

**WHITE HATS OR DON QUIXOTES?  
HUMAN RIGHTS VIGILANTES IN THE GLOBAL ECONOMY**

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We thank Peter Siu, who developed our survey of student activists and interviewed them, as well as provided us with a detailed history of United Students Against Sweatshops

Labor standards in less developed countries have become a hot button issue in discussions of trade and economic development. Standards have risen to the top of the public agenda not because workers are unionizing in mass numbers nor because management has turned over a moral leaf nor because the International Labor Organization has asserted itself in the global economy. Labor standards have come to the fore because non-governmental groups in advanced countries – the human rights vigilantes of our title – have galvanized consumers to demand that firms improve working conditions and pay living wages in their overseas operations and insist that their suppliers do so as well.

How have human rights vigilantes brought labor standards to the center of public discourse? Will the anti-sweatshop activists create a permanent global movement for workers rights or will public interest dissipate over time? Can concerned citizens in advanced countries create sufficient economic pressure to improve the economic condition of workers in poorer countries? Which appellation best characterizes the human rights vigilantes – white hats or Don Quixotes?

### **1 Consumer Demand for Labor Standards**

“I really don’t want to know that my clothes are made under bad working conditions, but once I know, I want conditions improved so I can enjoy consuming again” – Archetypal Consumer

The *sine qua non* of activist efforts to improve labor standards around the world is that consumers in advanced countries care about the conditions of the workers who make the items they consume. If consumers do not care about those conditions nor associate the conditions with their consumption, human rights vigilantes could not pressure firms to improve working conditions. But consumers do care, though many -- like the archetype above – would just as soon not know about poor conditions since that knowledge reduces the utility of their consumption. Activists inform consumers about the conditions of production, frame that information in ways that resonate with moral concerns, and offer ways to turn concern into improvements. From this perspective, the activists are entrepreneurs who identify latent market demands and find ways to meet those demands.

In this section we present survey evidence that consumers care about labor standards and will buy products made under better conditions in preference to those made under worse conditions. That many corporations respond to the activist-induced pressures, at least rhetorically, shows that they believe that such a demand exists.

#### **Survey evidence**

You are offered two identical t-shirts with your favorite logo. One was made in good conditions in some third world country. The other was made in a fire-trap factory by people paid near starvation wages. Which t-shirt would you buy ... when the t-shirts cost the same? ... when the shirt made under good conditions costs a bit more?

Surveys that ask questions of this form invariably find that the vast majority of people report they would choose the garment made under better conditions, even if it cost a bit more. Exhibit 1 summarizes the results from surveys undertaken by Marymount University’s Center for Ethical Concerns; by the University of Maryland’s Program on International Policy Attitudes; and by our project.

The *Marymount surveys* were conducted in 1995, 1996, and 1999 by adding questions about consumer attitudes to a national omnibus survey. The results tell a clear story. Over three quarters of consumers say they would avoid shopping in a store if they knew the goods were produced under bad conditions; approximately two-thirds say they would buy products they knew were made under good conditions. The greater response to knowledge about bad conditions than good conditions suggests that consumers respond more to information that reduces their utility than to information that increases it-- consistent with psychological studies

that show people tend to weigh potential losses more heavily than potential gains (Kahneman and Twersky 1979). Eighty-five percent of respondents in the Marymount survey said they would pay \$1 more for a \$20 item if they could be assured that it was made under good conditions.

The 1999 *Program on International Policy Attitudes (PIPA)* survey on globalization asked similar questions, as well as presenting arguments for and against making labor standards part of the trade agenda (Kull 1999). By covering a spectrum of trade-related issues, it puts attitudes toward labor standards into a broader context. In general, the PIPA survey shows that people understand the benefits of trade but are concerned about the costs. The key finding for us is that, however phrased, most Americans favor linking labor standards to trade. Approximately three quarters of respondents said they felt a moral obligation to try to help workers faced with poor conditions and approximately the same proportion reported that they would pay \$5 more for a \$20 garment if they knew it was not made in a sweatshop.<sup>1</sup> In addition, the vast majority of respondents found the arguments for minimum standards (that harsh conditions are immoral and standards eliminate unfair advantage through exploitation) convincing, while many fewer found the arguments against standards (job loss in affected countries, national sovereignty) convincing.

People differentiated among labor standards. More were concerned about child labor and safe conditions than the right to unionize. Eighty-one percent believed the United States should not import products in violation of standards regarding child labor, and 77 percent oppose importing products made in unsafe or unhealthy places, whereas just 42 percent opposed imports from places that do not allow workers to unionize. The majority of consumers do not expect workers in foreign countries to earn US wages and most were open to trade with poorer countries. The minority (36 percent) that favored lowering trade barriers that limit clothing imports turned into a majority (53 percent) once they learned about the high costs of protectionism. Two-thirds favored free trade as long as society recompensed workers whose livelihood was hurt by trade, for instance with adjustment assistance and training. Nearly 90 percent said that "free trade is an important goal for the United States, but it should be balanced with other goals, such as protecting workers, the environment, and human rights—even if this may mean slowing the growth of trade and the economy."

Most striking, the largest majority on any trade question (93 percent) agreed that "countries that are part of international trade agreements should be required to maintain minimum standards for working conditions." Thus, Americans support international labor standards in both their private consumption behavior and in the public sphere.

### **Our survey**

To illuminate further the nature of consumer demand for labor standards, NBER hired Springfield Telemarketing to ask randomly chosen persons in the United States about their preferences for goods made under different conditions. The fall 1999 survey used a split sample design that posed different questions to different groups to test whether the responses varied with the wording or presentation of questions. The results parallel those of the Marymount and PIPA surveys. Most respondents said that they cared about the treatment of the workers who made the clothing they bought and that they would be willing to pay more for an item if they knew it was made under good working conditions (see exhibit 1). On average, consumers said that they were willing to pay 28 percent more on a \$10 item and 15 percent more on a \$100 item (including as zeros consumers who said that they were unwilling to pay extra for the assurance). Eighty-four percent of a different sub-sample said that they would purchase another t-shirt rather than one "with a nice logo" that local students said was made under poor labor conditions. Nearly two-thirds said that they would not buy the t-shirt made under poor conditions under any circumstance. The third who said they would buy it if the

price was lowered wanted a mean discount of \$4.38. On the other side, consumers said that they would pay an average extra amount of just \$0.87 for knowing the product was made under good conditions (including 0s for persons who said they would not pay the extra amount, or who refused to answer).<sup>2</sup> The greater response to the utility-reducing information about bad conditions than to the utility-increasing information about good conditions again fits with the findings of psychologists on gains and losses in utility.

At the heart of any economic analysis of consumer tastes for any product, including labor standards, is the demand curve – the relation between the number of consumers who would buy products at different prices. Our study asked consumers about their willingness to pay more for products made under good conditions, or less for products made under bad conditions, so that we could estimate the shape of the demand for standards schedule. We did this in two different ways as a robustness check. We asked some respondents “how much more would you be willing to pay for items made under good working conditions” for items worth \$10 and \$100. We asked others if they would buy a \$10 t-shirt made under poor conditions if its price was lowered to \$9 ... \$8 ... \$7 ..., and how much they would pay for the t-shirt if it was made under good conditions.

Panels A-C of Exhibit 2 show that both designs gave qualitatively similar results: high elasticities of demand to products made under good conditions but low elasticities of demand to products made under bad conditions.<sup>3</sup> The willingness to pay for items made under good conditions has elasticities ranging from -3.7 to -4.9. The 20 percent to 30 percent of consumers who are unwilling to pay the extra amount produce an immediate loss in revenue that these estimates indicate cannot be recovered by those willing to pay more. In addition, there is a sharp drop-off in purchases as the price of the item rises substantially. By contrast, roughly 2/3rds of consumers say that they would not buy the item made under bad conditions under any circumstance and the demand for t-shirts under bad conditions is inelastic (-0.29) among the third who said they would buy the t-shirt at a discount.

The implication is that firms can lose greatly from having their products identified as being made under bad conditions, but have limited space in which to raise prices for products made under good conditions--unless consumers see competing products as made under bad conditions.<sup>4</sup> The differential consumer response to information about good and bad conditions helps explain, we argue later, the behavior of activists and firms in the market for standards.

### **Do consumers act as they say?**

“I don’t believe a word. When push comes to shove, Mr. and Mrs. Consumer will buy the cheaper item, conditions be damned”-- cynic

Many readers may question whether people will do what they say on a survey. Economists want to see behavior not intentions. The best way to find out how many people would in fact pay extra for a product made under good conditions is to conduct a “Standards Experiment,” by offering the product for sale and seeing what happens. Unfortunately, no one has done this.<sup>5</sup> But a wide body of experimental data and market behavior in other domains suggests that people care enough about the conditions of others to behave as they say they would in the surveys.

The Dictator’s Game is perhaps the experimental economics game closest to the standards problem. Two players are given envelopes. One has \$100 in it while the other envelope has \$0. The person with the \$100 can simply keep the money and say tough kazoo to the person who got \$0. The economically rational decision is to do just that. But behavior is different. Only about 20 percent of players keep all the money. The vast majority share some with their unlucky partner, albeit offering less than if the second player could veto the division (as in the “Ultimatum Game”). Another game that comes close to the standards problem is the Lost Wallet Game (Charness, Haruvy, and Sonsino, 2000). One person finds a wallet, which

has more value to its owner than to the finder. The owner may give some reward for finding the wallet (making this a test of reciprocal behavior). The greater the value of the wallet to the owner relative to the finder, the more likely will the finder return it, even though they will end up with less money than if they simply keep the wallet. The implication is that people gain some utility from being “fair” to someone poorer than themselves. The most famous experimental game, the Prisoner’s Dilemma differs from the standards problem since it requires both persons to cooperate, but it shows the same thing: that many people do not follow the pure maximizing strategy. The rational response in a fixed period PD game is to defect, but in fact people frequently choose to cooperate.

Going outside the laboratory, the fact that many people give to charities and volunteer time to charitable organizations shows that people sacrifice income for social goals. Charitable giving and volunteering is greater in the US than in other advanced countries, presumably because we do not have a large welfare state. This shows that absent government actions, people will take steps on their own to help resolve social problems. In short, real life confirms the experimental evidence that people behave as if they care for more than their own (immediate) consumption and, thus could be expected to consider labor standards in their purchase of goods, as they say they would in the surveys reviewed in exhibits 1 and 2. Finally, the fact that many companies respond to allegations of worker mistreatment with promises to change shows that they believe that consumers will act in accord with survey responses. Consistent with the finding that consumer demand for good and bad conditions is asymmetric, firms rarely address labor standards issues unless forced to do so by bad publicity. Elastic consumer demand for “worker-friendly” products means the firms see little advantage in marketing their products on that basis. Conversely, the inelastic demand for goods produced under abusive conditions gives companies an incentive to avoid being tarred with that brush.

Most often, the firms that respond have high brand name recognition and recognizable logos. The most vulnerable firms market to teenagers and young adults, where demand for branded clothing and footwear is often faddish and may depend on the reputation of the firm. If consumers think that it is uncool to wear a given label’s apparel because it was made in a sweatshop, then retailers would lose sales. The motivation for some teenagers or young adults not to wear sweatshop clothing might be genuine concern for the workers who make the product but for many (most?) it could be simply the desire to be cool with one’s friends.

In short, consumer demand for labor standards represents concerns that can readily show up in the marketplace. Since consumers have no direct information about the conditions of work, however, demand for standards is a latent one that would undoubtedly have remained beneath the surface but for the work of the human rights vigilantes.

## **2 Who Are the Vigilantes?**

“And who appointed you to defend the workers making sneakers for my firm or the consumers of my sneakers?” – business executive facing student anti-sweatshop campaign

Vigilantes are generally self-appointed advocates, motivated by moral concerns, rather than elected representatives of workers or consumers. They are a varied group, with differing expertise and modes of operation. In its 1999 directory of US anti-sweatshop organizations, Global Exchange listed 40 different groups involved in anti-sweatshop campaigns in the United States. Web search yielded several additional groups, including some outside the clothing area (coffee farmers, rug makers), as well as many groups outside the United States. A more extensive search would undoubtedly yield an even larger sample.

Appendix A lists 43 US-based groups identified from these sources. Most are small, rather than mass membership organizations, and most are relatively new. Slightly more than half were formed in the 1990s and nearly 80 percent have existed only since 1980. Most

concentrate on a particular group of workers, either geographically, ethnically, or in terms of industry or company. The groups range widely in their orientation, from moderate to militant. Some have a religious base -- the Interfaith Labor Rights Fund and NY State Labor-Religion Coalition are cases in point. Others, such as the National Labor Committee and United Students Against Sweatshops, have an activist-left orientation. Yet others such as Verite, an organization that monitors conditions of subcontractors for firms, or Co-op America, seem to be apolitical do-gooders. As the groups vary along many dimensions, our classification is by no means perfect. The key point is not how we classified particular groups but that the anti-sweatshop groups constitute an ecology with varying orientations.

In terms of generating national publicity, the NLC has been highly effective, due partly to the skills of Charles Kernaghan and partly to luck in the form of the Kathie Lee Gifford case, which we summarize shortly. Global Exchange has also generated considerable media attention with its campaigns. By contrast, groups like the Bangor Clean Clothes Campaign are entirely local. In terms of providing "muscle" for campaigns, church and student groups are the most important. Religious groups link anti-sweat activities to congregations while the United Students Against Sweatshops (USAS) has spurred students around the country to protest poor labor standards related to college licensed products. Student activism has in fact taken center-stage in the anti-sweatshop movement, as the USAS has successfully pressured companies to make public the names and locations of subcontractors and spearheaded the Worker Rights Consortium as a monitoring organization.

### **The student activists**

"Clothing bearing our university logos ought to be produced under healthy, safe and fair working conditions" USAS, College Clothes From the Concrete Prison, July 1999, p 1

The growth of anti-sweatshop activism among students has been sudden and sharp – an example of the spurt phenomenon that often characterizes social movements (Freeman, 1999). In 1995 there was no student anti-sweatshop movement in the United States. The AFL-CIO's first Union Summer in 1996 generated some student interest, but it was the United Needle and Textile Workers Union (UNITE) that did most to catalyze student anti-sweatshop activity. UNITE hired a young bachelor's graduate, Ginny Coughlin, to coordinate their anti-sweatshop activity in 1995. Two years later, the union hired 11 summer interns, all of whom had been active in a campaign against Guess jeans, to work on anti-sweatshop activities. One of these interns, Tico Almeida, returned to his campus, Duke, and initiated an anti-sweatshop campaign. When Duke agreed to demands that the university insist that its licensees produce items under safe working conditions, with freedom to organize, and independent monitoring, *The New York Times* carried the story. In spring 1998, at a conference in New York, 50 students involved in university-based anti-sweatshop campaigns started USAS. Their major demand was that the Collegiate Licensing Company (the licensing agent for some 160 universities) implement stronger codes of conduct for its suppliers. By 2000 USAS had chapters on nearly 140 campuses, ranging from highly elite universities with a tradition of student protest to small liberal arts schools.

What kinds of students become involved in anti-sweatshop activities? How much time and effort do they give to anti-sweatshop campaigning? What motivates their efforts?

To answer these questions we conducted a survey of nearly 100 USAS members in summer 1999.<sup>6</sup> Forty-two percent of our sample classified themselves as leaders and 31 percent viewed themselves as critical people (31 percent) in their campus anti-sweatshop activities. Nearly 3/4s said they had helped initiate or participate in their local campus campaign. In short, this is a good sample of student activists. In terms of demographics, the sample is divided nearly evenly between men (53 percent) and women (47 percent) and is dominated by whites (84 percent) and non-black minorities (15 percent). The majority of

students (75 percent) are social science majors of some form (some joint majors), usually sociology or political science; 18 percent were humanities majors and the remaining 7 percent were science or mathematics majors.

Panel A of exhibit 3 shows three important facts about the student activists. First, many come from relatively well-to-do families: 36 percent report their family income as exceeding \$100,000 -- more than twice the proportion (16 percent) of all first year college students with that family income; while just 8 percent report a family income of less than \$40,000 (compared to 35 percent of first year college students). Second, the parents of the activists are more progressive on average than most Americans, and a large proportion are themselves activists. Third, as a result of this concordance of attitudes, the activist students receive considerable support from their parents. In fact, the proportion of parents who supported student activists exceeded the proportion critical of their activity by a considerable margin -- one greater than that for professors or friends of the students not involved in the anti-sweatshop movement. These student activists are not Lewis Feuer's generation rebelling against their parents. Rather, they are the product of a generational transmission of political attitudes and activity.

Panel B of the exhibit shows that the students themselves have a history of activism. Over half were involved in activist campaigns in high school, and 84 percent had done activist work prior to their involvement with USAS. Nearly a third had been members of trade unions, and 9 percent had been involved in Union Summer. Asked whether they viewed themselves as apolitical do-gooders or as politically committed activists, the vast majority chose the political activist label. Asked about the happiness various outcomes would bring them, the activists rated issues regarding the well-being of third world workers and greater unionization in the United States above getting all A's in their classes.

Panel C shows the self-reported allocation of student activist time to the anti-sweatshop campaign, relative to other extra-curricular activities and to their studies. The activist students are substantially involved in non-academic pursuits. They spend about 6 hours a week on anti-sweatshop things, with a small number giving over 20 hours a week to the campaign. In addition, however, the activists spend some 13 hours on other extra-curricular activities, so that the total time spent on non-academic pursuits exceeds the time spent studying. Forty per cent hold jobs and work around 11 hours per week. Nearly half say that if they were not involved in the anti-sweatshop movement, they would devote the time to another cause.

The final panel of exhibit 3 shows that students see the main cost of activist time as lower grades, but they see little effect on their romantic life, and believe that their activism has increased their self-confidence, and communication and leadership skills.

Exhibit 4 compares the attitudes of student activists with first year college students in the UCLA/ACE annual American Freshman survey. Here, we asked the activists questions from the American Freshman survey regarding attitudes and goals. There are three main differences between the activists and the average freshman. First, the activists are more "liberal" in their views of most issues: they have a more open view toward sex, are less likely to believe that race discrimination is a thing of the past, and are more likely to believe that the wealthy should pay more taxes. At the same time, they are more tolerant of views with which they disagree -- only 38 percent believe that colleges should prohibit racist or sexist speech compared to 64 percent of all freshmen. Second, the activists are more favorable to disobeying laws when the laws contravene their convictions and more likely to believe that individual actions can change society. Finally, the activists are markedly less interested in being well off financially or in raising a family than the freshmen and more interested in influencing political outcomes and becoming community leaders. In short, their attitudes

show that they are indeed “listening to a different drummer” than other college students.

### **3. What Activists Produce: Campaigns**

Human rights vigilantes produce “campaigns” for labor standards in the global economy. To stimulate consumer pressure, they use the same basic tools used by international “advocacy networks” in other areas to pressure targeted actors to change: information politics, symbolic politics, accountability politics, and leverage politics (Keck and Sikkink 1998, 16-25). Most anti-sweatshop campaigns explicitly combine elements of the first three. The cumulative effect of many campaigns over time allows activists to leverage their influence on governments and international institutions such as the International Labor Organization (ILO), which have more power to take action in areas of concern.

The first challenge facing an anti-sweatshop campaign is to obtain accurate credible information about labor conditions behind the products consumers buy. Getting such information is difficult, given the long production chains that often link manufacturers or retailers to workers in less developed countries (Verite). Sweatshop conditions in export factories are most likely to arise in labor-intensive, highly competitive sectors such as apparel and footwear where multinational firms typically subcontract work directly or through importers, who may in turn subcontract to others. Exhibit 5 shows the chain of production for infant and children’s apparel between one US retailer, JC Penney, and workers in one country, the Philippines. Through this chain JC Penney contracts with over 2,000 suppliers in more than 80 countries. And this is not unusual. Nordstrom has over 50,000 contractors and subcontractors, while the National Labor Committee estimates that Walmart has used 1,000 factories in China and that Disney makes products in over 30,000 factories around the world.

The second step requires packaging the information in a way that strikes a moral chord among consumers and generating enough publicity to put labor conditions on the public agenda. This is also no easy task. Human rights vigilantes do not have large PR budgets nor immediate access to major media. In a world plagued by catastrophes, wars, and multiple injustices, they must grab attention from other compelling issues as well as from the weekly entertainment, sports, and scandal reports. Often this means that the campaigns need to personalize the message through a particular spokesperson who becomes the symbol of exploitation or through the closeness between the consumer and the product, as with college logo products.

A campaign that has provided credible information and energized consumers must next get firms or governments to undertake corrective policies. The typical firm’s initial response to a campaign is to claim ignorance and then announce that it has developed a code to prevent such occurrences in the future. In most cases, however, the firm resists independent monitoring or verification of compliance, which might force it to expend real resources. This is the point where activists turn to accountability politics, using the firm’s own promises to reveal hypocrisy if it exists and to pressure them to follow words with deeds. This usually means that the campaign must generate several additional rounds of publicity and pressure to have any hope of producing a change in behavior. Activists must tread carefully, however, since reductions in sales will harm the very workers the campaigns are designed to help, and they generally eschew calls for consumers to boycott products.

Even when successful, however, the campaigns are limited in their immediate effects. Since consumers appear to care largely about the ways in which the things they personally consume are produced, virtually all campaigns focus on standards in export sectors in less developed countries, rather than in sectors with the worst labor conditions or on conditions in less developed countries more broadly. Further, since the major stick behind the campaigns is the threat to corporate reputations or brand names, activist campaigns target well-known firms, rather than producers of generic and un-branded products, who may produce goods under



poorer conditions than name-brand firms. To generate broader and more sustained improvements, activists must get more powerful agents, such as governments or international agencies, to take action as well.

### **The 1990s anti-sweatshop campaigns**

Sweatshops have characterized apparel production since industrial revolution days, and so too have campaigns to improve labor conditions in the industry. The campaigns in the 1990s (summarized in exhibit 6) concentrated on items with brand names or college logos produced by subcontractors in poorer countries. The campaigns spurred firms to introduce corporate codes of conduct, which promised good labor conditions in subcontractors; led to a Clinton Administration initiative, the Apparel Industry Partnership, that brought various groups together to fight sweatshop conditions; and eventually produced the business-influenced Fair Labor Association and the rival USAS-sponsored Workers Rights Consortium to monitor compliance with standards.

Levi Strauss adopted the first known code of conduct addressing sweatshop abuses in 1992 in response to a Department of Labor investigation into illegal wage and other practices at supplier factories in Saipan (a US territory) (Varley 1998, 12). This code included criteria for source country selection, as well as “terms of engagement” for suppliers. A year later, Levi’s announced that it would withdraw from China because of the unacceptable human rights situation there. But in fact the firm never completed this withdrawal and, in April 1998, reversed course and announced that it was expanding operations in China.

Campaigns against sweatshop conditions in other firms also gained public attention. In 1993 a television broadcast showing children in a Bangladesh factory sewing Wal-Mart label garments led that retailer to develop “Standards for Vendor Partners.” In 1995 activists pressured The Gap to allow independent monitoring of a contract facility in El Salvador. Under similar pressure in 1997, Phillips-Van Heusen (PVH), whose CEO sits on the board of Human Rights Watch, recognized a union at a joint venture facility in Guatemala, a first in that country's apparel export sector (Varley 1998, 141-49).

But the issue of sweatshops burst into public consciousness in spectacular fashion in Spring 1996 when Charles Kernaghan of the National Labor Committee revealed that clothing endorsed by television personality Kathie Lee Gifford and sold at Wal-Mart was made under exploitative conditions in Honduras. Kernaghan had a powerful symbol for his campaign in 15-year old Wendy Diaz, a Honduran orphan who had worked long hours at low wages at the plant since she was 13 to support herself and three younger brothers. Her story struck a particular chord because the Kathie Lee labels advertised her commitment to children and pledged a share of the profits to children’s causes. After initially denying the allegations, Gifford condemned the sweatshop practices and pledged to ensure her clothing line was never again made under such conditions. After other Gifford-endorsed clothing was discovered being manufactured in a New York City sweatshop, Secretary of Labor Robert Reich enlisted her into his “No Sweat” campaign to combat sweatshops in US apparel manufacturing.

With the sweatshop issue in the headlines, President Clinton joined with Reich, Gifford and others in August 1996 to create the Apparel Industry Partnership to combat sweatshop practices internationally. Although many multinational corporations and US retailers sourcing abroad had responded to activist pressure and bad publicity by adopting corporate codes of conduct, the codes varied widely in the issues they addressed. The AIP brought together apparel manufacturers and retailer/importers, unions, and NGOs in an effort to develop an industry-wide code and a credible monitoring mechanism to verify compliance.

When the AIP released its draft code and principles for monitoring the following spring, anti-sweatshop activists had divergent views on its value. Global Exchange’s Medea Benjamin blasted it as a “lousy agreement,” primarily because it did not include a living wage,

while UNITE President Jay Mazur called the code “unprecedented” and “a step in the right direction” (*NewsHour* transcript, April 14, 1997). Continuing negotiations on implementation quickly bogged down, however. When in November 1998, the Fair Labor Association unveiled its monitoring procedures, UNITE and the other union member (the Retail, Wholesale and Department Store Union) left the organization. The Interfaith Center for Corporate Responsibility refused to endorse the agreement and later withdrew as well. These groups complained about the failure of the code to require payment of a living wage and the weakness of the language with respect to union rights in nondemocratic countries, but their major problem was the weakness of the monitoring and verification mechanism.

As of June 2000, the FLA still had no union representatives and had filled only five of the six board seats allocated for labor, human rights, and consumer groups. To maintain the balance required by the FLA’s charter, only five corporate representatives sat on the board and, overall, corporate membership had increased only to ten from the original eight. FLA did gain the affiliation of more than 130 universities who wanted to make sure that their logo apparel was not produced in sweatshop but this led to more troubles for the organization. Student activists condemned the universities for joining what they viewed as an ineffective group and USAS responded by creating the Worker Rights Consortium (WRC), with a stronger code and alternative “verification model.” USAS pressured universities to join the WRC instead of the FLA and, by June 2000, more than 50 universities had signed on, though some, such as Brown University, remained in the FLA as well.

In a separate effort, the Council on Economic Priorities (CEP) developed SA 8000, an “auditable” code of conduct, in consultation with corporations, unions, and NGOs. The CEP also established an accreditation agency (CEPAA) to certify auditors of the SA 8000 standard. As of mid-2000, CEPAA had accredited 5 auditors who had in turn certified 50 manufacturers or business service organizations, more than half in China, as in compliance with SA 8000. The organization also has 7 retailer “members,” including Avon, Toys R Us, Dole Foods, and Eileen Fisher, Inc.; who are expected to encourage their suppliers to seek certification. Another organization, Verite, established in 1995, provides firms with independent monitoring of working conditions through human rights inspections of factories worldwide, particularly in China and Asia. Though hired by firms, Verite retains the right to publish its reports if the firm does not rectify problems in six months (Rothstein 1996). The Ethical Trade Initiative is a European effort that combines elements of the FLA and CEPAA, though it does not yet plan to create its own monitoring mechanism. Rugmark is another European initiative that is now being replicated in the United States to label hand-made carpets as child-labor free.<sup>7</sup>

Three issues have emerged as critical in arguments over codes of conduct, among activists and between them and firms.. With respect to the content of codes the most divisive issue is whether to include a living wage: SA 8000 and the WRC do, the FLA does not. The idea of a living wage resonates with many people, but difficulties in defining it and the opposition of corporations could deter broad acceptance of codes that include this provision. The WRC has said that, while a living wage is crucial to their code, universities are not required to implement that provision pending research on how to measure a living wage .

Regardless of content, no code can gain broad support unless it has a credible monitoring mechanism. Two issues have arisen here. The first relates to transparency in the names and locations of subcontractors. Initially major manufacturers refused to name their subcontractors, claiming this was a trade secret. Such a policy made it virtually impossible to do independent monitoring of compliance with standards. The USAS and other activist groups argued for transparency in the name and location of subcontractors. The failure of the FLA to require such disclosure<sup>8</sup> contributed to the decision to develop the Worker Rights Consortium as an alternative. The students’ persistence on the disclosure issue was rewarded

in fall 1999 when several firms agreed to make this information public, including Nike, which released a list of 41 plants producing licensed apparel for Duke, North Carolina, Georgetown, Michigan, and Arizona.

The second monitoring issue, which is also a source of disagreement between the FLA and WRC, concerns who does the monitoring. Firms prefer monitors from the business community, financially dependent on them, such as Price Waterhouse and Ernst and Young. Activists prefer monitors from the human rights community, including NGOs in less advanced countries. They are suspicious of business monitors and are fearful of Potemkin Village audits of the kind that Andrew Young performed for NIKE in 1997 with his whirlwind tour of factories which concluded, basically, that all was well. Such skepticism appeared justified when the Transnational Resource and Action Center posted on its Corporate Watch website ([www.corpwatch.org](http://www.corpwatch.org)) a leaked Ernst and Young audit that concluded that Nike violated a number of Vietnamese labor laws.

Indicative of the conflict here, in spring 2000 NIKE ended licensing agreements with Brown and the University of Michigan and cut off personal and corporate contributions to CEO Knight's alma mater, the University of Oregon, after these universities joined the WRC and conditioned licensing deals on compliance with the WRC's more rigorous code and verification procedures. Nike objected to the unwillingness of USAS to include corporations in the negotiation of WRC principles and procedures and also criticized the "ambiguous living wage" provision and "gotcha monitoring" ([www.nikebiz.com/media/n\\_uofo.shtml](http://www.nikebiz.com/media/n_uofo.shtml)).

The FLA and CEPAA address the "Potemkin village" problem by requiring that companies use an auditor that has been certified by them as qualified to do independent verification of compliance. But USAS objects to the fact that the traditional accounting firms can be certified under these programs and believes that the FLA approach leaves too much control in the hands of the corporations. Only a portion of factories are required to be monitored each year, and the corporations select the agent they will use and the factories the monitor will visit. The external monitor selects specific facilities to inspect, but they must be chosen from a list provided by the company, based on certain risk factors.

Realizing that even the best monitoring system cannot certify with 100 percent certainty that even one factory is in compliance with a code 365 days a year, the WRC principles regards the typical monitoring and certification model as unacceptable because it conveys a "good housekeeping seal of approval," even when problems remain in some areas. Their verification model enforces compliance through complete disclosure of plant locations and information on conditions in them, backed by a system of local NGOs prepared to receive worker complaints.

### **Assessing the immediate effectiveness of the campaigns**

Exhibit 7 provides a summary of various campaigns together with a crude measure of their success based on a five stages assessment of advocacy network effectiveness (Keck and Sikkink 1998, 25):

- C "issue creation and agenda-setting;"
- C "influence on discursive positions of states and international organizations"
- C "influence on institutional procedures"
- C "influence on policy change in 'target actors'" (states, international organizations, corporations or other private sector actors)
- C "influence on state [or corporate] behavior."

Examining selected anti-sweatshop campaigns from this perspective reveals a mixed picture. The activists have succeeded in getting the sweatshop issue on the agenda of corporations, governments and international organizations, which they fully recognize. In our survey of USAS activists, 94 percent rated their campaign as very or somewhat successful in

increasing public awareness and 90 percent rated their campaign as very/somewhat successful in increasing student activism. The campaigns have also influenced the rhetoric of most firms and the policies of some governments and international institutions. Most major visible retail marketers have adopted corporate codes of conducts addressing various labor standards.<sup>9</sup>

But the effects of campaigns on behavior are weaker. Some of the early targeted firms have backed off from their early responses or were subsequently found to have done less than they promised. Kernaghans's revelations about the Kathie Lee apparel raised questions about Wal-Mart's commitment to enforcing its code of conduct. Subsequent allegations about Wal-Mart contractors in China, Saipan, and elsewhere suggest concrete changes in behavior remain elusive. Phillips-Van Heusen canceled its contract with the unionized plant in Guatemala, forcing its closure. PVH claimed it did so because it lost a major contract and had excess capacity but critics questioned the significance of the business lost and wondered why PVH could not have reduced capacity at a nonunionized plant. Independent monitoring at The Gap facility in El Salvador continues and Liz Claiborne, also a member of the FLA, recently signed an agreement for independent monitoring of a supplier there. Levi Strauss, as noted, expanded its operations in China in the midst of a worsening human rights environment, and initially resisted joining the FLA or allowing any external monitoring at its facilities, claiming that would undermine its long-term relations with its suppliers. In 1998, however, Levi's approached Oxfam about establishing a pilot monitoring program in its Dominican Republic operations and subsequently joined both the FLA and the Ethical Trade Initiative in Europe.

In stark contrast to these partial or sometimes temporary successes is the NLC campaign against Disney and the practices of its licensees in Haiti. With its focus on children and family values, Disney looked like a good follow-on to the Kathie Lee campaign. Instead, Disney was perhaps the NLC's biggest failure. Although Disney sent its own investigators to check out the facilities in Haiti and reportedly pressured them to make some improvements (see the Clean Clothes Campaign website at [www.cleanclothes.org](http://www.cleanclothes.org)), one of the Disney licensees subcontracting in Haiti withdrew, causing the shutdown of the plant. Disney itself alternated between flatly denying the allegations or simply not responding. Although Kernaghan staged protests outside a Disney store in New York, consumers did not respond and the pressure did not force any substantial change in Disney's operations (*Los Angeles Times*, July 25, 1996). One possible reason this campaign failed is that, while parents buy Disney products, children are the ultimate consumer and they cannot be mobilized, either because they do not understand the issues or cannot be readily informed about sweatshops. Another possible explanation is that Disney's Michael Eisner cares about nothing but the bottom line, whereas the leaders of other firms have some concern for human beings as well.<sup>10</sup>

In sum, these campaigns produced some improvements in some plants of some firms, but have not established independent monitoring and have directly benefitted a minuscule number of workers in less developed countries. The narrow membership of the FLA and CEPAA; the ongoing difficulties in getting the FLA monitoring system up and going; the split between the FLA and Worker Rights Consortium, and the development of SA 8000 in competition with both highlight two problems. First, the limited membership of the umbrella groups, combined with Nike's reaction to the WRC and Disney's stonewalling of Kernaghan, suggest that most firms view the activists as a minor rather than serious threat. Second, the proliferating labels and information overload risks consumer confusion and frustration, which could further exacerbate the problem of generating enough demand to force changes in corporate behavior (Freeman, 1998; Liubicic 1998).

### **Leveraging activist influence for a bigger bang**

The limited case-by-case results are not the end of the story, however. The anti-sweatshop activists together with unions and other groups protesting the policies of the World

Trade Organization have convinced government and international agencies that they must deal with labor standards issues in some fashion if the world is to move further toward free trade. Many look to the International Labor Organization to deflect pressures to incorporate labor standards in trade agreements and the WTO, as a result, more attention and resources are going to the ILO to deal with “core” labor standards, especially child labor.<sup>11</sup> For its part, the ILO has forged agreements with governments, NGOs, and other international organizations, such as UNICEF, to protect worker rights. The best example of how activism has galvanized the ILO and produced a better outcome for workers than activists could have attained by themselves is in the child labor area. In the mid-1990s, activists exposed the use of child labor in the Bangladeshi garment industry and in the soccer ball industry in Pakistan and pressured retailers to address the problem. The initial industry response in Bangladesh was to throw the children out on the street and it was only after the ILO and UNICEF intervened that a constructive solution found. Manufacturers in Bangladesh and Pakistan agreed not simply to stop employing children but to cooperate with and assist in the funding of programs to put them in schools or other rehabilitative training, and to allow the ILO to monitor the results.

In another case, the United States used its market as a carrot to encourage better working conditions in the Cambodian apparel sector and turned to the ILO to verify compliance. As part of a bilateral textile trade agreement between Cambodia and the United States, US negotiators offered to expand Cambodia’s export quota by 14 percent if “working conditions in the Cambodia textile and apparel sector substantially comply with [local] labor law and standards.”<sup>12</sup> In the first review in December 1999, US officials concluded that “substantial compliance” had not been achieved but, in recognition of the progress that had been made, it offered a 5 percent quota increase to be implemented when Cambodia completed an agreement with the ILO creating an independent monitoring program. The ILO agreed to the plan after gaining a commitment from US officials to fund a parallel program to provide technical assistance and training to the Cambodian labor ministry. The ILO monitors will produce quarterly reports, to be made public, and they may receive complaints from workers but they have no enforcement power (USTR press release, 18 May 2000).

These cases show that activist pressure can catalyze more powerful actors on the world scene and contribute to improvements in whole sectors, rather than single plants. These agreements are likely to be more sustainable than standard anti-sweatshop campaigns because the ILO and Western governments provide financial and technical assistance and because the ILO monitors implementation. But the pressure to maintain them may require continued activist campaigns and publicity.

#### **4 Lessons from Activist Campaigns in Other Areas**

To gain perspective on the anti-sweat campaigns, we have examined two activist campaigns outside the labor standards area: a promising sustainable forestry campaign and the anti-apartheid political campaign in South Africa. In the sustainable forestry campaign, environmentalists established a broadly accepted council to accredit certification of wood products as coming from sustainable forestry. In the anti-apartheid campaign, activists in advanced countries supported a strong political and union movement within South Africa and thereby contributed to fundamental political reforms.

##### **Environmental labeling and the Forest Stewardship Council**

Inspired by the Environmental Summit in Rio de Janeiro in 1992, hundreds of groups sprang up in the 1990s claiming to be able to verify that certain forest products were environmentally friendly. Frustrated with the lack of progress on the national and international regulatory fronts, environmentalists embraced a consumer labeling approach out of frustration. But the World Wildlife Fund (WWF) and other parties interested in harnessing consumer demand for their cause realized that a proliferation of codes and verification schemes would

confuse consumers and undermine any chance of creating an effective, market-based campaign to promote sustainable forestry (Hoberg 1999; *Journal of Commerce*, November 12, 1998, 9A). In October 1993 the WWF joined the Rainforest Alliance (a New York-based NGO with its own certification scheme) and representatives of forest companies and retailers, including B&Q (Britain's largest home improvement retail chain), to found the Forest Stewardship Council (FSC) to oversee the certification process.<sup>13</sup>

The FSC is an independent nonprofit NGO that accredits certifying organizations who, in turn, monitor member companies and certify forest products as being in compliance with the FSC's code of ten principles for sustainable forestry. Certified products carry the FSC logo. The organization is transparent and democratic, with a governing body composed of three separate "chambers" with representatives of social, environmental, and economic interests. Although more radical environmental groups criticized the FSC for having corporations as members, several of the most prominent environmental activist groups joined, including Greenpeace International, the Sierra Club, and various chapters of Friends of the Earth. With their support and that of a few large retailers, FSC quickly became the market leader in forest product certification. It created a standard code, established credibility through independent monitoring, and provided consumers with an easily recognized logo.<sup>14</sup> Although industry-supported and other groups have launched alternative certification schemes, none has the broad support that the FSC does.

In seven years, the FSC accredited nine "certification bodies" in six countries, has seven applications pending, and has certified nearly 20 million hectares in 33 countries, including 1.8 million in the United States. To keep up the pressure on the demand side, NGOs convinced Ikea, the world's largest furniture retailer with 1999 sales of \$8.5 billion, and Home Depot, the largest do-it-yourself company with 1997 sales of \$24 billion, to phase-out wood products from old-growth forests that have not been certified.<sup>15</sup> In 1998, under pressure from its customers, the largest forestry company in British Columbia, MacMillan Bloedel, announced that it would no longer clear-cut old-growth forests in coastal BC. The following spring, two other BC forestry companies followed suit (Hoberg 1999). In addition, there are a number of national initiatives to form "forest and trade networks," which have evolved from "buyers' clubs" with the aim of "span[ning] the industry from forest owner to architect, manufacturer to retailer," to promote FSC certification ([www.panda.org/tradefair2000/network.htm](http://www.panda.org/tradefair2000/network.htm); last visited June 9, 2000). As of June 2000, there were networks in North America, Australia, the Nordic countries and eight other European countries involving more than 500 member companies.

The FSC shows how activist-inspired, consumer-based campaigns can contribute to changes in market behavior, but it also demonstrates limitations to these campaigns. First, as the WWF concedes, the area of certified forest is "modest" and the supply of certified products is "limited."<sup>16</sup> The 20 million certified hectares compares to an average 11.3 million hectares lost each year to deforestation out of a total 3.5 billion hectares of global forest cover. Only around 3 million hectares are certified in tropical forests areas of the developing world, where deforestation is of the most concern.<sup>17</sup> Second, the market impact of certification is difficult to assess because there are no data on the volume or share of wood products from certified forests. Third, FSC credibility depends on the ability to verify the chain of custody, which is most easily done when there are relatively small numbers of large buyers and sellers. Small forest owners complain that certification is too expensive and the standards inappropriate for them. Fourth, the impact of certification is limited because slash and burn agriculture and the use of wood for fuel are much greater threats to forests in many countries.

There are important differences between environmental activism and anti-sweatshop campaigns that may help explain the seemingly greater success of environmental activists.

Environmental concerns derive from more selfish motivations—the desire for cleaner air and water, protection from toxic poisoning, or preservation of wild areas for recreational purposes, for example, or from the fact that environmentalism can be economically efficient.<sup>18</sup> Recycling took off when governments and taxpayers became concerned about declining landfill capacity and the potential costs of creating additional capacity, not from activist campaigns. With governments joining environmentalists in promoting recycling, the percentage of municipal solid waste in the United States that is recycled tripled, from 9.6 percent in 1980 to a projected 30 percent in 2000.<sup>19</sup> Some other environmental gains have come about as a result of corporate management realizing they could reduce costs or become more productive by becoming “greener”. Here, market incentives other than consumer demand reinforced activist demands for changes in behavior.

### **The anti-apartheid campaign**

Grassroots activism against the apartheid regime in South Africa began in the early 1960s and accelerated and spread in the late 1970s after the shooting of school children in Soweto and the death of activist Steven Biko in police custody.<sup>20</sup> Anti-apartheid activists first tried to convince foreign investors to withdraw from South Africa. When that failed, the Reverend Leon Sullivan developed a code of conduct (the Sullivan Principles) to encourage corporations in South Africa to treat black workers equally and to set an example by promoting them to management positions. Corporations had to make a financial contribution to be a member, but Sullivan hired the Arthur D. Little agency to audit compliance independently. The activists also sought to leverage their influence by asking large shareholders — pension funds and universities — to pressure corporate boards to adopt the Sullivan Principles or withdraw from South Africa.

Despite increasing adherence over the years, however, the Sullivan Principles did not cause the regime in power to change its behavior. Frustrated with the lack of success and with violence and repression escalating in South Africa in the mid-1980s, American activists turned their attention to the US Congress. Civil disobedience by committed protestors over the course of many months in front of the South African embassy in Washington caught the attention of Washington politicians and the activists’ pressure contributed to legislation imposing economic sanctions against South Africa in 1986. In 1987, Sullivan gave up on his code and called for additional sanctions, including mandatory corporate withdrawal from South Africa.

Over this period, some corporations did withdraw from South Africa, but this appears to be due more to the deteriorating economic and political situation in South Africa than pressure from anti-apartheid activists. In particular, the decision by Chase Manhattan not to rollover loans to South Africa in mid-1985 following the government’s declaration of a state of emergency appears to have been driven by the political risk of investing in South Africa rather than activist pressures in the US. That decision triggered a financial crisis and caused South Africa to declare a debt moratorium. Although economic sanctions did not cause the financial crisis, public pressure and sanctions complicated its resolution and contributed to the realization in the South African government that fundamental political reforms would be needed to achieve sustainable growth. After more than two decades of sustained activism with limited success, the financial crisis coupled with the end of the Cold War contributed to rapidly accelerating reforms and the fall of the white minority regime in 1994.

The anti-apartheid story underscores the fact that corporations typically respond only to external pressures that tangibly affect their bottom line. Most multinationals in South Africa were willing to adopt the Sullivan Principles because it was a relatively inexpensive way to protect their reputation while maintaining profitable operations. The accelerated pace of withdrawal in the mid-1980s was largely due either to conditions in South Africa that increased risk or reduced profitability, such as the financial crisis, or to government actions

that had similar effects, such as the denial of credits for taxes paid in South Africa.

The Sullivan Principles improved working conditions in signatory companies but had little impact on the white regime's commitment to or ability to sustain apartheid. Economic sanctions played at most a modest role relative to factors internal to South Africa in bringing down the regime. The failure of the apartheid economic model to produce growth; reduced white fears of a communist-controlled black government with the end of the cold war; and most important the presence of an organized, vocal opposition in South Africa brought about the move to majority rule (Hufbauer, Schott, and Elliott, forthcoming).

Perhaps the most important roles that the anti-apartheid activists played were in terms of symbolic and leverage politics. Anti-apartheid activists within South Africa supported and gained politically from the imposition of sanctions. The support of external activists bolstered the ANC and their allies psychologically and, when the white regime finally came to the table, gave the ANC leverage in negotiating the terms of the transition. In addition, by influencing the American and Commonwealth governments, the activists contributed to the sense of isolation and growing hopelessness about the future among whites in South Africa.

### **Comparisons with anti-sweatshop campaigns**

These cases suggest five tentative lessons for what produces a successful activist campaign that are relevant to the anti-sweat campaigns studied here.<sup>21</sup>

The first is the importance of self-interest as a strong motivator in sustaining campaigns. In the FSC case, several wood products retailers identified a competitive advantage in being "green" and thus were willing to make commitments to buy FSC-certified products.<sup>22</sup> And individuals see gains to themselves from environmental improvements, whereas the beneficiaries from improvements in sweatshops are the workers in those factories.

A second lesson from the forestry campaign is that "vigilante" pressure works better when there are a relatively small number of market leaders whose actions can be readily monitored. Sweatshop activists have focused on major firms, but the wide supply chain in apparel makes it harder to pin down the key decision-makers. Moreover, in both forestry and apparel, a successful campaign can disadvantage small suppliers. In the forestry case, this presumably creates no new environmental problem, but in the sweatshop case, success may displace home-workers or others in the informal sector who cannot enter the formal economy for cultural, child-rearing or other reasons.<sup>23</sup>

Third, the more clearly activists define an objective and provide uniform criterion for measuring progress, the easier it is to sustain a campaign. The anti-apartheid activists had a clear, easily communicated goal. Eradicating sweatshop exploitation, by contrast, is more difficult to measure: exactly what defines a sweatshop and what does it mean to clean them up? Success is measured in incremental steps and requires constant vigilance to guard against backsliding; whereas overthrowing apartheid is a clear one-off triumph. The environmental activists organized a single group for accrediting certifying groups and developed a single label. In the sweatshop case, arguments over the legitimacy of monitoring groups and the meaning of a living wage (US Department of Labor) has created confusion in the market for standards.

The fourth lesson is the need for support from internal groups. This was critical in South Africa. Keck and Sikkink (1998) have found this to be a factor in many of the cases of transnational advocacy that they studied. The problem for the anti-sweat campaigners is that governments in developing countries, including democracies, are uneasy about the potential unintended consequences of these campaigns on trade, foreign investment, and growth. In a September 1998 workshop organized by a British group, NGO Labour Rights Network (the NGO representatives to the Ethical Trading Initiative), NGO representatives from developing countries stressed the importance of involving local NGOs from the beginning in these



campaigns, to ensure that they addressed local priorities and interests. Their recommendations for prioritizing the allocation of resources stressed activities that would have the effect of empowering local NGOs, unions, and workers to defend their own interests.<sup>24</sup>

The final lesson from the other campaigns is that success requires the actions of more powerful governmental and organizational groups. Anti-sweatshop and worker rights activists have placed their issue on the international agenda but must pressure governments and international agencies to do more than change their rhetoric. The Clinton administration has insisted that new multilateral trade negotiations address labor standards issues. The World Bank has a child labor program and is focusing more attention on gender discrimination issues. In 1999, UN Secretary General Kofi Annan unveiled a new “Global Compact,” calling on the business community to respect nine core principles in the areas of human rights, worker rights, and environmental protection. ILO Director-General Juan Somavia stresses the need for a social pillar under globalization. The ultimate success of the human rights vigilantes will come if they can keep the pressure high enough to translate political rhetoric into action.

All told, the activists running anti-sweatshop campaigns have a more difficult task than did the environmental activists in the sustainable forestry campaign or the anti-apartheid activists. In contrast with the environmentalists, they have been unable to create a single certifying body and label and thus run the risk of “consumer fatigue” with internecine disagreements. In contrast to the anti-apartheid activists, they do not have strong union and non-governmental groups in less developed countries with which to work, and thus run the risk of trying to alter conditions with little authority “on the ground”.

## **5. The Market for Standards**

The preceding discussion has stress that for human rights vigilantes to succeed in raising labor standards around the world, they need to engage other social actors: consumers whose concerns are paramount to firms; firms who determine and monitor standards in their workplaces and affect standards in their subcontractors; national and international agencies who can pressure countries to enforce standards and provide technical or financial aid to improve standards. Last but not least, workers and non-governmental organizations in less developed countries also play a role in determining standards in their own settings.

In this broad “market for standards” activists are catalytic agents, stimulating other participants through their campaigns. How can activists catalyze these other actors? What produces the wide range of activist organizations in the market for standards?

We argue in this section that activists face a dilemma posed by the differential response of consumers to information about bad labor conditions and good labor conditions. On the one side, their campaigns must stress poor conditions in firms. On the other side, they need business and governments to improve those conditions, which invariably means some compromise with these groups. If activists are too moderate or compromise too readily, they will not gain the attention of consumers. But if their demands are too radical, they will alienate business and government. We model this problem by examining how activists change the price incentives facing firms to improve labor standards. With suitable interpretation of variables (votes rather than prices, for instance), the same model applies to the potential catalytic effect of activists on governments.

Consider the decision of firms to provide a level of labor standards as part of their product. Absent a campaign, firms balance the costs of supplying standards against the potential productivity gains, with no attention to consumers’ interest. This gives the starting level of standards (0 in ensuing analysis, though we do not mean “no standards”). An activist campaign forces firms to re-assess the costs of supplying standards against the potential costs of lower consumer demand. Exhibit 8 shows the change in incentives in terms of the price

that consumers will pay for a product before and after an activist campaign, and the cost per unit of product of raising standards to different levels. Absent the campaign producers could charge  $P_0$  while producing at base level standards (0). A campaign that fails to engage consumers, such as the unsuccessful activist campaign against Disney, leaves the price line unchanged. By contrast, a successful campaign reduces the price the firm will receive for producing under bad conditions and raises the price if they produce under good conditions. On the basis of our section 1 survey results, we assume that the slope of the price curve is kinked around the level of standards,  $S^*$ , that consumers would accept. Firms suffer large reductions in price for below- $S^*$  standards but gain only modestly from above  $S^*$  standards.

The asymmetry in demand explains why activists document poor conditions rather than lauding good conditions and why firms try to control information about conditions as tightly as possible. As a result, full disclosure of the location of plants and independent monitoring of compliance with standards become issues of conflict. Firms are even willing to bear higher costs of monitoring--hiring Ernst & Young, for example--than if they agreed to independent monitoring where the costs could be shared with NGOs, governments, or other organizations. If consumers responded more to information about good conditions than about bad conditions, activists and firms would have some common ground on which to work.

Given the new price curve that the campaign has produced, the firm will assess the benefits and costs of raising standards. In the exhibit the cost curve starts at 0 and then rises linearly. The firm maximizes profits when the price received for standards most exceeds the cost of standards. With cost curve C1, this occurs where the firm does not improve standards. It makes less money than before the campaign but keeps the same standards. In this situation the activist campaign has failed in two ways. It has not gotten standards up and it probably reduced employment or earnings, since the firm is making less money.

With cost curve C2, by contrast, the maximum profit occurs at the kink point,<sup>25</sup> and the campaign has succeeded in attaining its goal  $S^*$ . It has done this by presenting firms with a stark choice: fail to meet  $S^*$  and suffer price cuts to sell the same amount (or alternatively, suffer reductions in sales at the same price) while being unable to offer the firms much higher prices if they produce higher standards.

Finally, with cost curve C3, the firm will produce standards in excess of the kink point. Here the marginal cost of standards is so modest that the firm can potentially make more money by producing high standards than it did before the campaign. For example, a firm that improved health and safety at its plant might publicize this in its advertisements, gaining some extra sales and also gaining through lower injury rates and improved worker effort or morale.

This diagram directs attention to three determinants of the success of activist campaigns: the cost per unit of producing the standards; the level of acceptable standards, at which the price curve changes shape; the location of the price schedule that results from the campaign. By providing information about poor labor conditions and raising consumer concerns, activists campaigns can influence the location of the price curve and possibly the level of acceptable standards as well. To rouse interest, activists must highlight the evils of low labor standards, and stress how far current standards are from  $S^*$ , or some higher value that activists seek. But if activist demands are too great or if activists misread consumer feelings and cannot affect demand through their campaign, the firms will get greater profit from maintaining standards than from working with suppliers to upgrade conditions.

As noted, the need to arouse activists and consumers can conflict with the need to get firms to make improved standards. A campaign that asks for a modest improvement in standards or that cannot assure credible monitoring will not move the price line enough to generate a positive response by the firm. But a campaign that demands higher standards than profit maximizing dictates will find firms unwilling to make changes. The more a given

activist group plays the populist arousal role, the less able will it be to play the compromiser role; and conversely.

While individual activist groups cannot easily span the range of activities needed to catalyze all of the different agents needed to raise labor standards, a wide spectrum of organizations with differing degrees of militancy can do so in the “market for standards”. Indeed, under fairly general conditions, the market will be most successful when it includes a diverse set of activist or concerned organizations – both militants and moderates. Without militants demanding “pie in the sky” and keeping consumers riled up, firms, governments, and international agencies, could easily ignore the moderates. Without moderates, firms, governments, and agencies would declare it impossible to meet demands and would reject them out of hand. The need to catalyze both consumers and firms/governments implies that neither group could succeed without the other.

Given that militants and moderates have potential complementary niches in the market, we would expect to find both groups in the market and for them to proliferate at the same time, which is broadly consistent with the pattern observed in the appendix exhibit on activist groups. The NLC activates students and consumers with its exposes. Verite works with firms to improve their standards. Going a step further, the behavior of different groups who enter or adapt to market opportunities can be expected to produce an evolutionary stable equilibrium analogous to that in Kremer’s model of unions with different rent extraction strategies. What produces an equilibrium with militants and moderates is that the groups with differing strategies bring something different to the table. Militants gain support by generating strong campaigns but lose by failing to get firms to deliver on their demands; while moderates gain by brokering agreements with firms, but lose by compromising with “the enemy”.

The prediction that the market will contain a range of activist groups does not, of course, imply that their campaigns will succeed. On the one hand, the response of activist groups to the FLA would seem to support our model. Some activist groups remained in the FLA while others left and some created the alternative Workers’ Rights Consortium. But the market for standards may not function well with competing certifying groups. Corporations have rejected the WRC but have not joined the moderate FLA, possibly because this will gain them little if the activists outside the FLA will continue to attack them.

### **Workers in LDCs**

The missing actor in our analysis has been the sweatshop workers themselves. Anti-sweatshop campaigns in advanced countries would be unnecessary if these workers could readily form unions to defend their own well-being. Having activists in advanced countries intercede for workers is at best a second best solution to workers negotiating with management about the standards they want and monitoring their implementation. An unavoidable problem with external, independent monitoring, whether from the West or by local NGOs supported by Western activists, is that they cannot provide the day-to-day monitoring and protection that a workplace based union or other group can give employees (Bernard 1997).

While genuine freedom of association would go a long way to resolving labor standards problems in LDCs, corporations concerned with standards typically leave union rights out of their codes of conduct (ILO 1998; Varley 1998). The WRC, the FLA and SA 8000 codes include freedom of association and collective bargaining rights, but implementation of these codes is difficult absent major changes in the developing countries themselves. The state and business community, as well as foreign investors, in many of these countries are fervently anti-union. The state is often anti-union because unions are an independent source of power on a political scene otherwise dominated by a single party or narrow elite. Business--domestic and foreign--is anti-union because unions will alter authority relations within firms and shift revenues from owners to workers. These attitudes make

unionization extraordinarily difficult to attain, even in countries that nominally accept the freedom of association standard of the ILO. At the same time, activists have trouble arousing consumer concern over the freedom to unionize; it is the standard that least arouses western consumers according to the PIPA poll in exhibit 1.

Campaigns where unionism was a key issue, as with the PVH plant in Guatemala, have not been sustained for long. By shifting orders to a nonunion firm, multinationals can readily undo the effects of successful organization, or they can accede to other demands but not to demands for organization. At the Gap's Mandarin factory in El Salvador, the main source of contention was the unwillingness of management to allow formation of a union and the firing of union organizers. After the campaign publicized violations in the company's code of conduct, the Gap worked to improve conditions and even guaranteed a minimum number of orders, offsetting lost orders from elsewhere that resulted from negative publicity (Varley 1998, 302). In addition, the Gap allowed independent monitoring, but there is still no union in that plant. Some unions in El Salvador and the United States point to this case as exemplifying the danger that NGO monitors, however well-intentioned, will undercut unions.

## **6. Conclusion: When Does Doing Good Do Good?**

The goal of anti-sweatshop campaigns is to improve conditions for workers in less developed countries. To what extent and under what conditions do campaigns succeed in achieving this objective?

These are contentious questions. Many observers, including most developing country governments, multinational corporations, trade economists, and development experts believe that anti-sweatshop campaigns may do more harm than good. Professor Jagdish Bhagwati, for example, argued in the *Financial Times* (May 2, 2000) that, "[A] minuscule minority of students who are captive to unions such as the apparel industry's UNITE, have used the language of 'social responsibility' towards the poor countries, to advance an agenda, both illegitimate and narrow, that will in fact harm the very countries and workers they claim to assist." On the other side activists believe that their campaigns are doing some good, both in forcing transparency in the production of consumer items and in making labor rights a critical issue on the world policy agenda. They hope that successful the anti-sweatshop campaigns will strengthen the position of labor in less developed countries, though this has yet to occur.

Our analysis allows for a variety of outcomes: (1) campaigns can make things worse if negative publicity causes sales or prices to drop for the products of sweatshop workers; (2) campaigns can have no effect at all if firms do not view the threat of a consumer backlash as credible; (3) campaigns can catalyze firms to improve standards when the consumer threat is credible relative to the cost of improvements; or (4) campaigns can catalyze firms, governments, and international agencies to undertake broader and more sustainable improvements.

Even in the best case, where human rights vigilantes induce all export sector factories to have verifiable codes of conduct, this will not by itself raise living standards broadly in these countries. Exports by low income countries of apparel and footwear are only 2 percent of world exports, 14 percent of total low income country exports, and 3 percent of their GDP. Within these sectors, it is primarily more expensive high-end branded products that are amenable to the application of verifiable codes. Within these countries, workers in agricultural or the informal service sector are likely to be worse off than those employed in export manufacturing. Most child labor, for example, occurs in agriculture, construction, and domestic services, where anti-sweatshop campaigns cannot readily reach. The issue, thus, is not whether human rights vigilantes can greatly improve living standards in poor countries --

they cannot do so under any realistic scenario; only sustained economic growth can do that -- but whether they can bring some modest gain in well-being or whether their efforts will have the unintended consequence of harming the economic position of those they seek to help.

### **The risk that doing good will do harm**

“In defense of cheap labor: bad jobs at bad wages are better than no jobs at all,” Paul Krugman <sup>26</sup>

The argument that anti-sweatshop campaigns risk harm to workers in less developed countries begins with a basic fact: sweatshop jobs are not the worst in less developed countries. Workers voluntarily accept sweatshop jobs because, however bad the conditions and however paltry the wages, these jobs are better than the available alternatives. Studies of wages and employment invariably show that foreign-owned and export-oriented factories in developing countries, on which anti-sweat campaigns focus, offer higher pay and better conditions on average than those of domestic firms producing for the local market (Varley 1998). And wages in footwear and apparel, which are at the bottom of manufacturing, are generally higher than the minimum wage level in many developing countries (US Department of Labor) and clearly better than conditions in agriculture.

Critics of anti-sweatshop campaigns fear that the campaigns will discourage exports of these products and reduce foreign investment in less developed countries, which would lower the demand for labor and reduce worker well-being. Some, like Bhagwati, believe that the activists are motivated by protectionism or are misguided followers of those who are. The evidence in sections 1 and 2 rejects this assertion. The human rights vigilantes, college students, and church groups who make up the activist community do not compete with low paid workers in developing countries. If they succeed in their campaigns, they will raise the prices of the goods they consume rather than raise trade barriers. Unions like UNITE have no desire, or illusion that low wage apparel or shoe manufacturing jobs will or should return to the US, though they may want to slow the decline. Most important, USAS, which has close ties to UNITE, has been outspoken in its opposition to firms redirecting production of college logo clothing to US factories ([http://www.lafollette.wisc.edu/livingwage/Final\\_Report/report.htm](http://www.lafollette.wisc.edu/livingwage/Final_Report/report.htm)). The NLC's Kernaghan has also harshly criticized firms that “cut and run” rather than incur the costs of cleaning up and monitoring a substandard facility.

But motivation aside, anti-sweat campaigns could still have adverse effects on developing country workers. The negative publicity arising from anti-sweatshop campaigns could deter trade and investment and reduce the number of jobs available in countries with already high levels of unemployment and underemployment. They could induce greater production in informal markets or simply push production of these products out of the formal sector into areas of the economy with even lower standards but less visibility. That t-shirts made with the logo of United Students Against Sweatshops are produced in Bangor, Pennsylvania, rather than in some less developed country, suggests that even groups committed to workers in those countries will find it safer producing in a union plant in the US than risking negative publicity for possible violations of labor standards in a poor country.

The worst/best case scenario for critics is what campaigns against child labor could do to the well-being of the children. Faced with such a campaign, a firm may simply fire the children, who would then drift into even worse activities, such as begging or prostitution. Indeed, that was the initial response in the Bangladesh garment case described above. But NGOs involved in the campaign protested the precipitate action and the ILO and UNICEF were able to step in with a program to rehabilitate the children. No Child Labor campaigns, if not carefully crafted, risk displacing children without providing alternative opportunities.

Demands for living wages in anti-sweatshop campaigns run the greatest risk of backfiring, since such demands can readily price workers in less developed countries out of

some markets. This is particularly the case if the living wage target is determined by outside activists with strong ideological stances rather than by local NGOs or unions who can better weigh the risk to jobs of large imposed increases in wages. In terms of our analysis, an “excessive living wage” would place the cost curve for making improvements far above the price line, so that firms would fight this demand, or close shop.

### **How serious a risk?**

The danger that anti-sweat shop campaigns will harm workers in less developed countries has not, as far as we can tell, been effectuated, in part because human rights vigilantes try to avoid these risks. Indeed, the wide range of groups in the activist community almost guarantees that if some group pushes demands that are counter-productive another group will modify them or take corrective action.

Campaigns against child labor provide an example of this. The ILO’s International Program on the Elimination of Child Labour, is specifically oriented toward replacing child labor with better opportunities. In the Bangladesh garment and Pakistan soccer ball cases, it was the joint initiative of industry, governments, and the ILO that required the provision of educational alternatives for the children and turned a potential harm into a positive outcome. Similarly, consumers buying Rugmark-labeled, child-free carpets pay a premium that, in addition to paying the costs of certification, goes to build schools for the affected children. Alternatively, in the absence of ready alternatives, the militant NLC campaigns that target child labor concentrate on increasing the pay for children, rather than on getting firms to produce goods child-free. When groups seeking to do good are conscious of the risks, they develop both the ends and means accordingly.

Activist debates over the living wages show a wide divergence of views and thoughtful consideration of the ways that demands for living wages risk failure – including some that critics have failed to point out. The Wisconsin anti-sweatshop symposium warned that campaigns “may produce serious negative feedback loops. These could include the following: Firms may concentrate their production of college apparel in high-wage countries, moving more of their other operations to the lower-wage economies. ... Firms could maintain production in the low-wage economies, but create small high-wage enclaves within them (which would have) little positive effect on the rest of the local labor market. Setting the wage too high relative to local market conditions could create difficulties for monitoring. This is because a strong incentive would be created to circumvent the wage mandate. For example, workers could sell a share of their high-wage jobs under the table to their relatives or friends; so that, in fact, multiple workers are employed at a single “living wage” job.” The conclusion of this group was that any campaign had to take account of local market conditions and base its decision on “What would be the wage bargained for by workers if they were allowed to organize and bargain collectively in a free, democratic environment?”

As for fears that anti-sweatshop campaigns could reduce foreign investment and jobs in less advanced countries, they seem beside the point in a world where the overwhelming trend is toward expansion of manufacturing, particularly apparel and shoes, into less developed countries. The income gaps between countries are so great that it is difficult to imagine a scenario where anti-sweatshop activism could reverse this trend, even if, contrary to fact, the activists wanted to accomplish as much.

Some of the concern about unintended consequences may derive from critics who conflate the immediate goals of the anti-sweatshop campaigners with the broader demands for a “social clause” in trade agreements. No doubt, many of the USAS students were in the streets of Seattle last December protesting against the WTO’s failure to protect worker rights and the environment. But a social clause need not be protectionist in effect and endorsing the idea does not prove protectionist intent (Elliott 2000). Nor does it prove that activists’ efforts

in the anti-sweatshop campaigns have been “captured” by protectionists.

### **The ways doing good does good**

“But what good do they do?”

The good that activists can do depends on their effectiveness in catalyzing other economic agents: firms, governments and international agencies, and the sweatshop workers themselves. Because successful campaigns can be catalytic, they have potential for doing good, though whether they will succeed in fulfilling this potential is by no means clear.

With respect to firms, activist campaigns have succeeded in getting most major, visible retailers and marketers to develop their own corporate codes of conducts addressing various labor standards. They have induced some, such as the GAP and NIKE, to improve labor conditions in their overseas factories, at some expense. The April 2000 Starbucks agreement to market Fair Trade Certified coffee, which gives farmers a premium over the prevailing market price, would surely never have been done had not human rights vigilantes developed a social climate where such actions are seen as being in the corporate interest. Similarly, the fact that Nike and Reebok eliminated toxic chemicals in the production of athletic footwear should be viewed as a response to activist pressures. And while many activists attack the FLA because it is much weaker than they would like, its creation is also a product of their campaigns. Some campaigns have indeed shifted the price curve facing firms so that the firms have chosen the “improved standards” solution (see exhibit 7).

On the government side, the insistence of the Clinton administration that new multilateral trade negotiations address labor standards issues is also a response to activist and US union pressures. Without these pressures, the “Washington Consensus” view that trade and balancing budgets are the only outcomes that matter would have prevailed throughout government policy. Congress would not have raised the US contribution to the ILO campaign to eliminate child labor from \$2.1 million in 1995 to \$30 million in 2000. While the US cannot dictate the place of labor standards in the next round of world trade negotiations -- China is adamantly opposed and trying to get other less advanced countries to support it, the fact that the debate is not *whether* but *how* to strengthen enforcement of the core labor standards (as identified by the ILO, World Social Summit, and others) is an important outcome from a decade of activism.

On the international agency front, activists have not only put labor rights on the world agenda but revived interest in the ILO and the possibility of enhancing its resources and powers. Yes, the 2000-2001 \$56 million budget for the ILO’s Program to Eliminate Child Poverty is minuscule in comparison with the revenues and expenditures of almost any multinational firm. But this represents a huge increase over previous budgets, with much of the increase funded by the US. Other international agencies have also taken up the labor standards mantra. In 1999, UN Secretary General Kofi Annan unveiled a new “Global Compact,” calling on the business community to respect nine core principles in the areas of human rights, worker rights, and environmental protection. The World Bank has a child labor program and is focusing more attention on gender discrimination issues. Maybe with a bit more pressure, even the International Monetary Fund will endorse transparency in labor markets, as it does in capital markets.

Activists have been least successful in moving the core labor standard of freedom of association and the right to collective bargaining from rhetoric to reality. These “enabling rights” would probably do more for improving labor standards than anything else, since they would allow sweatshop workers to decide for themselves what issues to pursue, trade-offs to make, and battles to conduct with their employers. The activists are a key voice directing attention at violations of the rights of workers who seek to exercise their rights overseas,<sup>27</sup> but

they must rely on workers and institutions in those countries to take the lead, much as the African National Congress and COSATU did in South Africa. The upsurge of labor activism in some poor Asian countries, notably Cambodia and Indonesia also shows how external pressure and support, in these cases from activists, governments, and the ILO, can empower workers (Time, July 10, 2000, "Hell No, We Won't Sew"). The secretary-general of the Cambodia Garment Manufacturers Association complained, "All the attention [from the trade agreement] gives the workers the comfort level that they are calling the shots" (*Financial Times*, April 7, 2000).

Finally, while anti-sweatshop campaigns do risk reducing the flow of resources to less developed countries, they can also increase those flows. At the consumer level, this can occur when consumers pay for improvements in labor standards through higher prices or when the campaigns squeeze oligopolistic profits on branded goods. In some sectors, such as soccer balls which are overwhelmingly sourced in Pakistan, or in cases where campaigns cover the bulk of firms in a sector, they have the potential for improving the terms of trade for the less developed country (Brown, Deardorff, and Stern 1993). At the national or international level this can occur through an increase in expenditures in technical assistance or funding of programs, for instance to move children from work to school. But to have a bigger effect, the anti-sweat activists will have to tackle issues that go beyond poor labor conditions in particular factories or in particular products – such as debt relief and reduction of trade barriers to developing countries -- that they have thus far not put at the front of their agenda.

In sum, by putting labor rights and the living standards of workers in poor countries on the agenda of powerful economic agents and governments and international agencies, the activists have catalyzed something that has the potential for improving the well-being of workers in poorer countries. There is nothing in economic analysis, however, that guarantees a positive result nor that guarantees the bad outcomes that critics of the activists fear. It depends on the smarts of the activists and their campaigns.



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## ENDNOTES

<sup>1</sup> Comparing the Marymount and PIPA surveys, we see that a higher premium, \$5 versus \$1, reduces the number of people who say they would buy the product made under good conditions. In this range, moreover, the demand would appear to be modestly inelastic. Total revenues would rise with the increase in price from \$21 to \$25 since purchasers would fall from 85% of persons to 75%. But revenues would still be at a maximum with the \$20 price.

<sup>2</sup> Due to a coding problem, this estimate may be somewhat inaccurate; we are having the survey firm check the responses here. When corrected the number may be somewhat higher than that in the text, but it will be only moderately different.

<sup>3</sup> Some respondents refused to answer these questions and some gave inconsistent answers – saying, for instance, that they would buy the cheaper product no matter what and then saying they would pay extra for the product made under better conditions. We made the conservative assumption that anyone who refused to answer or who gave an inconsistent response would not pay a premium for a product made under good conditions or would buy the product under poor conditions. But had we deleted these observations, our results would be qualitatively the same.

<sup>4</sup> Since we did not specify the conditions under which the alternative product was made, this is an inference from responses to the two sets of questions. The design that would provide a test of this inference would be to ask consumers to compare a product made under good conditions with one made under positively bad conditions (at varying prices) and a product made under good conditions with one made under unknown conditions. Our analysis compared bad conditions with unknown conditions and good conditions with unknown conditions.

<sup>5</sup> Under pressure from Global Exchange and other activist groups, Starbucks agreed to sell “Fair Trade” coffee beginning in Fall 2000, with guarantees that the coffee comes from cooperatives where farmers earn a reasonable price. This could provide the natural experiment.

<sup>6</sup> We distributed 45 surveys at their National Organizing Conference in July and sent emails to an additional 140 activists listed on the USAS listserver or suggested by respondents. We obtained 39 responses from persons at the Conference and 55 from those sent the email instrument, giving 94 responses and an overall response rate of slightly over 50 percent.

<sup>7</sup> A model not addressed here are the various fair trade initiatives where activists try to organize alternative markets by linking consumers in rich countries to producers in poor countries, who are paid premium prices for indigenous products such as coffee, tea, bananas, or local handicrafts. Some of these groups are listed in the appendix, however.

<sup>8</sup> The FLA receives compliance reports from certified monitors and then prepares its own summary report rather than publishing the raw data.

<sup>9</sup> An ILO report (1998) on corporate codes and social labels surveyed 200, while the Investor Responsibility Research Center (Varley 1998) collected 121 codes from a survey of the S&P 500 companies and 80 retailers.

<sup>10</sup> PVH's Bruce Klatsky demonstrates a strong personal commitment to human rights through his work with Human Rights Watch and Kathie Lee Gifford demonstrated concern for the well-being of children through her charitable contributions to children's causes.

<sup>11</sup> The ILO still does not have anything like the financial resources to push its child labor program that the IMF or World Bank have to push their programs of financial reforms or economic rectitude. The United States has sharply increased its contributions to the ILO's child labor program in recent years and is by far the largest donor at \$45 million for this year.

<sup>12</sup> The text of the bilateral agreement may be found on the Department of Commerce's Market Access and Compliance website (<http://www.mac.doc.gov>).

<sup>13</sup> A description of the FSC may be found at [http://www.panda.org/forests4life/certify\\_fsc.cfm](http://www.panda.org/forests4life/certify_fsc.cfm) (last visited on June 9, 2000). See also the FSC homepage at [www.fscoax.org](http://www.fscoax.org).

<sup>14</sup> The World Wildlife Fund is now trying to replicate the FSC's success with a Marine Stewardship Council to certify fisheries and fish products as having been sustainably harvested [see [www.msc.org](http://www.msc.org)].

<sup>15</sup> IKEA asked its suppliers of *solid* wood products to ensure that none of their wood came from uncertified old-growth forests by September 2000. A second phase will extend the same requirement to suppliers of other wood products, including paper, cardboard, and furniture made with particleboard, but no target date has been set. See Kirsten Denker, "IKEA latest in global move to save ancient forests," Greenpeace, November 24, 1999 (available at [www.greenpeace.org/%7Eforests/reports/Re-Source/ikeaarticle.html](http://www.greenpeace.org/%7Eforests/reports/Re-Source/ikeaarticle.html) last visited, June 8, 2000). IKEA sales are from their website, [www.ikea.com](http://www.ikea.com), last visited June 8, 2000; Home Depot sales are from *Journal of Commerce*, November 12, 1993, 9A.

<sup>16</sup> See the assessment of recent events on the WWF website at [www.panda.org/tradefair2000/network.htm](http://www.panda.org/tradefair2000/network.htm), last visited on June 9, 2000.

<sup>17</sup> The FSC website at [www.fscoax.org](http://www.fscoax.org) has a list of certified areas; see also the UN Food and Agricultural Organizations's annual report, *State of the World's Forests 1999*. Recognizing the lagging progress in developing countries, the World Wildlife Fund recently joined the World Bank in an alliance to promote sustainable forestry management globally, with a target of 200 certified hectares by 2005, evenly divided between temperate and tropical forests.

<sup>18</sup> One commentator recently suggested that environmental activism is becoming less successful as its focus shifts from issues that directly engage people's interest, such as the air they breathe or the water they drink, to more global and less tangible threats such as global warming and declining bio-diversity (Rauch 2000).

<sup>19</sup> See the Environmental Protection Agency website on waste management at <http://search.epa.gov/epaoswer/non-hw/muncpl/rec-data.htm> last visited on July 3, 2000.

<sup>20</sup> For an excellent history of the anti-apartheid movement, see Massie (1997).

<sup>21</sup> We recognize that deriving five lessons from two cases is a bit speculative.

<sup>22</sup> Of course, given the paucity of such products in the market today, there is little cost attached to the promise and the true test will come when more final consumers have the choice before them.

<sup>23</sup> Concerns about the effects of codes on homeworkers were raised by Southern NGOs recently in a workshop organized by NGOs participating in the Ethical Trade Initiative in the United Kingdom (see [www.cafod.org.uk/policyviews.htm](http://www.cafod.org.uk/policyviews.htm); last visited on July 13, 2000). Concerns have also been raised about the impact of the agreement to create stitching centers for the production of soccer balls in Sialkot, Pakistan. Shifting production from homes to centralized locations facilitates monitoring of the agreement to end child labor, but makes it difficult for some adult women to earn income because they cannot leave home (see the Clean Clothes Campaign website at [www.cleanclothes.org](http://www.cleanclothes.org)).

<sup>24</sup> A conference report from the workshop is available on the website of the Catholic Agency for Overseas Development (CAFOD), at [www.cafod.org.uk/policyviews.htm](http://www.cafod.org.uk/policyviews.htm); last visited on July 13, 2000.

<sup>25</sup> Beyond that point the marginal increase in price is less than the marginal increase in cost while before that point the marginal increase in price exceeds the marginal cost.

<sup>26</sup> Originally posted on the *Slate* website on March 20, 1997, the column is now available on Krugman's personal website at <http://web.mit.edu/krugman/www/>.

"A policy of good jobs in principle, but no jobs in practice, might assuage our consciences, but it is no favor to its alleged beneficiaries."

<sup>27</sup> See the NLC's campaign to help workers at the Mil Colores workers plant in Nicaragua.

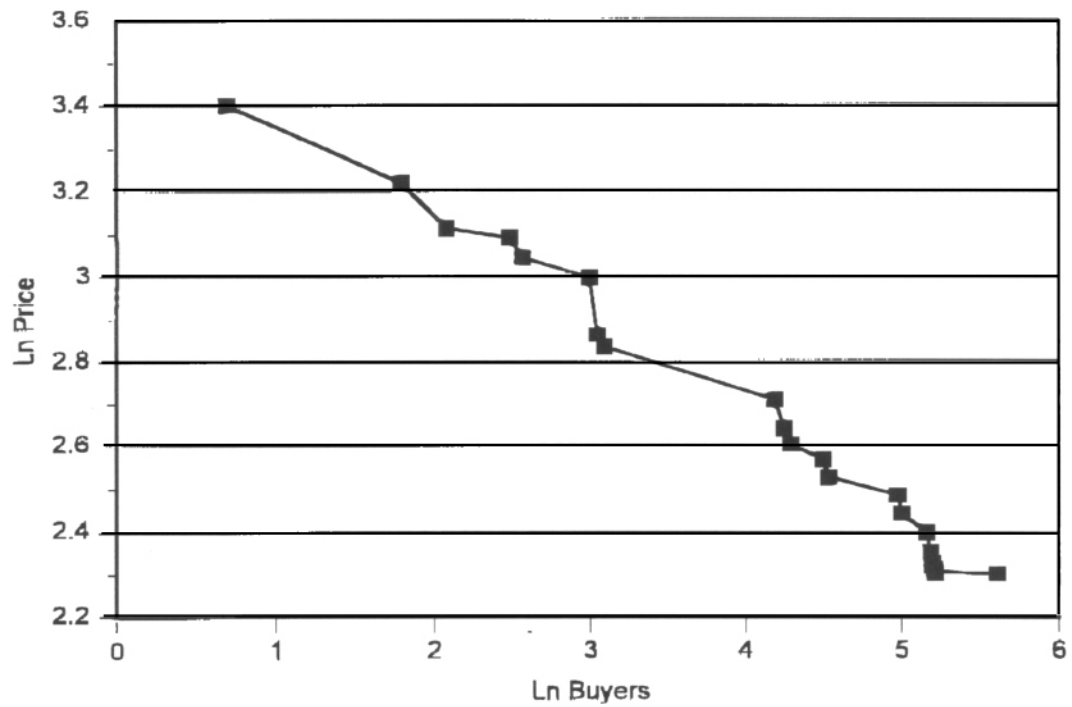
**EXHIBIT 1: Survey Findings on Consumers' Expressed Desire for Labor Standards**

<b>Marymount University Center for Ethical Concerns</b>	<b>1995</b>	<b>1996</b>	<b>1999</b>
Would avoid shopping at retailer that sold garments made in sweatshop	78 %	79 %	75 %
More inclined to shop at stores working to prevent sweatshops	66	63	65
Willing to pay \$1 more for \$29 garment guaranteed made in legitimate shop	84	83	86
Most responsible for preventing sweatshops			
Manufacturers	76	70	65
Retailers	7	10	11
Both	10	15	19
What would most help you avoid buying sweatshop clothes			
Fair-Labor label	56		
Sweat-Shop List	33		
<b>University of Maryland Program on International Policy Attitudes</b>			
Feel moral obligation to make effort to ensure that people in other countries producing goods we buy do not have to work in harsh or unsafe conditions			74%
Willing to pay \$25 for \$20 garment that is certified not made in sweatshop			76
Find arguments for/against labor standards convincing			
Standards will eliminate jobs			37
Standards interfere with national sovereignty			41
Low standards give unfair advantage			74
Low standards are immoral			83
US should not import products in violation of labor standards:			
Products made by children (under force or without chance for school)			81
Made in unsafe / unhealthy places			77
Workers not allowed to unionize			42
Do not expect workers in foreign countries to make US wages, but expect countries to permit wages to rise by allowing unions / stopping child labor			82
Favor lowering barriers that limit clothing imports			
Without hearing about costs of protection			36
After hearing costs of protection			53
<b>NBER Survey</b>			
Consumers who say they care about the condition of workers who make the clothing they buy:			
A lot			46%
Somewhat			38
Only a little			8
Not at all / No Response			8
Willing to pay more for an item if assured it was made under good working conditions			81 %
Amount willing to pay for \$10 item			\$ 2.78
Amount willing to pay for \$100 item			\$14.99
At same price would choose alternative to t-shirt that students say is made under poor conditions			84%
Would buy t-shirt made under poor conditions at discount of			\$4.38
Would not buy t-shirt made under poor conditions at all			65%
Would pay more for t-shirt if came with assurance it was made under good conditions			67%
Amount would pay, including those who did not offer to pay more			\$0.87

## EXHIBIT 2: Estimated Demand Curves for Standards

### Panel A

\$10 Item Made Under Good Conditions



\$100 Item made Under Good Conditions

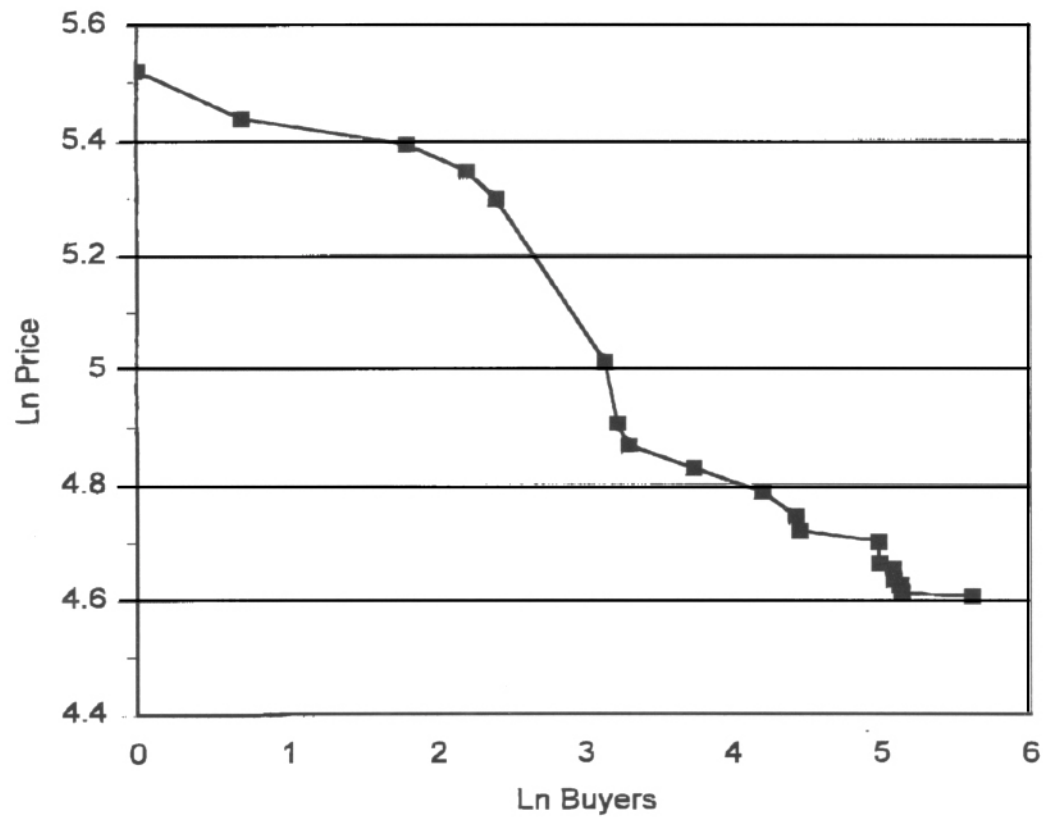
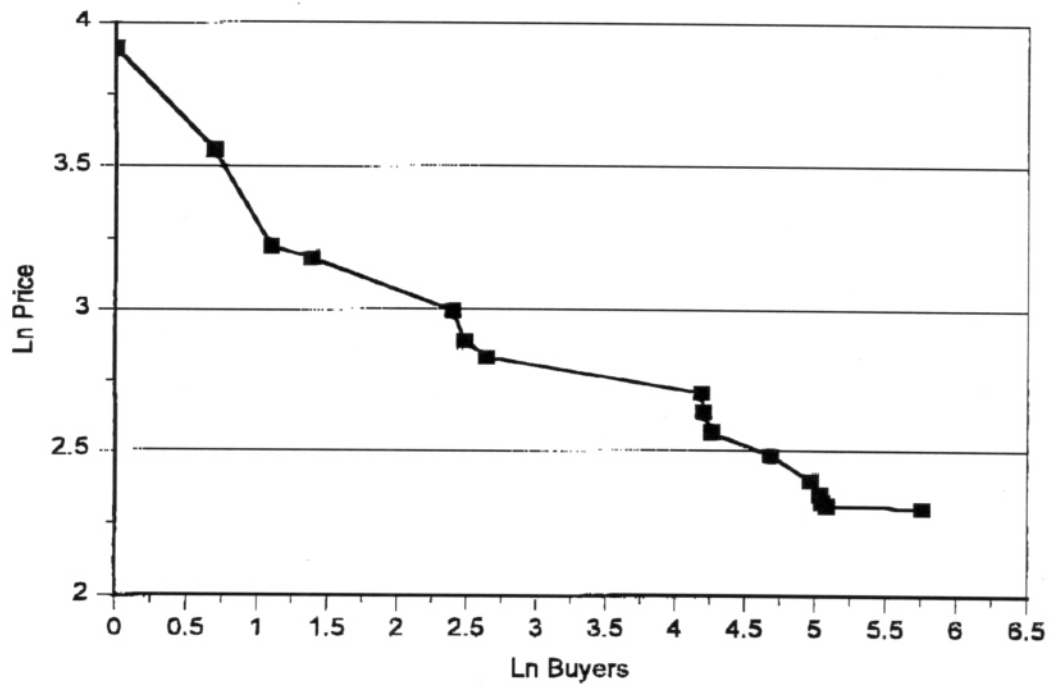




EXHIBIT 2 (continued)

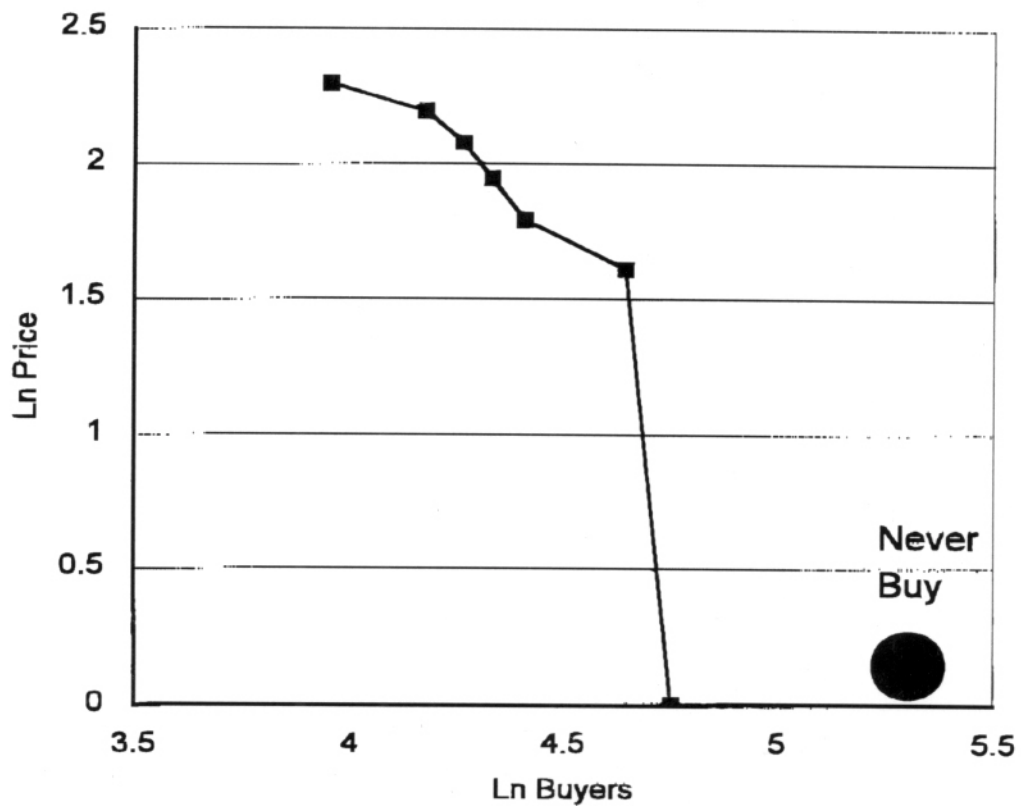
Panel B

Pay for \$10 T shirt Under Good Conditions



Panel C

Pay for \$10 T-shirt Under Bad Conditions



**EXHIBIT 3: Characteristics of Student Anti-Sweatshop Activists**

<b>A. Family Background</b>	<b>Percentage</b>
Family Income <sup>a</sup>	
> 100,000	36
75-100,000	22
40-75,000	34
<40,000	8
Political Attitudes of Parents	
Progressive	40
Non-Partisan	27
Conservative	34
Involved in activism in college	29
Involved in activism after college	25
Attitude of Others to Involvement	
Parents: supportive	58
Parents: critical	11
Professors: supportive	67
Professors: critical	24
Uninvolved friends: supportive	37
Uninvolved friends: critical	7
<b>B. Orientation Toward Social Activism</b>	<b>Percentage</b>
Involved in activism before	
High School	52
College	84
Ever member of trade union	31
Involved in Union Summer	9
View self as politically committed activist (rather than apolitical do-gooder)	90
% Rating Happiness as 9-10 on 10 point scale	
All A's	48
Living wage agreed to by corps and labor	81
Collegiate licensing companies agreed to full disclosure of factory locations	69
US unions increase share of work force	68
US cancels debt to third world countries	74
<b>C. Allocation of Time</b>	
Hours per Week on anti-sweatshop activities	6.2 hrs
Hours per Week on other extra-curricular activities	10.3 hrs
Hours per Week Studying	14.3 hrs
Held Job	40 %
Hours if held job	10.8 hrs
If not involved, would spent time on	
Another cause	47
Arts / Athletics	36
Socializing	30
Schoolwork	27
Sleep	13
<b>D. Net Effect of Anti-Sweatshop Efforts</b>	<b>Percentage</b>
Net Effect on (minus sign indicates negative):	
Grades	-16
Romantic Life	3
Friendships	46
Self-Confidence	76
Communication and Leadership Skills	83

a. For comparison, in the UCLA/ACE Freshman Survey, the proportion in these categories was:  
Family Income: > 100,000 - 16%; 75-100,000 - 12 %; 40-75,000 - 36%; <40,000 - 35%.

Source: Tabulated from Survey of Student Activists.

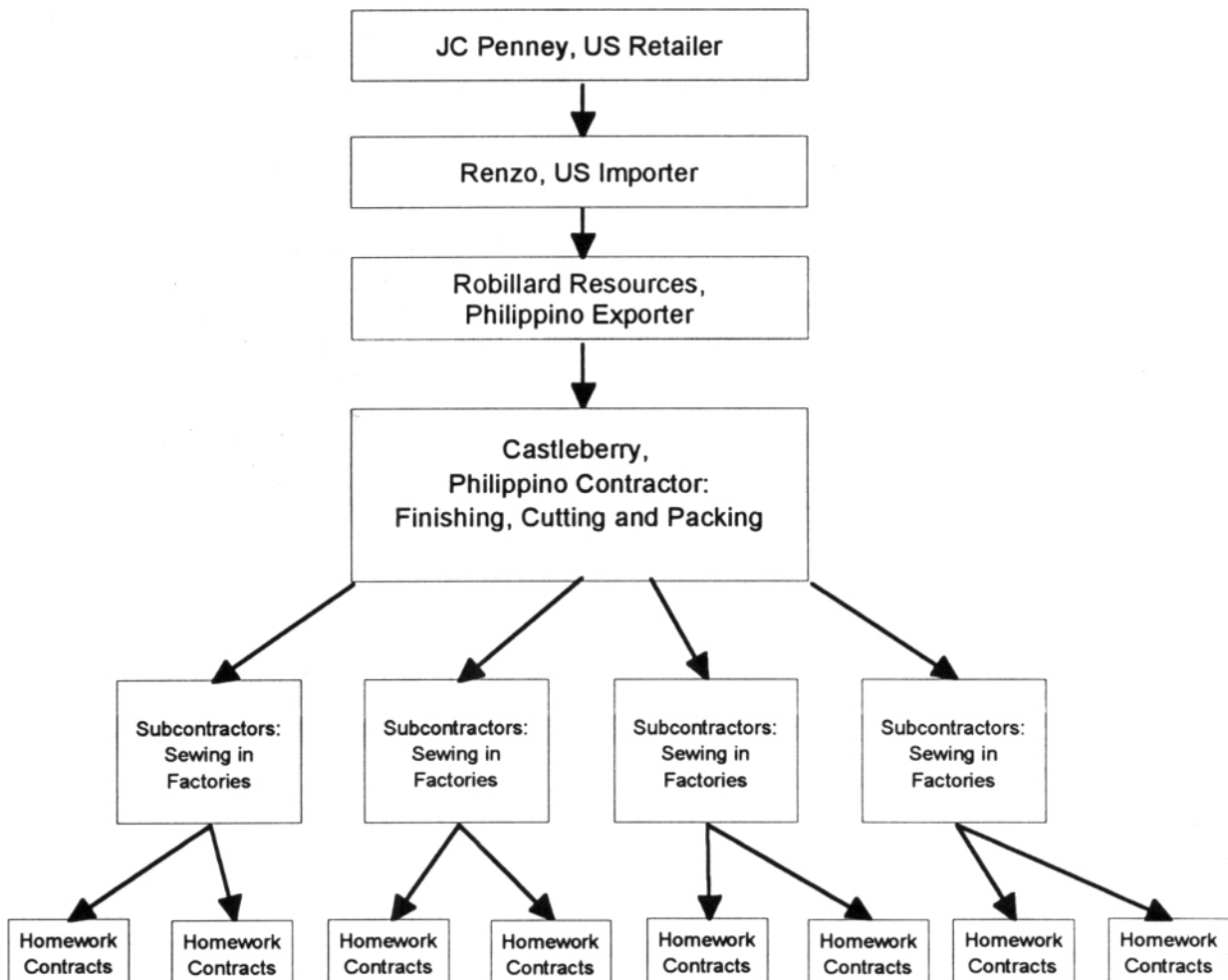
**EXHIBIT 4: Activists Compared to College Freshmen Overall**

	<b>Activists</b>	<b>College Freshmen Overall</b>
<b>Agree strongly or somewhat</b>		
Sex OK if people really like each other	81 %	42 %
Racial discrimination no longer a problem	1	20
Prohibit racist / sexist speech	38	64
Wealthy should pay more taxes	93	63
Disobey laws that violate values	74	37
Individual can do little to change society	9	33
<b>Deems essential or very important</b>		
Becoming authority in field	52	63
Raising family	46	73
Be very well off financially	6	75
Influence political structure	84	17
Be community leader	70	31

Source: Tabulated from Activist Survey; ACE/UCLA survey of College Freshman, 1998.

## EXHIBIT 5

### The Chain of Production: Retail to Factory



## **EXHIBIT 6: Timeline of Anti-sweatshop Activities**

1990	Charles Kernaghan becomes director of National Labor Committee (NLC), founded in 1981 to oppose Reagan administration policies in Central America.
1992	Levi Strauss develops first code of conduct for suppliers following DOL suit against contractors in Saipan over wages, etc.; a year later, Levi's announces plans to withdraw from China because of human rights situation there.
1992	Senator Tom Harkin (D-IA) introduces bill to bar imports of goods produced using child labor; reintroduces in each Congress until 1997 when he substitutes legislation calling for beefed up enforcement of existing law barring imports of goods produced with forced labor, including bonded or other forced child labor.
1993	Wal-Mart publishes "Standards for Vendor Partners" after televised revelations regarding child labor use by suppliers in Bangladesh.
August 1993	Clinton administration negotiates side agreements on labor and environment to accompany North American Free Trade Agreement.
March 1995	Criticized for "de-linking" human rights from most-favored nation trade status for China in 1994, Clinton administration releases "model business principles" to encourage MNCs to adopt voluntary codes of conduct in operations around the world.
August 1995	Department of Labor closes down sweatshop in El Monte California after discovering immigrant Thai workers being forced to work in slave-like conditions; incident gives momentum to Secretary Robert Reich's campaign to combat sweatshops in US.
December 1995	Under pressure from NLC, People of Faith Network over working conditions in El Salvador, The Gap agrees to independent monitoring of contractor facility.
Spring 1996	NLC's Kernaghan reveals Wal-Mart clothing endorsed by television personality Kathie Lee Gifford is produced under exploitative conditions, including child labor; Gifford vows to remedy situation; second scandal involving Gifford-endorsed clothing produced in American sweatshops in New York leads to collaboration with Labor Secretary Reich on his "No Sweat" campaign.
August 1996	President Clinton, Secretary Reich announce creation of Apparel Industry Partnership, bringing together retailer/importers, unions, and NGOs to address sweatshop issue.
March 1997	Management in a Phillips-Van Heusen (PVH) contract facility in Guatemala recognizes union, a first in that country's apparel export sector.
April 1997	AIP report outlines "Workplace of Conduct" and "Principles of Monitoring".
August 1997	Duke University students form group called Students Against Sweatshops; in subsequent months, movement grows on campuses across country eventually becoming United Students Against Sweatshops (USAS).
October 1997	Council on Economic Priorities releases plan for "social audit" dealing with worker rights, creates accreditation agency to certify auditors to monitor compliance.
April 1998	Levi Strauss announces its return to China, arguing that the human rights situation has improved sufficiently "that the overall environment now is such that the risks to our reputation are minimal" (Financial Times, 8 April 1998).
Spring 1998	Under pressure from student group, Duke University releases code of conduct for suppliers of apparel licensed by Duke to display the university name or logo; code calls for independent monitoring of compliance, through the AIP if appropriate, and requires suppliers to disclose names and addresses of all contractors and plants involved in production of Duke-licensed apparel.
Summer 1998	UNITE commits interns and resources to helping establish USAS on national basis.
August 1998	Joint NLC-USAS delegation visits Central America to meet workers, NGOs.

**EXHIBIT 6 (continued)**

November 1998	AIP agrees on creation of Fair Labor Association and accreditation of independent monitors to monitor compliance with code.
December 1998	PVH closes unionized plant in Guatemala, saying it lost a major contract and has excess capacity; production will continue at nonunion plants elsewhere in Guatemala.
January 1999	UN Secretary General Kofi Annan, at World Economic Forum in Davos, Switzerland, announces new “Global Compact” calling on the business community to respect basic principles on human rights, worker rights, and protection of the environment, but with no means for monitoring of compliance. NGOs followed a year later with a “Citizens’ Compact” that rejects “partnership” between the UN and the business community and calls on the UN to make the principles mandatory with provisions for monitoring.
Early 1999	USAS criticizes universities for signing on to FLA model for monitoring without consulting them; students hold sit-ins to demand stronger code at Duke, Georgetown, Wisconsin, North Carolina, and, for 226 hours, Arizona. In April, USAS releases detailed report on inadequacies of FLA code and monitoring process and give universities until October 15 to seek improvements.
October 7, 1999	Under pressure from USAS and universities, Nike discloses locations of 41 factories producing licensed apparel for Duke, UNC, Georgetown, Michigan, and Arizona.
October 19, 1999	After rejection by FLA of their suggestions and passage of the 6-month deadline with no other action by universities, USAS announces alternative Worker Rights Consortium and calls on universities to withdraw from FLA. Brown University is the first to respond, announcing that it will join the WRC but also remain in the FLA; others, including Phil Knight alma mater University of Oregon follow.
December 1999	Liz Claiborne agrees to independent monitoring at supplier facility in El Salvador; report published in full on International Labor Rights Fund website (see appendix).
December 9, 1999	Philadelphia City Council calls on area colleges and universities to join WRC.
Spring 2000	Nike retaliates against Brown and the University of Oregon for joining WRC, terminates contract to provide hockey products in one case and ends personal and corporate philanthropic relations in the other.

**EXHIBIT 7: Assessment of Selected Anti-Sweatshop Campaigns**  
(italics indicates member of FLA)

<b>Company or Campaign</b>	<b>Influence on Procedures</b>	<b>Influence on Behavior</b>	<b>Assessment*</b>	<b>Comments</b>
Disney	None: has a code but refused to respond to NLC campaign on Haiti (except by allowing one licensee to withdraw)	None detected.	-1 to 0	Young children difficult to mobilize and parents reluctant to say no.
<i>Levi Strauss</i>	Early promoter of code; traditionally opposed independent monitoring but recently joined FLA, ETI in Europe.	In 1993, announced withdrawal from China because of human rights abuses, later stopped sourcing in Burma	3	Levi Strauss has always promoted itself as caring about workers—in US and abroad; but sales down, profits under pressure in recent years; froze withdrawal from China in 1996, announced expansion in 1998 and has closed plants in US and Western Europe.
<i>Liz Claiborne, Inc.</i>	Accepted independent NGO monitoring at contract facility in El Salvador	Shortfalls identified and publicly reported; need to verify remediation	2-3	Experiment not replicated but presumably will be through FLA
<i>Nike</i>	Has been much more open; though criticized, hired Andrew Young group to monitor facilities in East Asia; revealed locations of factories producing licensed university apparel	With Reebok (above) is eliminating toxic solvents from production process; has improved ventilation in factories; raised wages above official minimum wage after Asian financial crisis	2-3	Criticism of Young report (nothing on wages); Corpwatch releases leaked Ernst & Young audit showing violations of Vietnamese law, but concludes plant in compliance with Nike code of conduct.
<i>Phillips-Van Heusen</i>	Asked Human Rights Watch to investigate complaints at Guatemalan facility	Following Human Rights Watch report, recognized union in Guatemala maquila	1-2	CEO Klatsky on board of HRW; direct ownership stake in facility.  Shut plant not long after union recognized
<i>Reebok</i>	Early adoption of code; recently elicited and published NGO report on factories producing 2/3 of Reebok footwear in Indonesia	Report also included steps taken by contractors to address health and safety problems identified in NGO report; ; raised wages above official minimum wage after Asian financial crisis; with Nike is eliminating toxic solvents from production process	3	Reebok letter accompanying NGO report says too expensive to replicate elsewhere, though hopes to apply lessons; critics target failure to independently inspect all factories producing for Reebok and for not doing enough on wages.

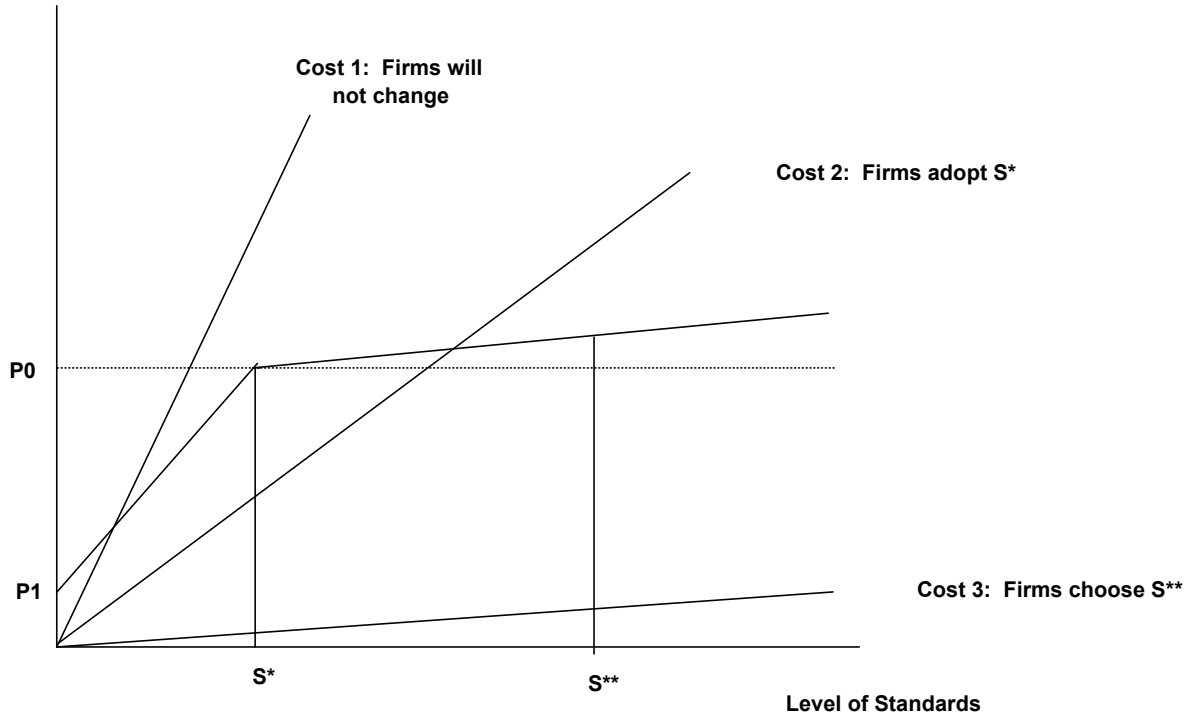
Starbucks	<p>In 1995, following picketing/leafleting at stores by US/Guatemala Labor Education Project, announces a code of conduct for coffee pickers in Guatemala, elsewhere.</p> <p>In 2000, pre-empts planned protests at stores in Washington, DC and elsewhere by announcing it will buy and sell Fair Trade Coffee.</p>	<p>Announced “action plan” assist small-scale coffee producers improve quality and expand overseas markets but takes no steps to monitor code implementation.</p> <p>Outcome of Fair Trade commitment will be seen Fall 2000.</p>	1+?	Starbucks promotes itself as socially-conscious company, provides benefits to part-time employees, donates profits to charity (“largest direct corporate contributor” to CARE according to promotional material in store).
The Gap	Accepted independent NGO monitoring at contract facility in El Salvador	Improvements in covered facilities; but still no union recognition	1-2	Experiment has not been replicated in other facilities and The Gap has refused to settle case regarding sweatshop practices in suppliers in Saipan that would provide for independent monitoring by Verite, as well as cash settlement for workers.
Wal-Mart and Kathie Lee	Wal-Mart adopted code early and KLG agreed to ensure independent monitoring to enforce code in facilities supplying KLG-label clothing. Publicity contributed to creation of AIP but, while KLG joined, Wal-Mart did not.	None detected?	1	Independent monitoring has not occurred and allegations about facilities in China and elsewhere continue; Wal-Mart also a defendant in Saipan sweatshop case.

\* From –1 for negative outcome to 5 for very successful.



# EXHIBIT 8: Incentives to Improve Standards

Prices, Costs



$P_0$  = price before campaign  
 $P_1$  = price after campaign

## Appendix A: Transnational Labor Rights Activist Organizations

	<u>Specialisation</u>	<u>Year formed</u>	<u>Orientation</u>
American Friends Service Comm ( <a href="http://www.afsc.org/">http://www.afsc.org/</a> )	US; Mexico	1917	religious
Asian Immig Women Advocates ( <a href="http://www.corpwatch.org/feature/hitech/aiwa.html">http://www.corpwatch.org/feature/hitech/aiwa.html</a> )	US Asians	1983	ethnic
Asian Law Caucus ( <a href="http://www.asianlawcaucus.org/">http://www.asianlawcaucus.org/</a> )	US Asians	1972	ethnic
As You Sow Foundation ( <a href="http://www.asyousow.org/index40.htm">http://www.asyousow.org/index40.htm</a> )	shareholder activism	1992	do-gooder
Bangor Clean Clothes Campaign ( <a href="http://www.bairnet.org/organizations/pica/cleanclo.htm">http://www.bairnet.org/organizations/pica/cleanclo.htm</a> )	code of conduct	1997	do-gooder
Campaign for Labor Rights ( <a href="http://summersault.com/~agj/clr/">http://summersault.com/~agj/clr/</a> )	general	1995	left
Coalition for Justice in Maquiladoras	Mexico	1989	do-gooder
CISPES ( <a href="http://www.cispes.org/">http://www.cispes.org/</a> )	El Salvador	1980	left
Co-Op America ( <a href="http://www.coopamerica.org/">http://www.coopamerica.org/</a> )	general	1982	do-gooder
Council for Economic Priorities ( <a href="http://www.cepnyc.org/">http://www.cepnyc.org/</a> )	code/monitoring	1969	do-gooder
Edenwald Gunhill Center	Nike	1997	left
Fair Trade Federation ( <a href="http://www.fairtradefederation.org/">http://www.fairtradefederation.org/</a> )	codes/labels	1996	do-gooder
Free the Children USA ( <a href="http://www.freethechildren.org/main/index.html">http://www.freethechildren.org/main/index.html</a> )	children	1995	do-gooder
Global Exchange ( <a href="http://www.globalexchange.org/">http://www.globalexchange.org/</a> )	general	1988	left
Global Kids ( <a href="http://www.globalkidsinc.org/">http://www.globalkidsinc.org/</a> )	children	1989	do-gooder
Human Rights Watch ( <a href="http://www.hrw.org/">http://www.hrw.org/</a> )	mexico, guatamala	1978	do-gooder
Human Rights for Workers ( <a href="http://www.senser.com/">http://www.senser.com/</a> )	general	1996	do-gooder
Interfaith Center for Corp Resp ( <a href="http://www.domini.com/ICCR.html">http://www.domini.com/ICCR.html</a> )	shareholder activism	1971	religious
International Labor Rights Fund ( <a href="http://www.laborrights.org/">http://www.laborrights.org/</a> )	football; rugmark	1986	do-gooder
Justice Do it NIKE!	Nike	1996?	
La Mujer Obrera	El Paso		left
Labor Defense Network	sweatshops	1997	do gooder
LA Jewish Comm for Worker Justice US?		1997	religious
National Consumer League, Child Labor Coalition ( <a href="http://www.natlconsumersleague.org/">http://www.natlconsumersleague.org/</a> )	children	1989	do-gooder
National Labor Committee ( <a href="http://www.nlcnet.org/">http://www.nlcnet.org/</a> )	Central America	1981	left
NY State Labor-Religion Coalition ( <a href="http://www.labor-religion.org/">http://www.labor-religion.org/</a> )	codes	1980	religious
Nicaragua Network Education Fund ( <a href="http://summersault.com/~agj/nicanet/index.html">http://summersault.com/~agj/nicanet/index.html</a> )	Nicaragua	1980	left

People of Faith Network ( <a href="http://www.users.cloud9.net/~pofn/">http://www.users.cloud9.net/~pofn/</a> )	general		religious
Press for Change ( <a href="http://www.nikeworkers.org/">http://www.nikeworkers.org/</a> )	Nike		left
Resource Center of the Americas ( <a href="http://www.Americas.org/">http://www.Americas.org/</a> )	Latin America	1991	do-gooder
Rugmark Foundation USA ( <a href="http://www.rugmark.org/">http://www.rugmark.org/</a> )	child labor/carpets	1995	do-gooder
STITCH	Guatamala	1992	left
Support Committee for Maquiladora Workers ( <a href="http://enchantedwebsites.com/maquiladora/index.html">http://enchantedwebsites.com/maquiladora/index.html</a> )	Mexico		do-gooder
Sweatshop Watch ( <a href="http://www.sweatshopwatch.org/">http://www.sweatshopwatch.org/</a> )	general (mainly US)	1995	do gooder
Transnational Resource and Action Center (Corporate Watch) ( <a href="http://www.corpwatch.org/">http://www.corpwatch.org/</a> )	Nike	1996	do-gooder
Transfair America ( <a href="http://www.transfairusa.org/">http://www.transfairusa.org/</a> )	coffee;Starbucks	1996	do-gooder
UNITE (union) ( <a href="http://www.uniteunion.org/">http://www.uniteunion.org/</a> )	apparel	1994	left
US/Guatamala Labor Education (Now US Labor Education in the Americas Project) ( <a href="http://usleap.org/">http://usleap.org/</a> )	Central America	1997?	left
USAS ( <a href="http://www.umich.edu/~sole/usas/">http://www.umich.edu/~sole/usas/</a> )	college apparel	1997	left
Verite ( <a href="http://www.verite.org/">http://www.verite.org/</a> )	China, Asia	1995	do-gooder
Vietnam Labor Watch ( <a href="http://www.saigon.com/~nike/">http://www.saigon.com/~nike/</a> )	NIKE, Vietnam	1996	do-gooder
Witness for Peace ( <a href="http://www.witnessforpeace.org/">http://www.witnessforpeace.org/</a> )	Central America	1983	left
Witness Rights Alert ( <a href="http://www.oddcast.com/witness/">http://www.oddcast.com/witness/</a> )	human rights groups	1992	do-gooder

Source: Global Exchange, "A directory of US anti-sweatshop organizations;" internet search.