakistan.

Nike has the habit of hiding behind its good public image and its effective means of promotions and advertising. Nike attempts to create a good public image by offering charity, donating equipments and never passing an opportunity to remind the public that it has set up stitching centers in places such as Sialkot, Pakistan.

How it all started - Consumer awareness 1996

When the June, 1996 issue of Life magazine carried an article about child labor in Pakistan, Nike knew that it was in trouble. The article's lead photograph showed 12-year-old Tariq surrounded by the pieces of a Nike soccer ball which he would spend most of a day stitching together for the grand sum of 60 cents. In a matter of weeks, activists all across Canada and the United States were standing in front of Nike outlets, holding up Tariq's photo.

And yet, Nike has not done an especially good job of scrutinizing the subcontractors with which it's working. Nor has it been open about its labor practices in the way public companies should be expected to be. Cameramen have been pushed out of factory floors. Supervisors at a plant in Vietnam apparently beat workers being paid 20 cents an hour and refused to allow them to leave their work posts. Indonesian labor organizers has been put behind bars. And, most troubling, nearly all the soccer balls made in Pakistan have been revealed to be made by young children getting paid just cents a day.

Nike chairman Phil Knight also acknowledged that a shipment of soccer balls Nike purchased in Pakistan in the year 1996 was made by a subcontractor using child labor in "horrible conditions." Although 1996 was the first year in which real public attention was focused on Nike's labor practices abroad, it's important to recognize that manufacturing shoes in low-wage countries was, from the start, a crucial part of Phil Knight's plan for his company. In other words, American jobs have not been shipped abroad. On the contrary, Nike has never made shoes in the United States. Its first factories, built in the 1960s, were in Japan, when that country was still a part of the Third World. And since thirty years Nike have migrating from nation to nation, arriving as countries install the necessary mechanisms for orderly business operations and leaving as living standards become too high to make manufacturing profitable.

Nike "not Just do it but Do it right."

This is the first time that Nike has had to face real questions about its labor practices abroad, the first time that it has felt a public-relations impact. At this point, that impact does not seem at all devastating. While in the short run Americans are generally horrified by the issue of child labor and has expressed concern over the working conditions in foreign factories, Nike should take immediate actions in order to provide remedy to all the activism it faces, otherwise it can prove devastating for the company's image in the long run. The basic truth about Nike is that its only real strength is its good name. Nike rules because of all the good things people associate with the company: sharp ads, Michael Jordan, Tiger Woods, little Penny, and Michael Jordan again. If "beaten workers" and "child labor" get added to that list, then Nike's greatest asset will be lost.

Now the burden is on the company both to do a better job of implementing company-wide global standards of conduct and also to improve its openness to the media. The more you hide, after all, the more people think you have something to hide. Every hand that goes up, hurts Nike in the public eye. And when you're a consumer company, that's the only eye that matters.

Consumers -- "Just don't do it."

When a person states that he/she is working for Nike, it gives a very good status symbol. But what if the person is a 9 - year old child? What image will it give you as a consumer when you buy ththose products or brands that employ child labor?

Consumers should take an immediate action in order to eradicate child labor practices discharged by these multinational U.S corporations. This can only be done by not buying their products which are produced in the third world and which have suspicion of a

child being involved in the process. Child labor is a human rights issue. What is more of a human right than growing up as a free person, attending school without being held in bondage?

For more details, please find the original article published at <http://www1.american.edu/ted/nike.htm> 

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