

# Business Leadership: Summative Case Study #2

## Nike Ethics Case Study



**Nike workers 'kicked, slapped and verbally abused' at factories making Converse**

**New allegations follow years of outrage over child labour and sweatshops. They're one of the world's top sports clothing brands, but for years Nike have been dogged by allegations of sweatshops and child labour. Now workers making Nike's Converse shoes at a factory in Indonesia say they are being physically and mentally abused. Workers at the Sukabumi plant, about 60 miles from Jakarta, say supervisors frequently throw shoes at them, slap them in the face, kick them and call them dogs and pigs.**

**Scared to look up: Workers, many too scared to speak up or give their names, finish their shift at one of the Indonesian factories making Converse shoes. Nike admits that such abuse has occurred among the contractors that make its hip high-tops but says there was little it could do to stop it. Dozens of interviews by The Associated Press, and a document released by Nike, show the company has a long way to go to meet the standards it set for itself a decade ago to end its reliance on sweatshop labour. One worker at the Taiwanese-operated Pou Chen plant in Sukabumi said she was kicked by a supervisor last year after making a mistake while cutting rubber for soles. 'We're powerless,' said the woman, who like several others interviewed spoke on condition of anonymity out of fear of reprisals. 'Our only choice is to stay and suffer, or speak out and be fired.'**

**The 10,000 mostly female workers at the Taiwanese-operated Pou Chen plant make around 50 cents an hour. That's enough, for food and bunkhouse-type lodging, but little else. Mira Agustina, 30, said she was fired in 2009 for taking sick leave, even though she produced a doctor's note. "It was a horrible job," she said. 'Our bosses pointed their feet at us, calling us names like dog, pig or monkey.'**

**All are major insults to Muslims. Indonesia is the world's most populous Muslim nation. At the PT Amara Footwear factory located just outside Jakarta, where another Taiwanese contractor makes Converse shoes, a supervisor ordered six female workers to stand in the blazing sun after they failed to meet their target of completing 60 dozen pairs of shoes on time.**

**Nike's new problem: Converse shoes, which were bought up by Nike four years, are displayed at a store in Jakarta, Indonesia. Conditions at Converse factories are said to be worse than at other Nike factories.**

**Nike's own inquiries found workers at the two factories were subjected to 'serious and egregious' physical and verbal abuse, including the punishment of forcing workers to stand in the sun, said Hannah Jones, a Nike executive who oversees the company's efforts to improve working conditions.**

**She said: 'We do see other issues of that similar nature coming up across the supply chain but not on a frequent level. 'We see issues of working conditions on a less egregious nature across the board.' Nike, which came under heavy criticism a decade ago for its use of sweatshops and child labour, has taken steps since then to improve conditions at its 1,000 overseas factories.**

**But the progress it has made at factories producing gear with its premier 'swoosh' logo is not reflected in those making Converse products, which Nike took over four years ago. An internal report Nike released to the AP shows that nearly two-thirds of 168 factories making Converse products worldwide fail to meet Nike's own standards for contract manufacturers. Twelve are in the most serious category, indicating problems that could range from illegally long work hours to denying access to Nike inspectors.**

**Another 97 are in a category defined as making no progress in improving problems ranging from isolated verbal harassment to paying less than minimum wage. A further six factories had not been audited by Nike. Nike blames problems on pre-existing licenses to produce Converse goods that it says prevent the parent company from inspecting factories or introducing its own code of conduct. It says the situation is further complicated because the license holders themselves usually farm out the production work to a subcontractor. Some corporate experts question whether Nike is doing all it can.**

**Prakash Sethi, a corporate strategy professor at Baruch College at the City University of New York, said: 'I simply find it impossible that a company of the size and market power of Nike is impotent in persuading a local factory in Indonesia or anywhere else in meeting its code of conduct.**

**Critics of outsourcing manufacturing to the lowest-cost countries say it keeps prices down but allows apparel, electronics and toy companies to reduce their accountability for the conditions in such factories. Even as concern about sweatshop labour has grown, some contractors have simply moved operations to more remote areas, farther from the prying eyes of international and local watchdogs.**

**Indonesia is Nike's third-largest manufacturing base, after China and Vietnam, with 140,000 workers at 14 contract factories. Of those, 17,000 produce its Converse line at four factories. After years of criticism over its labor practices at factories abroad, Nike in 2005 became the first major apparel company to disclose the names and locations of hundreds of plants that produce its sneakers, clothes and other products. It admitted finding 'abusive treatment,' either physical or verbal, in many of the Nike plants.**

**The complaints ranged from workweeks that exceeded 60 hours to being forbidden to go to the bathroom. The Beaverton, Oregon-based company has since invested heavily in training managers and more closely monitoring their activities. Nike has not published the locations of all factories making products for affiliate companies, which includes Converse, but plans to by the end of the year.**