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What Didn't Work

Dropping the Ball

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Workers in the Saga factory inspect soccer balls in Sialkot, Pakistan, a region famous for its sporting goods and infamous for its child labor.

Dropping the Ball

Why the Soccer Ball Project is failing to protect workers in Pakistan **BY ANTHONY EWING**

SIALKOT, PAKISTAN, IS THE soccer ball capital of the world. Nestled in the northeast corner of Punjab province, this district of 3.5 million people has produced some 75 percent of the world's hand-stitched soccer balls over the past decade. Each year, Sialkot manufacturers supply millions of soccer balls to multinational companies like Nike and Adidas.

But in the mid-1990s, media accounts revealed that children were stitching soccer balls in Sialkot. This news tarnished the reputations and threatened the profits of the global brands sourcing Sialkot balls. In 1997, Nike and other leading sporting goods companies partnered with international organizations to launch the Project to Eliminate Child Labour in the Soccer Ball Industry in Pakistan (the Soccer Ball Project)—one of the world's first multistakeholder efforts to stop abuses of labor rights.

To participate in the Soccer Ball Project, local Pakistani manufacturers agreed to enforce a minimum working age of 14 and to eliminate home stitching (a major source of child labor). In exchange, the multinational brands agreed to source only balls made by Soccer Ball Project manufacturers. Participants invited the International Labour Organization's International Programme on the

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Elimination of Child Labour (ILO-IPEC) to monitor their efforts. (In 2003, the Independent Monitoring Association for Child Labour [IMAC] became the project's external monitor.) And UNICEF and other partners agreed to place child laborers in schools and to provide financial support to their families.

Yet in November 2006, Nike announced it would terminate its contract with Saga Sports, a participant in the Soccer Ball Project and the company's sole soccer ball supplier in Pakistan. Nike alleged that Saga was harassing, underpaying, and wrongfully terminating its workers. The sporting goods giant also claimed that Saga had allowed widespread outsourcing, which increased the risk of child labor.

Nike's announcement called into question the effectiveness of the Soccer Ball Project. In response, the government of Pakistan and the ILO-IPEC convened the project's stakeholders—global corporations, local manufacturers, government officials, and worker representatives—in February 2007 to find ways to strengthen the project. I served as an independent corporate responsibility expert at this meeting. My assessment of the Soccer Ball Project reveals three reasons why the initially successful project is now endangered: It has not anticipated changing stakeholder expectations, it has not kept stakeholders involved, and it has not demonstrated ongoing business and social impact. As other multistakeholder corporate responsibility initiatives mature, they are likely to encounter similar challenges and may learn from the Soccer Ball Project's experiences.

CHANGING EXPECTATIONS

The Soccer Ball Project originally aimed to eliminate child labor in the soccer ball supply chain, and on that count it has largely succeeded, according to local Pakistani nongovernmental organizations (NGOs). But over time, the global corporate responsibility agenda has expanded. The project's failure to meet higher stakeholder expectations has eroded its credibility and threatened its sustainability.

For example, global corporations expect local manufacturers not only to prevent child labor, but also to protect the full range of labor

rights, including freedom of association, the right to organize, the elimination of forced labor, the end of employment discrimination, and the enforcement of minimum standards for wages, benefits, health and safety, and hours of work. Yet the Soccer Ball Project has never broadened its scope beyond child labor. Instead, participating global brands have relied on their own compliance programs to protect the full range of labor rights.

Project stakeholders have also raised their governance expectations. Until 2006, five of IMAC's eight board members represented employers, prompting participants to question the project's independence from local manufacturers. Meanwhile, the Pakistani government, unions, and communities have all been underrepresented.

Finally, Soccer Ball Project stakeholders were dissatisfied with the project's monitoring program. When monitoring responsibilities passed from ILO-IPEC to IMAC, stakeholders missed an opportunity to make monitoring more transparent. Robust monitoring includes soliciting confidential feedback from workers, encouraging all stakeholders to share information, identifying trends and emerging issues, and publicly reporting results. But IMAC reports specific findings only to participating local manufacturers and posts only summary information on its Web site. Consequently, IMAC's procedures are insufficiently transparent to assuage critics' ongoing concerns about labor violations.

Meeting stakeholder expectations is the essence of corporate responsibility. But stakeholder expectations are not static. To succeed over time, corporate responsibility initiatives must anticipate new expectations and respond by raising performance standards.

DIVERGING NEEDS

Another reason the Soccer Ball Project has lost steam is that its stakeholders' needs have diverged. When the project began, soccer ball production was concentrated almost exclusively in Pakistan. But over time, China and other regions entered the soccer ball stitching market, giving brands new sources. And the Soccer Ball Project's successes in eliminating child labor in Sialkot have reduced public pressure on sporting goods companies to act collectively or to pay for expanding the project. Only Nike and Adidas face substantial ongoing scrutiny of labor standards at their Sialkot suppliers, and neither brand considers the project to be a major part of their current compliance efforts.

Today, local manufacturers and the Pakistani government face more pressure to expand the Soccer Ball Project and to strengthen protection of labor rights in Sialkot than global brands face to keep sourcing there. Historically, local manufacturers failed to use the project as a springboard to improve compliance, to invest in alternative technologies, and to drive economic development more broadly. And although Pakistan has adopted core international labor rights standards since 1997, the country still lacks meaningful local enforcement. Recent political instability in Pakistan has only exacerbated the incentive gap between local and international stakeholders.

Declining engagement by corporations, the failure of manufacturers and the government to assume greater responsibility, and limited worker involvement have robbed the Soccer Ball Project of leadership and resources. As stakeholders' needs shift, their roles and responsibilities need to change accordingly. Stakehold-

ers with the greatest incentives for participation typically assume leadership roles early on, but often do not view themselves in the same role for the long term. To become sustainable, the Soccer Ball Project needs to create incentives for greater corporate, government, and worker participation.

DIMINISHING IMPACT

The Soccer Ball Project initially delivered substantial social and business benefits. Its monitoring and social protection programs substantially reduced child labor in soccer ball production. Its credible, independent oversight of supply chains not only helped multinational corporations meet customers' and regulators' expectations, but also allowed local Pakistani manufacturers to keep global corporations as customers.

But over time, both the social and business benefits of the project have faded. Stakeholders now expect more than just eradicating child labor. They want to guarantee the full range of labor rights, to improve governance, and to make monitoring more transparent. Meanwhile, local Pakistani manufacturers face stiff international competition, with little evidence that participating in the project has improved their earnings. And multinational corporations want sustainable and transparent supply chains across all their operations. To remain viable and relevant, the project needs to advance the social and business objectives of all these stakeholders.

EYE ON THE BALL

At the end of the February 2007 stakeholder meeting, Soccer Ball Project stakeholders forged the Sialkot Initiative, which identifies priorities for protecting labor rights and strengthening the project. These priorities include expanding the scope of the project beyond child labor; promoting dialogue among employers, workers, and government; strengthening government labor inspections; increasing economic opportunities for women; and strengthening IMAC's governance and monitoring.

In May 2007, Nike resumed soccer ball production in Pakistan with a new supplier and Soccer Ball Project participant, Silver Star Group. Nike requires its new supplier to register its workers as full-time employees, to pay them an hourly wage, and to provide health care and other benefits. The Nike agreement also calls for collective bargaining and freedom of association in a sector where most of the workforce remains unorganized. Yet Nike still does not incorporate the project or IMAC in its own compliance efforts. And Silver Star has met some resistance from workers, who prefer piecework rates to hourly wages because part-time work allows them to pursue agriculture and other work.

Without government enforcement or industry-wide incentives to expand the scope of the project, labor conditions in Sialkot are unlikely to improve. A small step toward strengthening the project took place in November 2007, when government, employer, and worker representatives met to discuss implementing the Sialkot Initiative. If stakeholders follow up this meeting with concrete collaboration, the project may again serve as a model for multistakeholder partnerships that protect labor standards. If not, the Soccer Ball Project will continue to lose credibility, delivering fewer and fewer social and business benefits over time. ■