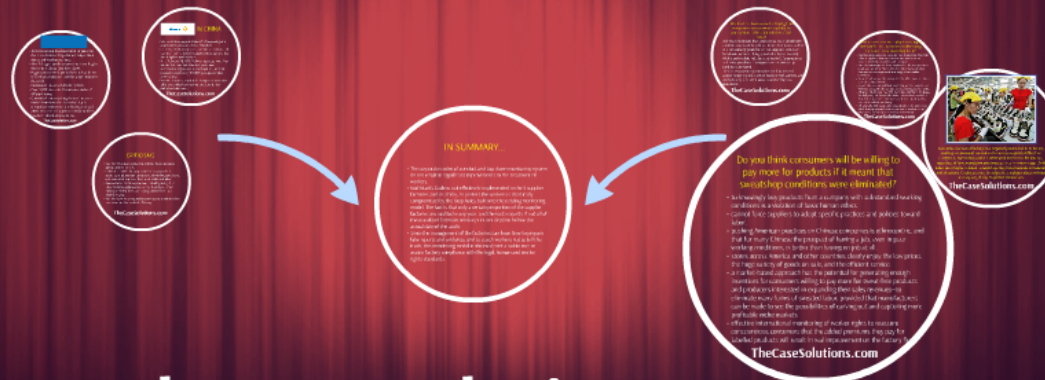




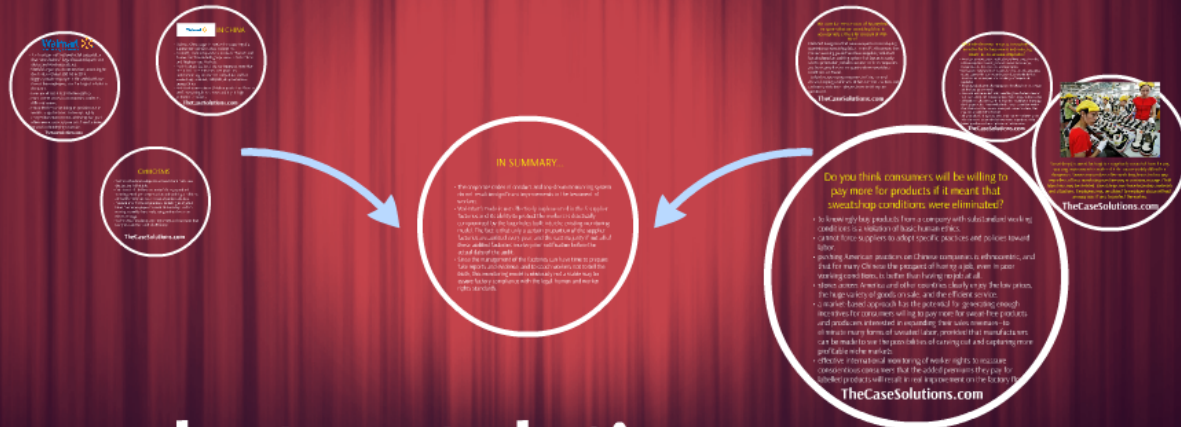
Using Social and Economic Incentives to Discourage Chinese Suppliers From Product Adulteration



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- An American multinational retail corporation that runs chains of large discount department stores and warehouse stores.
- World's largest public corporation, according to the Fortune Global 500 list in 2014.
- Biggest private employer in the world with over two million employees, and the largest retailer in the world.
- Revenue of US\$ 476.294 billion (2013).
- Over 11,000 stores in 27 countries, under 55 different names.
- Committed to maintaining its position as the world's largest retailer. In today's highly competitive environment, achieving that goal often means sourcing products from factories located in developing countries.

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IN CHINA

- Walmart China began in 1996 with the opening of a supercenter and Sam's Club in Shenzhen.
- Currently, Walmart operates a number of formats and banners in China including Supercenters, Sam's Clubs, and Neighborhood Markets.
- As of February 28, 2013, Walmart operated more than 390 units in over 150 cities in 21 provinces, autonomous regions and 4 municipalities, and had created approximately 100,000 job opportunities across China.
- Wal-Mart sources about \$9 billion goods from China in 2013, everything from hammer and toys to high-definition televisions.

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CRITICISMS

- Wal-Mart has been subject to criticism from numerous groups and individuals.
- Criticisms include the corporation's foreign product sourcing, employee compensation and working conditions, environmental practices, the use of public subsidies.
- Accused of unfair labor practices, including using child labor, forcing employees to work 16-hour days on fast-moving assembly lines, and paying workers less than minimum wage.
- Wal-Mart denies doing anything wrong and maintains that low prices are the result of efficiency.

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Wal-mart has been accused of buying from companies that use sweatshop labor. In your opinion, is this a fair criticism of Wal-Mart?

Wal-Mart recognizes that some companies in developing countries use sweatshop labor. In an effort to ensure that it is not sourcing goods from these suppliers, Wal-Mart has developed an auditing system that lays out exactly what is permissible, includes surprise visits to companies, and levies penalties on companies where sweatshop conditions are found.

- Unfair because many companies in China conceal abuses; keeping double sets of books to fool auditors and distribute scripts for employees to recite if they are questioned.

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Sweatshop (or sweat factory) is a negatively connoted term for any working environment considered to be unacceptably difficult or dangerous. Sweatshop workers often work long hours for low pay, regardless of laws mandating overtime pay or a minimum wage. Child labor laws may be violated. Sweatshops may have hazardous materials and situations. Employees may be subject to employer abuse without an easy way, if any, to protect themselves.

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What role do consumers play in creating an incentive for factory owners in developing countries to use sweatshop labor?

- American consumers continually demand lower prices from their Chinese suppliers, allowing American consumers to enjoy inexpensive clothes, sneakers, and electronics.
- But factory managers in China complain that US price pressures create a powerful incentive to cheat on labor standards that American companies promote as a badge of responsible capitalism.
- These standards generally incorporate the official minimum wage set the local governments.
- As consumers we are definitely benefiting from the low prices at Wal-mart, along with the competition that it brings to the market.
- Although initially, one may think that they would be willing to pay the high price, but if one really thinks about it then they realise that, that is not the case and when push comes to shove, they may not actually follow through.
- All rationally thinking consumers would opt for the lower prices which in a way pushes the factory owners to produce at the lowest possible cost so as to increase their revenue

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When the company forces the factory owners to produce at the lowest possible cost so as to increase their revenue
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Sweatshop (or sweat factory) is a negative working environment considered to be unsafe and dangerous. Sweatshop workers often work long hours regardless of laws mandating overtime pay. In many countries, labor laws may be violated. Sweatshops may be subject to various situations. Employees may be subject to various situations. It is an easy way, if any, to protect

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Do you think consumers will be willing to pay more for products if it meant that sweatshop conditions were eliminated?

- to knowingly buy products from a company with substandard working conditions is a violation of basic human ethics.
- cannot force suppliers to adopt specific practices and policies toward labor.
- pushing American practices on Chinese companies is ethnocentric, and that for many Chinese the prospect of having a job, even in poor working conditions, is better than having no job at all.
- stores across America and other countries clearly enjoy the low prices, the huge variety of goods on sale, and the efficient service.
- a market-based approach has the potential for generating enough incentives for consumers willing to pay more for sweat-free products and producers interested in expanding their sales revenues—to eliminate many forms of sweated labor, provided that manufacturers can be made to see the possibilities of carving out and capturing more profitable niche markets
- effective international monitoring of worker rights to reassure conscientious consumers that the added premiums they pay for labelled products will result in real improvement on the factory floor

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