

**Public Disclosure of the Sweatshop Practices
of American Multinational Garment/Shoe Makers/Retailers:
Impacts on Their Stock Prices**

By

Michael T. Rock
Professor of Economics
and Chair
Department of Economics and Management
Hood College
401 Rosemont Ave.
Frederick, MD 20701
Email: rock@hood.edu
Phone: 301-696-3756 or 703-684-7736

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Abstract

The anti-sweatshop movement burst in the American public's consciousness in the 1990s. By the late 1990s, an eclectic group of 43 American NGOs and a growing number of international organizations were engaged in the movement. But, as yet, there are no rigorous empirical studies of the impact of anti-sweatshop actions on those firms accused of relying on sweated labor. This paper addresses this lacuna by using the event study technique to empirically assess the impact of public disclosure of firms' sweatshop practices on their stock prices. The paper finds that public disclosure does indeed cause firms' stock prices to fall, sometimes substantially. This, no doubt, explains the rush by these firms to voluntary codes of conduct. The paper also shows that stock prices have reacted positively (and substantially) to the actions taken by one firm, Reebok, to adopt anti-sweatshop practices. These findings appear to confirm the wisdom of the public disclosure strategies used by the movement to get firms to change behavior. But because of the potential for voluntary codes of conduct to result in opportunistic behavior, the paper concludes by arguing that public disclosure will only really work if carried out by independent third party auditors.

I. Introduction

The American anti-sweatshop movement burst into the public's consciousness in the 1990s (Shaw, 1999). A parallel movement developed in Europe about the same time (www.cleanclothes.org). The tide turned in 1992 following a suit by the U. S Department of Labor charging a number of prominent garment retailers with violating U.S. labor laws in Saipan.¹ The blue-jeans retailer, Levi Strauss and Co., responded by announcing its own labor code of conduct. Following disclosure in 1993 of the use of child labor by one of Wal-Mart's suppliers in Bangladesh, Wal-Mart published its 'Standards for Vendor Partners'. In 1995 the National Labor Committee (NLC) and the People of Faith Network pressured another clothing retailer, The GAP, to permit third party monitors to inspect its supplier's facility in El Salvador. In 1996, the NLC revealed that Wal-Mart clothing endorsed by Kathie Lee Gifford was being produced under exploitative conditions.

The Clinton administration responded to the anti-sweatshop movement in 1996 by creating the Apparel Industry Partnership, a forum that brought retailers, unions, and NGOs together to address growing concern over the use of sweated labor. Subsequently, college students created their own organization—the United Students Against Sweatshops (USAS)—and they pressured college and university administrations to create labor codes of conduct for those retailers supplying apparel using college/university names and/or logos. Not surprisingly, some corporate contractors retaliated against universities for their anti-sweatshop actions.²

¹ What follows is drawn from Elliott and Freeman (2000: Exhibit 6, pp. 36-37).

² Following the joining of the Workers Rights Consortium by Brown University and the University of Oregon, Phil Knight, the CEO of Nike, terminated a contract with Brown while suspending giving to his alma mater, the University of Oregon (Elliott and Freeman, 2000: Exhibit 6, p. 37).

By the mid-1990s, anti-sweatshop activists were orchestrating anti-sweatshop demonstrations against particular retailers, organizing stockholders to introduce no sweat labor codes at annual stockholders meetings, and demanding disclosure of developing country suppliers of major garment/shoe retailers.³ At the same time, other anti-sweatshop activists were exposing a wide range of workplace abuses (O'Rourke, 2000 and ILO, 2000). Still others were publicly disclosing individual firm's use of sweated labor and/or holding firms accountable to their own labor codes of conduct (www.nlc.org), while others worked with firms to develop third party monitoring programs (www.verite.org). Eventually an eclectic group of 43 American NGOs and a growing number of international organizations were engaged in the anti-sweatshop movement.

II. Assessing the Impact of the Anti-Sweatshop Movement Through an Event Study

What are we to make of this movement? Why has it happened? Does it do, as some have suggested, more harm than good (<http://www.spp.umich.edu/rsie/acit>)? Is it a smokescreen for protectionists (Freeman, 1998: 4)? How effective has it been? A small, but rapidly growing body of literature has begun to address these questions. To begin with, consumer surveys by Marymount University (1999), the University of Maryland (2000), and the National Bureau for Economic Research (Freeman, 1998) have demonstrated that consumers in the U.S. care about how the products they buy are made. These surveys reveal that consumers are 'willing to pay' more, sometimes substantially more, for products made under 'good' labor conditions and they

³ In March of 1999, anti sweatshop groups organized nationwide demonstrations against sweatshops (see Table 2 p. 15) and Nike agrees to disclose location of its suppliers if competitors agree. In May of 1999, shareholders of The GAP grilled company executives on the company's labor practices at its annual shareholders meeting (Table 4, p. 16). Other examples of these practices can be found in tables 2 through 9.

are willing to avoid buying products made under ‘poor’ labor conditions.⁴ Freeman (1998) and Elliott and Freeman (2000) have argued that the anti-sweatshop movement, by providing information about how the products consumers buy are made, is meeting a latent demand for ‘good’ labor practices by consumers. As Freeman (1998: 6) says, this is because there is overwhelming empirical evidence that people act as if fairness toward others is part of their utility function. Because of this, information disclosure helps consumers make more rational spending decisions. In addition, Pollin, Burns, and Heintz (2001) have demonstrated that raising sweatshop wages to a living wage may not do as much harm as some suggest.

But as of yet, there are no good empirical studies of the impact of anti-sweatshop actions on those firms accused of relying on sweated labor. Of the few studies that do exist (Elliott and Freeman, 2000), the evidence on impact is mixed. There is good evidence that public disclosure of sweatshop practices has led many firms to adopt self-regulating labor codes of conduct, but because the degree of implementation of these codes is not, for the most part, verified by independent auditors, it has been difficult to know what has been achieved.⁵ The experience of self-regulation in other areas suggests that independent third party certification and sanctions for poor behavior is probably necessary to overcome opportunistic behaviors that undermine the effectiveness of self-regulation (Howard, Nash and Ehrenfeld, 2000 and King and Lenox, 2000).⁶ Despite this possibility, the logic of public disclosure and the structure of public disclosure campaigns by anti-sweatshop activists appear to make sense. By focusing public disclosure campaigns on large firms producing branded products, anti-sweatshop activists hope that this

⁴ The NBER survey found that consumers were willing to pay, on average, 28% more for a \$10 item and 15% more on a \$100 item if it were produced under ‘good’ labor conditions. Nearly two-thirds said they would not buy a T shirt made under ‘poor’ labor conditions under any circumstances (Elliott and Freeman, 2000: 2).

⁵ Varley (1998) identified 121 codes, while the ILO (1998) identified 200 corporate codes and social labels.

information will lead consumers to act on their latent demands by refraining from buying these products. If successful, such efforts should undermine these firms' reputations and the reputations of their hard-won branded products. This should reduce sales and corporate profits. If stock markets convey information rapidly as some have suggested, public disclosure campaigns should also contribute to declines in firms' publicly traded stock prices.⁷ Thus if anti-sweatshop public disclosure campaigns work, one place to look for evidence of success is in movements in a firm's stock price following disclosure of that firm's sweatshop practices. This is what event studies do.

For quite some time (MacKinlay, 1997, Henderson, 1990 and Brown and Warner, 1985), economists and financial analysts have relied on event studies to assess the impact of particular events on the market value, or rate of return on common stock, of firms. Most commonly, event studies have been used to assess the impact on the market values of firms of mergers and acquisitions, earnings announcements, changes in regulatory environments, or announcements regarding major macroeconomic variables such as the trade deficit (MacKinlay, 1997: 13). More recently, event studies have been used to assess the impact of good and bad environmental news on firms' market values (stock prices). Hamilton (1995) and Konar and Cohen (1997) have shown that publication by the U.S. EPA of plant level Toxics Release Inventory (TRI) data had an impact on the market values of US companies on the TRI list. Lanoie and Laplante (1994) have demonstrated that capital markets in Canada react to good and bad environmental news by punishing firms (lower returns on common stock) with poor environmental performance and rewarding those (higher returns on common stock) with good environmental performance.

⁶ Opportunistic behavior occurs when self regulating codes are used to convey an image that the firm is conforming to a labor standard but then internally shirks the effort required to meet the standard.

Interestingly enough, good and bad news in these studies are not limited to enforcement actions or court cases. They include simple disclosure of TRI data, environmental accidents, and environmental spills.

Most recently, Dasgupta, Laplante, and Mamingi (1998) have shown that capital markets in developing countries react similarly to good and bad environmental news, even in instances where environmental regulatory agencies have limited capabilities to monitor and enforce existing regulations. There too, good and bad news were not limited to enforcement or court actions, but included public reporting on oil spills, on citizens protests against particular facilities, on contamination of drinking water, on citizen complaints, and on death/injuries following environmental accidents (Dasgupta, Laplante, and Mamingi, 1998: 21-23). This finding led them to conclude that governments, environmental NGOs, and communities have much to gain by “harnessing (these) market forces by introducing structured programs of information release on firms’ environmental performance and by empowering communities and stakeholders through environmental education.” (Dasgupta, Laplante, and Mamingi (1998: 6). At least one weak environmental regulatory agency in the developing world has done so with promising results (Afsah and Vincent, 2000).⁸

These findings raise two interesting questions. Is there any evidence that capital markets in developed countries react to good or bad news about developed country firms’ sweatshop practices in developing countries? If so, how might anti-sweatshop activists in developed and developing countries work in concert and with others to harness these market forces for

⁷ McWilliams and Seigel (1997) argue that stock markets react very quickly (within 15 to 90 minutes) to good and bad news.

⁸ BAPEDAL, Indonesia’s environmental regulatory agency, developed a simple color-coded rating system of manufacturing plants environmental (emissions) performance relative to emissions standards. Following assessment of that performance, BAPEDAL gave plants an opportunity to reduce emissions. It then reassessed performance and

improved labor outcomes? This paper addresses the first question by conducting an event study of the public disclosure of the sweatshop practices of major American multinationals producing branded products in the garment and shoes industries. It addresses the latter by extending the event study to empirically assess the impact of public disclosure of ‘good’ news about the anti-sweatshop practices of one athletic shoe manufacturer (Reebok) on the stock prices of that firm in the U.S.

To anticipate findings, evidence presented below suggests that capital markets in developed countries (the U.S.) do respond to ‘bad’ labor news (reporting on sweatshop practices in developing countries). Findings also show that capital markets respond positively to the ‘good’ news that at least one athletic shoe retailer—Reebok—agreed to phase out the use of sweatshop labor by its suppliers in developing countries. Taken together, these findings suggest that anti-sweatshop activists have much to gain from following the growing use of public environmental reporting on firms’ environmental behaviors by environmental activists. But, as is argued in the conclusion of this paper, how this is done matters.

III. Event Analysis of Sweatshop Practices

This event analysis of firms’ sweatshop practices follows a classic event study design. To begin with, I identified an event of interest. In this case it is reporting in the Dow Jones Interactive on-line news file (<http://djinteractive.com>) and the Wall Street Journal’s interactive on-line news file (www.wsj.com) any day between January 1, 1996 and December 31, 2000 on the sweatshop practices of 8 multinational garment and/or athletic shoe makers/retailers.⁹ In

released results to the press. Available evidence (Afsah and Vincent, 2000) suggests that plants responded to public disclosure by reducing their emissions relative to emissions standards.

⁹ Three criteria were used to choose firms for inclusion in this study. Firms had to produce and/or retail widely recognized branded products in either the garments or shoes industry in the U.S. Their common stock had to be traded on the New York Stock Exchange every day between January 1, 1996 and December 31, 2000. There had to

cases where stories were reported, the event window was the date (day) of the story.¹⁰ Following identification of event windows, these same data sources were used to search for confounding events on the day before or the day of each event window.¹¹ When confounding events were identified (such as a poorer than expected earnings report on the same day or day before, for example, a reported protest against a company for its sweatshop practices), the sweatshop event that occurred at the same time was eliminated from the event window.¹² Tables 2 through 9 and the accompanying notes to those tables identify the events, the event window, and any confounding events.

Following this, I estimated the ‘normal’ returns for each firm for each day by adopting the commonly used market model for returns given by

$$(1) \quad R_{it} = a_0 + a_1 R_{mt} + \varepsilon_{it}$$

be at least one negative or positive sweatshop news event reported in either the Dow Jones Interactive on-line news file or the Wall Street Journal’s interactive on-line news file between January 1, 1996 and December 31, 2000. After identifying nearly 30 firms engaged in branded sales of garments or shoes, only 8 firms met all three requirements.

¹⁰ Event studies typically divide a given period of analysis into an estimation period and an event window. Estimation periods are used to estimate normal returns. Event windows are used to calculate abnormal returns associated with particular events. Many event studies rely on long event windows, but as Brown and Warner (1985) demonstrate long event windows severely reduce the power of the test statistic leading to false inferences about the significance of an event. In addition, as McWilliams and Seigel (1997) argue, it has been empirically demonstrated that very short windows (15 minutes-90 minutes) usually capture the significant effect of an event on a company’s stock price. Given this, unless there is uncertainty about when information is available to the market, McWilliams and Seigel (1997) propose using short (one-day event windows). As they also state, long event windows also make it difficult to control for confounding effects (other information releases that may also affect stock prices). For all these reasons, I relied on one-day event windows.

¹¹ Confounding stories or events are other stories/events capable of generating abnormal returns. They include such things as announcements of unexpected earnings returns, litigation against a firm, product recalls, changes in senior management within a firm, and any other event that might produce abnormal returns.

¹² Foster (1980: 54-57) suggests five different methods for controlling for confounding events. One of these involves eliminating event window days surrounding confounding events. As he says (Foster, 1980: 55), this amounts to assuming that the event under study and the confounding event are unrelated. Because of the small number of firms in my sample (8), I followed Foster’s advice by eliminating event windows surrounding confounding events. In this instance, the assumption that confounding events and the events under study were unrelated appears reasonable, as there is little evidence or reason to suggest that the confounding events identified in tables 2 through 9 were related to negative or positive “sweatshop” news.

where R_{it} is the return on security i at time t , R_{mt} is the return on a market portfolio, m , in time t , and ε_{it} is the error term. While several methods exist for estimating ‘normal’ returns, the market model offers several advantages. To begin with, it is simple and straightforward. Moreover, more complex and sophisticated models have been found to either add relatively little explanatory power or to generate results that are too sensitive to imposed restrictions (MacKinlay, 1997:19). In addition, the market model has a distinct advantage over its nearest competitor—a constant mean return model—it has a better ability to detect event effects (MacKinlay, 1997: 18).

Two distinct, but related, methods exist for estimating abnormal returns associated with the market model. The most common practice in event studies involves estimation of the parameters in equation (1) by excluding data from event windows. This requires identification of an estimation period (usually 250 days prior to the event in question for daily returns). Estimation of the parameters in equation (1) over this estimation window prevents the event data from contaminating estimates of normal return parameters. Once normal returns are estimated, abnormal returns (AR_{it}) are calculated for each firm for each event window.

where

$$AR_{it} = R_{it} - b_0 - b_1 R_{mt} .$$

R_{it} and R_{mt} are as defined above and b_0 and b_1 are the actual point estimates for a_0 and a_1 in the normal returns equation defined above. As such, the abnormal returns (AR_{it}) are the disturbance term of the market model calculated on an out of sample basis, that is, they are forecast abnormal returns (MacKinlay, 1997: 20).

Abnormal returns, calculated this way are then subject to standard hypothesis tests.

Most commonly, the null hypothesis is that the individual event day abnormal return and cumulative abnormal returns over either a multi-day event, over multiple events, and/or across multiple firms are not significantly different from zero. For an individual event day, a t test defined as

$$t = SAR_{it} = AR_{it}/\sigma_{it}$$

is used for tests of the null hypothesis. SAR_{it} is the standardized abnormal return for firm i on event day t , AR_{it} is the abnormal return for firm i on event day t , and σ_{it} is the standard deviation of the abnormal return.¹³ For large sample sizes, the t test statistic approximates the standard normal (Campbell, Lo and MacKinley, 1997: 161). Standardized abnormal returns can then be summed across time for each firm to calculate the cumulative impact of good or bad news or cumulative abnormal returns— CAR_{it} —on each firm's market value. A t test statistic given by

$$t = CAR_i = \sum_{t=1}^n SAR_{it}/(n)^{1/2}$$

can be used to test the null hypothesis that cumulative abnormal returns for firm i are not significantly different from zero. Under the null hypothesis, the distribution of CAR_i is Student t with $N-2$ degrees of freedom and for a large estimation window ($N > 30$) it too approximates the standard normal (Campbell, Lo and MacKinley, 200: 160-161).

Alternatively, Glascock and Karafiath (2000) demonstrate that the same results can be gained by treating the event window (the period over which an event is expected to impact stock

¹³ $\sigma_{it} = (S_i^2 * (1+1/n+(r_{mt}-r_{mm})^2/\sum(r_{mt}-r_{mm})^2))^{1/2}$ where S_i^2 is the residual variance from the market model as computed for firm i , n is the number of days in the estimation period, and r_{mm} is the mean return on the market portfolio during the estimation period (McWilliams and Siegel, 1997: 628.)

prices) as a set of simple dummy variables, D_{it} . D_{it} takes a value of 1 over the event window and 0 otherwise. This is tantamount to estimating equation 2 for each one-day event as

$$(2) \quad R_{it} = a_0 + a_1 R_{mt} + a_2 D_{it} + \varepsilon_{it}.$$

In equation (2) R_{it} , a_0 , a_1 , R_{mt} and ε_{it} are as defined in equation (1) and where $D_{it} = 1$, a_2 or, more correctly, the point estimate of a_2 (b_2), is the abnormal return for a one day event window on day D_{it} . Estimation of abnormal returns by the dummy variable technique offers several advantages over the out of sample forecast technique. To begin with, standard statistical programs calculate t values for individual regression coefficients so that there is no necessity to calculate a t statistic of statistical significance of individual abnormal returns for daily events. Moreover, as Glascock and Karafiath (2000: 181-185) show, the t statistic for cumulative abnormal returns is simply the square root of an F test that the sum of abnormal return regression coefficients is zero. Like the t test, this F test is easy to carry out with most regression programs. Finally, since most regression programs allow testing for violation of assumptions of the classical linear regression model, it is fairly easy to test for violation of assumptions and to adjust for them. This is much more cumbersome to do in the out of sample forecast model.¹⁴ For all these reasons, estimation of abnormal returns and hypothesis testing in section IV is based on the multiple regression technique advocated by Glascock and Karafiath (2000).

IV. Data and Empirical Tests

Price data for calculation of R_{it} and R_{mt} were taken from www.financeyahoo.com. Price data for R_{it} were closing prices for common stock on each day of trades between January 1, 1996 and December 31, 2000. As is common practice (MacKinlay, 1997: 18), the closing value of the Standard and Poors 500 Index for each day of trades between January 1, 1996 and December 31,

2000 was used to calculate R_{mt} . Following the suggestion of Henderson (1990: 288), both R_{it} and R_{mt} were calculated in log form as $\log((CP_{it+1} + DV_{it+1})/(CP_{it} + DV_{it}))$ or $\log(CV_{mt+1}/CV_{mt})$ where CP is the closing price of each security in t+1, DV are dividends of each security in t+1, and t and CV is the closing value of the Standard and Poors 500 Index in t+1 and t. Dividend data were collected from Lexis-Nexis (www.lexis-nexis.com) and, when needed, from www.financeyahoo.com.

Because the dummy variable approach to estimation of abnormal returns and hypothesis testing is computationally easier and more familiar to economists, as stated above, abnormal returns were estimated by relying on equation 2. One other adjustment was made in estimation. Because stock returns are known to be subject to both heteroskedasticity and serial correlation, a Newey-West estimator was used to calculate consistent covariance matrices (Davidson and MacKinnon, 1993: 607-614).

So what did I find? To begin with, I discovered a significant number of “bad” sweatshop news stories on each firm over the five-year period covered by the study. There were 17 ‘bad’ news sweatshop stories on Nike, 11 on the GAP, 6 on Target, 19 on Disney, 24 on Wal-Mart, and 4 each on K-Mart and Kohl’s (tables 2-9). In addition, there were 12 ‘good’ news sweatshop stories and 2 ‘bad’ news sweatshop stories on Reebok. Except for Disney and Wal-Mart, there were surprisingly few confounding events.¹⁵ How did these good and bad news events affect abnormal returns for each of these firms? The answer is given in table 1, which reports abnormal returns (AR_{it}) for each event day and cumulative abnormal returns (CAR_{it}) by firm. Several findings stand out in this table.

¹⁴ Although it is by no means impossible. Mikkelson and Partch (1988) develop a test statistic that takes account of serial correlation in prediction errors.

First, negative news about the sweatshop practices of firms reduces stock market returns on most days of the negative news for most firms. This occurred in 12 out of 16 events for Nike, 3 out of 5 events for Target, 7 out of 9 events for The GAP, 5 out of 9 events for Wal-Mart, 4 out of 4 events for K-Mart and 2 out of 2 events for Reebok (table 1). In addition, in all but 1 instance out of 39, negative abnormal returns were statistically significant at either the .01 or .05 level of significance (table 1). Second, in 7 out of 8 cases, cumulative abnormal returns were negative, sometimes decidedly negative. They ranged from a high of -19.29% for Nike to a low of -2.32% for the bad news associated with Reebok (table 1). In each of these instances, t tests of the null hypothesis that cumulative abnormal returns were not significantly different from zero were decisively rejected (table 10). This suggests that negative sweatshop news imposed substantial losses on these firms. By itself, this confirms the wisdom of the public disclosure strategy used by anti-sweatshop activists and it, no doubt, explains why these firms responded by announcing their own labor codes of conduct and participating in the Fair Labor Association and the Apparel Industry Partnership. Third, tables 1 and 10 also show that capital markets rewarded Reebok for its anti-sweatshop pronouncements. In 6 out of 8 'good' news events, abnormal returns for Reebok were positive and statistically significant (table 1). More importantly, cumulative abnormal returns for 'good' sweatshop news events were 13.2% and the null hypothesis that those returns were not significantly different from zero was decisively rejected (table 10).

IV. Conclusions

This study of the impact of public reporting by anti-sweatshop activists on the sweatshop practices of multinational garment/shoes firms operating in developing countries on the market

¹⁵ Except for Disney and Wal-Mart, most firms had no or one or two confounding events. This partly reflects the use

value of these firms in the US suggests that capital markets in the US are punishing firms for their poor (sweatshop) labor practices. The study also shows that capital markets have rewarded at least one firm—Reebok—for its good labor practices. While this is an important step forward in demonstrating that public disclosure of good and bad labor practices imposes costs and rewards firms for their behaviors, by itself this finding is not sufficient to ensure that the labor practices of these firms will actually improve. This is because several studies (Howard, et al, 2000 and King and Lenox, 2000) have demonstrated that firms relying on self-regulating codes of behavior may use them for opportunistic behavior. That is, they may use them for public relations purposes while internally shirking from taking the real actions needed to change their labor practices. This suggests that real changes in labor practices most probably requires the development of simple to understand and transparent measures of a firms' labor practices, particularly their sweatshop practices, and systematically monitoring and publicly reporting on those practices. The latter is likely to be most effective when done by independent third party auditors as is being developed for corporate environmental reporting (Ditz and Ranaganathan, 2000), ISO 14000 reporting (Roht-Arriza, 1995), and for reporting of firms' forestry practices (www.fscus.org and www.fscoax.org). This work, unlike the high publicity campaigns associated with simple public disclosure, is painstakingly slow and a hard slog. But unless sweatshop activists roll up their sleeves and begin engaging in this hard slog, their campaigns, may, in the end change, little. That would be extremely unfortunate.

of one-day event windows. Disney had 9 confounding events and Wal-Mart 15.

Table 1
Abnormal Returns—AR (%) and Cumulative Abnormal Returns—CAR (%)

Event	Nike Bad News		Target Bad News		The GAP Bad News		Disney Bad News		Wal-Mart Bad News		K-Mart Bad News		Kohl's Bad News		Reebok Good News		Reebok Bad News	
	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR	AR	CAR
1	2.07*	2.07	-3.96*	-3.96	-2.97*	-2.97	0.38*	0.38	1.86*	1.86	-2.15*	-2.31	1.43*	1.43	-0.45*	-0.45	-0.50*	-0.50
2	0.34**	2.41	1.49*	-2.47	-2.05*	-5.02	-1.13*	-0.75	0.71*	2.57	-0.68*	-2.83	-0.87*	0.56	1.26*	0.81	-1.82*	-2.32
3	-4.64*	-2.23	-4.85*	-7.32	-0.65*	-5.67	0.02	-0.73	0.49*	3.06	-2.93*	-5.76	0.52*	1.08	0.70*	1.51		
4	-2.96*	-5.19	2.69*	-4.63	-1.70*	-7.37	0.03	-0.70	-2.76*	0.30	-2.14*	-7.90	0.83*	1.91	1.64*	3.15		
5	-0.36**	-5.55	-1.70*	-6.33	-0.85*	-8.22	0.09	-0.61	-0.48*	-0.18					2.39*	5.54		
6	-0.54*	-6.09			-1.89*	-10.11	1.69*	1.08	-2.91*	-3.09					3.47*	9.01		
7	-0.48*	-6.57			3.59*	-6.52	-0.82*	0.26	-2.07*	-5.16					-0.50**	8.51		
8	-0.77*	-7.34			0.82*	-5.70	1.63*	1.89	1.37*	-3.79					4.69*	13.20		
9	-0.03	-7.37			-0.56*	-6.26	-4.63*	-2.74	-1.22*	-5.01								
10	-5.85*	-13.22					0.36**	-2.38										
11	2.13*	-11.09																
12	-3.04*	-14.13																
13	-1.31*	-15.44																
14	-0.99**	-16.43																
15	0.46	-15.97																
16	-3.32*	-19.29																

Notes: 1. * indicates t statistic is significant at the .01 level.

2. ** indicates t statistic is significant at the .05 level.

Table 2: Negative Sweatshop News Events for Nike

Date	Story
9/16/96	Phil Knight, Nike CEO, rejects charge of sweatshop practices at annual stockholders meeting
23/28/97	Human rights group accuses factory making shoes for Nike of abusing workers
5/1/97	Phil Knight, Nike CEO, faces protesters at Stanford Business School who charge Nike uses sweatshops
5/7/97	Nike accused of running sweatshops in Asia
9/20/97	Global Exchange accuses Nike of using factories in China that abuse workers
9/23/97	Nike cancels contract with four factories in Indonesia where pay is below government minimum
9/26/97	Nike on losing end of public relations battle over sweatshops, is even lampooned by Doonesbury
11/10/97	Confidential audit of Nike subcontractor factory in Vietnam found violations of law and excessive level of dust and toxic fumes
3/6/99	Protestors across the U.S. demonstrate against sweatshops, demonstration in New York City ends at Nike store
3/12/99	Nike agrees to disclose location of all foreign factories if competitors do the same
12/12/99	More than 100 children and parents rally outside Nike Town in Boston to protest working conditions in foreign factories
3/30/99	Nike terminates contract to provide hockey equipment to Brown University fearing the school might try to make it comply with guidelines of a group pushing for better work conditions in clothing factories
4/25/00	Protesters unfurl banner calling on Nike to stop using sweatshops during protest at Nike's store in Manhattan
4/26/00	A peeved Phil Knight, CEO of Nike, cold-shouldered his alma mater for school's membership in a student activist group that aims to ensure worker's rights are enforced in foreign plants
5/4/00	Nike has withdrawn financial support from 3 universities that joined a student led group to impose tougher standards on wages/working conditions in Nike's overseas factories
6/21/00	California Supreme Court agrees to hear an appeal by a consumer advocate that Nike's defense of its overseas factories constitutes false advertising
9/4/00	Community-Aid-Oxfam Australia releases "Nike-Watch" report which documents claims of threatened violence against workers in Nike subcontractor factories in Indonesia

Notes: 1. Source: <http://djinteractive.com> and www.wjs.com 2. Possible confounding event on 9/19/97 (Nike announces world- wide revenues will not meet target.) one day before event 9/20/97. Event 9/20/97 removed from bad news sample.

Table 3: Negative Sweatshop News Events for Target

Date	Story
6/23/96	Suit against 77 garment firms including Target aims to prevent return of sweatshop slavery
1/14/99	Top US companies, including Target, sued for sweatshop practices in Saipan
3/28/00	Some retailers settle Saipan garment workers suits, litigation still pending against Target
6/2/00	Garment workers in Saipan can sue Target, The Limited, The GAP and J.C. Penney anonymously
7/9/00	Anti-sweatshop activists at Virginia Tech protest outside Target Store against company's sweatshop practices. United Students Against Sweatshops and Witness for Peace ask Target to improve factory conditions
12/9/00	Dozens of picketers demonstrate outside Target store in Pasadena claiming that garments sold by Target are made with sweatshop labor

Notes: 1. Source: <http://djinteractive.com> and www.wjs.com
2. Confounding story on 6/2/00 (U.S retailers' sales off in last month, including Target). Event of 6/2/00 removed from sample of bad news events.

Table 4: Negative Sweatshop News Events for The GAP

Date	Story
1/21/96	Exposed: shame of The GAP's child labor sweatshops
1/14/99	The GAP and other clothing companies sued for \$1 billion for exploitation of garment workers in Saipan
5/5/99	Shareholders grill GAP executives on labor practices at annual shareholders meeting
8/9/99	Several retailers settle lawsuit over Saipan garment workers, the GAP and several others remain as defendants
10/29/99	Global Exchange, a human rights group, assails GAP sweatshop practices in Saipan
11/12/99	Sweatshop allegations against GAP crop up at Philadelphia campuses
12/03/99	Anti-sweatshop groups stepping up crusade against GAP and Nike
3/11/00	GAP under attack for sweatshop practices
5/7/00	Protesters demonstrate at mall in Fresno against working conditions at GAP factories in Saipan
6/2/00	Court allows garment workers in Saipan to sue GAP anonymously
7/21/00	Protesters picket GAP store in Lawrence, Kansas accusing GAP of sweatshop practices

Notes: 1. Source: <http://djinteractive.com> and www.wsj.com
2. Confounding events include 10/28/99—GAP announces that son of founder will step down and 3/11/00—GAP recalls product (body lotion). Bad sweatshop news events 10/29/99 and 3/11/00 removed from sample.

Table 5: Negative Sweatshop News Events on Disney

Date	Story
2/25/96	National Labor Committee charges Disney with using sweatshop labor in overseas factories
7/14/96	Worker in Haiti says she was fired for speaking out against Disney’s sweatshop practices
11/7/96	Disney drops efforts to block shareholder resolution requiring it to report on labor practices of suppliers
12/22/96	Student, labor and religious groups stage anti-sweatshop holiday demonstrations at Disney stores all across the US.
12/26/96	Fourth-graders put on anti-Disney, anti-sweatshop skit
1/9/97	Disney opposes shareholder resolutions to investigate and report on labor practices of suppliers
2/21/97	Disney employees back anti-sweatshop shareholder resolutions
2/27/97	US-based human rights group in Haiti accuses Disney of sweatshop practices
3/9/97	Anti-sweatshop demonstrators protest outside Disney store on 5 th Ave.
7/12/97	Coloring book of Disney movie hero renews sweatshop charges against Disney
7/29/97	Mennonite Church Human Rights group protests Disney sweatshop practices in Orlando
10/5/97	Anti-Disney, anti-sweatshop demonstrations takes place outside Kaufman’s Department Store in Pittsburgh
10/10/97	Anti-sweatshop protest mars Disney’s big-night in London re release of Hercules movie
11/30/97	National Labor Committee says Disney has not changed its sweat-shop practices
12/25/97	Anti-Disney, anti-sweatshop protesters arrested in Wes Demoines shopping mall
2/26/98	Demonstrations against Disney union-busting/sweats hop practices takes place at shareholders meeting
12/10/98	Anti-sweatshop demonstrators march in NYC start at Nike Town end at Disney store
3/6/99	Anti-sweatshop groups across US target sweatshop practices of companies, including Disney
12/18/99	Hong Kong church group accuses Disney of sweatshop practices in China

Notes: 1. Source: <http://djinteractive.com> and www.wsj.com
2. Confounding events: 7/14/96—Disney having trouble identifying theme for park in Hollywood; 12/22/96—stories on dumping of president confirm he failed; 12/26/96—Disney hit with union libel suit; 2/21/97--CREF votes against Disney compensation plan; 2/27/97-Disney stockholders decry Ovtiz payout plan; 3/9/97—Discrimination suit filed against Disney; 10/10/97—New Corp CEO attacks Disney for trying to stop success of ‘Anastasia; 12/25/97—New Disney ‘Magoo’ pathetic; 12/10/98—Disney workers balk at extra hours in character costumes and Disney sued over ‘Beardstown Ladies’ book.

Table 6: Negative Sweatshop News Events on Wal-Mart

Date	Story
5/30/96	Honduran girl speaks of beatings and intimidation at a plant that made clothes for Wal-Mart
6/6/96	Kathie Lee Gifford (KLG) urges Wal-Mart to allow independent monitors to inspect factories
6/8/96	KLG faced shareholders at Wal-Mart stockholder meeting, says did nothing wrong
8/23/96	Officials raid Californian factory, making clothes for Wal-Mart, for violating labor standards
4/18/97	UMC Board of Pension and Health submits anti-sweatshop proposal to Wal-Mart shareholders
11/11/97	Nicaraguan sweatshops linked to Wal-Mart
3/18/98	National Labor Committee (NLC) accuses Wal-Mart of buying from sweatshop factories in China
6/19/98	NLC to target Wal-Mart for its buying from sweatshop factories
7/22/98	NLC to release report documenting Wal-Mart's sweatshops purchases
9/29/98	Group pickets Massachusetts Wal-Mart store because of buying from sweatshops
11/8/98	New book details Wal-Mart as destroyer of downtowns, union buster, sweatshop labor exploiter
1/14/99	18 clothing companies, including Wal-Mart, sued for labor practices in Saipan
3/18/99	The Federal Trade Commission cites Wal-Mart other for violating country of origin requirements
9/21/99	KLG admits continuing labor problems at factories making her line of clothes sold in Wal-Mart
9/27/99	NLC reports that Wal-Mart's KLG line being made in sweatshop in El Salvador
10/6/99	5 retailers agree to settle Saipan sweatshop suit, but others, including Wal-Mart fail to settle
11/16/99	Wal-Mart and several other clothing retailers lose bid to dismiss Saipan sweatshop suit
12/11/99	Seventh graders in Janesville, Wisconsin protest at Wal-Mart store against sweatshop practices
1/7/00	Hudson Bay Co. of Canada stops buying from Myanmar after Canadian Friends of Burma issue negative report of labor practices, Wal-Mart disagrees
3/3/00	Six more clothing retailers, including Wal-Mart are added to sweatshop suit in Northern Marianas
5/7/00	NLC reveals workers in China making KLG line toil in prison-like conditions
6/2/00	Court says garment workers in Saipan can sue Wal-Mart and others anonymously
6/19/00	President of CLC in Canada deplores Retail Council of Canada award to Wal-Mart
6/24/00	Wal-Mart branded killer of downtowns, union buster and exploiter of sweatshop workers

Notes: 1. Sources: <http://djinteractive.com> and www.wsj.com
2. Confounding events: 6/6/96-Stores in Brazil lose money; 4/18/97-CEO of Sam's Club resigns; 11/11/97- Earnings up 16%; 3/18/98-WM challenges union election; 6/18/98-Walton family sells 14.7 million WM shares; 7/21/98- Sr. WM executive moves to Tandy; 9/20/99-WM faces legal challenge re gun sales; 10/5/99-Suit filed vs WM for overcharging customers; 11/15/99-WM exec plans to sell 1.9 million shares WM stock; 12/11/99-Mo. jury finds WM liable for death from fan use; 1/7/00-WM settles discrimination suit; 3/3/00-WM closing meat-cutting operations in 180 stores; 5/5/00-5/8/00-Arkansas court throws out WM victory over Canadian hair salon and WM closes store in Fla.; 6/1/00-WM apologizes for 'misguided conduct' during rape case involving store customer; 6/19/00-City officials in Oregon lambasted for conditionally approving WM application.

Table 7: Negative Sweatshop News Events on K-Mart

Date	Story
9/14/96	Four Brooklyn garment factories, including one making clothes for K-Mart, raided for sweatshop practices. Nine arrested for violating US labor laws
12/23/97	Federal officials break up conspiracy in which Americans recruited undocumented Mexican workers who were smuggled into Georgia factory making clothes, for among others, K-Mart
3/18/98	National Labor Committee accuses US clothing retailers, including K-Mart of sweatshop practices in China
11/02/98	NYC home to garment sweatshops in Chinatown owned by ethnic Chinese who use illegal Chinese immigrants for sweat labor. About 40% of products go to Wal-Mart and K-Mart.

Notes: 1. Sources: <http://djinteractive.com> and www.wsj.com
2. No confounding events

Table 8: Negative Sweatshop News Events on Kohl's

Date	Story
8/21/00	Human rights and religious groups accuse Kohl's of contracting with 2 sweatshops in Nicaragua
8/22/00	Human rights and religious groups try to meet with Kohl's executives, when this fails they protest at one of the company's Milwaukee stores
8/23/00	National Labor Committee and religious groups plan to submit shareholder resolutions on sweatshop labor at Kohl's' next annual meeting
8/24/00	United Students Against Sweatshops and National Labor Committee target Kohl's for buying from sweatshop factories.

Notes: 1. Sources: <http://djinteractive.com> and www.wsj.com
2. No confounding events

Table 9: Negative and Positive Sweatshop News Events on Reebok

Date	Story	Good (+) /Bad (-) News
9/27/96	Reebok issues challenge to Nike to help create an anti-sweatshop monitoring system for suppliers	+
10/10/96	Business Ethics magazine announces that Reebok is one of 8 finalists for 8 th annual Business Ethics Award for Social Responsibility	+
11/20/96	Reebok announces it will guarantee that none of its soccer balls will be made with 3 rd world sweatshop labor	+
12/20/96	Reebok listed in government directory of garment manufacturers/retailers that take stand against sweatshops	+
2/15/97	Reebok challenges FIFA, organization that governs the World Cup, and others, to prohibit use of soccer balls unless they are manufactured by companies participating in no sweatshop labor program	+
4/11/97	Reebok, along with others, has drafted charter of worker rights aimed at improving conditions in Far East sweatshops	+
4/16/97	Nike, Adidas and Reebok have become prime targets of battle to end exploitation of Third World workers and Taiwan-backed company expanding shoe operations in Vietnam, despite criticism of its labor practices, that supplies shoes to Reebok	-
9/20/97	Subcontractors making shoes for Nike and Reebok use 13 year-old workers who earn as little as \$.10 per hour or less	-
11/14/97	Reebok begins selling soccer balls with guarantee on ball box that balls were not made with child labor	+
6/29/98	Reebok says all its annual production of soccer balls made in one self-contained factory in Pakistan that adheres to industry guidelines that outlaws use of child and forced labor	+
11/5/98	Reebok and others reach agreement with human rights organization on an anti-sweatshop code of conduct and monitoring system for overseas suppliers	+
4/18/99	Reebok says it is ahead of sweatshop activists, says pays Indonesian wages 43% above min wage, keeps plant free of toxic glues, and has helped bring in pilot AFL-CIO union organizing program	+
6/15/99	Reebok effort to bar Pakistani children from stitching soccer balls has become industry model	+
10/18/99	Reebok owns up to labor problems at Indonesian factory— report of abuses led to expenditure of \$500,000 to fix problems	+

Notes: 1. Sources: <http://djinteractive.com> and www.wsj.com

2. Confounding events: 11/20/96--Reebok outbids rivals Nike and Adidas for deal with British athletes; 4/11/97—Lackluster performance of Reebok in India heavily criticized; 11/13/97—Reebok stumbles badly with TV for \$150 sneakers featuring ‘bad-boy’ Allen Iverson; 6/15/99—Reebok is among weakest stocks in lagging footwear industry

Table 10: Cumulative Abnormal Returns (CAR) for Each Firm and the t Statistic for CAR

Firm	CAR (%)	t Statistic
Nike	-19.29	-19.98*
Target	-6.33	-26.49*
The GAP	-6.26	-10.06*
Disney	-2.38	-2.30*
Wal-Mart	-5.01	-3.54*
K-Mart	-7.90	-22.34*
Kohl's	1.91	4.66*
Reebok (Good News)	13.20	-26.74*
Reebok (Bad News)	-2.32	-10.95*

Notes:

1. The t statistic for CAR_i is given by $t = \frac{\sum_{i=1}^n (F_i)^{1/2}}{(N)^{1/2}}$ where F_i is the value of an

F test that the regression coefficient on D_{it} , or abnormal returns for each event day, equals zero and N is the number of abnormal return days for each firm. The test statistic is taken from Glascok and Karafiath (2000: 184-185).

2. * indicates that t is statistically significant at the .01 level.

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