

Business Analysis: Global brands look to profit from trading on ethical labels

By Rachel Stevenson

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Gap and Nike, two global brands that have long been associated with sweatshop labour and terrible working conditions, are now proclaiming themselves as champions of ethical trade, a sign of the swelling tide against businesses that profit from exploitation in the developing world. The former pariahs of the ethical trading community are being welcomed into it, and their transition to mentors of corporate social responsibility culminated last week when representatives of both companies spoke at a major ethical trading conference in London for the first time. From being the target of protests over allegations that its multimillion-dollar profits were made on the back of pitifully low-paid workers, Gap is now a member of the Ethical Trading Initiative (ETI), a body made up of companies, non-governmental organisations (NGOs) and trade unions. Nike, which for years denied claims of worker exploitation, is in discussions to join the ETI after disclosing all its suppliers around the world in a report last month. It acknowledged that some of the factories that make its products have harassed workers and forced overtime, and that child labour has also been used.

Companies such as Gap and Nike and the ETI believe that as consumers and shareholders become increasingly concerned about ethical standards, global businesses can no longer afford to ignore the issue. There are already signs of action even in some of the most criticised industries. Chocolate companies, for example, which have been attacked for the use of child labour in cocoa plantations, have formed a coalition to stamp out unacceptable work practices. Tobacco companies, although they cannot shrug off public health campaigners, have also joined forces to try to eradicate child labour. These initiatives, together with moves from companies such as Gap, show how seriously corporate responsibility is now taken in the boardroom.

Hannah Jones, the vice-president of corporate responsibility at Nike, said her company learned the hard way. "It has taken a long time to get to this point at Nike and we have made many mistakes. For many years, we were defensive about it and saw it as just a PR problem. Now we see it as part of the way we run our business. The report and the list of our suppliers was so that everyone can see where our goods come from."

Nike is also convinced of the commercial rewards of treating workers in its supply chain humanely with a decent wage and basic labour rights, and wants to play a part in "systemic change" on these issues across the clothes industry.

Lakshmi Bhatia, of Gap, said joining ETI was a landmark in the company's history. It has pledged to keep sourcing goods from Lesotho in southern Africa, even though China has emerged as an even cheaper labour option.

ETI's corporate members have grown from seven when it began in 1998 to 34 today. Its members adhere to a base code on labour practices, which includes paying living wages, prohibiting child labour, allowing workers the right to form unions, respecting their bargaining rights, making working conditions safe and hygienic, and not demanding excessive working hours.

But while most of the UK high street has agreed to the ETI's ethical labour standards, there are some notable absentees. Philip Green's Bhs and Arcadia are not members of ETI, nor are discount retailers such as Matalan, Peacocks and Primark, nor the Morrison's supermarket chain.

But all of the companies mentioned above said yesterday they operated their own strict standards for sourcing from ethical suppliers, which they vigorously enforced. Mr Green said: "Our code of conduct on ethics is part of the contract our suppliers must agree to before we will work with them. We carry out inspections of our suppliers and we are committed to best practice throughout our supply chain." His code of conduct, as with many other retailers, is very similar to the ETI's code.

A spokesman for Morrison's said: "We have previously considered joining the ETI and are keeping this under review, given that we remain committed to the implementation of our ethical trading code."

But although the ETI is pleased with its growing membership, there are still many more to convince. There are still an estimated 12.3 million people subject to forced labour around the world. Alan Roberts, the chairman of the ETI, said consumers were still not that switched on to avoiding products sold by groups that fail to adhere to ethical standards over their labour practices.

However honestly Gap's about-turn on ethical trading was intended, the more cynical believe it has changed only as a result of the consumer pressure against it. Shaw Lebakae, of the Lesotho Clothing and Allied Workers Union, said: "Gap had to change because its brand and image was being damaged. The people who it was selling to, American college students, were protesting against them because they didn't want to support that image. Companies like Wal-Mart, which have no brand or image other than being the cheapest retailer, have no impetus to engage with trade unions in our country."

But as well as consumer pressure, shareholder pressure is also building. Businesses have found themselves on questionable ethical grounds after outsourcing their manufacturing operations to developing countries where labour costs were cheaper. Robert Barrington, the head of socially responsible investing at F&C Asset Management, said: "This means businesses are managing much more extended supply chains than they used to. This does make them difficult to control, but the problem for businesses is that there is also now much more information available to the public on suppliers. The developing world is not as closed off as it used to be ... This means the potential for damage is much greater. If news emerges of bad practice, it can damage a company's brand, which damages the share price."

New code helps Kenya flower pickers

Workers picking and packaging flowers in Kenya so shoppers in the UK have colourful bouquets for every occasion are no longer forced into overtime and casual contracts as a result of companies signing up to ethical codes of conduct.

This is just one example of how codes of conduct for ethical work practices can translate into action to make a tangible difference for workers around the world. Pay slips are now available to staff on Kenyan flower farms, as are employment contracts, better medical facilities, improved housing and increased maternity leave. Better training on the use of pesticides and the stricter controls on the spraying of pesticides have been introduced. More women have been promoted to supervisory roles and staff welfare committees have been established. Workers are taking up membership of trade unions in increasing numbers.

These changes were carried out after an investigation by an ETI member, the Women Working Worldwide group, showed workers' rights in the African flower industry were being violated.