

## Apple avoids 'Nike moment' despite Asian sweatshops

James F. Caccamo | Apr. 17, 2012



Dana Johnsen stands outside shareholder meeting at Apple's corporate headquarters in Cupertino, Calif., Feb. 23. Protesters called on the company to improve working conditions at Chinese factories that assemble its products. (Newscom/EPA/Beck Diefenbach)

### *Viewpoint*

Every decade, it seems that a new social issue captures the attention of Catholic progressives, inspiring efforts to work for a more just society. In the late 1950s and early 1960s it was civil rights. In the '80s it was nuclear arms.

In the 1990s, that issue was sweatshops. As new technologies increased international communication, people began hearing firsthand accounts of labor rights abuses that never made it into the mainstream news space. Many companies were shown to use sweatshops. But one company rose to the forefront of the debate: Nike. As a brand, it evoked the best in American culture: commitment, achievement, competitiveness, cool and a sense of fair play. But as tales of its rights abuses spread, Nike became a cultural symbol of everything that was wrong with capitalism and globalization.

Over the years, Nike remained a focal point on college campuses for students learning about the implications of Catholic social teaching. Yet anger over sweatshops in broader American culture has waned. In some quarters, we've even seen the growth of a profoundly un-Catholic hostility to labor rights efforts. Then, in January, news broke of labor issues at the factories of Taiwan-based electronics manufacturer Foxconn: low pay, long hours, dangerous working environment, and cramped living conditions. Public ire was raised. And with it, a question: Would we see resurgence of concern for sweatshop workers? Do we have a Nike for the new millennium?

Among Foxconn's clients, the most likely candidate was Apple Inc. As the creator of the wildly popular iPod, iPhone and iPad, Apple is the dominant player in the world's tech landscape and a symbol of our new connected lifestyle. As with Nike, people love Apple's products and are brand loyal in ways that most companies can only dream of.

But Apple is also a massive economic powerhouse, now the world's most valuable company. With more than \$500 billion in market capitalization, it is worth more than the gross domestic product of nations like Poland, Belgium, Sweden, Saudi Arabia and Taiwan. An analyst at JPMorgan suggested that Apple generates enough

revenue to be its own industrial sector on Standard & Poor's 500 index.

The secret to its financial success: high profit margins. By some estimates, 57 percent of the price of an iPhone is profit. That's 15 percent higher than the closest rival. Those margins are created in large measure by squeezing suppliers who, in turn, squeeze their employees.

Indeed, it sounded like Nike all over again. All that remained was to see whether or not people would agree and begin to pressure Apple the way they did Nike.

### **Outrage deflected**

Two months later, it's clear that this wasn't Apple's "Nike moment." Indeed, with the release of the new iPad -- the very machine made by the workers in question -- Apple appears to be on track for another record-breaking year. So where was the outrage?

It seems that four things happened.

- *Apple looks like it is trying.* Apple successfully argued that it has been improving its subcontractors' working conditions. For the past five years, Apple has publicly released compliance reports. These reveal efforts to improve conditions by, for instance, removing unlawful child labor. It has also increased its green profile, expanding its recycling programs and steadily removing toxic chemicals from its products and manufacturing processes. It became the first tech company to join the Fair Labor Association and is working to reduce overtime hours.

It certainly doesn't hurt Apple's reputation that the man who recently brought attention to these issues, playwright Mike Daisey, has admitted that some of the worker stories he told in a monologue on a January episode of NPR's "This American Life" were fictitious. His stories closely correspond to reports published by reputable newspapers over the past few years. But in the wake of the disclosure, Apple ends up looking like a well-intentioned company being bullied by questionable critics.



In contrast, it seemed that Nike had little intention of helping the workers

at its subcontractors' plants. It had to be dragged, kicking and screaming to the labor rights table. It took years for Nike to develop a supplier code of conduct after the emergence of worker abuse reports in the late '80s. Some argue that it has never really enforced it.

- *Apple looks like it cares.* For all that progressives doubt capitalists, one thing is for sure: They loved Apple cofounder and CEO Steve Jobs. He occupied a singular place in American culture. He married artistic insight and liberal social views to business acumen and an unrelenting attention to the user. He inspired people and set the course for technology for decades, despite having a harsh nature, a penchant for extreme exaggeration, and a steadfast refusal to even entertain the notion of corporate philanthropy.

Amid the turmoil, it seems that Apple's new CEO, Tim Cook, chose not to ask, "WWJD?" ("What would Jobs do?") Instead, he charted his own course, expressing sadness that people think Apple doesn't care. Then he personally visited Foxconn's iPhone factory. Perhaps it was only damage control, but it is interesting that one of the first things Cook did as CEO was to institute Apple's first corporate philanthropy program. Caring about others seems to be as important to Cook as not caring was to Jobs.

In contrast, Nike and its cofounder Phil Knight frequently demonstrated little concern for the well-being of those who made Nike products. Former Harvard Business School professor Debora Spar recounted the reaction of a Nike manager in Indonesia who responded to a question about labor violations by saying, "I don't know that I need to know." In a memorable scene from Educating for Justice's documentary "Behind the Swoosh," Knight rejects a request for a meeting about Nike's labor practices, hiding behind the chain of command rather than simply saying yes or no. Currently worth \$13.3 billion, Knight can certainly afford to care.

- *Apple makes products people refuse to give up.* One of the realities of labor rights work is that companies rarely just agree to improve labor policies. Often, they have to have their feet held to the fire with threats to the bottom line through interrupting the labor supply or revenue stream. Nike didn't flinch until the threat of a boycott.

Which brings us to the hardest part of the Foxconn labor situation: People aren't willing to give up Apple products. Over the past year, Apple sold 156 million iPads, iPhones and iPods. That's one for every other person in the United States, and more than the number of computers it has sold since introducing the Macintosh 28 years ago.

Compounding the general popularity of Apple products are the demographics. Some recent surveys have suggested that, compared to Android and Windows users, Mac and iPhone users are more urban, more liberal, more likely to have completed college and graduate degrees, and more likely to see people as alike than different -- the kinds of things that correlate to fair labor activism. The people most likely to be activists are also most likely to use Apple products.

Nike was in a very different situation. In the '90s, college students and graduates of Northern European descent primarily drove the anti-sweatshop movement. They may have bought Nike products, but the brand did not play a decisive role in personal identity. Nike held much more sway among young, urban African Americans. To be successful, the boycott required little personal sacrifice from activists themselves. The movement was free to take off.

To make Apple the next Nike, activists had to convince the people most attached to Apple products to give them up. They couldn't do it.

- *Apple put the news cycle to bed.* One of the most unexpected moments in the Foxconn story happened when the normally secretive Apple decided to respond to the accusations by inviting "Nightline" to tour a Foxconn facility with the head of the Fair Labor Association, interview its workers, and see what working at Foxconn was really like. Apple would certainly manage the visit, but it was a risk that could easily have gone sour. The segment turned out to be neither muckraking nor a puff piece, or perhaps a bit of both. Reporters told of the hardships and workers spoke of the struggles. Managers claimed that working conditions had improved, but the "suicide nets" told a different story.

In the end, though, the images spoke louder than words. Thousands of people waiting to apply for jobs and telling reporters of the improvements that a factory job would bring to the quality of their lives and those of

their families. Orderly assembly lines with sparkling clean working conditions. Workers who seemed both giddy and proud to use an iPad for the very first time. It read like the American dream. In that moment, people let the issue go: There is no need to choose another phone because Apple is making workers' lives better. Rightly or wrongly, their feelings of guilt were assuaged. The news cycle -- and the moral challenge -- was over.

In contrast, Nike never did a particularly good job of handling the media. The Nike labor rights movement began after stories surfaced about sweatshops at Nike's plants. Nike initially denied these stories. As the movement grew, Nike responded slowly. In doing so, it allowed the story to remain on the front page for years, and in college ethics curricula to this day. Once a symbol of achievement, its brand identity had sweatshops permanently grafted to it.

### **A story's legacy**

We could probably debate the case of Foxconn's labor practices for a long time. On the one hand, Foxconn provides needed jobs to people who are desperately seeking better lives. There are signs that as a result of Apple's compliance programs, its suppliers have improved pay, safety and working conditions. In a world where few companies even bother trying, that's something to celebrate, even if in muted tones.

On the other hand, there is vast room for improvement. Seventeen workers have committed suicide at Foxconn factories. People who have defended Foxconn note that this is lower than the national average. That's an odd argument. Wouldn't basic human decency suggest that we aim for workplaces that never drive people to kill themselves?

Despite its many efforts so far, and despite avoiding the 'sweatshop' label, Apple isn't doing nearly enough to satisfy the call of Catholic social teaching to aim not for the minimum, but for the authentically human. With more than \$97 billion in cash reserves, Apple has essentially unlimited resources to exert pressure on suppliers. Given its profit margins, it could absorb increased supplier costs easily while becoming a model employer that upholds the rights and dignity of everyone who works in its supply chain. One hopes this experience will spur Apple to build a legacy of worker justice and a model for the industry.

It is perhaps more likely that the legacy of the Foxconn story will be that we are empowered to remain complacent about our own complicity. One of the most striking things about the media's handling of the Foxconn story was their reluctance to broaden the story to the whole tech industry. Foxconn manufactures many of the gadgets we love from companies like Amazon, Dell, HP, Nintendo, Nokia, Samsung, Sony and Toshiba. None of these companies is a member of the Fair Labor Association and few report supplier compliance. By many accounts, Foxconn has the best labor policies in the industry, and its Apple-related facilities are among its best. If Apple is the top, how far down is the bottom? Now that the Apple story is over, who is going to bother looking?

Deeper still, there is the real possibility that the Foxconn story served as our public referendum on globalization. We've all heard the harrowing stories of labor rights violations around the world. Yet, we thought, here are these sweatshop workers, and they look like they're doing pretty well. The media supported what politicians and business owners have been saying all along: Globalization works. And with so many Americans out of work, it's hard to muster sympathy for anyone with a job, no matter how harsh.

Is there a future for labor rights activism? Certainly there is, if only because the right to dignity in the workplace holds a central place in Catholic social teaching. It may be, though, that the effort to ensure worker justice may need to focus more narrowly on changing hearts than informing minds. Anymore, the issue isn't a knowledge gap. In our connected world, it is easy to learn about labor abuse. The challenge is bridging the 'concern gap' to help people get in touch with the duty that we all have toward our brothers and sisters at the margins, toward those whose material conditions keep them from being able to achieve the integral human development that

Pope Paul VI spoke so eloquently about.

Easter may have come, but there is still a long way to go to ensure that all people can share in the life of freedom.

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