

English 203

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The Social and Ethical Environment of Business: On a Wage of a Dollar a Day

Nike, Inc., based in Beaverton, Oregon, is one of the most famous names in sports shoes. Sports shoes of all kinds carrying the famous swoosh logo are sold throughout the world, often at prices above \$100. But how much does it cost to make these shoes?

Nike does not manufacture any of its shoes. Instead, it has them made by private contractors in countries such as Indonesia and Vietnam. Nike provides design and quality specifications and places orders for millions of pairs of shoes. Indonesia and Vietnam are poor countries where there are lots of unemployed people, and government laws and regulations are weak and unenforced.

Various non-governmental organizations have alleged that Nike's shoes are made under unacceptable working conditions. Workers as young as 14 working over 60 hours a week receive wages of about \$1 a day. Safety and health standards are minimal. The cost of labor was estimated at less than 4 percent of the price that the consumer paid for a pair of shoes. Thus, shoes sold for \$100 have a labor cost of less than \$4. Even after paying the manufacturers and the distributors, Nike makes a profit of \$15 on the pair.

Nike argued that its profits are comparable to those made by Reebok, Adidas, and others in the industry. It also claimed that the company had little control over the manufacturers, though Nike tried to ensure that these companies followed the employment laws of the respective countries with regard to minimum wages, hours of work, and the like.

Labor unions and human rights groups in the U.S. began a campaign to draw attention to the harsh conditions in which Nike's shoes were made. Pressure mounted on Nike's shareholders, bankers, retailers, and other stakeholders to force Nike to make changes in the working conditions at the foreign factories.

Nike reacted to the demand for change by establishing an office to monitor working conditions in the foreign factories. The critics demanded that independent monitoring groups in which they would be represented must be allowed to visit and inspect the factories abroad.

All this negative publicity led to sharp declines in sales and profits. Nike argued that it was incorrect to compare working conditions in the U.S. with those in less prosperous countries. The company pointed out that not too long ago, working conditions in the U.S. were also harsh, and only economic growth had led to the enlightened work conditions prevalent today.

For Discussion

Suggest how Nike can successfully deal with the protests against it.

What is the motivation of the protestors against Nike? Why can't Nike ignore them?

Are Nike and its suppliers reacting in socially responsible ways? Why or why not?

Should one society force its work standards and wage rates on another? Why or why not?