

Saving labor: Political scientist says our system of improving factory conditions around the world is broken

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The existence of harsh labor conditions in factories around the world is a pressing moral issue. But to improve those conditions, we should regard it as a logistical issue, too.

Consider the case of ABC, a giant clothing manufacturer whose products are made in more than 30 countries, and the subject of a new study led by Richard Locke, the Alvin J. Siteman (1948) Professor of Entrepreneurship and deputy dean of the MIT Sloan School of Management. After being accused of poor labor practices in the early 1990s, Locke notes, ABC became a leader among corporations in addressing labor conditions. The firm adopted a code of conduct for all factories providing it with goods, including those owned and run by local

suppliers. ABC developed a system to monitor labor conditions, and hired a large compliance staff to enforce its policies world-wide.

And yet for all of its efforts, just 24 percent of the roughly 200 factories in ABC's global supply chain met its own labor standards in 2006, as Locke and some colleagues reveal in a recently published paper based on a study of the firm's own audit data and practices. Garment workers at plants supplying ABC in the Dominican Republic were exposed to noxious chemicals and forced to work in overheated conditions, according to Locke and his co-authors; as they detail it, other laborers, from Honduras to India, were asked to work overtime shifts in excess of ABC's own established limits.

The traditional system of setting labor standards and attempting to enforce them, through periodic checks by corporate compliance officers, has not worked well enough, Locke and his colleagues conclude. It is not adequate to police factories, they think. Instead, officials should build relationships with factory managers, and offer pragmatic solutions that provide better working conditions.

"My original view was that the compliance system could make conditions better, if it were just better-designed or better-funded," says Locke. "In the process of research, I realized that just checking on factories and threatening them doesn't work." In this view, multinational firms cannot just diagnose factory problems and expect them to vanish, but must take the lead in changing them.

Locke and two other researchers — Matthew Amengual and Akshay Mangla, PhD candidates in MIT's Department of Political Science — outline this argument in the September issue of *Politics and Society*, in an article, "Virtue out of Necessity? Compliance, Commitment, and the improvement of Labor Conditions in Global Supply Chains." Basic policing of factories has "yet to deliver on its promise of sustained

improvement in labor rights," the authors say, while by contrast, factory monitors who take a problem-solving approach, have created "sustained improvements in working conditions and labor rights" around the world.

The authors were able to conduct the study because ABC (a pseudonym chosen to protect its identity) allowed them to study its data on labor conditions, and granted the researchers access to numerous factories where ABC's suppliers actually make its clothes.

While evaluating the firm, Locke, Amengual, and Mangla saw with their own eyes evidence that a pragmatic, trouble-shooting mode of enforcement has rapid effects. To solve the problems of exposure to fumes overheating in the Dominican Republic, for instance, compliance officers suggested moving the relevant equipment to the edge of the building space. Ventilation improved and the problem diminished significantly.

To help the factory in Honduras, ABC persuaded its management to re-orient its machinery and workers' schedules, to better handle the short-term "rapid replenishment" orders that had led to excess overtime. The improved logistics cost the factory little financially and let it comply with ABC's standards. The MIT researchers found a similar result at a factory supplying ABC in Bangalore, India, where better workflow logistics also eliminated an overtime problem.

"We know from years of research that when you implement certain kinds of systems in the advanced industrial countries, you get better results," says Locke. But the managers of factories supplying ABC, he notes, often lack "real training or understanding of production techniques and high-performance systems."

Labor-rights advocates applaud Locke's ideas. "People have looked to codes and auditing as a way to force accountability," says Chris

Jochnick, director of Private Sector Development at Oxfam America. "But Rick was one of the first people to see that the way improvement happens is probably a lot more nuanced. His work is a valuable way of looking at the problem."

As Locke notes, this logistics-based approach to factory violations is just one piece of a still larger problem; the demands global brands put on local factories must be addressed as well. And as he readily acknowledges, some practical solutions could be expensive for factories, making managers reluctant to implement them. In those cases, a hard-line approach may yet be useful. "Sometimes you do need a bit of a threat," he says. "It's that blend that seems to matter."

Overall, though, Locke believes the ABC research extends related conclusions he has drawn from extensive studies earlier this decade of Nike, whose factory-conditions data he also analyzed. The Nike studies have helped Locke's ideas reach boardrooms, not just university colleagues. "Even as a single academic, Rick has gotten a lot of people to think about the new approach," says Jochnick. "One audience really is the brands. There are a lot of people at those firms whose interest is not just managing the risk [of bad publicity] but in seeing real improvements."

Later this month, Locke will host a conference of executives both from non-governmental organizations and athletic-wear firms — including Nike, Adidas, New Balance, Puma and Asics — to discuss ways to use this problem-solving approach.

In all cases, Locke believes, it is crucial to treat factory managers as partners, not scofflaws. "There are good apples and bad apples," he says. "The vast majority of managers are in between and just need help. Compliance officers should say, 'Here are the problems. How can we figure this out?' Then we can begin to tackle what is going on."

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