

Speech for the Business for Millennium Development National Summit

Andrew Hewett, Executive Director, Oxfam Australia

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Introduction: Nike as best and worst practice

Good afternoon and it is a pleasure to join you at the Business for Development Summit.

The notion that businesses can contribute to development is an important idea that I am excited to be talking to you about, as it is something that Oxfam Australia has long advocated for.

Putting this notion into practice is vitally important. Firstly, corporations have money, talented staff, connections and widespread networks.

This means that the power and reach of a corporation that works for good can be mighty and, conversely, the power of a corporation that works for bad can be catastrophic - for entire countries, villages, communities and families.

Secondly, it's important for you. Let's be frank. When bad practice makes it onto the television and into the homes of shareholders and customers, it's bad for business.

If I asked you to name a bad corporate citizen, what would come to mind?

Perhaps you'd think of Exxon Valdez and recall images of dead birds and sea-life washed up after the tragic oil spill in Alaska in 1989.

Or maybe you'd think of Nike and the images of cramped, underpaid and abused workers moving like machines to produce expensive sportswear.

Today I am here to talk to you about the journey of one multinational corporation from human rights abuser towards being a good global citizen.

While they are not there yet, they are taking important steps forward.

The name of that corporation might surprise you given the publicity over the years, because it is, in fact, Nike.

The idea of Nike as a corporate villain was burned into the public consciousness with the release of Naomi Klein's famed book *No Logo*.

But for us, Klein's book was not a revelation. Oxfam Australia has been engaging with corporations including Nike for the rights of workers in the sportswear industry since 1995.

And from that 13 years, I am here to tell you that Nike is not simply a textbook example of bad practice but rather, in some ways, a pioneer in its field.

Nike has not yet solved the problem of sweatshop conditions in its supplier factories, but through changes in their practices, more than 500,000 workers who make Nike goods are now better paid, work less hours and work in safer conditions than their counterparts did ten years ago.

Nike provides a powerful example of the improvements which can be made to the lives of tens of thousands of people when a corporation starts to take seriously its responsibilities towards the people who make its goods.

Why does Oxfam care?

Now before I explore Nike's corporate practices in detail, you might ask why Oxfam, as an international aid organisation, is concerned about labour rights, and furthermore why we concern ourselves with the practices of organisations like Nike.

Oxfam works in 24 countries across the world to find solutions to poverty and injustice.

Our work of eradicating extreme poverty and hunger, in line with the Millennium Development Goal 1, involves a range of work.

It involves healthcare provision and getting people into employment through education, and sustainable agricultural programs.

However, many of the world's poor actually have paid jobs.

In 2003, 1.39 billion people were employed but still lived below the USD \$2 a day poverty line.

To get them over that line, we're working with the organisations that put them there.

While the sportswear industry is by no means the only one to produce goods in exploitative conditions, it is a highly visible one with which we can influence consumers and other corporations alike.

And Nike, as a case study, bears fruitful lessons for any organisation that has an off shore production arm in a developing country.

Channel 7: Hytex factory

In July this year Channel Seven undertook an investigative report which profiled a Nike supplier factory in Malaysia, called Hytex.

Hytex sourced its work force by bringing people to Malaysia from Bangladesh, Vietnam and Burma.

The Nike supplier factory used local employment agents who worked those countries to attract local workers to move to Malaysia, enticing them with offers of jobs with higher pay than would be available to them in Bangladesh, Vietnam or Burma.

To secure this work, workers from these countries paid local employment agents \$AUD3000 – the equivalent of one year of their wages.

Once in Malaysia, the Nike supplier factory confiscated each of the workers' passports so that they were unable to leave, and had no means of returning to their home country.

As well as being *forced* labour, the workers were made to live in extremely difficult living conditions, without space or adequate sanitation.

Nike's action

The airing of the report in July, spurred *immediate* action from Nike.

Workers were moved out of the appalling factory accommodation, and into apartments.

They now have free access to their passports whenever they want them and are free to keep them themselves.

Workers were reimbursed fees associated with their employment including the \$3,000 AUD that Bangladeshi workers paid to employment agents in their home countries.

Now any worker who wishes to return home will be provided with a return airfare, regardless of the point they are at in their contracts.

And Nike does not plan to abandon this supplier, but has publicly committed to staying and finding a long-term solution that prevents these abuses happening again.

Our best estimate is these actions made a positive difference to about 20,000 migrant workers producing for Nike in Malaysia.

While there is no question that such abuses should not have occurred in the first place, to change the lives of 20 000 people and their families is phenomenal.

Now Channel Seven's expose is by no means the only example of Nike's association with abuses of human rights.

However, it is important as it successfully illustrates the extent of change and the impact on lives that can occur when the lines of communication are opened between civil society organisations and corporations, and when a company's public credibility is threatened.

Why did Nike act so swiftly? Oxfam's approach

For Oxfam, Nike is not the pinnacle of corporate villainy but, by contrast, one of the few major Transnational Corporations that has at least taken seriously the need to improve working conditions in its supply chains.

You may be very surprised to know that Oxfam and Nike have been in close dialogue over the last 13 years.

While we have uncovered human rights abuses in their factories, we regularly engage in dialogue with Nike and other sportswear companies, by email, by phone and through meetings.

For example, next month our labour rights staff and some Oxfam partners in Asia will be meeting with representatives from Nike and several other brands to discuss possible training programs for workers, to raise workers' awareness of their rights.

Nike over the years

Partly as a result of our long-term engagement on this issue, and the work of our campaign allies, Nike has accepted it has a responsibility to ensure its goods are made under decent conditions.

First, Nike has revealed the addresses of all its supplier factories.

This is a considerable step toward greater transparency which very few Transnational Corporations have been willing to take.

It demonstrates that the Nike is not only willing to make public relations statements about labour rights, they are also willing to be publicly identified with the factories which make their goods, factories which any journalist or human rights researcher can investigate.

Second, Nike has established a compliance department to monitor labour conditions in its supplier factories.

While this compliance department needs to be better resourced and supported, that it exists at all puts Nike ahead of most corporations.

Third, Nike have co-operated with trade unions and other civil society groups to allow some workers to receive training in their rights.

We believe this is essential, since it is only when workers themselves are aware of their rights and have the freedom to claim those rights, that we can have confidence that change is taking place at the factory level.

And fourth, Nike has agreed to independent monitoring by the Fair Labour Association.

These steps have not solved the problem of sweatshops in Nike's supply chain, but they have led to some valuable, if incremental, improvements in workers' conditions.

As a result of those close collaborative efforts between civil society organisations, more than 500,000 workers who make Nike goods are now better paid, work fewer hours and work in safer conditions than their counterparts did fifteen years ago.

While there is a long way to go, the example of Nike shows the distance that can be travelled when corporations and civil society organisation cooperate.

It shows the start of a journey of a multinational corporation from human rights abuser to more responsible global citizen.

A long way to go:

So if Nike are committed to workers' rights in their supply chains, why do stories like Channel Seven's one about factory workers in Malaysia still continue to emerge?

There are two reasons for this, and in this there are lessons for any organisation – sportswear or not – that produces goods in developing countries, and is committed to the Millennium Development Goals.

Living wage

Like most Transnational Corporations, Nike has not implemented a "living wage" in its code of conduct.

Nike only asks its suppliers to pay the local legal minimum wage or the local industry wage, whichever is higher.

In Asian countries, where many transnational corporations have production arms, local minimum wages and prevailing wages in low-skilled industries are extremely low.

But these wages are well below what is needed to meet the basic needs of a small family.

This is an even greater concern in the context of the global food crisis which is having an extreme impact on the ability of individuals to use their wages to purchase food.

For example, three months ago Oxfam staff conducted interviews with Indonesian women working in the sportswear industry who now have to spend up to 60% of their incomes on food.

This level of poverty serves to reduce their power in relation to their employers and makes them less confident about telling Nike inspectors about labour violations in their factory.

It makes them more inclined to tolerate those violations in the first place.

Business model

The second reason that Nike's reformed corporate practices do not result in long-term change is at the heart of their business model.

Nike contracts its production to whichever supplier bids to produce its goods the fastest and cheapest, while maintaining quality standards.

This puts factory suppliers into fierce competition for orders.

These competitive pressures are passed on to workers, who are expected to work harder, longer and for less so that the factory can remain competitive.

While Nike's compliance staff can periodically check on factories, labour conditions in Nike's supply chains will only really start to improve when Nike is willing to reward those suppliers who do the right thing.

This means changing the business model so that it incorporates longer term, stable orders and higher prices for factories which respect workers' rights.

Without this shift in business model, Nike's compliance remains primarily reactive, long-term change will not occur, and their workers will continue to miss out on the basic rights that we promised them as a part of the Millennium Development Goals.

Why change a business model?

Now to propose to any corporation – large or small – that they make a fundamental change in business model that could result in higher prices seems like a tall order.

But these are the changes that need to be made across all industries so that workers can have their basic rights.

Let's not forget that we're not talking about worker perks like car spaces, an office with a window, or a desk away from the toilets.

We are talking about wages that allow people to purchase food for themselves and their family.

Working conditions that give them dignity, adequate space and sanitation.

And a working environment where they are not insulted or physically abused.

But such changes are not just simply ethical, in the long-term they will fit changing market preferences.

A report produced by *Pro Bono Australia* in August 2008 found that, despite a recent downturn in spending, ethical consumerism is one industry that is on the rise.

Australian female consumers seek transparency and ethical business practices, with over 90 per cent saying that a company's commitment to Corporate Social Responsibility affects their purchasing decisions.

You might also think, with the current economic climate, now is not the time to be investing in poverty reduction.

But, let me tell you, global poverty does nothing for global stability.

It's self-defeating to ignore the bottom billion who live in poverty.

In the long term, these changes will help global economic growth and together, it will help us all lift the bottom billion out of poverty – like we promised.

CONCLUSION: Bottom line & Bottom Billion

For the world's poor, the financial crisis could not happen at a worse moment.

The World Bank estimates that the food crisis on its own will plunge an additional 100 million people into poverty.

International humanitarian funding is also not keeping pace with the increasing demand driven by the rising number of natural disasters due to climate change.

In a time where aid should be rising because of these increased pressures, it's falling.

When thinking about places where decisions that impact millions of people are made, images of the White House, the United Nations in the New York spring to mind. Melbourne's Park Hyatt Hotel rarely surfaces in that picture.

However, today you have the chance to challenge that notion to discuss ways to reach out to the world's poor.

While Nike is of course, no saint, it provides a powerful example of the huge difference to the lives of tens of thousands of people when a corporation takes seriously its responsibilities to the workers who make its goods.

As I have said, Nike has more to do, but through their commitments to date, more than 500,000 workers are better paid, work less hours and work in safer conditions than their counterparts did ten years ago.

And that change can be repeated across other industries.

Because if we don't think creatively, push boundaries, and do whatever we can to step up our game, the Millennium Development Goals will go down in history as a failed attempt.

And we will fail the millions of people who are relying on us to see these vital commitments through.