

Global Supply Chains and Labor Standards: Two Faces of Apple

S. PRAKASH SETHI

Abstract: Globalization has been hailed as the primary engine of economic growth around the world. However, the blessings of globalization have not been equitably shared between the various factors of production, i.e., capital, resources, and workers. In an ideal world, the distribution of gains in output among these three factors would be shared in direct proportion to their relative contribution to the value of the final product. In the real world, however, the largest share of the gain has gone to capital and the smallest to labor. The primary source of this distortion lies in imperfect competition where multinational corporations control access to markets, capital and technology, and thus extract the greatest share of output for themselves. Since labor has the least amount of mobility, it lacks the necessary bargaining leverage and thus ends up with the smallest portion of the output – or the subsistence level of wages. The case of Apple, Inc., with its enormous profits on the one hand, and sweatshop like working condition in its factories in China on the other hand, starkly illustrates this distortion. While Apple is able to charge high prices from its customers because of value delivered to them; the company uses the same market power in the opposition direction to push the wages of its workers to the lowest possible level. In general, there are five approaches that might be used to persuade Apple to change its behavior. These are: pressure from customers, other competitors, institutional investors, NGOs, and regulators. None of these appear to have worked in Apple's case, which is not different from situation previously faced by other companies in similar situations, e.g., Nike, Mattel, Levis. The only remaining option for society is to find ways to enhance Apple's corporate culture and ethical standards of its top leadership. Unfortunately, this does not appear to be an optimistic possibility for the foreseeable future. Notwithstanding, we must make such an effort because a failure to do so would not only undermine the legitimacy of globalization but that of democratic capitalism itself.

Keywords: Globalization, Supply-chain management, Sweatshops, China, Apple.