A Perfect Storm

- End of the Multi-Fibre Arrangement
  - New Trade/Competitive Pressures
- New Supply Chain Organization
  - Disaggregation and Concentration of Supply Chains
  - Strategic Partners and “Rationalized” Supply Chains
- Changes in Garment Markets
  - Increased Speed of Fashion Cycles - Lean Retailing
- Changes in Factory Organization & Management
  - Lean Manufacturing
- Accelerating Sourcing Pressures and Impacts
- Major Changes in Nature of Competitiveness
- Simultaneous Changes in Systems for Compliance
Codes & Monitoring

- Voluntary Codes of Conduct - 1991-present
- Internal Monitoring
- External Monitoring
- Multi-stakeholder Initiatives
  - Fair Labor Association, Social Accountability Intl (SA8000), Ethical Trading Initiative, Worldwide Responsible Apparel Production (WRAP), Fair Wear Foundation, Workers Rights Consortium, Global Union Framework Agreements
- Reporting Initiatives
  - Global Compact, Global Reporting Initiative
- Expanding Across Sectors
  - Coffee, Chocolate, Wood, Diamonds, Electronics, etc. etc.
Gains and Limitations

● Reducing some “Sweatshop” Conditions
  ○ Most Glaring Health and Safety Problems
  ○ Physical and Verbal Abuse of Workers
  ○ Basic Compliance with Laws

● Changes in Disclosure, Reporting, & Responsibility

● But Critical Issues Remain
  ○ Wage Violations, Overtime, Discrimination, Freedom of Association
  ○ Nike. Gap. FLA.

● Continued Non-Compliance
  ○ Haven’t Dealt with Root Causes

● Pyrrhic Victories

● Continued Pressures Downward
Structural Barriers

- Corporate Monitoring Structurally Flawed
  - Potential Conflicts of Interest
- Problems Embedded in Structure of Industry
  - Prices Going Down. Delivery Times Going Down.
  - Compliance Demands Going Up.
- Incentives are Contradictory
- Factories Quite Simply Can’t Comply and Survive
  - University Experiences. Corporate Experiences.
- Policing Model Neither Builds Motivation or Capacity of Firms to Comply
- Incentives to Cover Up Problems
The Example of WRAP

- Little Transparency
- No Sanctions for Failure to Comply
- Monitors Paid by those Monitored
- Poorly Trained Monitors who Visit Rarely
- No Worker Advocates Involved
  - No Unions or NGOs Involved
  - Inadequate Worker Interviews
- Focus on Self-Assessments
- Little Focus on Remediation
- No Evidence of Addressing Root Causes
Realigning Processes and Incentives

- Deeper Monitoring
- Root Cause Analysis
  - Evaluating Pressures/Constraints in Supply Chain
- Collaborative Problem Solving
  - Real Worker Participation
- New Incentives to Find and Solve Problems
- Building the Capacity of Factories to Comply
- New Institutions for Implementation
Moving Forward

- Greater Disclosure and Transparency
- Greater Public Accountability
- Independent Monitoring
- Worker Participation & Empowerment
- Root Cause Analysis => to Sourcing
- Collaborative Problem Solving
- Direct Incentives for Compliance
- Responsible Sourcing
- Integrating Compliance and Competitiveness