

**SOCIAL AUDITING: *HOW MULTINATIONAL
CORPORATIONS CAN JOIN FORCES WITH CIVIL
SOCIETY TO IMPROVE GLOBAL LABOR
CONDITIONS***

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I. INTRODUCTION

It is no little secret that millions, if not a billion, people around the world suffer dangerous and abusive working conditions in the global supplier factory system. Since the emergence of the global economy, multinational corporations have been able to reap large profits while keeping prices low for consumers in part by taking advantage of cheap outsourced labor. Average Americans can enjoy a variety of goods that are amazingly affordable compared to prices just several years ago. But the dark side of the global market is the severe exploitation of “sweatshop” labor conditions such as child labor, poor health and safety standards, forced pregnancy tests, indentured servitude, sexual harassment and abuse, excessive overtime and under compensation. National and international labor standards, which render the aforementioned examples of “sweatshop” labor conditions illegal, *do* exist. The problem is that many countries where global supplier factories are located are either unable or simply unwilling to enforce labor laws for one reason or another. Thus, because national governments do not enforce decent labor standards, multinational corporations have been able to take advantage of cheap “sweatshop” labor without many repercussions.

In the 1990s, however, when consumers discovered that their favorite brand name companies were exploiting child and other “sweatshop” labor, the resulting public outcry made it very difficult if not impossible for companies to continue shirking responsibility for labor conditions in their outsourced factories. Many companies started responding to accusations that their products were made through “sweatshop” labor by developing codes of conduct and internal factory monitoring methods. In fact the concept of corporate citizenship, or social responsibility, has become a very important business practice of some companies, which find not

just public reputation but also business economics to be powerful motivators for investing resources in corporate citizenship practices.

However, despite these efforts, labor rights activists have been skeptical about company implemented codes of conduct because they have been ineffective in curbing labor rights abuses. Activists suspect that company enforced codes are merely superficial efforts which protect companies from public criticism and/or legal liability, but do not actually help to improve labor conditions.

Additionally, company implemented codes have not improved labor conditions because factory management has developed institutionalized methods of fooling internal monitors. Even when a company attempts to respond to such deception with more frequent and rigorous inspections, factory management finds new ways to evade. Companies, on their own, do not have the ability to catch labor rights violations and adequately address them. They need support from non-governmental organizations, labor and human rights groups, and other civil society organizations who are experts in the area of labor.

In light of new methods of deception, labor rights' proponents are pushing for multinational companies to join forces with civil society organizations who are experts in what has been termed social auditing. Labor issues are complex and require as many actors as possible to use their influence to find solutions. Civil society organizations are a precious resource for companies because they can provide independent social audits founded upon expert knowledge of labor issues, including local, national and international labor laws, and can also serve to hold companies accountable to their own professed principles of corporate citizenship. Furthermore, when companies join together with civil society groups, such as social auditing

agencies, their own monitoring practices become legitimate public initiatives as illustrated by a statement from the Fair Labor Association’s Chief Executive Officer, Auret Van Heerden:

“One of the most powerful vehicles we have for ensuring the implementation of labor standards in global supply chains is the multinational enterprise, and we can avoid the danger of privatizing labor law enforcement by ensuring that those enterprises act in partnership with public and other private stakeholders in a transparent way to improve the conditions in the factories where goods are made.”²

The purpose of this article is to describe the role that multinational corporations, in coalition with non-governmental organizations, civil society initiatives and local and international labor rights groups, can play in implementing labor standards in global supply chains. The second section argues that companies have incentives for being good corporate citizens. The third section describes the role of multinational corporations in promoting better labor conditions. The fourth section of the article discusses how multinational corporations should join with civil society to address labor rights issues, specifically describing the work of the Fair Labor Association and Verite’. The final section concludes the article.

II. CORPORATE SOCIAL RESPONSIBILITY: INCENTIVES FOR MULTINATIONAL COMPANY INVOLVEMENT IN LABOR ISSUES

There are many pressures that give multinational corporations the incentive to invest time and money in being socially responsible. One incentive corporations have to be socially responsible for addressing labor rights violations is brand reputation. Corporations do not want their name to be marred by the accusations of labor rights activist groups because they want to

² *Testimony of Auret Van Heerden: Before the Congressional Human Rights Caucus “Human Rights and Brand Accountability: How Multinationals Can Promote Labor Rights,”* Fair Labor Association (2006) at 4, http://fairlabor.org/all/news/Speeches/FLA_CHRC2006.pdf [hereinafter *Testimony of Auret Van Heerden*].

remain in the good opinion of consumers.³ Consumers are much more likely to be aware of abuses in overseas factories because “[g]lobalization of the economy . . . causes the relationship between [multinational corporations] and human rights abuses to become more salient to world governments and to the public.”⁴ Furthermore, labor rights activists have realized that “raising the visibility of human rights issues with consumers may be an effective tool for changing the behavior and policies of [multinational corporations]” because that leads to consumers, shareholders and labor unions pressuring corporate management to address human and labor rights abuses existing in the countries where they contract with supplier factories.⁵

Another incentive multinational corporations have for addressing labor rights issues is improved working conditions in their supply chains, which can be profitable for business. When factory workers are treated fairly, they are likely to be more productive, enabling the factory to make timely shipments.⁶ They are also more likely to continue working at a factory, which allows the factory to be more efficient. When workers leave after only a short time at a factory, the factory has to spend more money on training new employees, and its production schedule is thrown off, thus affecting its ability to efficiently produce quality goods.⁷

³ Marc Gunther, *How Companies Fight Sweatshops*, FORTUNE (2006), available at http://money.cnn.com/2006/05/03/news/international/pluggedin_fortune. “When the National Labor Committee took on Disney, its director, Charles Kernaghan, stood outside a Disney store on Fifth Avenue, waving a Little Mermaid sticker book, and saying: ‘Would the American people ever associate this book with crushed fingers?’” *Id.*

⁴ Barbara A. Frey, *The Legal and Ethical Responsibilities of Transnational Corporations in the Protection of International Human Rights*, 6 MINN. J. GLOBAL TRADE 153, 157-58 (1997).

⁵ *Id.* at 159. “Recent consumer pressure on U.S. companies to ensure that they do not market the products of forced, convict, or child labor, and the decision of many companies to restrict their investments in human rights ‘hot spots’ such as Burma and China demonstrate the increasing sensitivity of companies and the public to significant human rights problems present in many of the countries in which [multinational corporations] operate.” *Id.* at 157-58

⁶ Gunther, *supra*, note 3. The senior vice president for social responsibility at Gap stated, “If people are treated better, with dignity and respect, they are going to be happier and more productive and less likely to leave the factory. If you can reduce turnover, you can really impact quality.” *Id.*

⁷ *A Lion for Workers’ Rights*, BUSINESS WEEK, Nov. 27, 2006, available at http://www.businessweek.com/magazine/content/06_48/b4011010.htm

A survey showed that many companies believe that corporate citizenship is a vital aspect of daily business practices which helps the bottom line.⁸ Moreover, corporate citizenship should be a priority to companies, and the public can rightfully expect good citizenship.⁹ Those companies also believe that they have a greater positive impact on communities than is recognized.¹⁰ Companies define good corporate citizenship as: functioning under ethical business practices, “treating employees well, making a profit, paying taxes and providing jobs, providing safe and reliable products/services,” and working to improve community conditions.¹¹

Moreover, companies that pay attention to corporate citizenship by assisting economically distressed communities¹² and incorporating aspects of social responsibility into their everyday business operations are successful because they have recognized that there is more than a monetary demand on business to be good corporate citizens. Companies that have successful products and reputations and have something good to offer the community can be “even more successful by emphasizing that.”¹³ Multinational corporations also “have the bargaining power and the resources to effect positive change in the factories that produce for them by requiring the implementation of codes of conduct . . . [which become] a condition of their purchasing from factories throughout the supply chain.”¹⁴ This is a power which many governments do not have over factories or do not care to use.¹⁵

⁸ U.S. Chamber of Commerce, *The State of Corporate Citizenship in the United States*, July 2003 at 9, available at http://www.uschamber.com/publications/reports/030714_ccc_survey.htm.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* at 10.

¹² *Id.* at 16.

¹³ *Id.* at 1 (quoting Ralph Schrader, Booz Allen Hamilton).

¹⁴ *Testimony of Aurret Van Heerden, supra*, note 2 at 3.

¹⁵ *Id.*

III. ROLE OF MULTINATIONAL CORPORATIONS IN PROMOTING BETTER LABOR CONDITIONS

Many corporations over the last decade have responded to criticism over labor conditions by implementing detailed codes of conduct and factory on-site monitoring.¹⁶ But in response, factories, particularly in China, have simply developed more sophisticated methods of concealing labor code violations.¹⁷ Factories have reacted to company codes of conduct and internal compliance monitoring by adopting “institutional approaches to deception.”¹⁸ Sometimes companies are unaware or willfully ignorant to the amount and scale of the abuses.¹⁹ The reality is that multinational corporations are not designed to nor equipped to function as enforcement agencies. Furthermore, one must question whether it is legitimate to privatize the enforcement of labor standards, which is the government’s public role.²⁰

In turn, some companies have responded to pervasive modes of cheating factory codes of conduct by taking more aggressive monitoring measures.²¹ Despite increased efforts by companies, some critics claim that company internal audits are just a way for companies to cover themselves from consumer and activist attacks – i.e. “the general counsel says [the company]

¹⁶ *Secrets, Lies, And Sweatshops*, BUSINESS WEEK, Nov. 27, 2006, available at http://www.businessweek.com/magazine/content/06_48/b4011001.htm?chan=top+news+top+news+index+top+story.

¹⁷ *Id.*

¹⁸ Thomas Fuller, ‘Sweatshop Snoops’ Take on China Factories, INTERNATIONAL HERALD TRIBUNE, Sept. 15, 2006, available at <http://www.ihf.com/articles/2006/09/15/business/inspect.php>. In fact, a new industry of Chinese factory consultants has come into existence to help factory management fraudulently “pass” factory inspections. *Secrets, Lies And Sweatshops*, *supra*, note 16. Such factory consultants advise factory management on how to implement a variety of mechanisms to evade factory audits such as: producing fake but seemingly genuine factory records of workers’ hours and salaries (keeping double sets of record books); training employees to answer inspection questions based on a memorized transcript; sharing tips with other factory managers on how auditors operate; and even preventing any workers with grievances from coming in the factory on the day of the inspection. *Id.*

¹⁹ *Secrets, Lies And Sweatshops*, *supra*, note 16

²⁰ *Testimony of Aurret Van Heerden*, *supra*, note 2.

²¹ *Secrets, Lies And Sweatshops*, *supra*, note 16. For example after allegations of concealed auditing abuses were brought against Wal-Mart, the company took measures to investigate the allegations, acknowledging that suppliers are attempting to undermine monitoring, and is taking steps to improve factory inspections and implement new procedures. *Id.* Wal-Mart claims that it is taking more aggressive measures in its monitoring – doing more audits than other companies – and has even permanently banned 141 factories that were using child labor. *Id.*

need[s] a piece of paper” for liability reasons, but not to actually change the factory conditions.²² In other words, critics are concerned that company implemented audits are merely cursory inspections which protect companies from criticism, but do not uncover the labor issues.

Such critics, mainly civil society groups, push for multinational companies to implement a better kind of auditing which involves outside organizations, such as national human and labor rights organizations, non-governmental organizations or civil society initiatives, and independent auditing agencies.²³ With NGOs and local organizations involved, more harmonized workplace standards, such as a uniform code of conduct, may be implemented to streamline the monitoring process and increase effectiveness and efficiency.²⁴ The hope is that this kind of auditing – professional or external auditing – will get to the root of the problems causing poor labor conditions better than internal auditing does.²⁵ External social compliance auditors are also aptly described as “sweatshop snoops” because in order to defeat factories’ institutionalized auditing evasion tactics auditors must sneak up on the factories.²⁶ Snooping on factories involves monitoring the factories from a distance, and casually talking to workers in the area to gather information about factory conditions which can be used to confront factory management during the official audit.²⁷

Other critics of company implemented codes of conduct emphasize the need for governments to come back into the picture because self-implemented codes, while attractive to multinational corporations, are ineffective for that very same reason – they are self-implemented

²² *A Lion for Workers’ Rights*, *supra* note 7.

²³ *See id.*; *see generally* Fair Labor Association, www.fairlabor.org.

²⁴ *A Lion for Workers’ Rights*, *supra*, note 7.

²⁵ Edward Iwata, *How Barbie is Making Business a Little Better*, USA TODAY, Mar. 26, 2006, available at http://www.usatoday.com/money/companies/2006-03-26-corporate-responsibility_x.htm.

²⁶ Fuller, *supra* note 18.

²⁷ *Id.*

rather than government enforced.²⁸ These critics believe that, although transforming the codes into binding law is not politically possible at present,²⁹ government involvement, i.e. active promotion of good corporate conduct, is the only way that the voluntary codes will survive and be effective.³⁰

Civil society groups, however, are skeptical about the effectiveness of government involvement because they doubt that the governments in question have the power to issue labor regulations which are not favorable to multinational corporations.³¹ Aret Van Heerden, the CEO of the civil society group Fair Labor Association, when asked why he shifted from working in a government involved organization like the International Labor Organization to representing companies through the Fair Labor Association, stated:

“The focus of the ILO is on labor, management and government – it’s a tripartite relationship. But then we realized that often nothing was getting done. Governments are not able to legislate labor markets because globalization is outstripping the power of governments. When I was visiting the special economic zones, none of the suppliers would listen to us. I saw that happening and started asking why Nike has more authority than the ILO and governments. It’s because private actors are assuming state functions. And why are they moving this way? It’s because the consumer is pushing them. The most powerful force is when consumers demand social responsibilities from labels.”³²

In addition, the media has recognized that multinational companies seem to have more leverage in promoting human and labor rights than weak developing countries or countries marked by corrupt authoritarian governments. As a *Fortune* magazine article stated: “Governments, not U.S. companies, are supposed to enforce labor laws and protect their citizens.

²⁸ Sean D. Murphy, *Taking Multinational Corporate Codes of Conduct to the Next Level*, 43 COLUM. J. TRANSNAT’L L. 389, 395, 401 (2005).

²⁹ *Id.* at 390.

³⁰ *Id.* at 423-24.

³¹ *Id.* at 395-96.

³² *A Lion for Workers’ Rights*, *supra* note 7.

But the governments of countries ranging from China, India and Indonesia to Columbia, Mexico and Brazil have proven to be uncaring, corrupt or inept, leaving workers vulnerable. The result is that global brands have stepped in to do the job.”³³

Some multinational companies *have* started to confront difficult labor issues by adopting a uniform code of conduct and partnering with NGOs, such as Verite’ and civil society initiatives, such as the Fair Labor Association, to augment the enforcement of national labor laws and the corresponding codes of conduct.³⁴ As a result, the bad guy reputation that corporations acquired from the 1990s sweatshop accusations is starting to disintegrate and be replaced by positive recognition in the media that some companies are doing what they can to address poor labor conditions in factories around the world.³⁵ Now, factory owners, especially in China, are aware that labor standards are important to many multinational companies such that “you can’t . . . find [a factory owner] who doesn’t know what a code of conduct is.”³⁶ In addition, even though poor factory conditions persist, reports show that overall workers’ circumstances are improving as pressure from multinational companies has lead to a decrease of some of the most egregious abuses.³⁷

On the other hand, the governments of developing countries do not seem to have changed yet. Governments still are not doing their job of regulating and enforcing labor laws in factories because workers continue to suffer from excessive overtime, under compensation, health and

³³ Gunther, *supra* note 3.

³⁴ *Id.* Some of those big names are Disney, Gap, Nike, Apple Computer and New Balance. *Id.* Such socially responsible companies are spending considerable time and resources to address complex labor issues and improve working conditions throughout their supply chains. *Id.* However, many other brand-name companies, such as Wal-Mart, Target and Federated Department Stores, which owns Macy’s, are lagging behind in the social responsibility department. *Id.* Such companies are either completely ignoring the issue and doing nothing, or going only so far as adopting a company code of conduct and a non-stringent, ineffective monitoring process. *Id.* Overall, there is a great divide between companies that are socially responsible and that are not. Without more companies taking responsibility it will be hard for any real change to occur in factories. *Id.*

³⁵ *Id.*

³⁶ *Id.* (quoting Daniel Viederman, the Managing Director of Verite’, a non-profit social compliance company which corporations use to do independent audits of overseas factories).

³⁷ *Secrets, Lies, And Sweatshops, supra* note 16.

safety issues, etc.³⁸ At this point the more feasible solution to poor labor conditions, at least for the short term, is the joining together of the efforts of multinational companies and civil society groups, such as independent auditing agencies. Furthermore, as a result of the new breed of increasingly deceptive techniques which factories use to evade audits, the independent labor auditing industry has already been growing to help companies address those issues, and has “mushroomed into a multimillion-dollar industry.”³⁹ The next section will further discuss this recent phenomenon, termed social auditing, focusing on the Fair Labor Association initiative and the independent auditing agency, Verite’.

IV. MULTINATIONAL CORPORATIONS IN COALITION WITH CIVIL SOCIETY: THE FAIR LABOR ASSOCIATION AND VERITE’

The Fair Labor Association (“FLA”) came into existence to address the “democratic deficit” that occurs in a globalized economy when multinational companies attempt to assume the role of the government in regulating global supply chains.⁴⁰ In the 1990s a series of labor rights scandals which involved American companies were exposed by the media and consumer activist groups.⁴¹ In response the Clinton Administration developed an approach that would prevent labor rights from being run into the ground by globalization.⁴² The approach, called the Apparel Industry Partnership (“AIP”), combined the efforts of human rights and labor rights NGOs, industry, the Department of Labor and trade unions to determine a plan for upholding labor rights throughout the global supply chain.⁴³ The AIP created incentive and a support

³⁸ See generally *Fair Labor Association, 2006 Annual Public Report*, Sept. 2006, available at <http://www.fairlabor.org/all/2006PublicReport.pdf>.

³⁹ *Secrets, Lies, And Sweatshops*, *supra* note 16.

⁴⁰ *Testimony of Auret Van Heerden*, *supra* note 2, at 3.

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

structure which allowed “multinational companies to undertake labor rights enforcement in the global marketplace.”⁴⁴ It developed, through negotiation, a uniform code of conduct and created the FLA to assure that participating companies upheld the code.⁴⁵ Basically the AIP created an accountability system which legitimized the labor rights compliance efforts of multinational companies.⁴⁶

The FLA established Principles of Monitoring, which companies must abide by in order to receive FLA accreditation.⁴⁷ Companies have various incentives to receive accreditation from the FLA: companies can protect their reputations, achieve better business and make an impact for exploited workers around the world by implementing socially responsible monitoring principles. The FLA methodology, designed under the assumption that both participating companies and independent accredited monitoring agencies need to be involved in addressing the poor labor conditions in factories,⁴⁸ outlines “Obligations of Companies” and “Obligations of Accredited External Monitors.”⁴⁹

Companies participating in the FLA initiative are required to adopt the FLA Code of Conduct and enforce a comprehensive compliance program, through internal monitoring, that applies to their whole supply chain.⁵⁰ The FLA Code of Conduct mandates that there shall be no forced labor, child labor, harassment or abuse of employees, or discrimination based on gender, race, religion, age, disability, nationality, sexual orientation, political opinion, or social or ethnic

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.* at 3-4.

⁴⁷ Fair Labor Association, *About Us: What We Do*, <http://fairlabor.org/all/about/whatwedo.html> (last visited May 31, 2007).

⁴⁸ *Id.*

⁴⁹ Fair Labor Association, *Principles of Monitoring*, http://fairlabor.org/all/code/FLA_PRINCIPLES_OF_MONITORING.pdf (last visited May 31, 2007).

⁵⁰ *About Us: What We Do*, *supra* note 47.

origin.⁵¹ The Code also requires that employers ensure that workers have a healthy and safe working environment and the freedom of association and collective bargaining.⁵² Furthermore, the Code provides that certain wage minimums, hours of work maximums and standards of overtime compensation be met, according to the principle that “employers recognize that wages are essential to meeting employees’ basic needs.”⁵³ Finally, the Code explains that the Workplace Code of Conduct must be complied with and supported in accordance with the Principles of Monitoring.⁵⁴

According to the Principles of Monitoring, companies should establish relationships with labor, religious, human rights and other local institutions to help and instruct in the implementation of their monitoring obligations.⁵⁵ Consulting regularly with such institutions, who likely are trusted by the workers and have intimate understanding of local conditions, can help facilitate the lines of communication with employees and the reporting of noncompliance issues. Also, getting the input of local unions who represent the workers can also help the monitoring process and assure that it complies with related collective bargaining agreements.⁵⁶ The principle of companies working with local institutions is consistent with the FLA system, which emphasizes that the combined efforts of companies and NGOs play an integral role in addressing human and labor rights issues.⁵⁷ According to this principle, once a company has adopted the FLA Code of Conduct and implemented a compliance plan which includes internal monitoring, “the FLA then contracts with accredited monitors to conduct independent monitoring of each company's high risk facilities, works with companies to remediate problems

⁵¹ Fair Labor Association, *Workplace Code of Conduct*, <http://fairlabor.org/all/code/index.html> (last visited May 31, 2007)

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

⁵⁵ *Principles of Monitoring*, *supra* note 49 at 2.

⁵⁶ *Id.*

⁵⁷ Fair Labor Association, *About Us*, <http://fairlabor.org/all/about/index.html>.

identified in their facilities and independently verifies and accounts for company internal compliance programs.”⁵⁸

One such Accredited External Monitor is Verite’, which is a non-profit, independent “socially responsible auditing, training, capability building and research organization” that works in over 70 countries and territories,⁵⁹ partnering with multinational corporations, NGOs, governments and international institutions to combat labor issues in overseas factories.⁶⁰ Verite’s mission is to promote safe, fair and legal working conditions for global workers.⁶¹ Verite’ has been recognized for its expertise in business and the workplace and its entrepreneurial methods of problem solving.⁶² Providing top-notch audits which root out factory violations, Verite’ forges fruitful partnerships with companies to encourage them to promote superior working conditions.⁶³

Verite’s positive impact on the global factory system is being recognized far and wide, as one representative of a shareholder advocacy group stated: “Verite’ has been instrumental in helping raise the standard on what supply-chain reporting should look like. They are truly pioneers.”⁶⁴ Verite’s global expertise, which stems from knowledge of local labor laws and industries, expansive field connections, experience with local languages, cultures and socio-economic conditions, has merited Verite’ respect internationally from multinational companies,

⁵⁸ *About Us: What We Do*, *supra*, note 47.

⁵⁹ Verite’, *About Us*, <http://verite.org/aboutus/main.html> (last visited May 31, 2007).

⁶⁰ *Id.* Verite’ was founded by Heather White, a professor at MIT’s Sloan School of Management, who was driven to found Verite’ because she “was disturbed that [they] were producing business leaders who didn’t feel corporations had responsibility for labor practices in their factories.” Cheryl Dahle, *Verite’*, FAST COMPANY MAGAZINE, <http://www.fastcompany.com/social/2005/profiles/verite.html>. White was convinced that companies, with “constructive prodding,” could use their powerful influence to improve workers’ lives. Thus she founded Verite’ to be one such agency of “constructive prodding.” *Id.*

⁶¹ Verite’, *About Us*, *supra* note 59.

⁶² *Id.* Verite’ is a repeat winner of the Fast Company Magazine Social Capitalist Award. Dahle, *supra* note 60.

⁶³ Dahle, *supra* note 60.

⁶⁴ *Id.* (quoting Conrad MacKerron of the shareholder advocacy group As You Sow).

labor unions, workers and NGO advocacy groups.⁶⁵ Furthermore Verite's global expertise allows it and its partners to correctly evaluate and improve factory conditions.⁶⁶

Verite's work is not limited to factory inspections.⁶⁷ Not only does Verite' uncover labor issues with its audits, but it also trains companies to fix the problems and launches special programs to inform workers about their rights, such as the freedom to associate and organize and the right to overtime pay.⁶⁸ When Verite' uncovers labor issues in a factory, such as exploitation of workers or health and safety violations, it develops a concrete plan to correct the issues using a combination of training programs for factory management and workers, and education and remediation programs.⁶⁹

Verite' also helps companies to understand the inextricable linkages between profitability and accountability.⁷⁰ Verite' uses its extensive knowledge of complicated social issues coupled with its understanding of business goals and principles to make addressing social issues relevant to global manufacturers.⁷¹ Overall, companies appreciate Verite' because Verite' understands that "the stakes for companies manufacturing internationally have always been high, [and especially] in this current climate of high profile media coverage, shareholder resolutions and class action lawsuits, the value of the work done by Verite' to prepare companies for the challenges of global supply chain management is immeasurable."⁷²

Aside from teaming up with companies, NGOs, governments and international institutional, Verite' also stresses the importance of consumer awareness of labor issues and

⁶⁵ Verite', *About Us: Verite' Mission*, <http://verite.org/aboutus/mission.html> (last visited May 31, 2007).

⁶⁶ *Id.*

⁶⁷ Dahle, *supra* note 147.

⁶⁸ *Id.*

⁶⁹ *Verite' Mission*, *supra* note 65.

⁷⁰ Verite', *Some of the Companies Working With Verite'*, <http://www.verite.org/aboutus/portfolio.html> (last visited May 31, 2007).

⁷¹ *Id.*

⁷² *Id.*

activism in putting pressure on companies to take serious steps toward solutions. If consumers “ask the right questions of companies” they can “make these companies more accountable for the subsidies they are accepting from workers overseas.”⁷³

V. CONCLUSION

Multinational corporations “have acquired a significant amount of power since the trends of globalization started to develop. With this increase in power comes an increase in responsibility.”⁷⁴ More and more consumers are demanding corporate social responsibility from the businesses they patronize. The public does not want to wear clothes made by young children or indentured laborers, shoes which required workers to breathe in toxic fumes, or iPods and Disney stickers made at the expense of healthy, functional fingers. Also, multinational corporations have powerful leverage, which many governments currently do not have, that they can use to influence overseas supplier factories. Companies can use that power to import decent labor standards to those factories, thereby improving the lives of *their* workers. That is the fundamental definition of corporate social responsibility – “to make every effort to enhance the positive impact of [company] activities and to minimize any negative impacts on the people, environment, everywhere [companies] invest and operate.”⁷⁵ Also, if companies gain more

⁷³ Dan Viederman, *Cheap Goods in the US, Subsidized by Workers Overseas*, GREENMONEY JOURNAL, <http://www.greenmoneyjournal.com/article.mpl?newsletterid=27&articleid=281> (last visited May 31, 2007). Viederman lays out the current tension that underlies global production. Consumers demand quality goods for cheap prices. Multinational corporations seek to be efficient and to make huge profits. Developing nation states need to be competitive in producing quality goods at low cost to the companies so that companies will choose their factories rather than another country’s factories. The result is that “no matter the product or market, these interactions find their initial expression on the factory floor, where this global process often squeezes its most vulnerable participants, low wage workers.” In other words, the worker ends up subsidizing the cost of goods by working excessively long (and illegal) overtime hours which go under or uncompensated. *Id.*

⁷⁴ David Weissbrodt & Muria Kruger, *Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights*, 97 AM. J. INT’L L. 901, 921 (2003).

⁷⁵ *The State of Corporate Citizenship in the United States: 2003*, *supra* note 8 at 2 (quoting the World Economic Forum).

respect for labor and human rights, the result will be more sustainable emerging markets and better business performance.⁷⁶ If companies continue to only consider market rationality, which is not a sufficient basis for social solidarity and human community, globalization will not be sustainable.⁷⁷ If multinational companies join together with civil society groups, like the FLA and Verite', they will learn how "to reconcile and to embed market forces and shared principles, shared values, institutional forms and processes,"⁷⁸ and the lives of workers will be improved.

⁷⁶ Weissbrodt & Kruger, *supra* note 74 at 902.

⁷⁷ *Remarks by John Ruggie, U.N. Special Representative for Business and Human Rights and Harvard University, Forum on Corporate Social Responsibility Co-Sponsored by the Fair Labor Association and the German Network of Business Ethics, June 14, 2006.*

⁷⁸ *Id.*