

What Do Corporate Codes of Conduct Do?
The Effectiveness of Codes in Improving Internationally-Recognized Core
Labor Standards in Thai Production of U.S. Collegiate Apparel and Footwear

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paper presented at meetings of the
American Political Science Association
Chicago, September 3, 2004¹

Corporate codes of conduct place before the public a commitment to abide by internationally recognized standards. Many U.S. multinational companies that subcontract to low labor cost countries – including Champion, Cutter and Buck, The Gap and its subsidiaries Banana Republic and Old Navy, Gear for Sports, Levis, Nike, Reebok, Vanity Fair and its Lee, Wrangler, Jansport, and North Face – have adopted corporate codes of conduct related to internationally recognized core labor standards. These codes encapsulate internationally recognized core labor standards. How effective are these codes? Can these codes improve observance of internationally-recognized core labor standards?

Colleagues in Thailand and I conducted a survey of workers who make apparel and footwear for U.S. multinational corporations. All workers were employed in factories that supply to members of the U.S. Collegiate Apparel Association. Thus, all workers interviewed were covered by the U.S. Collegiate Apparel Association's codes of conduct. We attempted to gauge the impact, if any, of these codes on working conditions and terms of service. Analysis of the responses, conducted with the assistance of students at Wellesley College, suggests that corporate codes of conduct in subcontracted apparel and footwear production is positively correlated with improved conditions of work and negatively correlated with improved terms of service including those that relate to internationally recognized core labor standards.

This paper begins with an overview of the survey. The paper then discusses sweatshops, apparel subcontracting, and student action to promote labor rights through corporate codes of conduct. Findings of the survey are then presented. Responses of the survey suggest broadly that improvements in occupational health and safety standards might be purchased at the cost of standards related to minimum wage and maximum weekly working hours. (With only self-reported data, however, this survey could not test that claim.) The conclusion considers whether poor observance of internationally-

¹ I thank Tanya Thunyamart and Jessica Lee for assistance with the analysis of data. An earlier version of this paper was presented at a Wellesley College's panel discussion on the United Nations Global Compact on September 23, 2003.

recognized labor standards are either necessary or temporary to industrialization.

The survey

This paper is based largely on a survey of 146 workers in Thailand conducted with Thai colleagues between July 2001 and January 2002. Workers interviewed produce shoes and apparel for U.S. college and university stores. Each participant works in a factory that supplies to a U.S. Collegiate Apparel company. The Workers' Rights Consortium provided names and addresses of these companies and their suppliers. Thus, all of the workers were covered by a code of conduct. Otherwise, the participants were chosen to broadly represent workers throughout the Thai apparel and footwear industries. Participants were drawn from each of Thailand's three minimum wage areas.

The survey instrument was a questionnaire, with 154 quantitative and open-ended questions. The questions related to personal, family, and social life; income, expense, debt, and dependents; conditions of work, including health and safety issues, and terms of service, including terms of payment and reasons for dismissal; labor standards, codes of conduct, and their implementation; and production processes and management techniques. Thus, we gathered in-depth information on the life and work of individual workers as well as survey data suitable for quantitative analysis.

The questionnaire was designed by Christopher Candland, tested by Candland and Junya Yimprasert, and administered, between July 2001 and January 2002, by five Thai Labour Campaign staff, two Centre for Labour Information Service and Training staff, and two volunteers from Thai universities. The questionnaires were completed in places chosen by the workers, usually in their homes, always outside of the workplace. On average, each questionnaire took two and one half-hours to complete. We found routine abuse of all four internationally recognized core labor standards: related to the rights to unionize and bargain collectively, to be free from workplace discrimination, to be free from forced labor, and to be free from child labor.

In designing the survey, it was our intention to gather information about the relationship between corporate codes of conduct and subcontracting, on the one hand, and conditions of work and terms of service, on the other. Each worker was asked to comment – in a variety of different but complementary ways – on whether and how conditions of work and terms of service had changed since the introduction of a corporate code of conduct by their employer.

Background

Sweatshops

The term sweatshop characterizes places of monotonous work for long hours at low wages under hazardous conditions. The term sweatshop derives from the system of "sweating out" production. Its original appearance was in a caution that low prices achieved by "sweating out" also carried the danger that a relationship in which the producer did not know the buyer could lead to substandard products and inhumane conditions of employment.²

One of the characteristic features of sweatshop production is neglect of occupational health and safety workers. Some of the chief impetuses for higher protection of sweatshop workers have been fatal accidents in sweatshop. The 1911 Triangle Shirtwaist Company fire, which killed 146 young female sweatshop workers, was a catalyst for enhancement of work conditions in the United States. The 1993 fire at the Kader Toy factory in a Bangkok suburb was a similar catalyst for the promotion of greater attention to health and occupation safety in Thai sweatshops. One hundred and eighty eight workers died and 469 were injured because the management of the Kader Toy factory blocked fire exits so that workers could not leave work until the close of their shift and neglected to provide fire alarms, extinguishers, or sprinklers. The British Toy and Hobby Association, in response, developed a corporate code of conduct to improve working conditions in the factories that produced for British toy companies. (Murphy 1997: 2)

The common characterization of a sweatshop that includes small businesses struggling to enter the market is out of place in apparel subcontracting. Factories are rather subsidiaries of the largest conglomerates. Sweatshop is not sufficiently distinct to be useful as an analytical term. The term does evoke though a substandard labor system.

Apparel Subcontracting

Subcontracting suits apparel particularly because it can be produced in small workplaces with little investment in equipment, materials, or training. Footwear production requires additional equipment, material, some training but is also subcontracted by subcontractors to small producers. Apparel is unlikely to cease being a low skill, labor-intensive industry, even as other industries in the textile sector have been mechanized.

The productivity of the Thai garment worker stands at 65% of that of the productivity of the U.S. garment worker. The wage of the Thai garment worker, however, is 8% of the U.S. garment worker. (Kurt Salmon Associates cited in *Sweatshop Watch*) There are more than 3,000 registered apparel factories in Thailand employing two million workers. Few of these permit workers to unionize. There are millions more workers in thousands of

² See "sweat," "sweating-system," and "sweat-shop," especially as these related to apparel, in the *Oxford English Dictionary*, 297-301.

unregistered factories. Apparel companies have high labor force turn over. According to the Federation of Thai Industries, "the high turn over in the labour force is due to production processes that require patience and sacrifice. Also, footwear patterns have changed to meet the demands of the market and placed continuous stress on workers to meet delivery requirements. Therefore, workers resign and look for better jobs." (Federation of Thai Industries, 2001)

U.S. Collegiate Apparel

The apparel industry in the U.S., valued at more than \$250 billion annually, is one of the largest in the country. In 1999, the U.S. collegiate apparel industry was valued at \$2.5 billion. The University of Michigan, the country's largest university, earns more from royalties on its collegiate apparel than any other university. In 1998, the University of Michigan earned \$5.7 million in royalties on its collegiate apparel. (Cleeland 1999) While the U.S. collegiate apparel industry represents only 1% of the U.S. apparel industry, it has provided students a base to expose substandard conditions of work and terms of employment in the worldwide apparel industry.

The anti-sweatshop movement may be dated to April 1996 when Charles Kernaghan exposed the fact that Kathie Lee Gifford's clothing line was produced under sweatshop conditions. Soon thereafter, the Clinton Administration's National Economic Council and Department of Labor and some universities, including the University of Notre Dame and Duke University, began to design mechanisms to improve labor standards. U.S. multinational companies that subcontract production to low labor cost countries, until recently, would not disclose their suppliers' location. Consumer and student activism since 1996 has persuaded many of these corporations to begin to disclose details on their production networks.

The United Students Against Sweatshops includes students groups from more than 175 campuses, ranging from large universities to small colleges and community colleges. In spring 1999, students occupied administration buildings at Duke University, Georgetown University, the University of Michigan, and the University of Wisconsin, demanding that the administration disclose the locations of factories where collegiate apparel is produced.

There are three major non-governmental, U.S. based associations devoted to promoting labor standards. These are the Fair Labor Association, Social Accountability International, and the Workers Rights Consortium. The Fair Labor Association was established in November 1998, under the auspices of the Clinton Administration. Representatives of U.S. corporations, labor rights organizations, and universities sit on its board. The United Students Against Sweatshops created the Workers' Rights Consortium. The WRC advisory council includes labor scholars and labor rights activists but – unlike the Fair Labor Association and Social Accountability International – does not include corporate representatives.

Major Similarities and Differences between FLA, WRC, and SA8000

	independent monitoring	industry participation	contract disclosure
FLA	yes	yes	yes
SAI8000	no	yes	no
WRC	yes	no	yes

Internationally Recognized Core Labor Standards

There are four internationally recognized core labor standards, codified in the International Labor Organizations' (ILO) Conventions on Forced Labor (29 and 105), Conventions on Freedom of Association (87 and 96), Conventions on Child Labor (138 and 182), and Conventions on Workplace Discrimination (100 and 111).

Internationally Recognized Core Labor Standards

Standard	Major ILO Convention and Year
Freedom from Forced Labor	29 (1930) & 105 (1957)
Freedom of Association	87 (1948) & 98 (1949)
Freedom from Workplace Discrimination	100 (19) & 111 (19)
Freedom from Child Labor	138 (1973) & 182 (1999)

These same four core labor standards are articulated in many U.S. trade and investment agreements, the absence of which constitutes legal grounds for the United States government to impose trade and other sanctions. Under the 2002 Trade Act, for example, the Congress directs the President to ensure that the Office of the US Trade Representative – which is now negotiating several trade and investment agreements – must negotiate "the right of association, the right to organize and bargain collectively, a prohibition on the use of any form of forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health."

The Findings

While all workers surveyed were employed in factories that are covered by the U.S. Apparel Association's corporate code of conduct, only 47% of all workers knew that there was a code of conduct in force in their factory. This finding itself speaks to the ineffectiveness of codes. It is possible that codes could have a positive effect on working conditions and terms of service even if workers were not aware that codes were in force in their workplaces. However, because codes give workers certain rights to raise

complaints, not knowing about codes is itself an indication of their ineffectiveness.

Better Working Conditions, Worse Terms of Service

Generally, responses to our questionnaire suggest that corporate codes of conduct do promote better health and safety, air quality and lighting, and access to personal protective equipment. At the same time, responses indicate that codes do not protect workers from discrimination, denial of legally mandated wages, forced, unpaid overtime, and denial of the right to form unions and to bargain with employers collectively.

Working Conditions

Workers' responses indicate that working conditions are improving under codes. More than 29% of the workers in our survey said that the codes are improving working conditions in their factory. More than 22% of workers said that they were not sure whether conditions had improved since the code was implemented. Another 28% chose not to answer the question. Only 7.5% of the workers said that working conditions had not improved since the introduction of their factory's code. 80% said that there were adequate bathroom facilities and clean drinking water in their workplace.

The Right to Unionize and Bargain Collectively

Few apparel employers in Thailand permit workers to form a union [*sahapab rengan*]. In our survey, 38% of the workers said they did not have rights to unionize. 40% of the workers said that they did not have the right to collective bargain.

Freedom from Discrimination

Workers were predominantly young and female. 73.3% of the participants were female. 49.3% of both male and female workers were single. This roughly parallels official national labor force surveys. Employers are said to favor unmarried, younger women because they are easier to control and, if need be, to dismiss and because employers want to avoid paying for maternity leave. Under Thai labor law, mothers who are regular employees are entitled to 90 days of paid leave, to be made, in equal parts, by the Ministry of Labor and Social Welfare and the employer. To avoid paying this legally mandated benefit, employers require female employees to give urine samples when applying for jobs so that applications from pregnant women can be rejected.

More than 55% of the female workers we surveyed reported that they were required to give a urine test or a blood test along with their application. 17% of the female workers did not reply an answer to that question. One worker said that the medical examiner explained that her urine test was a pregnancy test. Workers also reported that they were asked as job applicants if they were married. It has long been alleged that if new workers –

recognized under law as regular employees only after a four-month probation period – become pregnant, they may be fired. The codes of conduct evidently did not prevent these kinds of discriminatory employment practices.

Child Labor

There was no strong evidence of child labor (under 18 years of age under Thai law) in the factories from which we interviewed workers. More than 77 percent of the workers surveyed said that there were no workers under the age of 18 in their workplaces. More than 90% said that there were no workers under the age 15.

A significant problem with Thai labor law and educational requirements was identified. Workers indicated that a difference between the definition of age of childhood in Thai labor and in Thai education policy leads to underemployment for workers between the ages of 15 and 18. Mandatory schooling ends after nine years at age 15. In accordance with ILO Convention 111, the Thai government requires employers to report the ages of employees to the Ministry of Labour. As a result, registered factories are reluctant to employ workers younger than 18. As a result, these workers are denied regulated and protected employment. The gap between national educational completion requirements and employment regulations for workers leaves young workers, especially from poorer families, in a vulnerable situation.

Forced Labor

Many workers reported during earlier research that the cost of implementing some elements of corporate codes of conduct seemed to be the introduction of production processes, such as the target rate system, that undermined other elements of these codes. (See Yimprasert and Candland 2000) Thus, this survey collected responses on the target rate system and its relation, if any, with the implementation of codes.

A target rate is a production quota set by employers. The target rate system is different from the piece rate system. Under the piece rate system workers are paid per piece. Under the target rate system, a worker is not paid at all if she fails to achieve the target rate. Our research showed that the cost of implementing some elements of corporate codes of conduct – e.g., fire extinguishers and fire escapes — were purchased by the introduction of the target rate system.

More than 63% of the workers interviewed complained that they were required to work underpaid overtime. Almost all of the workers surveyed worked said that they work for longer than the legal maximum 60-hour working week. Some workers produced time sheets that included 60 hours of work claiming that they worked for more than 60 hours every week but only 60 hours was ever recorded. A few workers said that they were paid more than the minimum wage. Many reported that they were denied wages for failing to meet the target rate.

Concluding Reflections

Subcontracting

Multinational corporations and national conglomerates organize subcontracting in partnership. The multinational corporations and national companies subcontract not only production but also standards. Corporate codes of conduct intend to ensure that labor standards accompany the subcontracting of production (and the concomitant production, finance, packaging, delivery, and other standards).

Selecting Subcontracted Standards

Corporate codes of conduct are a company's acknowledgement that certain legally recognized and social standards are also being subcontracted. These include the obligation to fulfill contracts (e.g., to pay legally stipulated wages) and freedom from all forms of forced labor. Nevertheless, subcontracting, in the U.S. Collegiate Apparel Industry in Thailand is associated with good and improving conditions of work and substandard and declining terms of service.

The absence of secure relationship between the Thai owned production and supply companies and the multinational buyers seemingly has a detrimental effect on terms of employment. The producers of apparel and footwear for multinational companies include both subsidiaries of large business groups and, of course, companies and self-organized groups of workers, that produce for companies with multinational company contracts. While some Multinational buyers have recognized some suppliers as "preferred vendors," the status carries no advantages or benefits other than the name. Multinational companies offer not commitment. As there is no security in the order, the immediate satisfaction of the client by speedy delivery of the order, not the welfare and rights of their employees, is of most concern to Thai suppliers.

Thailand's Development Model

The push of labor out of rural areas is inherent in present economic development policies and programs in Thailand. Development policies and programs in Thailand push people out of rural areas. These people, the weakest and most vulnerable in these urban settlements, then bare the weight of the pyramid-like subcontracting structure. Unemployment in rural areas makes for people willing to work at less than a living wage. No skill formation means that national development is tethered to labor intensive, low paid work.

The argument that laboring under sweatshop-like conditions is better than unemployment in one's village presents a false choice. The poor employment prospects in rural areas are neither natural nor inevitable. The economic underdevelopment of rural Thailand is the result of a national economic development strategy that privileges export manufacturing in urban

and peri-urban areas over rural development. Industrialization strategies have made life in rural areas less tenable than migration to and work in urban or peri-urban areas. Internal migration (and immigration) is a central feature of subcontracting. Employees from outside the place of work are preferable to those with local networks.

An Inevitable or Transitory Stage of Development?

Sub-standard conditions of work and terms of service are associated with industrialization but it does not thereby follow that they are inevitable or transitory. Some negative externalities. Substandard working conditions and terms of service do not benefit early stages of industrialization nor are they reduced by further industrialization. Poor standards in one area – say in product quality standards – can more induce poor standards in another area – say in workplace standards. High standards similarly induce high standards. Nowhere have substandard norms been removed without public action and legislation. (Weiner 2000) Comparative studies show unions to be an aid to economic development. (Freeman)

Protection of labor rights and promotion of human investment is an essential component of human development and social opportunity. Governments that have ignored human development and social opportunity (Dreze and Sen 2002) and favored rapid economic growth through labor extraction (Lewis 1954) have undermined their long-term development capacity (Candland 2001). Governments that have invested in human capital formation have established the foundation for long-term development; many have also achieved rapid economic growth in the short-term. Substandard conditions of work and terms of employment are not overcome by higher levels of aggregate wealth. Most subcontracting of manufacturing is designed to extract maximum profit for owners and investors and to give minimal expenses on workers. Accordingly, subcontracting leads to the erosion of the foundations for sustainable human development.

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August 31, 2004