



Report shows limits of corporate social responsibility

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Multinational companies' drive for profit limits the effectiveness of Corporate Responsibility Programs and Codes of Conduct, according to a new report. Only collective bargaining with worker representatives can guarantee a sustained improvement in wages and working conditions.

The report, published on 28th October by China Labor Watch, a New York-based NGO, uses a case study of China-based suppliers to European sports shoe brand Adidas to illustrate both the achievements and limitations of corporate social responsibility programs.

China Labor Watch has been monitoring working conditions in China-based Adidas suppliers for ten years. In 2002 it published a report highlighting low wages and poor working conditions at a Taiwan-owned Adidas supplier, Yu Yuen Industrial Corporation. It found the company had a policy of employing only female workers aged between 18 and 25, was paying them just 33 cents an hour and obliging them to work 60 hours a week. Pressure of work, the report claimed, had led to the deaths of 12 workers since 1994. The company used closed-circuit television to spy on workers and there was evidence of sexual harassment.

In 2008, a follow-up report on Yu Yuen found that male workers had to pay an agency fee or bribe a manager to get hired. Workers were obliged to arrive at work 40 minutes early for a "meeting," in reality a ploy to extract unpaid work. The company enforced two hours compulsory overtime every day and a minimum 11-hour day during the peak production season. Food in the company canteen "tasted like pig swill" and kitchen staff lacked basic knowledge of hygiene.

Publicity around the 2008 report spurred Adidas to take action. By the time China Labor Watch published its third report on Yu Yuen, conditions in its plants had changed to the extent that the organization was prepared to say the improvements were "satisfactory". In particular, discrimination against male workers was no longer evident and compulsory overtime had been abolished.

But the report notes that labor conditions in factories operated by many of the 308 other Adidas suppliers in China "are still very poor due to a lack of supervision." Even in the case of Yu Yuen, Adidas had allowed the problems to persist for ten years. It concludes that, as long as factories remain out of the public eye, abuses tend to remain uncorrected.

At another Adidas supplier, the Smartball plant in Western China, it took a strike by 7,000 workers before the workplace standards laid down by the Adidas code of conduct were enforced. Meanwhile, at Hong Kong-owned Shingtak Footwear Group, conditions in some respects actually deteriorated between 2008 and 2010, despite a growth in the workforce from 3,000 to 7,000. In 2008 overtime at Shingtak appeared to be voluntary, while by 2010 it had become effectively compulsory. Workers now have to sign away their rights to insurance on joining the company, and the probationary period has been extended from one month to six months.

The report notes that, among major brands, Adidas "has demonstrated a positive attitude to improving labor conditions" and has cooperated with many NGOs, including China Labor Watch, to improve conditions at its supplier factories. But for that very reason, the limited results achieved demonstrate the inherent limitations corporate social responsibility and codes of conduct as tools for achieving major improvements. In other cases, the report notes, "codes of conduct of multinational brand name companies are often no more than superficial window dressing."

In some cases companies institute codes of conduct, audits and corporate social responsibility programs to "deliberately limit the power of workers and worker organizations. Workers are told that the investigators and auditors are trying to help them. As a result, workers will no longer be interested in organizing their own associations."

By their very nature, the report says, multinationals are driven by profit and were attracted to China in a "race to the bottom" to cut production costs. Adidas, engaged in a classic labor intensive industry, has already begun to relocate production from China to other, yet lower-cost, locations as Chinese wages begin to rise. A basic conflict of interests means that even the best corporate social responsibility programs are doomed to make only a minor difference.

Only collective bargaining between companies and workers representatives has the scale and dynamic to engineer significant improvements in the lives of the workers at the bottom of the global supply chain. "What workers need is a system where workers and companies, can negotiate equally," the report concludes.

"Most companies do not like trades unions," said China Labor Watch spokesman Li Qiang. "Improving labor conditions raises labor costs and slows the development of factories. Unions can offer companies opportunities for sustainable development, but in the short term their profits will be cut. What we need to understand is that the cut in profits is the result of the high-speed, low-margin international

supply chain. The supply-chain model has to be modified if international companies are to fulfill their social responsibilities."

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