

We all know that we are in a global world. Companies have operations all over the planet. And a big question we have to face is how do we keep these global corporations accountable for providing good jobs and decent work in far flung places? Let's do it through a company we all know and love-- Nike. Nike was a pioneer in this area. In the 1960s, Nike was one of the first companies that said we will design our work here. We will market and sell our products around the world, particularly in the United States, but we can find cheaper places to manufacture them.

First, they started in Japan, and Korea, and then Indonesia, and Vietnam, and China, and Bangladesh. As they did so, a number of problems became known. The Nike products more marketed well with Michael Jordan and so on, but Labor Standards became a problem. They were famously found having child labor, to having unsafe working conditions, to having long hours of unpaid overtime in their factories abroad. And what was Nike's response? Well, wait a minute. These aren't our problems, these are our contractors. These are not our employees. We don't treat our employees that way. Somebody else's problem.

And that lasted for awhile, but by the middle of the 1990s, Nike watched its stock price begin to fall. It saw the publicity begin to grow and grow. And finally, Phil Knight, the CEO of Nike, made this famous statement. He said, Nike's products have become synonymous with slave wages, forced overtime, and arbitrary abuse, and we need to do something about it to change that image, or we're going to suffer as a company. So what did Nike do? Well, to its credit, it took a whole set of actions. First, it created a social responsibility unit within its organization and assigned people the responsibility to say, fix this problem.

That was a good start, but not enough. Second, they created what are called codes of conduct. They established minimum wages, and rules against sexual harassment, and rules for maximum hours and overtime, and freedom of association. And they started to apply that code of conduct to all factories that they contracted with throughout their global supply chain. They sent auditors out there to measure compliance with its code of conduct.

They took some of their expert operations managers and manufacturing experts, sent them to some of these plants to help consult, to help people both build safe working conditions, but also efficient ways of manufacturing products to improve safety, improve quality, improve productivity. They went on and worked with a variety of non-governmental organizations, or NGOs in these countries who are advocating for improved employment conditions, safety standards, and in some cases, environmental standards in these factories.

They shared this audit data with academic researchers, including a team of researchers here at MIT, where they started to analyze the data and learn what works and what didn't. They also created a website, and to their credit, you can go on this website and you can find all their factories listed. You can find the audit scores, and you can find an analysis of what is working and a very frank analysis of what isn't working.

They met here at MIT, and later, at Stanford with multiple stakeholders, NGOs, academics, competitors, suppliers, in forming what they call a just supply chain project and set of practices. The research findings from our MIT project, led by my colleague Richard Locke, reached a number of conclusions. First, they found that NGO pressure was really important to get this thing going. Nike and other companies like Hewlett Packard, and other electronics firms, and other consumer companies that followed in Nike's footsteps did it because there was transparency and pressure that was being brought to bear to get them to do so.

The codes of conduct were successful and the audits we're successful, but only partially. They seem to bring the practices up to about 50% to 60% of the overall goals that were established in the standards that were set. So there's lots of room for improvement. The standard that was most frequently violated was around working hours and overtime hours. Why is that? It's important for us to know, because we are part of the problem. As we are fickle consumers, and all of a sudden we want the latest logo, or the latest scarf, or the latest shirt, and so the company puts pressure on the supply chain to get those products in a hurry.

And the contractor there out in Asia or somewhere else says to employees, I need those, I need them today and get them done no matter what, or we're going to lose this contract. And so they work long hours, and they're forced to work overtime and all kinds of bad things happen after that. But the scores of suppliers that got better had three key ingredients.

First, they got management help from Nike and other companies. Secondly, they were in countries that had stronger rules of law, less corrupt governments, and they had stronger rules governing human rights and commercial practices. And so the environment of the country matters. So this is all great progress. Companies have learned how to do this. But what about us? If we're part of the problem, we ought to be part of the solution. There are a number of things that have been very positive.

There's an organization on college campuses around the country called United Students Against Sweatshops, and they have put pressure on their universities-- universities like Cornell and Brown and Wisconsin and others to make sure that they're only buying their university logo apparel and athletic wear from companies that have these kinds of just supply chain practices in place. So we can do this, but it takes a lot of energy, and a lot of collective effort. And it has to be done by all the parties working together.

Companies can't do it alone. NGOs can't do it alone. Local governments can't do it alone. But if they all work together, and build a sustained effort to improve the conditions, and then produce the data that makes it all transparent for us as consumers, we can make a difference in improving the conditions of very low wage workers in many developing countries.

So I'd like to ask you two questions. Apple, our computer friends, and iPhone friends, and iPod friends are about two decades behind Nike. They have experienced terrible problems with their contractors in China and elsewhere. You may have heard about Foxconn with suicides of workers frustrated with terrible working conditions. If you were to write to the CEO of Apple, what should Apple learn from Nike's experiences?

And then, more broadly, what can you do to hold companies accountable for their global operations? How can we take responsibility for making sure that every shirt, every tie, every sweatshirt that we buy is made in a just supply chain, and keep asking, and be willing to pay for products that are made under fair working conditions? We can do that individually as consumers, and we can collectively set the norms that essentially say, to any company, if you want our business, then you've got to demonstrate that you are providing safe and healthy working conditions, and fair wages for people wherever they make these products.