Kennedy School of Government
Case Program

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"No Sweat": The Privatization of Enforcement

On August 2, 1995, federal inspectors discovered 72 Thai immigrants being held in virtual slavery in an El Monte, California garment factory, where they were forced to work as much as 17 hours a day inside a guarded, barbed-wired, apartment compound. Earning as little as 70 cents per hour, they were sewing garments destined for some of America's major retailers.[1]

The pubic was outraged. The revelation was a potential embarrassment for the Clinton administration which had championed worker's rights both at home and around the globe.[2] The Department of Labor (DOL) was aware, moreover, that while the conditions at the sewing shop in El Monte were extreme, they were by no means unique.

Although the decentralized and fragmented nature of much of the garment industry made it hard to track, federal studies consistently pointed to a growing increase in the number of workplaces in the United States which failed to comply with the pay and safety standards prescribed by law. DOL officials estimated that minimum wage and overtime violations, two of the basic parameters that defined the term sweatshop, prevailed in more than half of the 22,000 sewing businesses in the country.

The enforcement strategy pursued for 50 years by the DOL's wage and hour division under the Fair Labor Standards Act appeared to be inadequate to protect the rights of tens of thousands of workers laboring in the subterranean level of the glittering world of fashion.

1 *Associated Press*, August 15, 1995. During the raid, inspectors found invoices from 14 manufacturers and labels for 18 retailers. Among the retailers were Macy's, Robinson's May, Sears, Montgomery Ward, Filene's, Neiman Marcus, Dayton Hudson, Lerner, and Broadway.

2 In 1993, the secretary of labor outlined a strategy to focus on low-wage worker industries, including the garment industry.

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Profits At a Price

The nation's garment industry grossed $45 billion in 1995 and had more than 1 million workers. The "food chain" of garment production started with the retailer, who contracted with a manufacturer who, in turn, subcontracted much of the low wage work to sewing contractors. These operations employed people who were often paid on a piecework basis that added up to far less than the minimum wage of $4.25 an hour and did not include benefits.

Despite a ledger of laws against them, sweatshops had made a remarkable comeback in America.[3] Clothing designers and retailers sought a competitive edge in fast delivery and high turnover. New technological advances in stocktaking, labeling, and cash registers enabled retailers to boost their profit margins by determining instantly what was selling and ordering more of it, instead of stocking up on goods that may or may not catch buyers' eyes. But this system required rapid response by suppliers, which favored domestic manufacturers. The pressure on those manufacturers to produce garments quickly without giving foreign imports too wide a cost advantage tended to drive down wages and working conditions.

A 1994 survey of garment contractors in California found that 51 percent did not pay minimum wage, 68 percent did not pay overtime; 73 percent did not keep adequate payroll records; and 93 percent did not provide safe or healthy work environments. A 1995 audit in New York disclosed that over 60 percent of the contractors did not pay minimum wages and overtime.[4]

An Industry of Immigrants

The re-emergence of sweatshops mostly involved immigrant labor, and was concentrated in California, Texas, Florida, New York, and other gateways of human influx. Such factories were often owned by newcomers from Asia, who exploited other immigrants, many of them illegal, either from Asia or Latin America. In New York, Koreans owned up to 40 percent of the city's 4,000 contract sewing shops, Chinese immigrants owned almost all the rest. The Korean-owned shops attracted Latino workers, while the Chinese-owned shops tended to hire only other Chinese. Many Chinese sweatshop workers were indentured servants laboring under a form of debt bondage to pay off the heavy cost of being smuggled into the United States.

Workers in these New York shops typically toiled at their sewing machines and steam presses for up to 60 hours a week in a room with exposed wires hanging from the ceiling, small fans serving as the only source of ventilation, and no fire exits. Wages, usually paid in cash to

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3 Historians usually cite as their example the Triangle Shirtwaist Factory fire in New York in 1911, in which 146 garment workers—many of them young girls—were killed because the employer had locked the exit.

4 Department of Labor, 1996.

avoid taxes, were often arbitrarily cut or delayed if the employer ran short of funds.[5] Employees who missed a day would be illegally "fined" thirty dollars, on top of losing a day's pay. There were no vacations and rarely did a worker get a whole weekend off. Yet for many of the workers, who were illegal immigrants in the first place, a sub-minimum wage in the United States was generally more than they could earn in their homelands.

Most illegal immigrants were unaware that they too were covered by the wage and hour laws. Their ignorance of their rights was often compounded by a fear of seeing a badge, and by their generally uncomfortable experiences with law enforcement. Their employers, moreover, often were small undercapitalized businesses whose average life was less than three years, making it easier to escape compliance with labor, tax, and immigration laws. Some periodically relocated and opened under new names to avoid detection.

The labor union movement also faced conflicting priorities. While they strongly supported wage and hour regulations and were ever hopeful of eventually organizing workers in sweatshops, they perceived a discriminatory impact in many immigration rules. This led to an ironic situation where the Garment Workers' Justice Center in New York, a branch of the Union of Needle Trades, Industrial, and Textile Employees, distributed pamphlets in English, Spanish, and Korean that advised shop owners and workers how to fend off searches by the Immigration and Naturalization Service and DOL agents.[6]

Institutional Handicaps

Shortly after he assumed office in January 1993, President Clinton had mandated that all federal agencies cut their personnel by 12 percent. At the time, the Labor Department's Wage and Hour Division had only 800 inspectors. They were responsible for enforcing the labor laws of the nation's entire civilian work force of 110 million in 6.5 million workplaces. The division had been created in 1938 to enforce the Fair Labor Standards Act's rules on minimum pay and maximum hours (beyond which workers were due overtime pay.)[7] The legislation gave the DOL the job of penalizing violating employers and preventing goods produced in violation of the act from being shipping in interstate commerce.[8]

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5 *Washington Post*, February 16, 1997. In one case, Ms. Aurora Blancas, who worked at the sewing shop called New Young Fashions in New York said that the owner, Kim Young Han, paid her less than the $160 a week she was promised. She worked six days a week, starting at 7:30am and finished at 6pm each weekday. Her pay averaged at $2.54 an hour.

6 *Washington Post*, February 16, 1997.

7 Minimum wage was initally set at $.25 an hour. It rose to $.40 in 1945; $.75 in 1949, $1.00 in 1955; $1.25 in 1961;$1.60 in 1966; $2.30 in 1974; $3.35 in 1981; $4.25 in 1989; and $4.75 in 1996. The first year of the FSLA mandated a 44 hour week. This dropped to 42 hours in the second year and to the present level of 40 hours a week by the third year of the act, 1941.

8 This became known as the "Hot Goods Provision." However it did not apply to goods sold in the same state in which they were manufactured.

The prospects for dealing with resurgent sweatshops by strengthening the force of Wage and Hour Division investigators was grim. Only a small fraction of the division's resources were—or could be—devoted to garment industry compliance and enforcement. There were also tensions within government over the priority of enforcement versus its implications for employment. For example, New York's Mayor Rudolph Giuliani, who relied on a strong Asian immigrant vote to get elected, prohibited city authorities from sharing information with federal officers from the Immigration and Naturalization Service[9] of unlawful labor activities involving shops employing illegal aliens. California's Governor Pete Wilson had twice vetoed legislation that would hold manufacturers jointly liable for wage violations at sewing shops with which they subcontracted for fear that it would drive the apparel trade, which employed over 100,000 workers, from his state.[10]

Responsibility and Compliance

Experience had shown regulators that if scofflaws gained a cost advantage over good corporate citizens—due to feeble enforcement—the level of compliance would erode even among firms reluctant to run sweatshops. A DOL analysis of two identical shirts, one made by a worker receiving the minimum wage, the other made in a sweatshop, revealed that the price to the consumer was $1.25 more for the shirt produced by a properly paid worker—not an astronomical sum, but more than enough to confer an edge in the fiercely competitive garment industry.[11]

Market pressures, unconstrained by effective regulation, gave strong incentives to cut corners on wage and hour laws. Contractors argued that price slashing by retailers forced them to illegally cut their overheads simply to keep pace with the competition. The National Retail Federation, which represented 2,000 major US retailers, blamed sweatshop conditions squarely on the subcontractors. "The retailers don't employ those workers," said Pamela Rucker, a spokeswoman for the federation. Asserting, "It's not the retailers who are reaping the benefits from these criminal activities. It's the greedy subcontractor."[12] The very nature of the "food chain" system in the garment industry seemed to effectively insulate the big name stores and fashion labels, allowing them to plead ignorance of the sweatshop conditions in which their clothes were sewn. While many major retailers had quality-control inspectors who regularly visited the shops to monitor the caliber of work and its timeliness, under the law retailers could

9 The Immigration and Naturalization Service, which had 1,700 inspectors, spent about 20 percent of their time enforcing immigration law at work sites of all kinds.

10 *Los Angeles Times*, August 26, 1995.

11 *Washington Post*, February 17, 1997. The cost of labor for a shirt made under the proper wage conditions worked out to be 8 percent of the unit cost. In contrast, by the time most garments from sweatshops made it to the retail level through a system of mark-ups, the cost of labor typically accounted for less than 3 percent of the label price on domestically made goods and less than one-half of 1 percent for garments sewn abroad. Anecdotal evidence from Nancy Penaloza, who worked for a Korean-owned sewing shop for nine years. She claimed that she earned $6 for each high-quality woman's suit she made, which then sold for $120 or more at such stores as Ann Taylor and J.C. Penny.

12 Ibid.

only be held liable if they had "direct knowledge" of labor violations involved in producing their goods.

In early 1995, Secretary of Labor Robert B. Reich and Labor Department officials met to review the department's plans for combating sweatshops. Maria Echaveste, the administrator of the Wage and Hour Division, began the review by noting that "we measured 'success' by the number of investigations that were performed, the number of violations found, the number of back wage dollars we collected, and the number of civil money penalties that were assessed. However, much of the data did not tell us whether we were having an impact on the compliance level of these industries. We also realized that with dwindling resources, we could not continue to do business as usual."[13] The core problem was that, by a clear-eyed reckoning, the financial incentive to keep sweatshops operating outweighed the expected liability for most firms. Since operating a sweatshop was not a criminal offense punishable by imprisonment, the calculation in monetary terms was simple: The probable cost of fines (weighed by the low odds of being inspected) was less than the potential commercial gains to be made. The challenge, therefore was to come up with an alternative that raised the risk of non-compliance to an unacceptable level.

Reich warned that "retailers and manufacturers, as groups, had chosen to ignore their responsibility to keep the streams of commerce free of goods which were produced by employees paid illegally." The biggest obstacle had been getting the higher tier players to accept their role in increasing compliance with basic labor laws at the sewing contractor level.[14]

The policy planners knew that there was no one solution that could put an end to this problem. But one intriguing model was to inject incentives for companies from the top of the industry down through the "food chain," rather than continue the traditional bottom up approach of investigating individual contractors. The questioned remained, how could this be implemented given the limited resources and powers of the DOL?

Learning the Hard Way

Prior to becoming the twenty-second secretary of labor in January 1993, Reich had taught public policy at Harvard University's John F. Kennedy School of Government for more than a decade. He recalled that as a academic, he ascribed to the lofty notion that "the press and public opinion were largely separate from policy making" —a view he quickly changed when he assumed office.[15]

13 Labor Department submission to Harvard University's Innovation in American Government Program, 1996.
14 Robert Reich, interview with author, March 18, 1997.
15 Ibid.

Reich's "reeducation" began soon after he arrived in Washington with an incident that became known as "Tommy the Bat Boy." Fourteen year-old Tommy was the bat boy of a minor league farm team for the Atlanta Braves, whose owner, Ted Turner, also owned CNN. Someone informed the Labor Department that the baseball team was violating the child labor law by employing the boy. Tommy lost his job. Almost overnight, it became a national news story. The Atlanta Braves announced that they would hold a "Tommy-the-Bat-Boy Night" in their 60,000 seat stadium. The Labor Department was deluged with letters and calls from parents and sports fans irate about what they saw as mindless government meddling. Finally, an exasperated Reich overruled standard procedures and Tommy was once again allowed to be a bat boy.

The incident taught Reich several things. First, the press was inextricably involved in policymaking. It had the capacity to mobilize public opinion and could continually frame public policy debate. Secondly, for the press to be interested in an issue, it had to have an "edge." There had to be a sense of scandal or confrontation. It had to say "gotcha!" Media exposure of a sweatshop was a story with an "edge." It had all the necessary elements of conflict: rich versus poor; government versus private enterprise; large corporations versus small entrepreneurs.

In their brainstorming sessions, the policy planners played with the following questions:

- How could we make reluctant retailers take responsibility for their suppliers' working conditions?
- How could we work with the press to frame the issue advantageously and empower the public to become an active policy players?
- Given the press' resistance to "packaged news," how could we create a story the press felt it owned?

After the "Tommy-the-bat-boy" incident, Reich started meeting twice a week with reporters at informal "brown-bag" lunches in his office. He developed a healthy respect for the journalists and found that they had a high degree of sophistication as to what was going on in his department. Reich began to understand that there would always be a certain tension between the press and policymakers, but a working relationship was possible; among the "beat" reporters, (individuals who regularly covered labor affairs) he made a number of friends.

Ethical Judgments

At the same time that the DOL was trying to frame its policy on sweatshops, the Clinton administration and Congress were at loggerheads over welfare reform. Both wanted to "end welfare as we know it." Conservative lawmakers, irate over out-of-wedlock births and drug usage, bandied about the idea of using shame as a way of embarrassing people off government-funded programs. The notion recalled social control conventions from America's Puritan heritage, as depicted in the novel by Nathaniel Hawthorn, *The Scarlet Letter*.

Reich thought it equally valid to invoke shame when powerful economic institutions behaved irresponsibly. Might these economic behemoths have a vulnerability—their dependence on image—that enforcers could exploit?

As a strategy began to crystallize around this notion, the planners realized that if a "persuasion" campaign were to work in the long-term, the government would have to offer the garment industry a public-relations carrot as well as the stick. The DOL needed to devise ways of increasing the payoff for of those corporations which *were* assuming responsibility for monitoring contractors.

After several months of deliberation, the policy committee came up with the outline of a plan they dubbed, "No Sweat." It had four strategic elements:

- Involve the more stable and visible retailers and manufacturers and make explicit their duty to increase compliance in all tiers of industry.
- Use the media to amplify the impact of enforcement events and garner the support of public opinion.
- Invoke to the fullest extent the "hot goods" provision of the Fair Labor Standards Act which makes it illegal to ship goods in interstate commerce that are made in violation of the law.
- Use strike forces and, where possible, involve state and other federal agencies having similar missions.[16]

The "No Sweat" plan marked the most aggressive example of delegating to firms "downstream" the chore of policing their suppliers to solve compliance problems. They already had the capacity: retailer and manufacturing monitoring programs were known to reach a larger number of contractors more quickly than individual investigations by the Wage and Hour Division. The trick was to give them the incentive. By heightening public awareness, the government hoped to embarrass the industry into greater self-monitoring. The "Scarlet Letter" approach of regularly publicizing the names of companies found in violation of the law could trigger consumer protests, diminish a label's luster, and ultimately imperil a corporation's bottom line.

Going Public

At the end of July 1995, the Los Angeles office of the Wage and Hour Division phoned Echaveste to report that one of their informants had tipped them off to an Asian-run sweatshop

16 *Women's Wear Daily*, November 6, 1997. The first federally-led, multi-government agency task force to monitor the garment industry was set up in California in 1992 under the Targeted Industries Partnership Program (TIPP). By the end of 1995, it had made 1,617 inspections, assessed penalties of $13.4 million, and recovered $6.4 million in back wages. Department of Labor, 1996. Nationally, the Department of Labor estimates that $8.4 million in back wages was collected over that three-year period.

factory in El Monte, California. After observing the location for several days, the agents decided that it was ripe for a raid. Based on the description she had been given by her agents of slave-like conditions at the factory, Echaveste had a gut feeling that this was the "gotcha" story that would make the public take notice. She conferred with Reich. It was decided that the department should leak news of the impending raid to a reporter from the *Los Angeles Times*. Another call was made to *Women's Wear Daily* in New York.

Although some elements of the "No Sweat" program were in operation as early as 1993, such as strike force raids and using the hot goods provision of the Fair Labor Standards Act, Reich used the public outrage over the El Monte incident to launch a publicity offensive and breathe life into the initiative. The next step of the plan called for a "retail summit" in New York in September where the nation's major retailers were charged with taking responsibility for the sweatshop problem. By the end of the year, more than 200 retailers signed the *National Retail Federation's Statement of Principles* committing them to combat violations.

The high-profile media efforts were given a further boost in early November, when Marymount University in Arlington, Virginia released results of a poll of over 1,000 consumers showing that 84 percent would pay an extra $1.00 on a $20 garment that was guaranteed to be made in a legitimate shop, while 78 percent would avoid retailers who sold garments made in sweatshops. Two weeks later, a US District Court in Knoxville, Tennessee granted the Department of Labor a temporary restraining order against a garment contractor, Hall Manufacturing, Incorporated to prevent the shipment of goods made in its sweatshop from leaving the state. What had once been an obscure legal action had suddenly become a national news item. Retailers were sent a new, powerful message. The industry's "food chain" turned out to have a weak link at the top.

With public awareness beginning to take hold, the DOL set up a Fashion Trendsetter List of retailers and manufacturers who had pledged to help eradicate sweatshops in America and ensure that their shelves were stocked only with "No Sweat" garments. The list was posted on the Internet and updated regularly.[17] (See Exhibit 1.) By the start of 1997, 31 companies had signed on. Many in the garment industry were incensed by the list, asserting it constituted a "good buyer's guide." The government contended that it was merely meant to identify those firms which had pledged to follow the "No Sweat" policy and convey this information to consumers who could chose to use or not in their purchasing decisions.[18]

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17 www.dol.gov.

18 *Los Angeles Times*, July 31, 1996. The credibility of the Fashion Trendsetter List had been brought into question within months of its inception. In December 1995, Guess Inc. was put on the roster as one of the "original" stakeholders. However, in July 1996, six months later, California authorities uncovered contractors who were still producing garments for Guess operating illegal home-sewing operations in Los Angeles and the San Gabriel Valley. The company was struck off the list until it could prove it was in compliance. Guess, which were the first major garment manufacturer to establish a monitoring program in 1992, denied the charges.

The "No Sweat" program had yet to undergo any formal evaluation process.[19] But informal evidence suggested that the top levels of the industry were beginning to take seriously their role as private enforcers. A random survey by Wage and Hour Division inspectors of 76 sewing contractors in the Los Angeles area in 1996, for example, found that 48 percent were being monitored by manufacturers.[20] The improvement was attributed to the effort of the Los Angeles Compliance Alliance,[21] a partnership between the DOL and 13 manufacturers (with combined sales of $1 billion) who monitored more than 700 contractors.[22]

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19 In 1996 the "No Sweat" program was selected for the Innovations in American Government Award by the John F. Kennedy School of Government, Harvard University.

20 Department of Labor, 1996.

21 Founded on June 21, 1995.

22 *Women's Wear Daily*, November 6, 1996. As of November 1996, 48 California manufacturers had signed the Labor Department's agreement to set up a mandatory monitoring program. There were approximately 1,500 manufacturers and 6,000 contractors in California.

Exhibit 1

NO SWEAT Help End Sweatshop Conditions for American Workers U.S. Department of Labor

List of Fashion Trendsetters

The retailers and manufacturers listed below have all pledged to help eradicate sweatshops in America and to try to ensure that their shelves are stocked with only "NO SWEAT" garments.

This list is based on the voluntary efforts of the listed companies. They have agreed to: demonstrate a commitment to labor laws; cooperate with law enforcement agencies when violations of the law are found; and monitor working conditions, for example by contracting with suppliers who monitor contractors or by conducting supplier site visits. (Companies not on this list may also follow these practices).

The *Trendsetters List* is still open. Any company interested in joining the list may contact the U.S. Department of Labor at: Trendsetters, 200 Constitution Ave., NW, Washington, DC 20210. The *Trendsetters List* is not a "Where To Shop" list. A company's inclusion in the list does not constitute an endorsement by the U.S. Department of Labor.

- Army Air Force Exchange Services
  - Post Exchanges
  - Base Exchanges
- Baby Superstore
- C.I. Castro
  - C.I. Castro
  - Jayne Copeland
  - Cookie Crunchers
- Carson Pirie Scott
  - Carson Pirie Scott
  - Boston Stores
  - Bergner's
- Cee Sportswear
  - Cee Sport
- Chorus Line
  - All That Jazz
  - Molly Malloy
  - Jazz Kids
  - More Jazz
  - Jazz Sport
- Gerber Childrenswear
  - Gerber
  - Curity
- Podell Industries Inc.
  - Laundry by Shelly Siegel
  - Shelly Siegel
  - Laundry Stores
- Quiksilver
  - Quiksilver
  - Que
  - Pirates Surf
  - Raison
  - Leiani
  - Radio Fiji
  - Roxy
  - QSD
- Reebok International Ltd.
  - Reebok Stores
  - Reebok
  - The Rockport Company
  - Greg Norman
- Superior Surgical Manufacturing
  - Fashion Deal Uniforms
  - Worklon
  - Appel Uniforms
  - Martins Uniforms
  - Universal Cottons
  - Superior Surgical International

Exhibit 1 (cont.)

- Jerell, Inc.
  - Ali Myles
  - Stoneridge
  - Melissa
  - Stephanie Thomas
  - Sandra S.
  - Lindsey Scott
  - Victoria Morgan
- Jessie McClintock
  - Lessie McClintock
  - Gunne Sax
  - Scott McClintock
- Jones Apparel Group
  - Jones NY
  - Jones NY Sport
  - Jones & Company
  - Jones Studio
  - Jones NY Suits
  - Jones NY Dress
  - Rena Rowen for Saville
  - Evan Picone
  - Lauren Ralph Lauren
- Kellwood
  - Robert Scott/David Brooks Outlet
  - Robert Terry
  - David Brooks
  - Robert Scott
  - DeCorp
- L.L. Bean
- Lambchop
  - Kathie Lee Gifford Product Line
- Lands End
- Levi Strauss and Company
  - Levi's Only Stores
  - Docker's Only Stores
  - Levi's
  - Dockers
  - Brittania
  - Slates
- Liz Claiborne
  - Liz Claiborne Stores
- Talbot's
  - Talbot's Stores
  - Talbot's
- The Gap
  - The Gap
  - GapKids
  - BabyGap
  - Banana Republic
  - Old Navy Clothing Company
- The Limited
  - Express
  - Lerner
  - Lane Bryant
  - Limited Stores
  - Henri Bendel
  - Structure
  - Ambercrombie and Fitch
  - The Limited Too
  - Gaylans Trading Company
  - Victoria's Secret Stores and Catalogue
  - Bath and Body Works
  - Cacique
  - Penhaligon's
- Third Generation
- VF Corporation
  - VF Factory Outlet
  - Wrangler
  - Lee
  - Riders
  - Rustler
  - Marithe & Francois Girbaud
  - Cutler's
  - Jantsen
  - Jansport
  - Bassett-Walker
  - Vanity Fair
  - Vassarette
  - Lou
  - Healthtex
  - Red Kap
  - Lee Sport
  - Big Ben
  - Bolero
  - Intima Cherry
  - Carina

Exhibit 1 (cont.)

Dana Buchman Stores
Elisabeth Stores
Claiborne Stores for Men
Liz Claiborne Collection
LizSport
LizWear
LizNight
Liz Claiborne Dresses
Dana Buchman
dana b. and karen
Elisabeth
Liz & Co.
Claiborne for Men
Emma James
Russ
First Issue
Villager

- Malco Modes
- NFL Properties
- Nicole Miller
  - Nicole Miller Stores
  - Nicole Miller
- Nordstrom
- Patagonia
  - Patagonia Stores
  - Patagonia

Variance
Gemma
Siltex
Nutmeg
Maverick

- Warnaco
  - Olga/Warner Stores
  - Warners
  - Olga
  - Clavin Klein Lingere
  - Valentino Intimo
  - Scassi
  - Van Raalte
  - White Stag
  - Fruit of the Loom
  - Speedo
  - Chaps by Ralph Lauren
  - Clavin Klein
  - Hathaway
  - Catalina

- Guess Inc.

  Guess is on probation. The U.S. Department of Labor hsa concluded that Guess' monitoring program is ineffective and the department will review the company's monitoring program within 60 days to determine Guess' future status as a Trendsetter.

Companies

- **Army Air Force Exchange Services**

  AAFES operates **Post Exchanges and Base Exchanges**at 10,432 locations around the world, with 1995 sales of $6.7 billion. Major General A.D. Bunger is head of the organization which provides department store services and merchandise to military installations around the globe.

- **Malco Modes**

  Selling under the **Malco Modes** label, the company manufactures bridal slips, western wear and specialty children's underwear. All of its production is done in-house. Co-owners are Ronald Malouf and Jim Baba.

- **NFL Properties**

Exhibit 1 (cont.)

- **Baby Superstore**

  Baby Superstore had 1995 sales figures of $291.2 million with 76 **Baby Superstores** in 22 states. Jack Tate is chairman of the board and CEO. This company was on the 1995 Trendsetter List.

- **C. I. Castro**

  C. I. Castro is a privately held manufacturer of children's apparel. It manufactures under several labels including **C.I. Castro** (infant and toddler dress line); **Jayne Copeland** (girls' dresses); and **Cookie Crunchers**(infant to 6x playwear). Charles Castro, Jr. is the president. C.I. Castro is located in San Antonio, Texas.

- **Carson Pirie Scott**

  A Midwest-based department store chain, Carson Pirie Scott had 1995 sales of $1.05 billion. Its stores operate under the trade names **Carson Pirie Scott, Boston Stores** and **Bergner's**. This retailer has 53 traditional department stores and four furniture stores in Chicago, Indiana, Minnesota, central Illinois and Wisconsin. Stanton Bluestone is chairman and CEO. This company was on the 1995 Trendsetter List.

- **Cee Sportswear**

  Cee Sportswear is a Southern California manufacturer of ladies' and children's sportswear, selling under the **Cee Sport** name. It had sales of $55 million in 1995

- **Chorus Line**

  Chorus Line is a Souther California manufacturer with two manufacturing

Licensees of NFL Properties include Starter, Logo Athletic, Champion, Lee Sport and Fruit of the Loom. Retail partners include Foot Locker, Champs, Sports Authority, JCPenney and Walmart. It has 275 licensees and its president is Sara Levinson. In 1995, it had approximately $3 billion in sales. This company was on the 1995 *Trendsetter List*.

- **Nicole Miller**

  Nicole Miller is a New York manufacturer of women's and men's apparel and accessories with 1995 sales of $60 million. Its goods are sold under the **Nicole Miller** label and there are 30 **Nicole Miller** stores nationwide. The CEO is Bud Konheim. This company was on the 1995 *Trendsetter List*.

- **Nordstrom**

  Nordstrom operates 83 stores in 17 states and had 1995 annual sales of $4.1 billion. Based in Seattle, Erik Nordstrom is its co-president and Raymond Johnson its co-chairman. This company was on the 1995 *Trendsetter List*.

- **Patagonia**

  Patagonia is an outdoor and sportswear company with $154 million in 1995 sales. A manufacturer, retailer, and catalogue retailer, the company has 23 retail stores worldwide. Dave Olsen is its CEO. This company was on the 1995 *Trendsetter List*.

- **Podell Industries Inc.**

  With 1995 sales of $65 million, Podell sells under the **Laundry by Shelly Siegel** and **Shelly Siegel** labels. The company also operates 3 **Laundry** retail stores. Anthony Podell is its CEO.

Exhibit 1 (cont.)

locations and 6 outlet stores in California. Its 1995 sales were $200 million in junior and children's dresses and sportswear sold under **All that Jazz, Molly Malloy**, **Jazz Kids, More Jazz** and **Jazz Sport**. Barry Sacks is its CEO.

- **Gerber Childrenswear**

  Selling under **Gerber** and **Curity,** Gerber had $200 million in 1995 sales. Edward Kittridge is CEO. This company was on the 1995 Trendsetter List.

- **Jerell Inc.**

  Jerell had 1995 sales of $48 million selling under the **Ali Myles, Stoneridge, Melissa, Stephanie Thomas, Sandra S, Lindsey Scott,** and **Victoria Morgan** labels. Located in Dallas, the CEO, Ed Vierling, is currently active in organizing a Dallas-area compliance alliance.

- **Jessica McClintock**

  Jessica McClintock is CEO of the company bearing her name with 24 stores throughout the U.S. Labels include, **Jessica McClintock, Gunne Sax** and **Scott McClintock**. This company was on the 1995 Trendsetter List.

- **Jones Apparel Group**

  Jones Apparel Group had 1995 sales of $776 million. It owns and operates 200 retail stores nationwide and sells under the labels **Jones NY, Jones NY Sport, Jones & Company, Jones Studio, Jones NY Suits, Jones NY Dress, Rena Rowan for Saville, Evan Picone,** and **Lauren Ralph Lauren.**

- **Kellwood Robert Scott/David Brooks**

- **Quiksilver**

  Robert McKnight is CEO of Quiksilver which manufactures under the labels: **Quiksilver, Que, Pirates Surf, Raison, Leiani, Radio Fiji, Roxy, QSD**. It had sales of $190 million in 1995.

- **Reebok International Ltd.**

  A sports apparel and shoe manufacturer and retailer, Reebok had 1995 sales of $3.5 billion. Its products sell under the labels **Reebok, The Rockport Company** and **Greg Norman.** With 1,500 Rebok retail stores, Paul Fireman is Reebok's CEO.

- **Talbot's**

  A national retailer, manufacturer and catalogue retailer, Talbot's had 1995 sales of $981 million. Ninety-seven percent of its sales are from **Talbots** private label garments. There are over 500 Talbot stores nationwide and a nationwide catalog business. Its CEO is Arnold B. Zetcher.

- **Superior Surgical Manufacturing**

  Superior Surgical Manufacturing had 1995 gross sales of $135 million. It manufactures under 's**Fashion Seal Uniforms, Worklon, Appel Uniforms, Martins Uniforms, Universal Cottons, Superior Surgical International.** Gerald M. Benstock is its CEO. This company was on the 1995 *Trendsetter List*

- **The Gap**

  The Gap had sales of $4.39 billion in 1995. Its stores and labels includeGap, **GapKids, BabyGap, Banana Republic, Old Navy Clothing Company.** With over 800 stores world wide, the company's CEO is Millard S. Drexler. This company was on the 1995

Exhibit 1 (cont.)

Kellwood Robert Scott/David Brooks Division and DeCorp Division

KellWood's **Robert Scott/David Brooks Division** has 12 retail stores operating as **Robert Scott/David Brooks Stores** and produces ladies' apparel under the labels **David Brooks, Robert Scott, and Robert Terry**. Andrew Stich is the president and CEO of the **Robert Scott/David Brooks Division**. Kellwood's **DeCorp Division** is exclusively a private label manufacturer and has Robert Adler as its CEO. Hal Upbin is President and CEO of Kellwood

- **L.L. Bean**

L.L. Bean is a national catalog company, manufacturer and retailer with 1995 sales of $1.26 billion. Manufacturing and selling under the **L.L. Bean** label, it has only one retail store, 6 factory stores and a nationwide catalog business. Its CEO is Leon Gorman

- **Lambchop**

Lambchop licenses and markets ladies' apparel under the **Kathie Lee Gifford** label. Its president is Kathie Lee Gifford.

- **Lands End**

Lands End had 1995 gross sales of $1.03 billion. A catalog retailer with retail **Lands End** stores in Wisconsin, Illinois, Iowa, Minnesota, and New York, its CEO and president is Michael Smith. This company was on the 1995 Trendsetter List.

- **Levi Strauss and Company**

A privately held company, Levi Strauss had $6.7 billion in 1995 sales. The company is primarily a

Trendsetter List.

- **The Limited**

The Limited is a diversified retailer operating under the store names of **Express** (737 stores), **Lerner** (835 stores), **Lane Bryant** (828 stores), **Limited Stores** (689 stores), **Henri Bendel** (4 stores), **Structure** (518 stores), **Abercrombie and Fitch** (100 stores), **The Limited Too** (214 stores), **Gaylans Trading Company** (6 stores), **Victoria's Secret Stores and Catalogue** (995 stores), **Bath and Body Works** (498 stores), **Cacique** (120 stores), and **Penhaligon's** (4 stores). Combined 1995 sales were in excess of $7.8 billion. Based in Columbus, Leslie Wexner is the CEO. This company was on the 1995 *Trendsetter List*.

- **Third Generation**

Third Generation is a privately held manufacturer with sales in 1995 of $15 million and 4 manufacturing facilities in South Carolina. Guy Epstein is the president.

- **VF Corporation**

A diversified apparel manufacturer, VF Corporation had 1995 sales of $5.06 billion. It operates 49 **VF Factory Outlets** and 120 U.S. manufacturing facilities selling apparel under the labels of **Wrangler, Lee, Riders, Rustler, Marithe & Francois Girbaud, Cutler's, Jantsen, Jansport, Bassett-Walker, Vanity Fair, Vassarette, Lou, Healthtex, Red Kap, Lee Sport, Big Ben, Bolero, Intima Cherry, Carina, Variance, Gemma, Siltex, Nutmeg,** and **Maverick.** Mackey J. McDonald is the president and CEO.

Exhibit 1 (cont.)

The company is primarily a manufacturer with several of its own retail outlets **Levi's Only and Dockers' Only**. Robert Haas is its CEO. Labels include **Levi's, Dockers, Brittania, and Slates.** This company was on the 1995

- **Liz Claiborne**

  Liz Claiborne, a men's and women's apparel manufacturer and retailer, had 1995 gross sales of $2.08 billion. While primarily a manufacturer, Liz Claiborne has more than 100 stores around the country **Liz Claiborne, Dana Buchman, Elisabeth,** and **Claiborne for Men.** Labels include **Liz Claiborne Collection, LizSport, LizWear, LizNight, Liz Claiborne Dresses, Dana Buchman, dana b. and karen, Elisabeth, Liz & Co., Claiborne, Emma James, Russ, First Issue,** and **Villager.** Paul Charron is CEO of Liz Claiborne. This company was on the 1995 *Trendsetter List.*

- **Warnaco**

  Linda Wachner is CEO of Warnaco, a diversified manufacturer of ladies and men's apparel and lingerie. Its 1995 sales were $916.2 million. It manufactures under labels including, for intimate apparel for women: **Warners, Olga, Calvin Klein, Valentino Intimo, Scassi, Van Raalte, White Stag, Fruit of the Loom,** and **Speedo**. Menswear: **Chaps by Ralph Lauren, Calvin Klein, Hathaway, Catalina**. In addition it operaates 56 **Olga/Warner Stores.**

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"No Sweat": The Privatization of Enforcement
Epilogue

Ten months after its dramatic launch, the "No Sweat" program appeared to be running out of steam. The "edge" of the El Monte incident was gone. Once again, the Department of Labor needed a compelling story to ignite the public's indignation.

The opportunity came in May 1996 when the federal investigators raided a New York sweatshop that produced apparel for Wal-Mart department stores bearing the "Kathie Lee" label. A few weeks later, news broke that Kathie Lee's clothes were also being sewn together by 13-year old girls in Honduras for 31 cents per hour. Almost overnight, Kathie Lee Gifford, a former beauty queen and current host of a nationally syndicated daytime television talk show, became the object of intense public scrutiny. The pressure became so great that she broke down in tears before millions of her viewers.

Despite her public apologies and attempts to personally compensate the underpaid workers in New York, Kathie Lee could not shake the stigma that was attached to her name. Reich seized the moment. She was invited to meet the secretary of labor and arrived in Washington with her public relations consultant in tow. Rather than chastising Kathie Lee, he convinced her that she could emerge from this debacle with dignity by using her stature to speak out against such labor abuse.

Kathie Lee signed on. She used her morning talk show as a bully pulpit. She enlisted other Hollywood stars and sports figures who also lent their names to clothes and sporting goods to also speak out on the subject. She appeared at press conferences with politicians and testified before a congressional hearing on child labor abuse. The White House used the publicity to launch a presidential commission on the problem.

The DOL had their poster child. The unmasking of Kathie Lee as an unwitting sweatshop profiteer and her subsequent enlistment into the anti-sweatshop campaign gave new impetus to the "No Sweat" program.

This case was written by Samuel Passow, research associate at the Center of Business and Government for John D. Donahue, associate professor of public policy at the John F. Kennedy School of Government, Harvard University. (0697)