



"Socially Responsible" Capitalism Still Feeds the Disease

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By Toshio Meronek

Capitalism with a conscience? That's the idea behind so-called "socially responsible" investments - buying stocks in companies that are screened for criteria like good labor practices, sustainability and whether or not the company is involved in arms manufacturing. The Forum for Sustainable and Responsible Investment, an industry association, claimed in its latest report from 2012 that at least \$3.74 trillion in the United States is invested with environmental and social impacts in mind.

Some socially responsible investments (SRI) weed out cigarette companies like Philip Morris; others shun companies with poor environmental records, like BP. But whichever investments you choose, there's a good chance you'll be profiting off companies with bad human rights records because the backbone of many SRI funds are consumer technology stocks - companies like Apple and Samsung, which have histories replete with labor and privacy abuses.

China Labor Watch (CLW) is one of the groups that investigates ongoing labor problems; Kevin Slaten is its US-based program coordinator. He spoke to Truthout about the reports his organization has conducted on Apple, which started to be heavily scrutinized around 2010 when activists brought attention to child labor in some of the factories used by the computer giant. Some of these same factories were the subjects of protests over a number of Chinese labor law violations and mass worker suicides.

According to Slaten, "We constantly find these symptoms, but the disease underlying these symptoms has not been properly taken care of for years. The disease is these companies want the most amount of products in the shortest amount of time."

Fallout from the multiple scandals at Apple manufacturing plants included a major mutual fund company, TIAA-CREF, dropping Apple from its Social Choice Fund. TIAA-CREF's analysts admitted in its most recent investor brief that the exclusion of Apple "trimmed results" for Social Choice shareholders. That's an obvious reason why Apple's ever-profitable stock, which set a record high price this month, continues to show up in many SRI portfolios.

"We really do believe in the power that responsible investment has to improve companies," said Bennett Freeman, senior vice president for sustainability research and policy at Calvert, an all-SRI investment company that manages over \$13.5 billion in assets for half a million US account holders.

After the supply chain problems at Apple were publicized a few years back, unlike at TIAA-CREF, Calvert's analysts found that Apple was making strides toward improving labor conditions and transparency, and the company continues to be one of Calvert's biggest holdings.

So how do socially responsible investment fund managers decide what separates the good from the un-investible? One of the most common ways is engaging with the companies directly, Freeman said. His team also looks at the Corporate Social Responsibility (CSR) reports that big companies have started releasing each year, self-reporting their own successes and failures. Unsurprisingly, many human rights advocates don't put much faith in these company-generated reports.

"CSR reports are PR tools," said China Labor Watch's Slaten. "They could be spinning things; they're not often a reflection, in the case of manufacturing supply chains, of what's really going on in the factories."

In Apple's recent CSR reports, year after year, the company speaks to its improvements:

2012: Apple's audit program reaches all levels of our supply chain, including final assembly and component suppliers. We continue to expand our program to reach deeper into our supply base, and this year we also added more detailed and specialized audits to address safety and environmental concerns.

2013: Through a continual cycle of inspections, improvement plans, and verification, we work with our suppliers to make sure they comply with our Code of Conduct and live up to these ideals.

2014: Historically, Apple has had one of the toughest Supplier Codes of Conduct in the electronics industry. Yet each year we raise the bar higher. These strict requirements communicate our expectations of how responsible global supply chains should operate.

But Slaten isn't moved. "Companies will talk about how they're 'on a constant road toward improvement,' but when it comes down to it, these problems still exist. Audits have become tools to calm concerns, buy time or erase those concerns," he said. Companies like Apple are "paying for audits instead of investing money to address the problems."

CLW investigates labor issues by interviewing workers around the factories and, occasionally, sending in undercover inspectors posing as workers. On September 4, weeks away from the upcoming iPhone 6 release, CLW and Green America released a report on one of Apple's contract factories in Suqian, China, that has been forcing laborers to work overtime unpaid, and dumping industrial waste into nearby rivers, among other problems.

In 2013, Slaten said, a child worker died in a factory making iPhone 5s. In addition, unpaid overtime was "way over the legal limit, way over Apple's own standard that they say everyone's abiding by." Other factory workers died for health reasons that may be related to some of the chemicals they were working with. And the Apple-contracted factories were hiring "a tremendous number" of temp workers, who are expected to work at "an incredibly intense pace." These problems led CLW's executive director Li Qiang to release a statement saying that "Apple is worsening conditions for workers, not improving them."

The group just released another report on Samsung, finding more than 10 children under the age of 16 who work in factories that contract with the Apple competitor. Both Calvert and TIAA-CREF have millions invested in Samsung stocks.

Some Auditing Organizations Arguably Subject to Conflicts of Interest

The UK-based EIRIS was founded specifically to monitor corporate ethics. EIRIS spokesperson Virginia Jennings said they consider the technology hardware and equipment sectors to be of "high concern" because of the scattered, global supply chain - a system in which upper management rarely ever visits manufacturing plants that are often on the other side of the planet.

For the tech industry, EIRIS checks International Labor Organization reports and whether companies are involved in industry citizenship coalitions, such as the White House-created Fair Labor Association (FLA), but the usefulness of these is controversial.

For example, the group United Students Against Sweatshops has little good to say about the FLA. In a statement addressing the coalition, the organization said: "The FLA admits that when it does monitor factories, it interviews workers only with factory management's full knowledge of who is being interviewed, allowing for worker intimidation"; it also notes that the FLA's board has included higher-ups from companies that have ugly labor records, like Adidas and Nike. (Just this year, almost 50,000 workers went on strike at Chinese factories that produce shoes for those companies.)

EIRIS also consults and tests a company's own ethical codes of conduct. In a recent report, the company gave Apple poor ratings on sustainability, and it has in the past alerted its members to certain issues like child labor; increasingly, it looks at tech companies' involvement in mass surveillance. "We provide research to investors on a whole range of criteria - how they use it is up to them."

Most social investment companies aren't paying attention, as tech stocks continue to dominate many of their funds.

"The CSR system itself is an industry," Slaten said. "Even when it's a so-called third-party system of auditing, those auditing companies are for-profit, and their interest is to continue to be doing audits, not necessarily to continue improvement."

The Truly Socially Responsible Company?

To live up to the standards they profess, SRIs would need to take a wholly different approach.

Right now, few social investors' portfolios are doing anything to bring about this change.

Threatening a corporation's bottom-line with divestment campaigns is a legitimate way to effect change - South Africa's post-apartheid ruling party credits the approach with helping to curb racial segregation in that county. Groups like 350.org and We Divest are using divestment for their own causes, trying to slow global warming and bring justice to Palestine.

Sydney Levy's organization, Jewish Voice for Peace, launched the We Divest campaign with the aim of getting TIAA-CREF out of companies with ties to the Israeli occupation of Palestine. "It's not about purifying your wallet," he said, "but to get to the point that the campaign is visible, the pressure is there, and change happens."

He compares Israel's use of Hewlett-Packard biometric surveillance equipment on Palestinians to technology "used to similar effect" in South Africa during the 1970s. "At the time, black people had to carry passbooks, which showed where they came from and where they could go. And who was providing the technology at the time? It wasn't Hewlett-Packard; it was Polaroid."

Black workers at Polaroid's factories in Massachusetts set off a chain of protests, and by 1977 the political pressure worked: Polaroid withdrew from South Africa.

The Israeli occupation divestment campaign is beginning to gain bigger support, including from student groups at colleges across the United States, and the Presbyterian Church, which divested from three companies involved with the Israeli occupation earlier this year.

After years of dialogue with the companies, and holding on to small amounts of stock so the Church could file shareholder resolutions to try to get the corporations out of the occupation business, the Church found that Caterpillar, Hewlett-Packard and Motorola "remain entrenched in their involvement in non-peaceful pursuits, and regrettably show no inclination to change their behavior. In fact, if anything, these three corporations have deepened their non-peaceful involvement."

"To be really blunt, don't invest in those companies," advises Bob Ross of the Church's Israel/Palestine Mission Network.

SRI companies have some catching up to do. As it stands, "socially responsible" funds are saturated with the shares of tech companies like Hewlett-Packard and Apple that make huge profits off of selling surveillance equipment, and off the backs of low-paid laborers who are worked to death, literally.

To actually be "socially responsible," SRI funds would need to utterly change their methods and goals. "At the end of the day," said Calvert's Freeman, "we're in the asset management business. We're in the business of making solid returns for our account holders." Profits trump everything else.

"A truly socially responsible tech company would be one that respects the law in the countries from which they're supplying and respects the dignity of the workers who are producing the products they need in order to produce a profit," said Slaten.

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