

Multinational Companies, Global Profit Maximization Strategies, & Trade Union Counter Strategies

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The Economist, September 2013

- In the US, “95% of the gains from the recovery have gone to the richest 1% of people, whose share of overall income is once again close to its highest level in a century.”
- “You don’t have to be an egalitarian to worry about this trend. [...]recent concentration of income gains among the most affluent is both politically dangerous and economically damaging.” Solution?
- *The Economist*: A flat tax and “a blast of de-regulation”

Presentation

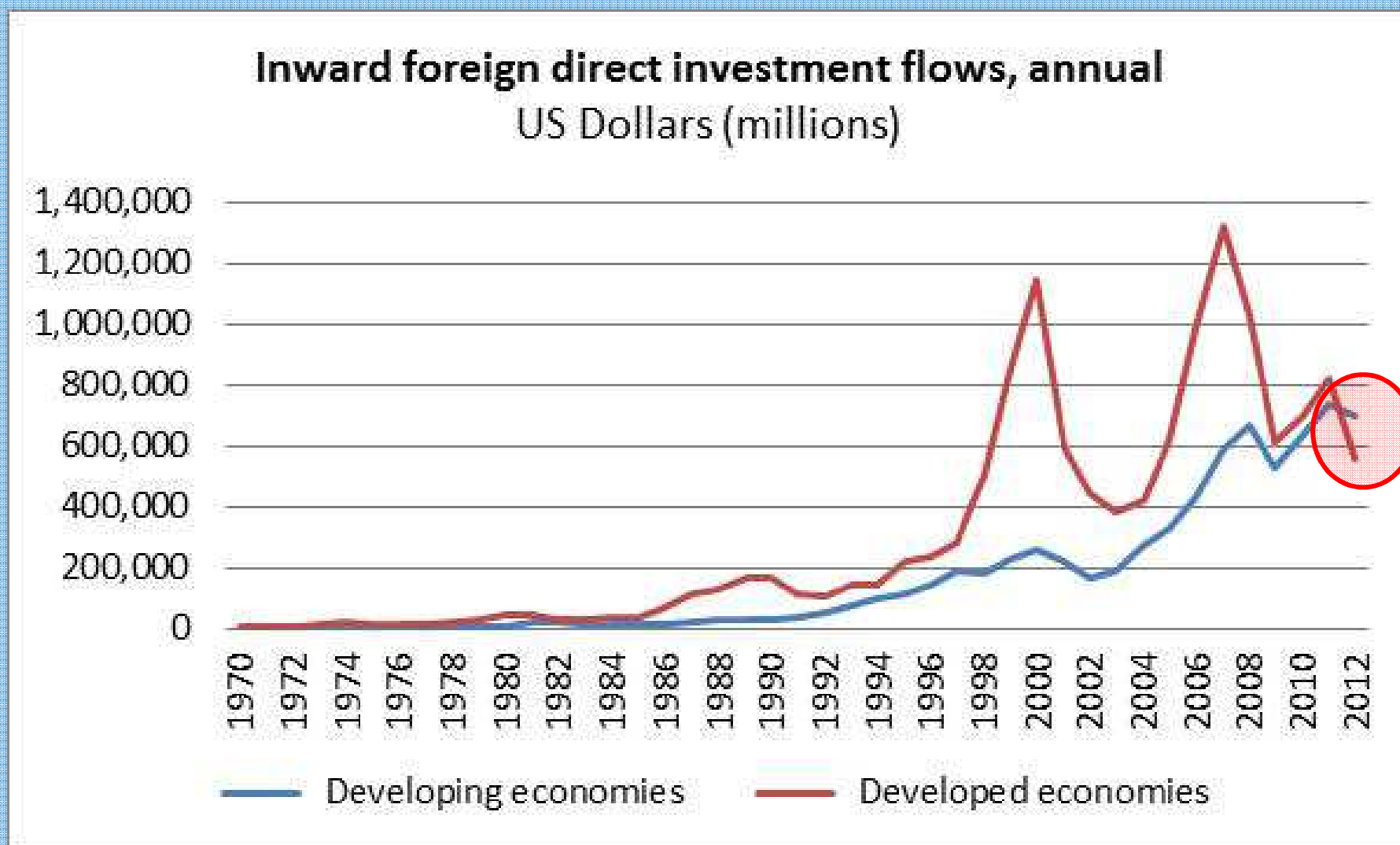
MNCs: A Global Supply Chain Perspective on Inequality.

- Argument: power imbalances in supply chains contribute to inequality.
- Case Study: The Global Apparel Industry.

Strategies:

1. The Challenge of State Reform.
2. The Failure of CSR.
3. Strategic Corporate Research & Campaigns.

Growth of FDI in Developing Countries

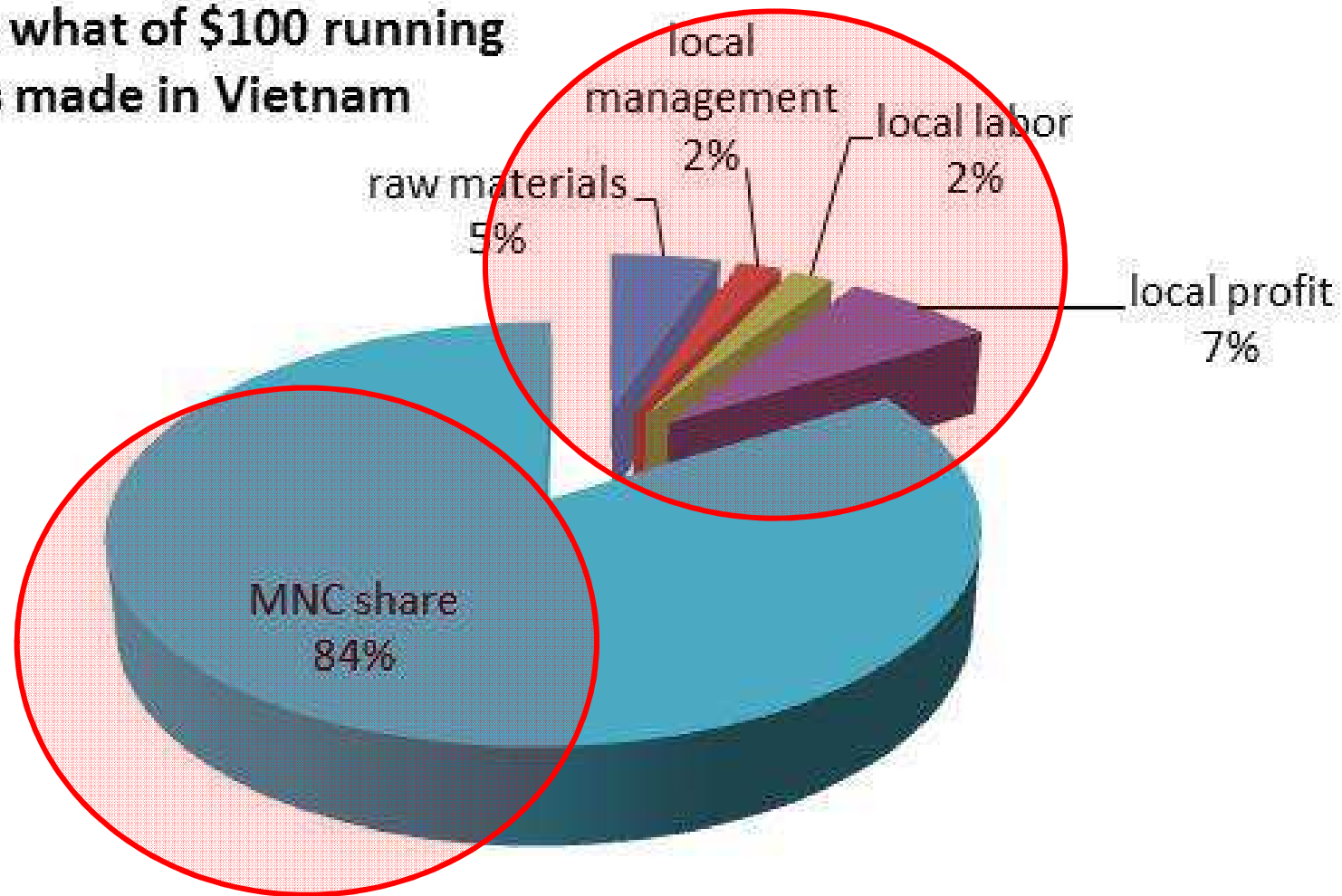


Global Shifts

- Who captures the greatest benefits from the global dispersion of production and distribution through Global Supply Chains?
- “Even if the poor were to get just a little richer, this would not necessarily imply that [they] were getting a fair share of the potentially vast benefits of global economic interrelations” Amarty Sen (2002: 5).

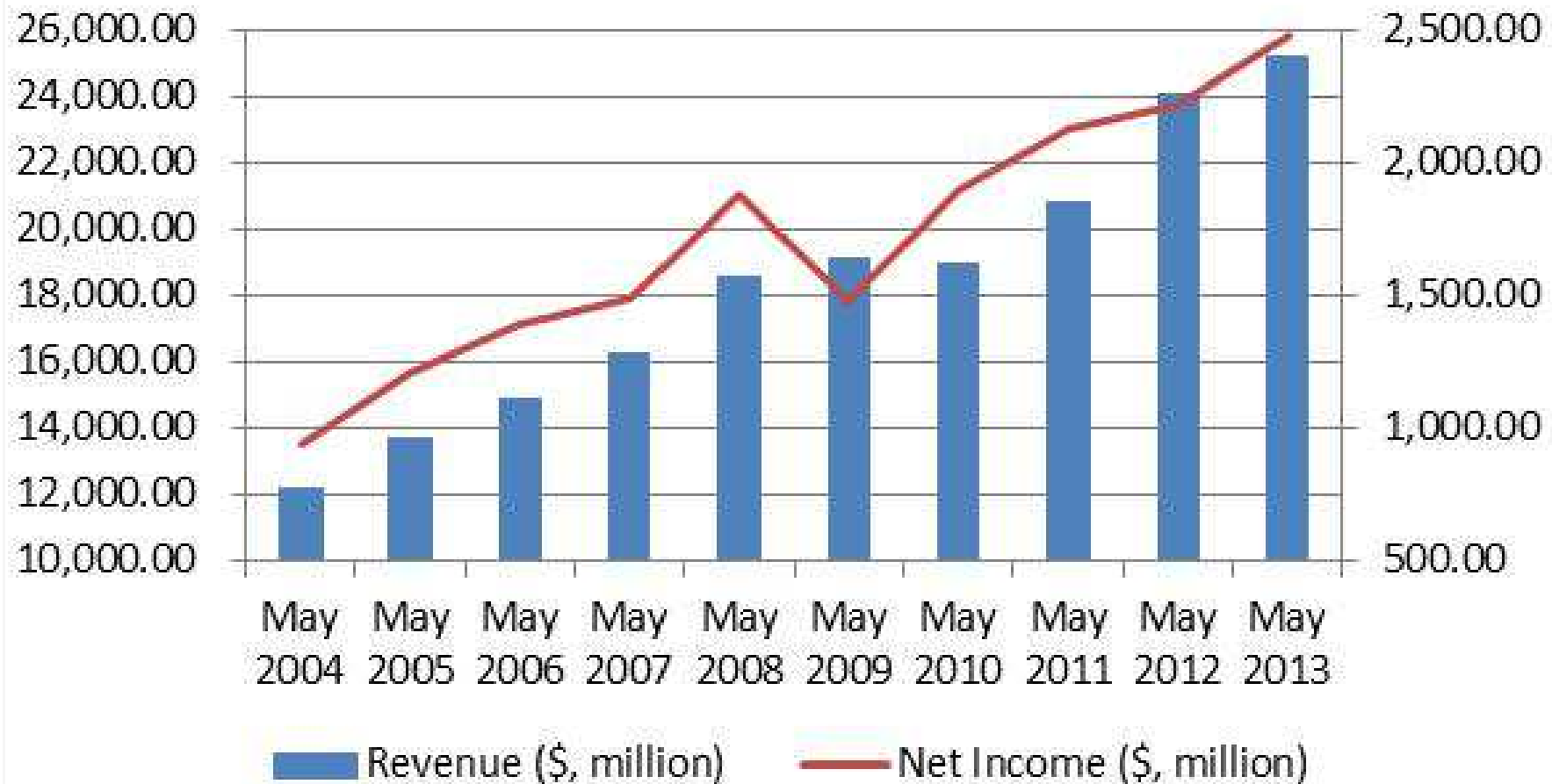
Running Shoes, Global Supply Chain, Who Gets What?

Who gets what of \$100 running shoes made in Vietnam



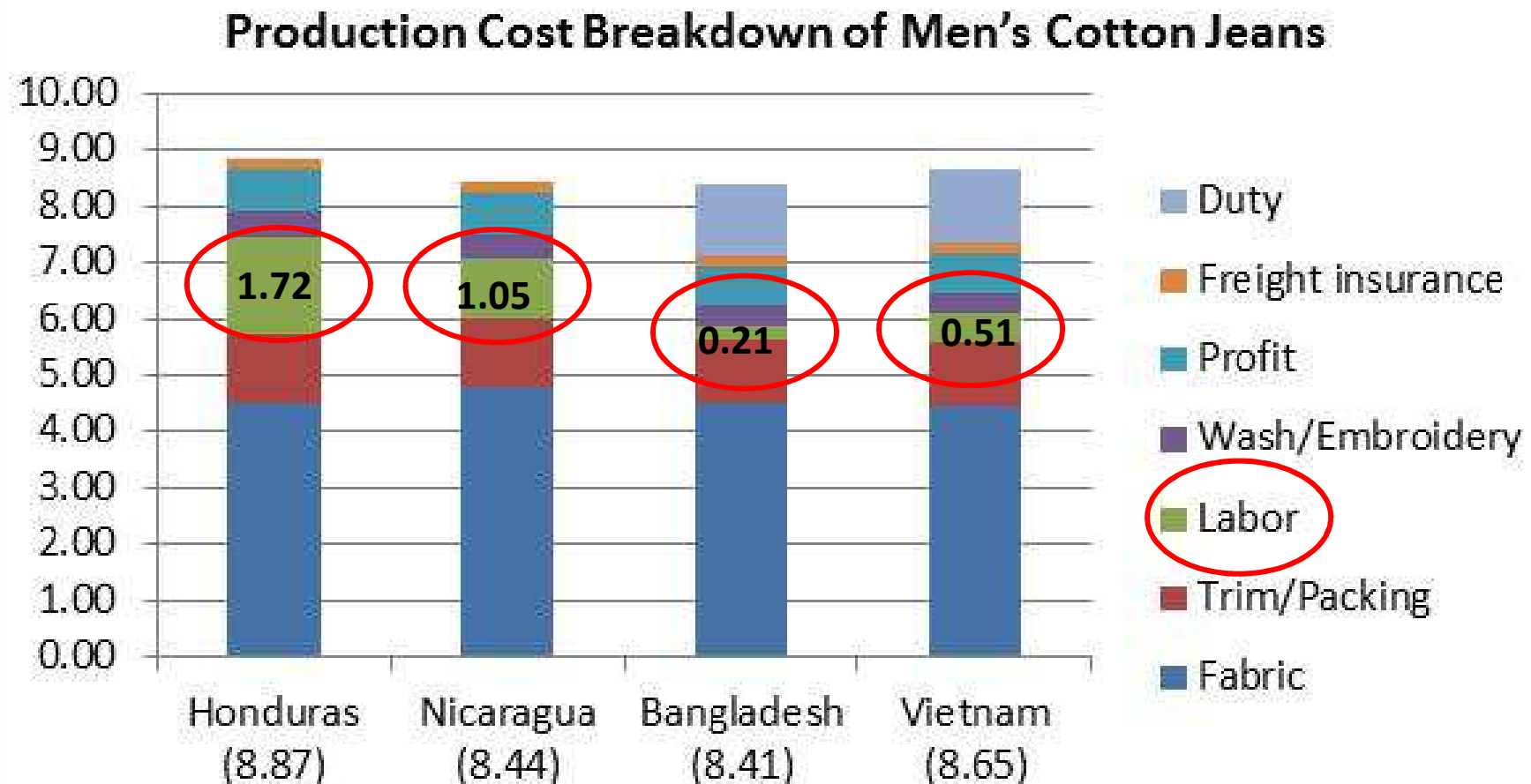
Nike: Revenue & Net Profit

Nike: Revenue & Income (USD millions)



Production Cost, Jeans

US Retail Price: USD 37.91

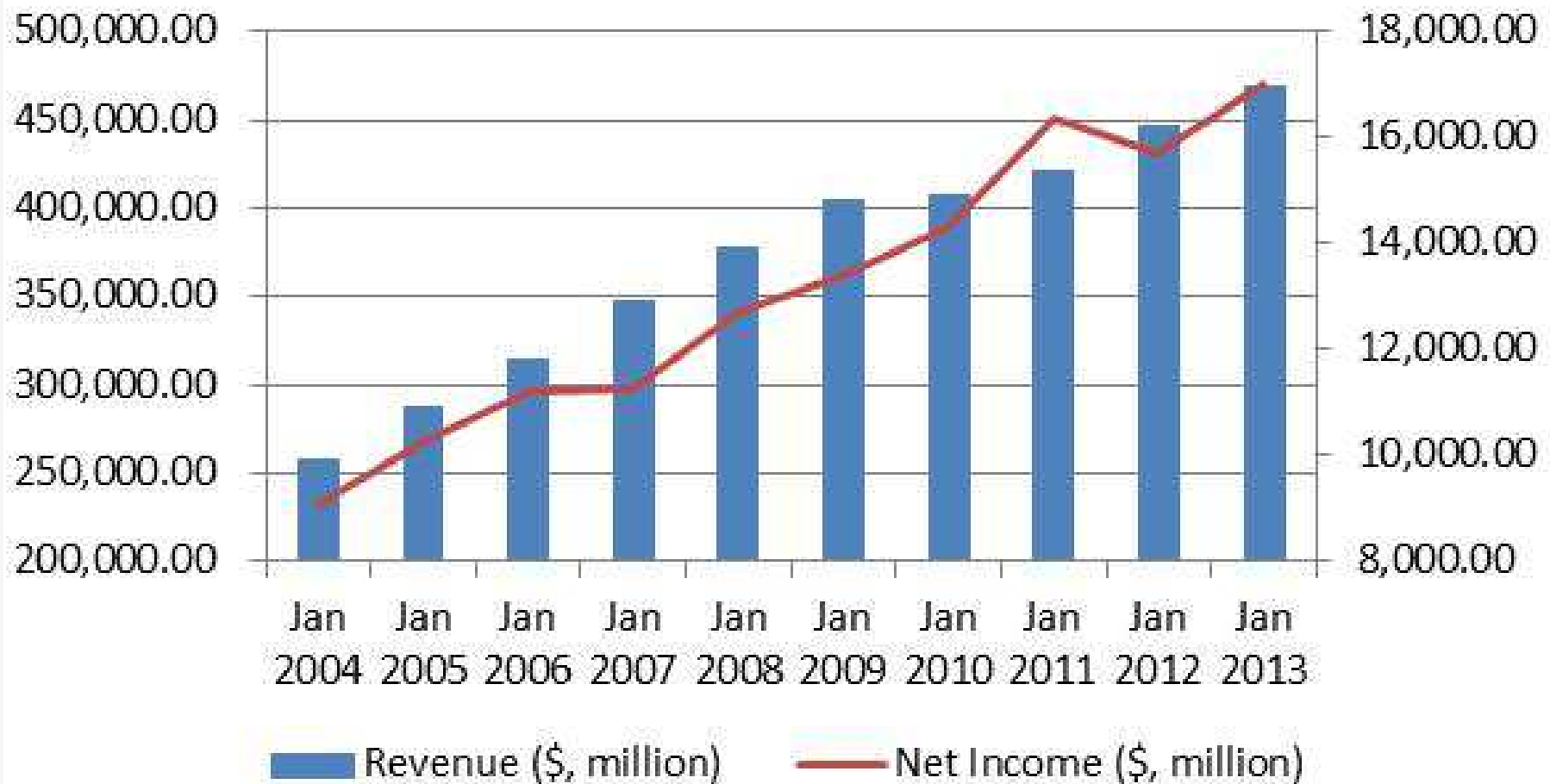


Source: O'Rourke Group Partners (2011)

\$29 to retailer, 77%

Revenue & Net Profits

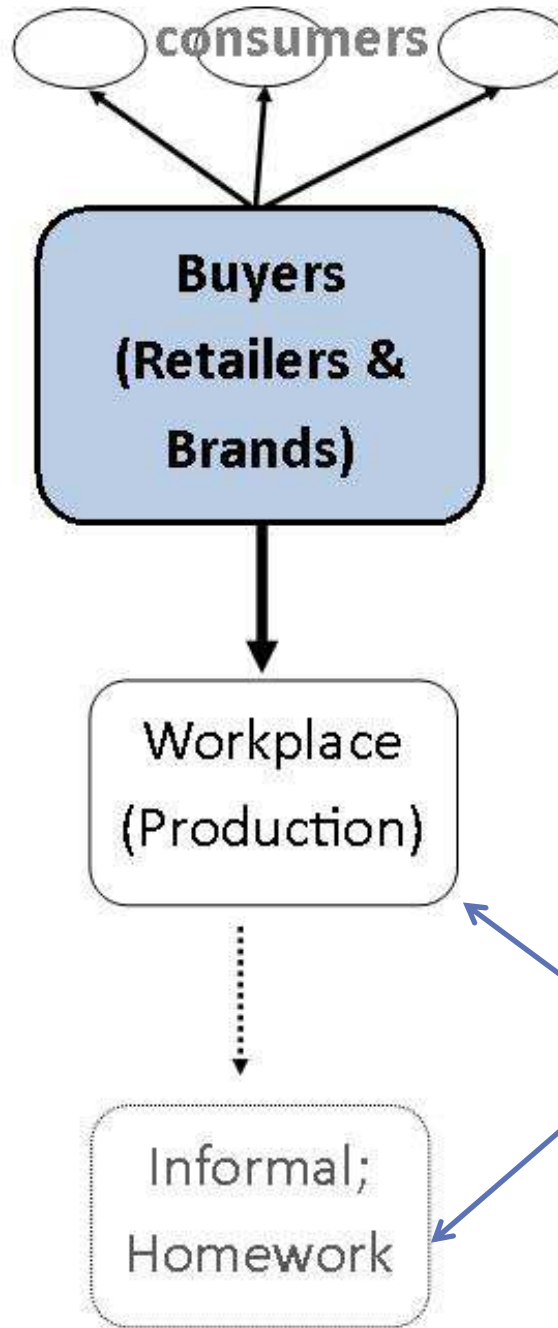
Wal-Mart: Revenue and Income (\$ Millions)



Saving?

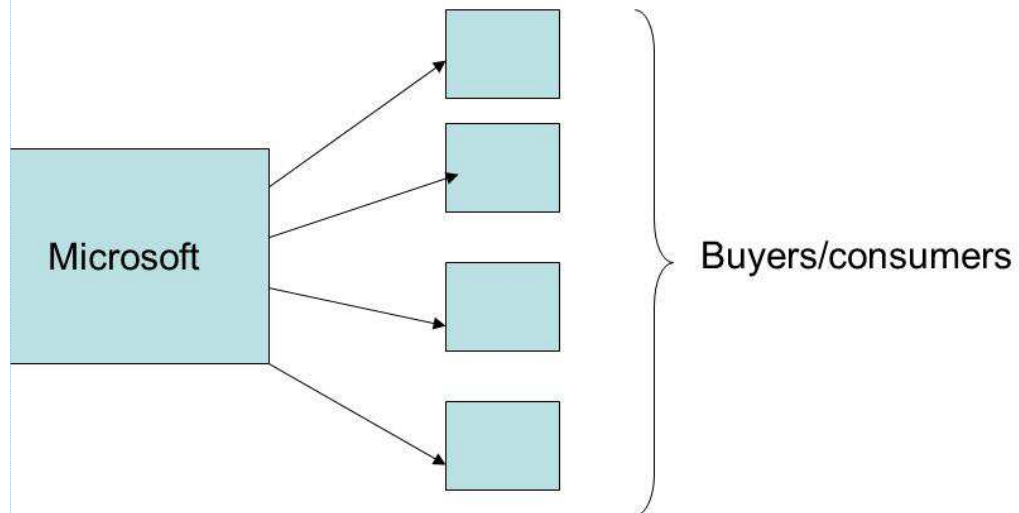
77%-84% of
value

16%-23%
of value



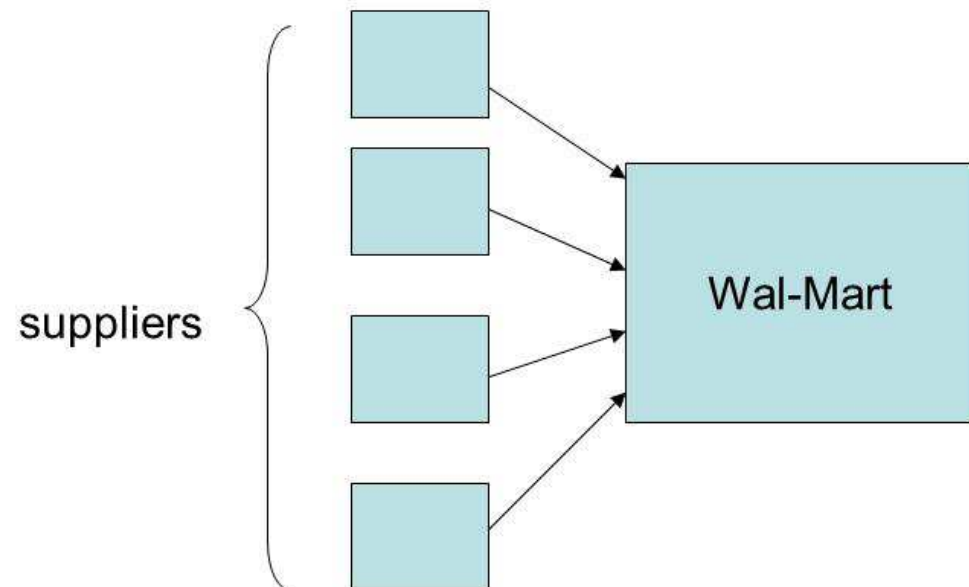
**Apparel
Supply
Chain**

Monopoly

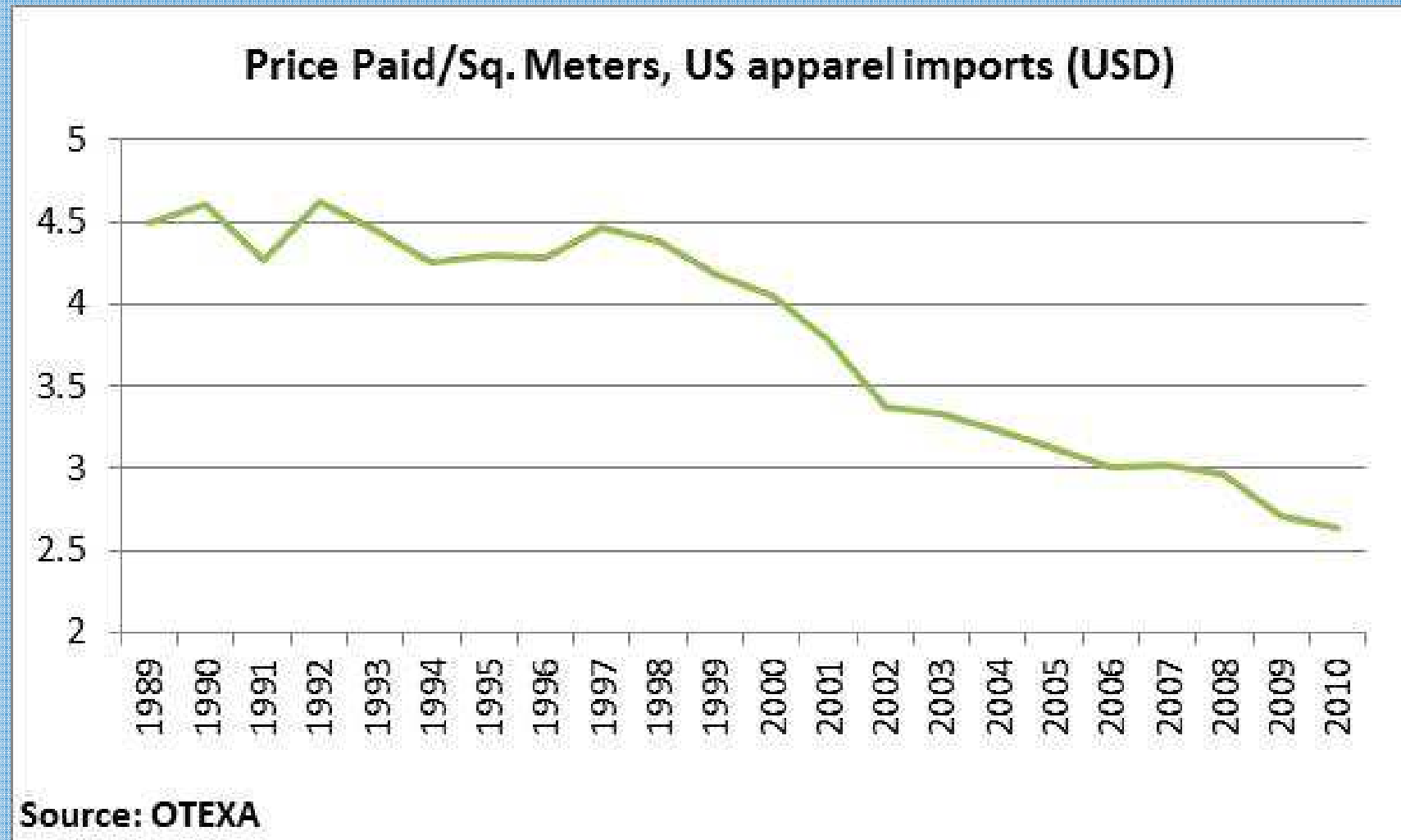


Monopsony Power
Retailer Consolidation;
thousands of supplies
competing for contracts
with a few large retailers

Monopsony



20 Top Exporting Countries to US



40% MNCs savings; 7.5% consumer savings.

Source: Anner, Bair, Blasi, 2013: "Toward Joint Liability in Global Supply Chains"

Four Impacts of MNC Pricing Dynamics

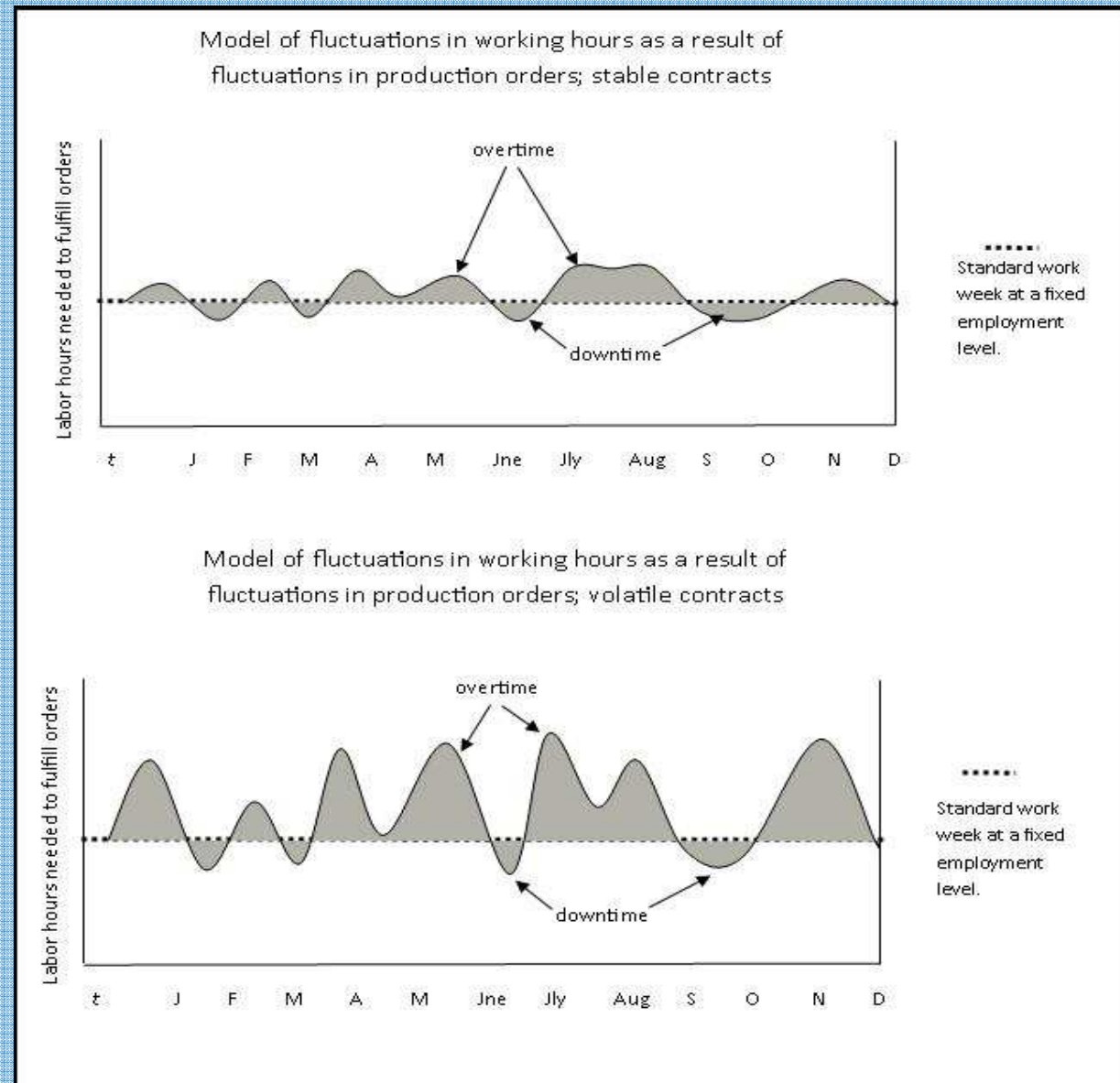
1. Pressure to keep production costs low (wages, benefits, building rents, etc.).
2. Increased risk of abrupt plant closings, which often result in a severance pay issue.
3. Work intensity through the piece rate system.
4. Union avoidance; worker rights violations.

Prices and Workers' Rights



Source: Anner, Bair, Blasi, 2013: "Toward Joint Liability in Global Supply Chains"

Sourcing Dynamics



Source: Anner, Bair, Blasi, 2013: "Toward Joint Liability in Global Supply Chains"

Four Impacts of MNC Sourcing Dynamics

1. Excessive and forced overtime.
2. Sub-contracting and homework.
3. Rise in health & safety issues.
4. Under development of collective bargaining agreements (pressure to resume production quickly to meet deadlines).

Counter Measures?

- The State; many challenges.
 - Laws; enforcement (inspectorate; fines).
 - Tax policies; revenue AND impact on structure of production (EPZ dynamic)
 - Inter-State coordination (ILO; social clauses)
- CSR/PCI: not working without trade unions.
- Worker Strategies: Local organizing; strategic research and campaigns; binding agreements.

Limits of CSR

The Limits of CSR: Worker Rights and Discrimination

Issue Detection, FLA Audits, 2002-2010 (n=14,401)



Source: AnnerCF

Source: Anner, 2012,
“Corporate Social Responsibility and Freedom of Association Rights

Crime and Punishment: The Remediation Challenge

- CSR programs can't impose fines for violations and, and reluctant to cut contracts;
- LOTS of policies, training, committees...

Remediation Proposals for FoA Violations		
A.	Write a policy	47%
B.	Complete a training	27%
C.	Retain records	14%
D.	Create a committee	12%

Source: Anner, 2012,
"Corporate Social Responsibility and Freedom of Association Rights

Remediation: Commitment Model & FoA

FLA Self-Reported Success Rates by Issue Areas, 2007-2010

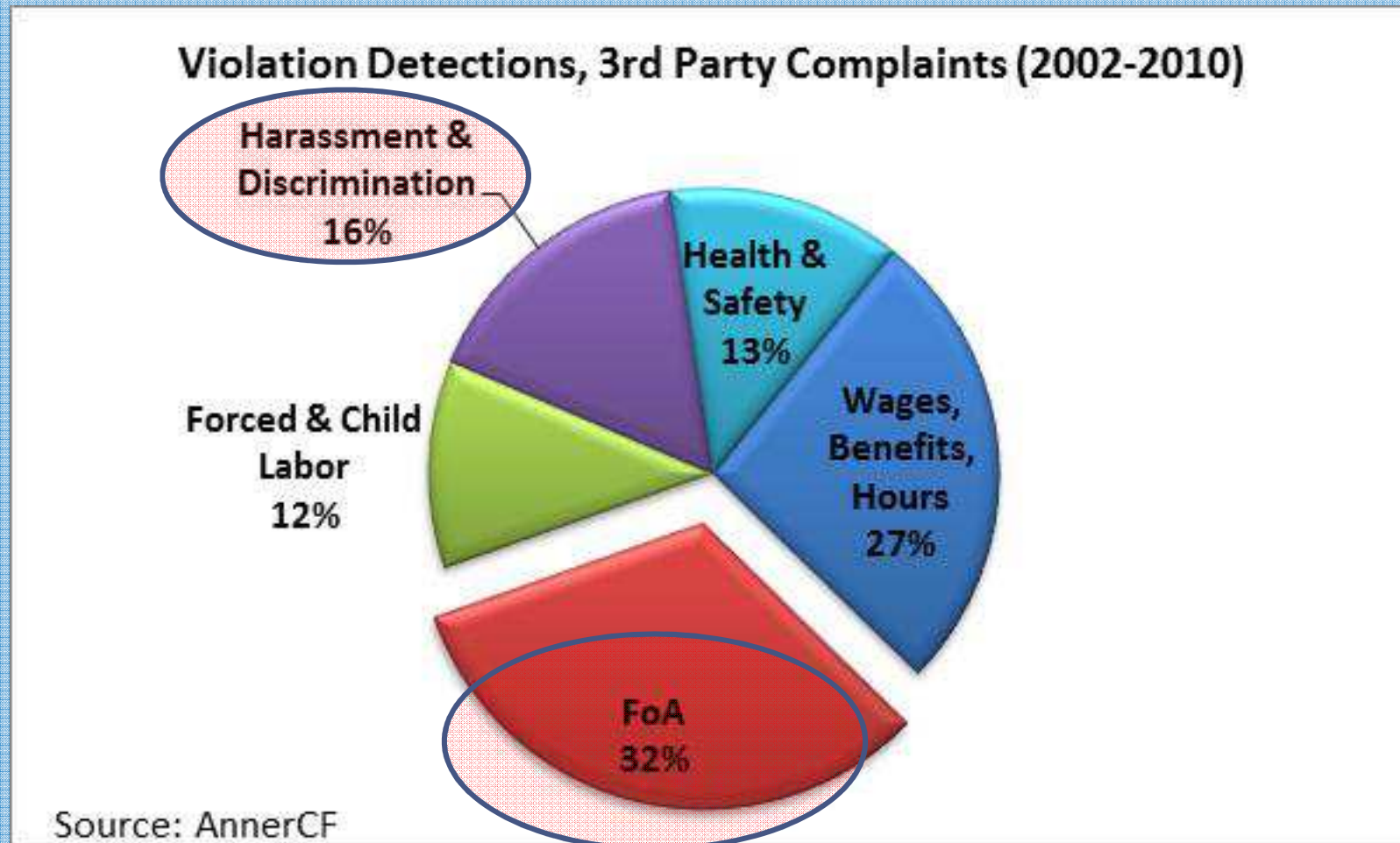
	Full Success + Partial Success Rate
Code Awareness	60.75%
Forced Labor	78.00%
Child Labor	85.50%
Harassment/Abuse	72.25%
Discrimination	65.50%
Health & Safety	79.00%
Freedom of Association	38.50%
Wages & Benefits	68.25%
Hours of Work	54.75%
Overtime Compensation	78.50%
Miscellaneous	79.25%

Sources: FLA Annual reports, 2008-2011.

Source: Anner, 2012,

“Corporate Social Responsibility and Freedom of Association Rights

CSR when workers participate



*19 Cases: 2002-2010

Source: Anner, 2012,

"Corporate Social Responsibility and Freedom of Association Rights

Trade Union Counter Measures

Cross-Border Alliance & Solidarity



Honduras/Salvador: Actions and Outcomes

	El Salvador	Honduras
<i>total number of cases</i>	14	25
International Activism	71%	44%
Strikes	14%	88%
Work-stoppages or slow-downs	43%	68%
Success Rate	moderate	high

Source: Anner, *Solidarity Transformed*

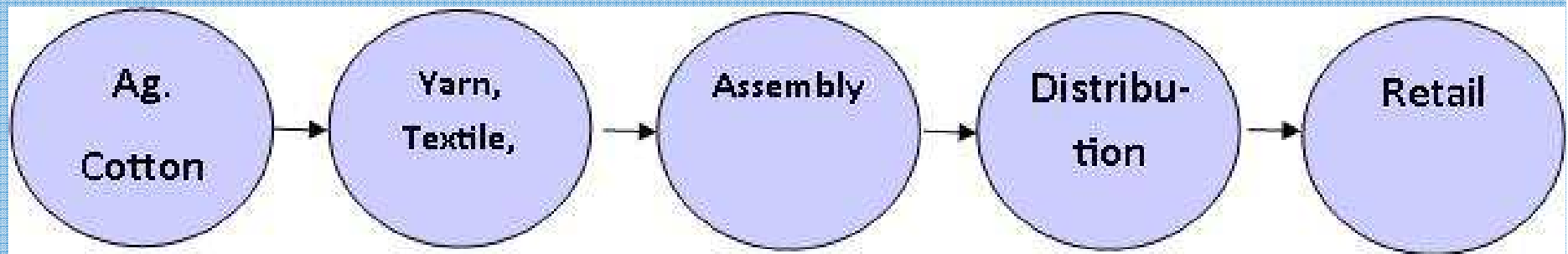
Next steps?

- Bangladesh Accord Example.
- “Buyer Responsibility Agreements” as the new generation of Global Framework Agreements?
 - Negotiated with Trade Unions.
 - Legally binding.
 - Covers sourcing dynamics.
 - Covers price dynamics (cost of decent work).

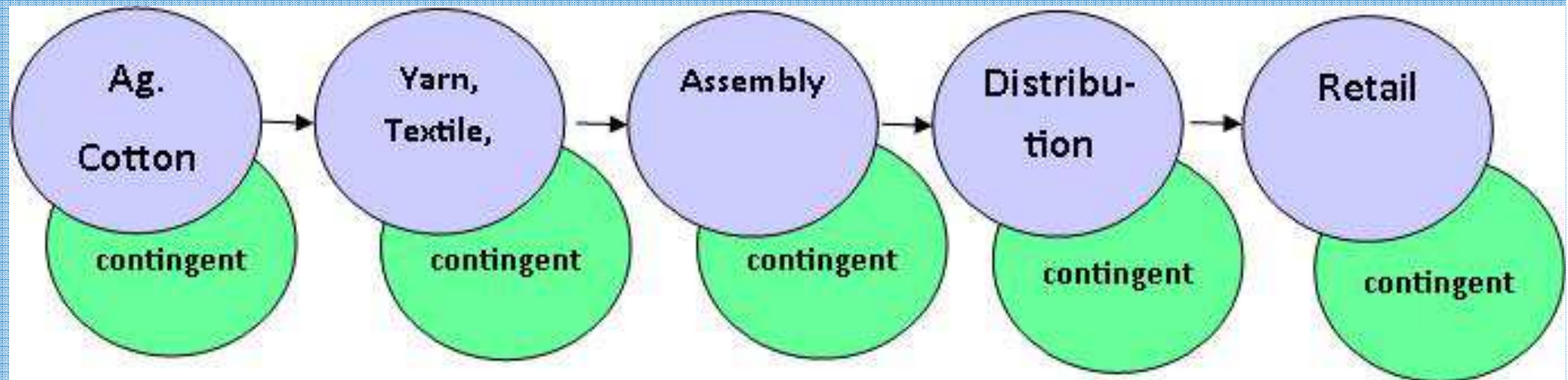
What else is necessary?

- Strengthening local organizing.
- Capacity building; strategic corporate research and campaigns in GSCs.
 - Where are the most profits generated?
 - What are the points of vulnerability?
 - Production; Retail; Distribution (ports)?
- Alliances? Informal sector? Gender?

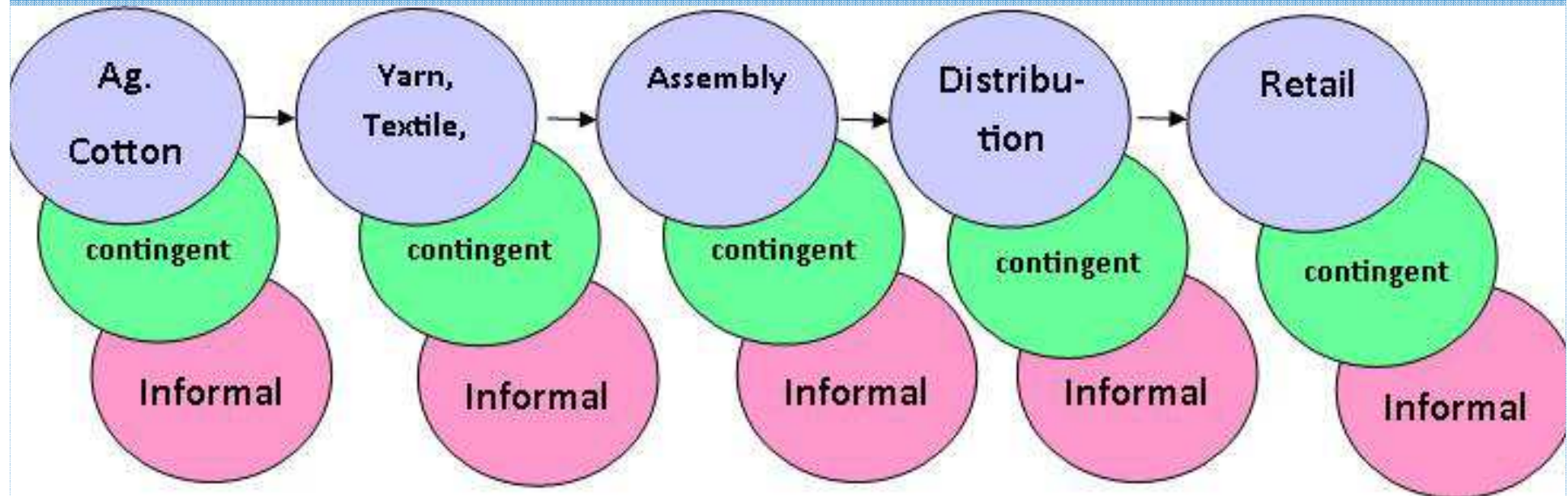
Towards Global Supply Chain Strategies



Towards Global Supply Chain Strategies

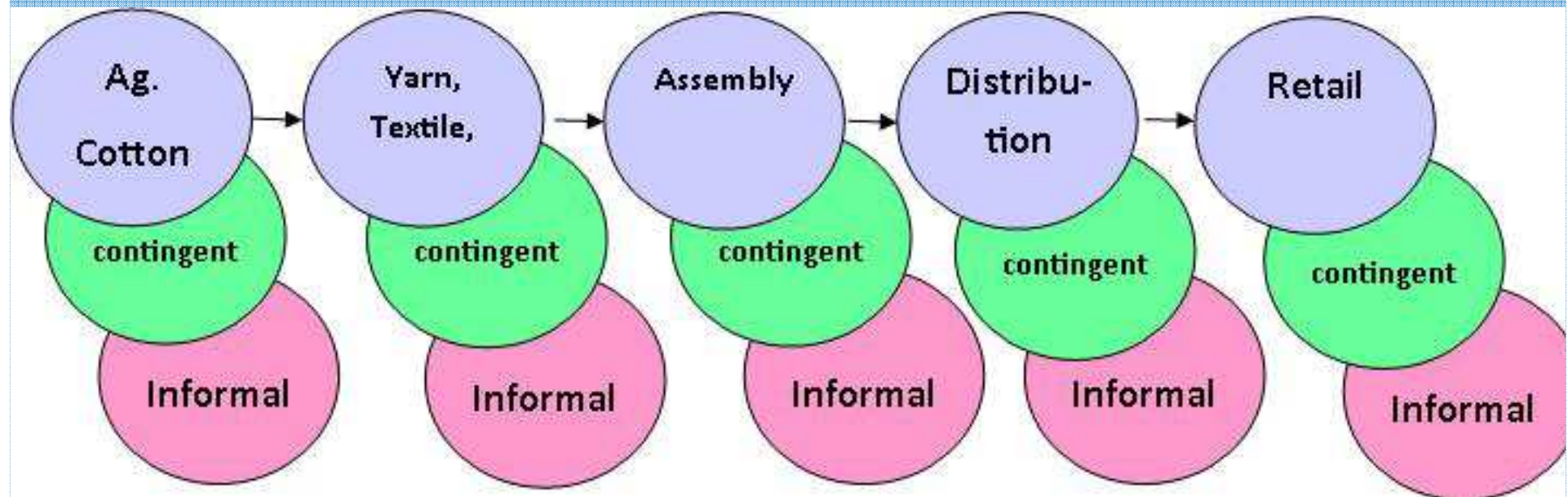


Towards Global Supply Chain Strategies



Global Unions

Coordinated Activities, Research, and Alliances



• Strong Local Labor Organizing and Alliances •

Thank you

