

■ CASE 10.2

Comparative Advantage in Labor-Intensive Production

News Item 1: In a widening investigation of the apparel industry, the U.S. Labor Department notifies more than a dozen of the nation's largest retailers that goods made by 70 illegal Thai immigrants working in virtual slavery in El Monte, Calif., may have ended up in their stores. The goods are seized under a federal law known as the "hot goods" provision.

News Item 2: The National Labor Committee, a New York organization that lobbies for worker's rights in the U.S. and abroad, accuses the Gap of contracting with an El Salvador firm that has sweatshop conditions.

News Item 3: U.S. Sen. Tom Harkin, D-Iowa, introduces a bill that would ban imported goods made by children under age 15.

Sweatshops? Child labor? Hot-goods raids? The clothing industry is certainly no stranger to these ills, but most consumers probably think sweatshops went out with bloomers.

Well they haven't.

Americans want lower prices and better deals. In an effort to supply such merchandise, retailers are sometimes less than stringent in checking on working conditions of their suppliers.

"The momentum is for the contractor to bid as low as possible so he gets the work," Maria Echaveste, head of the wage and hour division of the U.S. Labor Department said on "60 Minutes" last week. "In turn, the contractor wants to get some kind of profit, but where does that profit come from? By not paying attention to the labor laws, by denying people their minimum wage and overtime."

This can cause headaches for shoppers who want to have a clear conscience when clothes shopping.

What do you do then? Ask the Clerk at The Gap where the shirt was made?

"No, that's not really effective," says the Rev. David Schilling of the Interfaith Center on Corporate Responsibility in New York. "What you need to do is let the corporate offices of the clothing companies know this is an issue you care about."

The Gap has a set of sourcing principles and guidelines stating that the company doesn't tolerate discrimination, forced labor or child labor and that it encourages safe working conditions and legal wages and hours.

"The tough part is enforcing these codes of conduct," Schilling says. "We hear that Levi Strauss is a company with a good track record in that area."

"We make our products all over the world and do have subcontractors," says company spokesman Sean Fitzgerald. "But we have teams of auditors who check the factories to make sure the vendors are following our codes of conduct. If they don't, we often give them some time to fix the problems. But if that fails, we cancel the contract."

Levi's is a manufacturer as well as a merchant.

Filene's, for the most part, is a merchant, although May Department Stores, its parent company, does contract for private-label clothing.

"We have our code of conduct printed right on our purchase orders," says Jim Abrams, vice president of corporate communications for the May Co. "We expect our vendors to meet the Fair Labor Standards Act."

Abrams said the company "is still looking into" whether any of the merchandise seized by the Labor Department during the Aug. 14 raid at the El Monte factory was headed for May stores.

READ THE LABELS

Labelling can offer some clues for a shopper who wants to do the right thing.

Merchandise carrying labels with either the ILGWU (International Ladies Garment Working Union) or the ACTWU (Amalgamated Clothing and Textile Workers Union) assures that the workers received a fair wage. The two unions recently merged into UNITE, with a combined membership of 401,000, and a new label is being designed for future use.

Garments that say either "Made in the USA" or "Crafted with Pride in the USA" means the items are from fabric made and assembled in this country.

"Does that absolutely, positively mean that everyone got a fair wage? I can't guarantee that 100 percent, but we do everything we can to make sure that's true," says Robert Swift, executive director of Crafted with Pride. "I wasn't surprised about the El Monte raid. It just shows that they are bringing sweatshop conditions that are prevalent in Southeast Asia into this country."

CHILD-LABOR ABUSES

Recently, the U.S. Department of Labor issued a report, "By the Sweat of Children: The Use of Child Labor in American Imports." The National Consumers League, a fraud information center, condensed the report in its March issue of *Child Labor Monitor*.


Among the countries cited for child-labor abuses in the garment industry were Bangladesh, Brazil, China, Guatemala, India, Indonesia, Lesotho, Mexico, Morocco, the Philippines, Portugal and Thailand.

On May 20, the Child Labor Coalition, run by the National Consumers League, called for a boycott of clothing from Bangladesh to protest the rejection

by that country's garment makers of a plan to end child labor in their industry. The league advised shoppers to "check the label and refuse to buy garments made in Bangladesh."

The United States buys about 60 percent of the garments made there. In 1994, the U.S. imported nearly \$900 million in Bangladesh apparel. On July 4, a Memorandum of Understanding was signed to set up a survey of factories and to establish appropriate school programs for the children put out of work.

"We hope that if consumers voice enough concern about this, then something will get done," Schilling says. "It's a complicated world-wide issue, and not easily fixed."

SOURCE: "The Sweatshop Dilemma: How Can we Buy with a Clear Conscience?" by Donna Larcen, in *The Hartford Courant*, August 23, 1995, pp. E1, E3. By permission of the *Hartford Courant*. 

FOR DISCUSSION

Should human rights issues be treated separately from trade issues in international treaties?