Introduction

The term ‘sweatshop’ is heavy with emotional, historical, and moral significance. It calls to mind images of women and children working long days in cramped, rat-infested quarters, abused by their supervisors and paid barely enough to survive and work another day. To others it will suggest the horrors of Mexican maquiladoras, where young female apparel workers are often subject to sexual harassment from the local supervisors, and punished severely for any attempt to organize.

Perhaps most frighteningly of all, the term suggests that the responsibility for these situations falls squarely on the shoulders of the average consumer. By as simple an act as buying a dress for oneself or running shoes for one’s children, the story goes, one is providing economic support to the system which leads to the sorts of oppression described above. The only difference between the consumer who buys sweatshop-made products and the supervisor who runs the sweatshop his or her self is physical proximity to the offense. Morally speaking, we are all guilty.
But guilty of what, exactly? The term ‘sweatshop’ undoubtedly connotes something objectionable. But what precisely are the conditions which have to be met by a business before this term is appropriately applied? What makes a sweatshop a sweatshop?

Definitions

Unfortunately, the issues surrounding sweatshops and their economic context are so contentious that not even the definition of the term is free from controversy. As we will see in the next section, the term has a historical reference, which picks out a particular method of production in the apparel industry in the early part of the 1900s. But we do not want our definition to rule out the possibility that sweatshops might exist today, in other industrial contexts. To tie the term ‘sweatshop’ to a particular industry in a particular historical era is to put too strict a limit on the broader social criticism that term was intended to invoke.

The term also has a legal meaning. The U.S. General Accounting Office defines a sweatshop as “an employer that violates more than one federal or state law governing minimum wage and overtime, child labor, industrial homework, occupational safety and health, workers compensation, or industry regulation.” The advantage of this definition is that it provides a clear, quantifiable standard with which to assess the status of sweatshops within the United States, and a basis for pursuing legal action against them. In certain contexts, this definition may be entirely appropriate. Its disadvantage is much the same as that found in the historical definition discussed above—it seems too narrow to serve as a general definition. In the history of the United States, many sweatshops existed prior to the enactment of many of the worker-protection laws referenced in the
GAO’s definition. Does this mean they were not really sweatshops? Similarly, many of today’s sweatshops exist outside of the United States, in countries where legal protection for labor is minimal at best. Often, these companies operate without breaking any of the laws of their home country at all. If we wish to condemn these operations as ‘sweatshops,’ the legal definition will be inadequate.

Ultimately, then, the precise meaning of the term ‘sweatshop’ will vary depending on context. Historical and legal definitions have their place, but usually our description of a certain producer as a sweatshop will reflect a moral judgment. In other words, it will reflect our judgment that the producer is treating its employees inhumanely, or that it is violating their basic human rights or simple standards of decency. This definition, too, is not without its problems, for it raises a whole host of complicated moral questions such as what moral obligations employers have toward their employees, or what constitutes a fair wage for a day’s work. Furthermore, by building moral wrongness in to the definition, this approach rules out from the start the question of whether sweatshops might ever be morally permissible. Nevertheless, understanding ‘sweatshop’ as a moral term seems to best fit the way in which the term has been used in the context of social criticism in which it arose.

**Apparel and the Origins of the Sweatshop**

In America, sweatshops can be traced back to the rise of industrialization in the nineteenth century, when millions of European immigrants flooded the nation’s cities seeking a better life for themselves and their families. Many of these immigrants went to work in large factories, where they played their part in the division of labor under a fairly centralized, hierarchical system of management. The factory was not the only place
where work was to be found in the city, however, and many workers, especially women
and children who lacked the physical strength demanded by factory work, sought
employment in apparel.

It is in the apparel industry that the form of production we now think of as
‘sweatshops’ originally took form. Unlike the factory system, the production of apparel
tended to be relatively decentralized. This is because unlike the sort of manufacturing
which took place in the factories, the manufacture of apparel required little in the way of
large, expensive pieces of equipment. The manufacture of apparel was, and remains,
especially a low-tech, and thus labor-intensive process. Essentially, the only start-up
cost involved, apart from rent and utilities, was a simple sewing-machine. Manufacturers
could thus contract out the sewing of pre-produced pieces of fabric to small companies
which specialized in such tasks, or simply assign it directly to their workers themselves.
In this latter arrangement, referred to as ‘homework,’ workers would either buy or lease
the needed tools and equipment—sometimes even the materials themselves—and
perform the work out of their own homes.

The inherent volatility of the market for fashionable apparel rendered this system
of homework economically efficient for manufacturers. Weather, season and, most of all,
changes in taste, can have a dramatic impact on the sorts of apparel demanded by
consumers on any given day. A trendy outfit which can sell for hundreds of dollars one
month can easily lose over 50% of its value over the next several months. Fashion
retailers are thus faced with the risk of winding up with large stocks of goods for which
there is no longer any consumer demand. Not unexpectedly, most retailers react to this
risk by trying to shift its cost to elsewhere in the production cycle. By placing orders for
only as many clothes as they can reasonably expect to sell in a short time, retailers push
the risk down to manufacturers. Instead of retailers facing the prospect of being stuck
with clothes they cannot sell, manufacturers are forced to adjust their production
processes to the quickly-changing demands of retailers, and to run their businesses on the
basis of the unpredictable revenue streams such orders produce. Manufacturers thus limit
their production to so-called “short-runs,” producing relatively few articles of clothing at
a time. This system of production, where apparel is produced in small amounts and only
when demand is relatively secure, is another reason that most apparel production has not
been mechanized. The short-runs needed for the production of fashionable apparel
simply do not justify the investment in expensive capital equipment.

Thus the risk is passed down from retailer to manufacturer, and likewise from
manufacturer to contractor and subcontractor, until ultimately it is borne by the individual
worker. In the homework system, workers themselves are responsible for many of the
costs of doing business (rent, heat, etc.). Though these costs will be reflected to a certain
extent in their wages, this system frees manufacturers from the burden of paying for the
cost of a labor pool they do not need. In periods when demand is low, manufacturers
simply do not place orders with homeworkers, who must therefore find some other way
of paying for their sustenance. A similar motivation lies behind the system in which
workers are paid by the number of pieces they produce, rather than by salary or even
hourly wage. If manufacturers cannot be sure of steady orders from retailers, then why
pay for workers they may not need?

Early Reform
Because the persons employed by sweatshops tended to be those with few other options for economic advancement – mostly women, children and immigrants – employees were willing to put up with low wages, cramped and unsanitary working conditions, and unsteady employment, all without much protest. This is not to say that those outside the system were complacent. In 1900, New York State License Superintendent Daniel O’Leary was reported to be so shocked by “workers toiling in dark, humid, stuffy basements on Division St., children of eight years and women, many of them far from well, sweating their lives away in these hellholes,” that he appealed to the trade union for help and advice. But the unions would not be much help for some time.

The first moves for reform came from the workers themselves. In 1909, 20,000 shirtwaist makers throughout the country went on strike in support of a walkout at the Triangle Shirtwaist Factory in New York. This event, sometimes called “The Uprising of the 20,000,” became a national cause as community leaders joined picket lines and raised funds in support of the strike.

After the Uprising, labor leaders and manufacturers came together to forge the first prototype collective bargaining agreement – the “Protocol of Peace.” This agreement, shaped largely by jurist and strike-mediator Louis D. Brandeis, required manufacturers to recognize the union and a union shop, and to set up a grievance procedure and a board to oversee health conditions in the workplace. The agreement was widely praised and viewed as a model for future reform, but the reform would not come quickly.
In 1911, a fire at that same Triangle factory resulted in the deaths of 146 garment workers. This fire, exacerbated by the unsafe conditions at the factory, was viewed as a setback to the hope inspired by the Protocol. Still, progress was being made. More and more workers were being unionized into the International Ladies’ Garment Workers’ Union (ILGWU), and its counterpart in textiles and menswear, the Amalgamated Clothing and Textile Workers Union (ACTWU). According to labor historian Alan Howard, total membership in these unions between 1931 and 1933 climbed from less than 40,000 to over 300,000. This dramatic rise in union membership, combined with worker-friendly New Deal legislation, helped eliminate sweatshops as a major factor in garment production in the United States. Sweatshops remained on the margins of industry until the mid-1970s.

The Re-Emergence of Sweatshops

The return of sweatshops is usually seen as a byproduct of globalization. The rise of the multinational corporation, manufacture for export in many developing countries, the elimination of barriers to trade, and increasing freedom of migration have all served to lessen the cost of labor for corporations. Perhaps the most important development is the way in which increasing access to foreign labor pools has enabled industries to move production offshore so as to take advantage of lower costs of doing business. This access to foreign labor also affects U.S. labor directly, insofar as it causes domestic manufacturers to look for ways to lower their costs in order to compete effectively. They do this either ‘above-board’ by attempting to weaken the power of trade-unions through political action or hard negotiating, or ‘below-board’ by moving production to illegal, unregulated and un-unionized sweatshops.
The result of this process of globalization is dramatic. According to New York University American Studies professor Andrew Ross, more than 60% of the garments now sold in the United States are imported, mostly from Asian countries. In 1997, apparel imports totaled $42 billion, up from $21.9 billion in 1990, $5.5 billion in 1980, and $1.1 billion in 1970. How exactly did this state of affairs come to be?

In the United States, apparel manufacture has long benefited from various protectionist measures. One such benefit has been a series of exemptions from various free-trade agreements, such as the General Agreement on Tariffs and Trade (GATT). Founded in 1947, GATT designed various rules against trade discrimination, import restrictions, and tariff protectionism. The motivating belief is that free trade, in general, makes all parties better off, and that restrictions on free trade should therefore be limited. From 1947 until the Uruguay Round in 1994, many of these restrictions were eased for textile and apparel. The 1974 Multi Fiber Agreement, for instance, regulated the international trade in apparel and textiles through an elaborate quota system, thus preventing domestic producers from being overrun by more cheaply produced imports.

The re-emergence of the sweatshop has generally paralleled the decline of these protectionist measures. In 1963, a special provision in the U.S. Tariff Schedule (Item 807) allowed manufacturers to export cut garments for foreign assembly, and to re-import them into the United States with duties paid only on the (relatively small) value added to the garment in the assembly process. In 1983, the Caribbean Basin Initiative (CBI) extended tariff-free access for most products to twenty-two (later increased to twenty-seven) countries. While this did not initially apply to apparel, in 1986 the 807A (“super 807”) provisions extended the benefit to products assembled in the Caribbean but made
and cut in the United States. Probably the most significant development for apparel
manufacture in the Western hemisphere has been the North American Free Trade
Agreement (NAFTA), which, implemented in January 1994, sought to eliminate all
tariffs on industrial products traded between the United States, Mexico, and Canada by
2004. The MFA, too, is now being phased out, with the goal that by 2005 all trade in
apparel will be quota-free.

Part of the motivation for these developments, as we saw above, was a belief that
free trade would be beneficial for all nations involved. For many, this conclusion was
that results of a straightforward application of a basic economic principle: what 18th-19th
century economist David Ricardo called the “principle of comparative advantage.” This
principle holds that a nation benefits most from trade when it focuses its productive
energies on those tasks in which it is relatively more efficient, even if it does not have an
absolute advantage in the area. For instance, if a country is better at making electronic
devices than at making cars, it should focus its resources on making electronic devices,
and use the revenue generated to pay for imports of cars. This is true, the principle holds,
even if the country is the world’s best car maker. (Bill Gates may be a better typist than
his secretary, but it nevertheless makes sense for him to pay his secretary to do his typing
for him, so that he can focus on running Microsoft). Even relatively undeveloped
countries, then, will have a comparative advantage in some field. Free trade allows
nations to specialize and reap the benefits of the efficiencies this generates.

Free-market mechanisms were also believed to have the virtue of “flexibility.”
Large factories engaged in the mass-production of goods require massive capital
investment, and often have difficulty responding to new developments in technology or
consumer demand. The new system of production was to be based on a more
decentralized model, where specific tasks would be contracted out to whomever could
most efficiently produce them. In the long run, it was argued, this would lower costs,
better enable manufacturers to satisfy the desires of consumers, and even liberate workers
by freeing them from the repetitive burden of the Fordist assembly line.

The actual consequences, critics charge, have not been so rosy. Instead of simply
freeing workers from the monotony of the factory, trade liberalization policies have
increased job insecurity, shifted workers toward more part-time and temporary work, and
made it more difficult for workers to unionize. And instead of bolstering the economies
of developing nations, critics continue, the CBI has been a disaster on almost every front.
It has shifted the productive focus of developing economies from local consumption to
export, but this has not yielded the gains in trade promised by Ricardian economics.
Instead, it has undermined political sovereignty and any hope of sustainable
development, creating undiversified economies vulnerable to even a mild recession in the
U.S. Meanwhile, U.S. firms are able to enjoy the benefits of a production process
unhampered by the sorts of environmental, worker safety, and union regulations imposed
by their own domestic government. Much of the production work that was once assigned
as “homework” is thus now contracted out to foreign firms.

Anti-Sweatshop Activism

For most Americans, awareness of sweatshops as a social issue started when
Kathie Lee Gifford cried on television. On April 29, 1996, National Labor Committee
(NLC) director Charlie Kernaghan testified before a congressional committee about
conditions at Global Fashion, a Honduran factory where sportswear bearing Kathie Lee’s
name was produced for sale at Wal-Mart. Most of the women employed in this plant, Kernaghan testified, were teenagers, and 10% were just thirteen to fifteen years old. These girls worked exceedingly long hours, usually from 7:30 in the morning until 9:00 at night. 75 hour work-weeks were not uncommon. Trips to the restroom were limited to two per day, and a prohibition on non-business related conversation was enforced by verbally and sometimes physically abusive supervisors. Pay for overtime work was often difficult to obtain. Regular wages were 31 cents per hour.

At first, Ms. Gifford seemed unrepentant. Two days after Kernaghan’s testimony, Gifford wept on the air as she castigated him for his “vicious attack.” Eventually, however, public outrage became too powerful for her to resist. While still maintaining that the subcontractors were acting without her or Wal-Mart’s knowledge, Gifford pledged to devote herself to campaigning against sweatshops, and to allow independent monitors to visit all factories that make her clothes.

Ms. Gifford’s embarrassment by the issue of sweatshops was probably the most visible result of anti-sweatshop activism in the late 1990’s, but it was only one element of the beginnings of a newly-energized campaign. In September 1994, U.S. Secretary of Labor Robert Reich began taking legal action against sweatshops under the Hot Goods Provision of the Fair Labor Standards Act (FLSA). This clause allowed the Department of Labor to fine and seize the goods of those manufacturers and retailers who knowingly sell merchandise manufactured by companies violating the FLSA. However, with only 800 federal inspectors to cover the nation’s over 20,000 cutting and sewing jobs, this sort of direct legal action was soon seen to be largely ineffective. In 1995, Reich switched to a strategy trying to solve the problem of sweatshops through the power of public opinion.
The DOL began publishing a so-called “Fashion Trendsetter List,” which purported to provide consumers with a directory of retailers and manufacturers who had made outstanding efforts in the fight against sweatshops. In May 1996, the Department of Labor began to issue reports of health and safety violations in the domestic apparel industry in a publication titled the “No Sweat Garment Enforcement Report.” Inclusion on this list did not entail any legal action against the individuals responsible, but was rather intended as a method to publicly shame them into correcting their behavior.

A similar sort of campaign for public education on the issue of sweatshops would take place on the campuses of America’s colleges, through the activism of an organization called United Students Against Sweatshops (USAS). Students in this organization focused their efforts on manufacturers of university licensed apparel, such as Nike, in an effort to ensure their adherence to codes of conduct prohibiting worker exploitation. Nike was especially singled out for focus because of its name recognition and dominance of the sports-apparel market, the fact that almost all of its production is outsourced, and because some of the most egregious reports of worker abuse had come from companies with which Nike had subcontracted. For instance, one Nike contractor in Jakarta, Indonesia, is charged with paying workers less than a living wage (employees are paid $2.00 per day when $4.00 per day is necessary to purchase adequate food, clothing, and shelter). More worrisome still are the results of an audit of the Tae Kwang Vina factory outside Ho Chi Minh City, Vietnam. This audit, conducted by Ernst & Young and commissioned by Nike itself (but released only when leaked to CorpWatch), found that workers in the factory were exposed to the toxic chemical toluene at levels 6 to 177 times that allowed by Vietnamese law.
USAS, founded in 1998, relied for its support on a coalition of student and labor activism. It drew support from labor mostly through the Union of Needletrades, Industrial and Textile Employees (UNITE), the union formed from the merger of ILGWU and ACTWU. Its most significant struggle since its inception has been the fight to establish an effective method for monitoring conditions in companies manufacturing university licensed apparel. The first response to student pressure on the issue was a code of conduct put forward in January 1999 by the Collegiate Licensing Company (CLC), a company which controls the use of university trademark logos and serves as a legal go-between for universities and clothing manufacturers. This code of conduct, which was adopted by many of the 150 colleges and universities then represented by the CLC, was criticized by USAS on the grounds that it 1) lacked a provision for full public disclosure of findings, 2) lacked a provision guaranteeing that workers be paid a living wage, and 3) lacked a provision to guarantee the protection of women’s rights. In response to what they saw as an effort by universities to satisfy public opinion while avoiding the real issues, USAS members at Duke University and elsewhere staged sit-ins at the office of the university president. At Duke, this sit-in eventually won the promise of full-disclosure.

A similar fight emerged over the attempts of the Clinton administration’s Fair Labor Association (FLA), a group composed of apparel companies and NGOs which sought to address the sweatshop issue through the use of voluntary company monitoring. More protests and sit-in’s ensued, this time beginning with the University of North Carolina (Chapel Hill) and the University of Arizona, with students protesting that voluntary, industry-sponsored monitoring would be insufficient to stem abuses in
sweatshops. Instead, USAS urged that universities enroll in the Worker Rights Consortium (WRC), an organization which deliberately shunned industry representation on its governing board in order to establish itself as a genuinely independent monitoring organization.

Despite suffering from occasional internal struggles, USAS has been remarkably successful in its efforts. By January, 2003, 176 schools had enrolled in the FLA, and 112 had enrolled in the WRC. Many schools chose to enroll in both.

**Moral Questions**

For all the controversy that surrounds the issue of sweatshops, one thing is perfectly clear: conditions in sweatshops are usually horrible. There may be debate about *how* horrible conditions are: whether wages are enough to maintain an adequate diet, whether physical abuse takes place in a particular factory, whether manufacturers are living up to their contractual and legal agreements, and so on. But no matter how significant these details may be, they are dwarfed by the broader conclusion: by any first-world standard of decency, sweatshop conditions are atrocious.

But are first-world standards of decency the appropriate standard to apply to industries in third-world countries? Even if we agree that conditions in sweatshops are horrible, we still must answer two important questions in order to reach any settled moral conclusion. First, are companies who contract with sweatshop manufacturers doing anything *wrong*? And second, whether they are wrong or not, what should we *do* about the situation of sweatshops?

Let us begin by considering the first question. Certain individuals, especially economists, have defended sweatshops on the grounds that they currently constitute the
best available alternative for people living in developing countries. The wages paid by Nike’s firm in Jakarta, they point out, might seem low by U.S. standards, but they are actually fairly high by the standards of the local economy. People freely choose to work at these factories because they can make more money there than they can anywhere else. If Nike were to close down the factory and begin producing exclusively in the United States, the situation of the workers it would have to lay off would not be improved – it would be worsened. They would either need to seek lower-paying employment elsewhere in the legitimate economy, or try to make money by illicit means, often by prostitution or theft.

This argument draws its support from the claim that individuals choose to work at sweatshops. If those individuals had a better alternative, they would have taken it. Of course, this argument only holds where workers are not physically coerced into working at a particular plant. Cases of sweatshops hiring armed guards to ensure that their workforce does not leave exist, but they are rare. For the rest, the argument runs, the fact that employees chose to work at sweatshops shows that they view sweatshops as the best employment available. Taking that option away by forcing sweatshops to shut down would end up harming precisely the people the anti-sweatshop activists are trying to help.

Not only would shutting down factories harm the individuals who would lose their jobs as a result, the argument continues, it would also slow down the development of the economy as a whole, and thus prevent the development of better options for future generations. Sweatshops, economists are quick to point out, tend not to dominate an economy for very long. Often, they are the first step in a long path of economic development, injecting capital and management training into an economy where it can
serve as the basis for the creation of new domestic industries. In Korea and Taiwan, for instance, Nike is no longer able to maintain manufacturing operations because, as one source reports, “workers in these quickly developing economies are no longer interested in working in low-paying shoe and textile factories.” Sweatshops, according to this argument, are a symptom of poverty, not a cause of poverty. But moreover, they are a hopeful symptom: for they signal the beginning of an economic development which will eventually bring that poverty to an end.

These arguments are powerful, and caution those opposed to sweatshops to think carefully about the results of the policy the advocate. But it is not clear that they are decisive. We began this section with two questions, and the sorts of arguments described above might give us reason to suppose that we have arrived at an answer to the first. If companies who contract with sweatshops thereby provide individuals in developing countries with better opportunities than they would otherwise have had, then maybe they are not acting wrongly, or at least, not as wrongly as some have supposed them to be.

But this still leaves us without an answer to the second question: what should we do about sweatshops? The arguments given above seem to leave this question largely unaddressed. After all, by and large, anti-sweatshop activists are not calling for U.S. companies to pull out of third-world countries altogether. They do not want sweatshops to be shut down, they want them to be improved. Students who agitate for code of conduct programs want U.S. companies to ensure that their subcontractors pay a living wage, that they provide safe and sanitary working conditions for employees, and that they respect workers’ basic human rights. Sophisticated anti-sweatshop activists recognize that companies are making employees better off by their providing individuals with jobs.
They simply demand that companies ensure that those jobs be provided in a way which meets some basic ethical guidelines.

Still, the issue of what guidelines companies, consumers, or international organizations should impose on sweatshops is a complicated matter. Many of the proposals to regulate sweatshops suffer from the same sort of problem as proposals to abolish them. In 1992, for instance, the U.S. Congress considered a bill known as the Child Labor Deterrence Act, which sought to prohibit the importation of any product made in whole or in part by individuals under the age of 15 who are employed in industry or mining. Proposals such as this seem not to recognize that in a developing economy, child labor can play a vital role. For families living in such conditions, almost all income is directed toward the basic necessities of life: food, medicine, shelter, clothing. When parents grow too old or sick to work, children often become the main breadwinners of the family. An effective ban on products made by child labor would mean that these children would lose their jobs. Because developing countries generally have little in the way of social welfare programs for families to fall back on, the effect of this loss can be devastating.

In dealing with sweatshops, then, good intentions are simply not enough. Well-intentioned proposals to provide workers with a living wage, or health or maternity benefits, can raise amount of money companies are forced to spend on each worker, and in so doing create a pressure to lay off all but the most essential.

But these considerations do not settle the matter in favor of sweatshops; they simply caution that close empirical research is necessary before drawing any conclusion. Sweatshop critics Edna Bonacich and Richard Appelbaum are quick to respond to the
above arguments, for instance, by pointing out that in the case of a typical $100 dress sold and made in the United States, only 6% of the purchase price goes to the individual who actually made the garment. 25% goes to profit and overhead for the manufacturer, 50% goes to the retailer, and the remaining is spent on raw materials. Using similar reasoning, the National Labor Committee pointed out to Disney Chairman Michael Eisner in 1996 that the effect of raising the pay of workers at the Classic Apparel facility in Haiti from their then-current 35 cent per hour wage to 58 cents an hour would be a mere 3 cent raise in price for an $11.99 garment. And if certain economists are right, raising wages in many circumstances might actually lower costs, or at least have no negative effect. Workers who are not paid enough to provide for their nutritional needs might not be as productive as those who are able to afford a steady and reliable diet.

It is difficult, then, to come to any generally applicable conclusions about the wrongness of sweatshops or the desirability of any sort of regulatory or consumer-driven alternative. By way of general principle, we can only say that any reasonable policy will need to pay careful attention to the way in which alternative stances towards sweatshops actually affect the persons they are intended to help. Discovering what helps and what doesn’t is less a matter of applying a pre-packaged ideology (free-market or anti-sweatshop) than it is of doing careful research into the unique local conditions of particular sweatshops and their political and economic contexts.

**Chronology**

**1900**  On June 3, garment workers from ILGWU go on strike for better working conditions.
1909  The Uprising of the 20,000 takes place from November 22, 1909, to February 15, 1910, led by ILGWU.

1910  ILGWU organizes a second strike, composed of approximately 50,000 mostly male cloak-makers.

1911  The Triangle Shirtwaist Company Fire erupts on March 25, killing 146 garment workers and igniting a nationwide movement for sweatshop reform.

1938  On June 25, President Franklin D. Roosevelt signs into law the Fair Labor Standards Act.

1947  Global Agreement on Tariffs and Trade (GATT) concluded by 23 countries in Geneva.

1958  ILGWU leads the largest strike in its history, winning new concessions with a 100,000 person walk-out.

1963  Item 807 of U.S. Tariff Schedule allows manufacturers to export cut garments for foreign assembly, and to re-import them into the United States with duties paid only on the value added by assembly.

1974  Multi Fiber Agreement Signed.

1983  Caribbean Basin Initiative signed, making it easier for apparel manufacturers to contract production out to countries in the Caribbean Basin.

1990  The National Labor Committee (NLC) adopts anti-sweatshop activism as its signature issue.


September 12, 1995  U.S. Department of Labor Secretary Robert Reich calls a Retail Summit in New York to address the issue of sweatshops. The summit results in a “Statement of Principles,” a voluntary agreement by 128 retailers to hold suppliers accountable to the same wage laws as the parent company.

December, 1995  U.S. Department of Labor publishes the “Fashion Trendsetters List,” to encourage consumers to shop at companies with an outstanding record in combating sweatshops.

The Gap allows an independent monitor to evaluate its facilities in Central America, becoming the first U.S. apparel company to do so.

1996  The Fair Labor Association is founded by the Clinton administration. U.S. Department of Labor publishes the “No Sweat Garment Enforcement Report,” to embarrass those thought to be guilty of labor violations.

April 29, 1996  National Labor Committee director Charlie Kernaghan testifies before a congressional committee about conditions at Global Fashion, a Honduran factory where sportswear bearing Kathie Lee’s name was produced for sale at Wal-Mart.

1997  Students at Duke University campaign successfully for a code of conduct.

1998  United Students Against Sweatshops (USAS) is formed.
1999  Students at Duke, Georgetown, the University of Arizona, North Carolina Chapel-Hill and elsewhere stage protests to force closer scrutiny of university-affiliated sweatshops.

January, 1999  The Collegiate Licensing Company (CLC) proposes a code of conduct for manufacturers involved in the production of university-licensed apparel.

2000  Nike cancels its contract with Brown University, upset by the institution’s membership in the WRC.

January, 2003  Membership in the Fair Labor Association hits 176 schools, while membership in the Worker Rights Consortium reaches 112.

Glossary

ACTWU (See Amalgamated Clothing and Textile Workers Union)

Amalgamated Clothing and Textile Workers Union (ACTWU) A union formed in 1976 by the merger of the Amalgamated Clothing Workers of America and the Textile Workers of America, covering workers in apparel and textile industries until 1995 (See UNITE).

Caribbean Basin Initiative (CBI) a general term used to refer to the Caribbean Basin Economic Recovery Act of 1983 (CBERA), the Caribbean Basin Economic Recovery Expansion Act of 1990 (CBERA Expansion Act), and the U.S.- Caribbean Basin Trade Partnership Act of 2000 (CBTPA), collectively. These acts allowed countries in the Caribbean Basin to export a wide range of products into the United States duty-free, and provided private industries with government support.

CBI (See Caribbean Base Initiative)
CLC (See Collegiate Licensing Company)

Collegiate Licensing Company (CLC)  A company which controls the use of university trademark logos and serves as a legal go-between for some 200 universities and about 2,000 retailers and manufacturers. It has worked with the Association of Collegiate Licensing Administrators to develop codes of conduct to appease student protests against sweatshop-made university-licensed apparel.

Department of Labor (DOL)  A department of the U.S. government which became independent of the Department of Commerce in 1913 and which oversees various workplace-related issues such as training, employment law, and worker health and safety.

DOL (See Department of Labor)

Fair Labor Association (FLA)  A non-profit organization with representatives from industry, colleges and universities, and NGOs. Currently, 176 schools are affiliated with the FLA in its efforts to develop and enforce codes of conduct for manufacturers of university-licensed apparel.

Fair Labor Standards Act (FLSA)  Also known as the Wages and Hours Act. This bill, enacted in 1938, established a nationwide minimum wage and the 40 hour workweek.

Fashion Trendsetter List  A list first published by the Department of Labor in December 1995, purporting to provide consumers with the names of retailers and manufacturers who had made outstanding efforts in combating sweatshops.

FLA (See Fair Labor Association)

FLSA (See Fair Labor Standards Act)

GATT (See General Agreement on Tariffs and Trade)
General Agreement on Tariffs and Trade (GATT)  A set of multilateral trade agreements, first signed in 1947, designed to reduce quotas and tariffs, and thereby ease trade among the contracting countries. GATT was replaced by the World Trade Organization in 1995.

Globalization  A term which refers to a series of inter-related processes and events: the easing of immigration restrictions, the rise in international trade, the growth in size and power of multi-national corporations, and the various changes in politics and culture which accompany these developments.

Homework  A system of production utilized in the apparel industry where workers sew garments in their own home, rather than in a centralized factory. Since workers pay for many of the costs of production (rent, heating/cooling, machinery), this system saves manufacturers from expensive capital investments.

ILGWU (See International Ladies’ Garment Workers’ Union)

International Ladies’ Garment Workers’ Union (ILGWU)  A union formed in 1900 to represent workers in the women’s clothing industry in the U.S. and Canada. Merged with ACTWU in 1995 to form UNITE.

Maquiladora  A manufacturing plant which imports and assembles duty-free components for export. Typically refers to plants located in the border towns of northern Mexico.

NAFTA (See North American Free Trade Agreement)

National Labor Committee  (NLC) An advocacy group focused on the promotion and defense of workers’ rights.
**New Deal** A term which refers to the domestic program of U.S. President Franklin D. Roosevelt, between 1933 and 1939. Many elements of this program were designed to improve the position of labor by imposing health and safety regulations, and by increasing the power of unions.

**NLC** (See National Labor Committee)

**NGO** (See Non-Governmental Organization)

**Non-Governmental Organization (NGO)** An organization, often international, which is not a government and which was not formed by an (inter) governmental agreement.

**North American Free Trade Agreement (NAFTA)** A trade pact, signed in 1992, aimed at the gradual elimination of tariffs and other trade barriers on products and services passing between Canada, the United States, and Mexico.

**Principle of Comparative Advantage** An economic principle developed in the early nineteenth century by David Ricardo, which holds that a nation will benefit most from trade when it focuses its productive energies on those tasks in which it is *relatively* more efficient, even if it does not have an absolute advantage in the area.

**Protectionism** The policy of protecting domestic industries against foreign competition by means of tariffs, import quotas, or other restrictions on foreign competitors.

**Protocol of Peace** An agreement reached in 1910 between labor leaders and manufacturers, which required manufacturers to recognize the union and a union shop and to set up a grievance procedure and a board to oversee health conditions in the workplace.
Sweatshop  Defined by the U.S. General Accounting Office as “an employer that violates more than one federal or state law governing minimum wage and overtime, child labor, industrial homework, occupational safety and health, workers compensation, or industry regulation.” More broadly, any industry in which workers are paid low wages for long hours, or work in unsafe or undignified conditions.

Triangle Shirtwaist Fire  A fire which occurred on March 25, 1911 at the Triangle Shirtwaist Company in New York City, killing 146 workers and sparking one of the first nationwide movements for sweatshop reform.

Union of Needletrades, Industrial and Textile Employees (UNITE)  A union formed in 1995 by the merger of ILGWU and ACTWU to represent apparel workers in Canada, the United States and Puerto Rico.

UNITE (See Union of Needletrades, Industrial and Textile Employees)

United Students Against Sweatshops  A student-run organization founded in 1998 for the purpose of eliminating the use of sweatshops in the manufacture of university-licensed apparel.

Uprising of the 20,000  One of the first mass strike by women workers in the United States, launched in 1909 by shirtwaist factory workers in response to poor working conditions.

USAS (See United Students Against Sweatshops)

WRC (See Worker Rights Consortium)

Worker Rights Consortium (WRC)  A non-profit organization which seeks to develop and enforce codes of conduct for manufacturers of university-licensed apparel.
The WRC prides itself on its independence from industry and is the monitoring organization favored by anti-sweatshop activists such as USAS.

Statistical Tables

Table 1

*The Price of a Pair of Shoes: Nike Air Pegasus, 1995*

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Retail Price</td>
<td>$70.00</td>
</tr>
<tr>
<td>Wholesale Price</td>
<td>$21.75</td>
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Retailer’s Expenses and Profit

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales, distribution and administration</td>
<td>$5.00</td>
</tr>
<tr>
<td>Promotion and advertising</td>
<td>4.00</td>
</tr>
<tr>
<td>Research and development</td>
<td>.25</td>
</tr>
<tr>
<td>Personnel</td>
<td>9.50</td>
</tr>
<tr>
<td>Rent</td>
<td>9.00</td>
</tr>
<tr>
<td>Other</td>
<td>7.00</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>9.00</td>
</tr>
<tr>
<td>Total</td>
<td>43.75  (62.5%)</td>
</tr>
</tbody>
</table>

Manufacturer’s (i.e. Nike) Expenses and Profit

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>$9.00</td>
</tr>
<tr>
<td>Duties</td>
<td>3.00</td>
</tr>
<tr>
<td>Rent and equipment</td>
<td>3.00</td>
</tr>
<tr>
<td>Shipping</td>
<td>.50</td>
</tr>
<tr>
<td>Profit</td>
<td>6.25</td>
</tr>
<tr>
<td>Total</td>
<td>21.75  (31.1%)</td>
</tr>
</tbody>
</table>

Contractor’s (Supplier’s) Expenses and Profit

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Labor</td>
<td>$2.75</td>
</tr>
<tr>
<td>Profit</td>
<td>1.75</td>
</tr>
<tr>
<td>Total</td>
<td>4.50   (6.4%)</td>
</tr>
</tbody>
</table>


Table 2

*Profitability Ratios, Apparel and All Manufacturing, 1993-1997* (calculated on operating income)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Return on sales

<table>
<thead>
<tr>
<th></th>
<th>Apparel</th>
<th>5.0</th>
<th>6.0</th>
<th>4.8</th>
<th>4.8</th>
<th>6.6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All manufacturing</td>
<td>6.0</td>
<td>7.4</td>
<td>7.6</td>
<td>7.4</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Return on assets

<table>
<thead>
<tr>
<th></th>
<th>Apparel</th>
<th>9.7</th>
<th>9.4</th>
<th>8.0</th>
<th>8.7</th>
<th>12.4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All manufacturing</td>
<td>6.3</td>
<td>8.0</td>
<td>8.3</td>
<td>7.9</td>
<td>8.0</td>
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</tbody>
</table>

Return on equity

<table>
<thead>
<tr>
<th></th>
<th>Apparel</th>
<th>25.5</th>
<th>23.3</th>
<th>20.2</th>
<th>25.8</th>
<th>35.5</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All manufacturing</td>
<td>17.3</td>
<td>21.6</td>
<td>21.6</td>
<td>20.5</td>
<td>20.4</td>
</tr>
</tbody>
</table>

Return on invested capital*

<table>
<thead>
<tr>
<th></th>
<th>Apparel</th>
<th>14.9</th>
<th>14.0</th>
<th>11.7</th>
<th>12.6</th>
<th>18.2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All manufacturing</td>
<td>8.3</td>
<td>10.7</td>
<td>11.1</td>
<td>10.6</td>
<td>10.7</td>
</tr>
</tbody>
</table>

Long-term debt, as percentage of net worth

<table>
<thead>
<tr>
<th></th>
<th>Apparel</th>
<th>59.9</th>
<th>51.1</th>
<th>55.7</th>
<th>84.4</th>
<th>77.1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All manufacturing</td>
<td>62.4</td>
<td>57.9</td>
<td>55.2</td>
<td>53.0</td>
<td>50.3</td>
</tr>
</tbody>
</table>

* Net Fixed assets plus working capital


Documents

“Life in the Shop,” by Clara Lemlich

Originally published in the *New York Evening Journal*, November 28, 1909

*This piece by Clara Lemlich was influential in motivating workers to participate in the Uprising of the 20,000.*

First let me tell you something about the way we work and what we are paid. There are two kinds of work—regular, that is salary work, and piecework. The regular work pays about $6 a week and the girls have to be at their machines at 7 o'clock in the morning and they stay at them until 8 o'clock at night, with just one-half hour for lunch in that time.

The shops. Well, there is just one row of machines that the daylight ever gets to—that is the front row, nearest the window. The girls at all the other rows of machines back in the
shops have to work by gaslight, by day as well as by night. Oh, yes, the shops keep the work going at night, too.

The bosses in the shops are hardly what you would call educated men, and the girls to them are part of the machines they are running. They yell at the girls and they "call them down" even worse than I imagine the Negro slaves were in the South.

There are no dressing rooms for the girls in the shops. They have to hang up their hats and coats—such as they are—on hooks along the walls. Sometimes a girl has a new hat. It never is much to look at because it never costs more than 50 cents, that means that we have gone for weeks on two-cent lunches—dry cake and nothing else.

The shops are unsanitary—that's the word that is generally used, but there ought to be a worse one used. Whenever we tear or damage any of the goods we sew on, or whenever it is found damaged after we are through with it, whether we have done it or not, we are charged for the piece and sometimes for a whole yard of the material.

At the beginning of every slow season, $2 is deducted from our salaries. We have never been able to find out what this is for.

The Worker Rights Consortium (WRC) Model Code of Conduct

This document was created by the Worker Rights Consortium to serve as a model for member schools. Schools would require licensees to adhere to the guidelines set forth in this code, and the WRC would use it as a basis for its investigations.

Worker Rights Consortium Model Code of Conduct

I. Introduction

A. The Universities participating in the Worker Rights Consortium are each committed to conducting their business affairs in a socially responsible and ethical manner consistent with their respective educational, research and/or service missions, and to protecting and preserving the global environment.

B. While the Consortium and the Member Institutions believe that Licensees share this commitment, the Consortium and the Member Institutions have adopted the following Code of Conduct (the “Code”) which requires that all Licensees, at a minimum, adhere to the principles set forth in the Code.

C. Throughout the Code the term “Licensee” shall include all persons or entities which have entered into a written “License Agreement” with the University manufacture “Licensed Articles” (as that term is defined in the License Agreement) bearing the
names, trademarks and/or images of one or more Member Institutions. The term “Licensee” shall for purposes of the Code, and unless otherwise specified in the Code, encompass all of Licensees’ contractors, subcontractors or manufacturers which produce, assemble or package finished Licensed Articles for the consumer.

II. Notice

A. The principles set forth in the Code shall apply to all Licensees.

B. As a condition of being permitted to produce and/or sell Licensed Articles, Licensees must comply with the Code. Licensees are required to adhere to the Code within six (6) months of notification of the Code and as required in applicable license agreements.

III. Standards

A. Licensees agree to operate work places and contract with companies whose work places adhere to the standards and practices described below. The University prefers that Licensees exceed these standards.

B. Legal Compliance: Licensees must comply with all applicable legal requirements of the country(ies) of manufacture in conducting business related to or involving the production or sale of Licensed Articles. Where there are differences or conflicts with the Code and the laws of the country(ies) of manufacture, the higher standard shall prevail, subject to the considerations stated in Section VI.

C. Employment Standards: Licensees shall comply with the following standards:

1. *Wages and Benefits:* Licensees recognize that wages are essential to meeting employees’ basic needs. Licensees shall pay employees, as a floor, wages and benefits which comply with all applicable laws and regulations, and which provide for essential needs and establish a dignified living wage for workers and their families. [A living wage is a “take home” or “net” wage, earned during a country’s legal maximum work week, but not more than 48 hours. A living wage provides for the basic needs (housing, energy, nutrition, clothing, health care, education, potable water, childcare, transportation and savings) of an average family unit of employees in the garment manufacturing employment sector of the country divided by the average number of adult wage earners in the family unit of employees in the garment manufacturing employment sector of the country.]

2. *Working Hours:* Hourly and/or quota-based wage employees shall (i) not be required to work more than the lesser of (a) 48 hours per week or (b) the limits on regular hours allowed by the law of the country of manufacture, and (ii) be entitled to at least one day off in every seven day period, as well as holidays and vacations.
3. **Overtime Compensation**: All overtime hours must be worked voluntarily by employees. In addition to their compensation for regular hours of work, hourly and/or quota-based wage employees shall be compensated for overtime hours at such a premium rate as is legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate at least one and one-half their regular hourly compensation rate.

4. **Child Labor**: Licensees shall not employ any person at an age younger than 15 (or 14, where, consistent with International Labor Organization practices for developing countries, the law of the country of manufacture allows such exception). Where the age for completing compulsory education is higher than the standard for the minimum age of employment stated above, the higher age for completing compulsory education shall apply to this section. Licensees agree to consult with governmental, human rights, and nongovernmental organizations, and to take reasonable steps as evaluated by the University to minimize the negative impact on children released from employment as a result of implementation or enforcement of the Code.

5. **Forced Labor**: There shall not be any use of forced prison labor, indentured labor, bonded labor or other forced labor.

6. **Health and Safety**: Licensees shall provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of Licensee facilities. In addition, Licensees must comply with the following provisions:

   a. The Licensee shall ensure that its direct operations and those of any subcontractors comply with all workplace safety and health regulations established by the national government where the production facility is located, or with Title 29 CFR of the Federal Code of Regulations, enforced by Federal OSHA (Occupational Safety and Health Administration), whichever regulation is more health protective for a given hazard.

   b. The Licensee shall ensure that its direct operations and subcontractors comply with all health and safety conventions of the International Labor Organization (ILO) ratified and adopted by the country in which the production facility is located.

7. **Nondiscrimination**: No person shall be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.

8. **Harassment or Abuse**: Every employee shall be treated with dignity and respect. No employee shall be subject to any physical, sexual, psychological, or verbal
harassment or abuse. Licensees will not use or tolerate any form of corporal punishment.

9. Freedom of Association and Collective Bargaining: Licensees shall recognize and respect the right of employees to freedom of association and collective bargaining. No employee shall be subject to harassment, intimidation or retaliation in their efforts to freely associate or bargain collectively. Licensees shall not cooperate with governmental agencies and other organizations that use the power of the State to prevent workers from organizing a union of their choice. Licensees shall allow union organizers free access to employees. Licensees shall recognize the union of the employees’ choice.

10. Women’s Rights

a. Women workers will receive equal remuneration, including benefits; equal treatment; equal evaluation of the quality of their work; and equal opportunity to fill all positions open to male workers.

b. Pregnancy tests will not be a condition of employment, nor will they be demanded of employees.

c. Workers who take maternity leave will not face dismissal nor threat of dismissal, loss of seniority or deduction of wages, and will be able to return to their former employment at the same rate of pay and benefits.

d. Workers will not be forced or pressured to use contraception.

e. Workers will not be exposed to hazards, including glues and solvents, that may endanger their safety, including their reproductive health.

f. Licensees shall provide appropriate services and accommodation to women workers in connection with pregnancy.

IV. Compliance and Disclosure: Licensees (for themselves and on behalf of their contractors, subcontractors, or manufacturers) shall disclose to the Worker Rights Consortium, the University, and the public the information set forth in Sections A, B, and C below.

A. Upon execution and renewal of the License Agreement and upon the selection of any new manufacturing facility which produces Licensed Articles, the company names, contacts, addresses, phone numbers, e-mail addresses, and nature of the business association for all such facilities which produce Licensed Articles;

B. at least sixty (60) days prior to the end of each contract year of the License Agreement, written assurance that (i) Licensees are in compliance with the Code
and/or (ii) licensees are taking reasonable steps to remedy non-compliance in facilities found not to be in compliance with the code;

C. at least sixty (60) days prior to the end of each contract year of the License Agreement, a summary of those steps taken to remedy material violations, and/or difficulties encountered, during the preceding year in implementing and enforcing the Code at all of Licensees’ facilities which produce Licensed Articles.

V. Verification: It shall be the responsibility of Licensees (for themselves and on behalf of their contractors, subcontractors, or manufacturers) to ensure their compliance with the Code. The WRC and its Member Institutions will undertake efforts to determine and clearly define the obligations associated with the development of adequate methods and training for independent external monitoring, as guided by the principles in the founding document of the Consortium.

VI. Labor Standards Environment: In countries where law or practice conflicts with these labor standards, Licensees agree to consult with governmental, human rights, labor and business organizations and to take effective actions as evaluated by the University to achieve full compliance with each of these standards. Licensees further agree to refrain from any actions that would diminish the protections of these labor standards. In addition to all other rights under the Licensing Agreement, the University reserves the right to refuse renewal of Licensing Agreements for goods made in countries where:

A. progress toward implementation of the employment standards in the Code is no longer being made; and

B. compliance with the employment standards in the Code is deemed impossible. The University shall make such determinations based upon examination of reports from governmental, human rights, labor and business organizations and after consultation with the relevant Licensees.

VII. Remediation: Remedies herein apply to violations which occur after the Effective Date of the Code.

A. If a Licensee has failed to self-correct a violation of the Code, the University will consult with the Licensee (for itself and on behalf of its contractors, subcontractors, or manufacturers) to determine appropriate corrective action.

B. The remedy will, at a minimum, include requiring the licensee to take all steps necessary to correct such violations including, without limitation:

1. Paying all applicable back wages found due to workers who manufactured the licensed articles.

2. Reinstatement of any worker found to have been unlawfully dismissed.
C. If agreement on corrective action is not reached, and/or the action does not result in correction of the violation within a specified reasonable time period, the University reserves the right to

1. require that the Licensee terminate its relationship with any contractor, subcontractor, or manufacturer that continues to conduct its business in violation of the Code, and/or

2. terminate its relationship with any Licensee that continues to conduct its business in violation of the Code.

References

Print


**Electronic**

- **American History Sweatshop Exhibition**: [http://americanhistory.si.edu/sweatshops/](http://americanhistory.si.edu/sweatshops/)
- **Clean Clothes Campaign**: [http://www.cleanclothes.org/](http://www.cleanclothes.org/)
- **Collegiate Licensing Company**: [http://www.clc.com](http://www.clc.com)
- **CorpWatch**: [http://www.corpwatch.org](http://www.corpwatch.org)
- **Fair Labor Association**: [http://www.fairlabor.org](http://www.fairlabor.org)
- **National Labor Committee**: [http://www.nlcnet.org](http://www.nlcnet.org)
- **“Nike is Right” – Article by William Stepp defending Nike’s use of sweatshops**: [http://www.mises.org/fullstory.asp?control=628](http://www.mises.org/fullstory.asp?control=628)
- **Stop Sweatshops!**: [http://www.uniteunion.org/sweatshops/sweatshop.html](http://www.uniteunion.org/sweatshops/sweatshop.html)
- **Sweatshop Watch**: [http://www.sweatshopwatch.org](http://www.sweatshopwatch.org)
- **Triangle Factory Fire (Online Exhibit)**: [http://www.ilr.cornell.edu/trianglefire/](http://www.ilr.cornell.edu/trianglefire/)
- **United Students Against Sweatshops**: [http://www.usasnet.org](http://www.usasnet.org)
- **Worker Rights Consortium**: [http://www.workersrights.org](http://www.workersrights.org)