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# SweatX Closes Up Shop

The pilot manufacturing factory for SweatX, the noble anti-sweatshop brand that aspired to prove that fully unionized and even worker-owned garment factories can thrive in a sea of sweatshops, quietly closed its doors in May. The small Los Angeles plant, launched by the Hot Fudge venture capital fund run by Ben Cohen (co-founder of Ben & Jerry's), had struggled during its two years of operation.

**Peter Dreier and Richard Appelbaum** July 1, 2004 | This article appeared in the July 19, 2004 edition of *The Nation*.

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Richard Appelbaum, co-author of *Behind the Label: Inequality in the Los Angeles Apparel Industry*, teaches sociology and...

### Peter Dreier

Peter Dreier is E.P. Clapp Distinguished Professor of Politics and chair of the Urban & Environmental Policy...

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"The reason why the thing failed," explains Cohen, "was some pretty serious mismanagement." Still, Cohen remains enthusiastic. "We discovered that it certainly is possible to cut and sew clothing in this country, pay workers a livable wage and decent benefits under good working conditions and still put out a product that is competitively priced."

The basic concept was simple: Hire experienced, motivated garment workers (hardly a problem in Los Angeles, where 120,000 workers toil in thousands of tiny factories that routinely violate federal minimum-wage, health and safety laws), install them in a new plant, pay them a living wage with full health benefits, sign them up with UNITE (the garment workers' union) and educate them in the virtues of cooperative ownership. Once the plant was up and running, the operation would be sold to its workers and managers, who would run it together. And once it had reached its initial market of socially aware consumers, liberal churches, unions, environmental and other social justice groups who would buy large wholesale orders for their organizations, it would branch out into mainstream department stores and retail outlets. The SweatX label would eventually become the socially conscious counterpart to Nike's swoosh.

SweatX's proponents believed it would provide a model that would give anti-sweatshop activists evidence to push major labels like Gap and Nike--whose products are made primarily in Asian and Latin American sweatshops--to raise their workplace standards. As Los Angeles mayor James Hahn said at the factory's well-publicized opening in April 2002, "Your decision to locate the factory [in LA] is going to change the world."

At the time, that claim did not seem far-fetched. Labor costs are only 6 percent of the retail price of garments made in the United States--60 cents for a \$10 T-shirt. The increased cost required to compensate workers decently

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In the next four years—and beyond—progressives must create the political space for the president to represent the majority of Americans.

**Peter Dreier and Donald Cohen**

would hardly matter when consumers realized that they had an alternative to buying clothing made in sweatshops.

Unfortunately, SweatX suffered the same fate as many start-up apparel companies. Its problems included uneven quality, insufficient capacity and missed delivery deadlines. Cohen and his advisers installed an initial management team that lacked experience in the highly competitive garment industry. They leased an expensive building and purchased too much equipment. Too many managers added to costs, despite a "solidarity ratio" that limited them to earning no more than eight times what a worker earned.

In its two years of operation, the major customers for SweatX's T-shirts and polo shirts were unions, a few colleges that, under pressure from student activists, created "sweat-free zones" in campus bookstores and rock bands like the Grammy-winning Foo Fighters, who sold SweatX shirts at their concerts. But SweatX never penetrated the largest universities, social justice groups or religious organizations. The SweatX management team learned too late that it could not profitably sell its products directly from the factory to individual customers or even large nonprofit organizations. The clothing market is dominated by a layer of large intermediary supply houses from whose catalogues nonprofit organizations, silk-screeners and many chain stores purchase their inventory. SweatX was negotiating with one such supplier when it ran out of cash. "They were learning on the job," says Cristina Vázquez, UNITE's western regional director.

By the time it had assembled an appropriately experienced management team—its fifth (and last) CEO was Rick Roth, who runs Mirror Image, a successful, and unionized, silk-screen printing company—it was too late. "The candy store failed because it was run poorly," says Roth, "not because customers don't like candy."

There is, in fact, a growing market for clothing and other goods made to satisfy consumers' social conscience. Global Exchange, a Bay Area-based human rights group, has opened three "fair trade" stores that sell clothing, crafts, house fixtures, chocolate, tea and coffee made by worker-owned cooperatives and firms that pay fair wages in various countries. Last year these retail outlets, along with its online business, had revenues of \$1.2 million. Its No Sweat brand sneakers—produced by union workers and found on a website of union-made apparel called No Sweat ([www.nosweatapparel.com](http://www.nosweatapparel.com))—are one of its bestselling items. Starbucks, Peet's and Millstone are marketing a fair-trade coffee blend produced by worker cooperatives and certified by TransFair USA ([www.transfairusa.org](http://www.transfairusa.org)), a nonprofit monitoring agency. Across the country, consumers buy Newman's Own salad dressings and other foods, Patagonia clothing and Body Shop skin- and hair-care products because of their reputation as socially conscious companies.

Reputations don't always conform to reality. For example, American Apparel—which employs more than 1,000 workers in its LA T-shirt factory—aggressively promotes itself as a socially responsible "sweatshop free" employer. But last year, when its workers waged a union organizing campaign, the company initiated such a vicious intimidation effort that the National Labor Relations Board required it to sign a settlement agreement to refrain from antiunion practices in the future. And, as the *Wall Street Journal* noted recently, some retailers put big markups on their fair-trade products, which benefits them, not the producers.

SweatX's proponents argue that only an independent, democratic labor union can guarantee that a sewing factory is sweat-free, whether in the United States or overseas. But consumers need a way to verify that clothing is made under sweat-free conditions. Various groups, like the Worker Rights Consortium ([www.workersrights.org](http://www.workersrights.org)), now play that role. Three years ago, for example, the WRC helped pressure Nike to require Kukdong, one of its huge contractors in Mexico, to allow workers to form an independent union.

Most of SweatX's thirty-five production workers have found other jobs, typically with harsher conditions and lower pay. But the company's most recent management team wants to keep the label alive under a new, presumably wiser, company. They hope to convince some of the remaining union clothing factories around the United States to produce items under the SweatX label. SweatX would focus on the marketing and sales side of the business, which these mostly small-scale operations can't afford, and give union-made clothing much greater visibility.

SweatX could also link with human rights and labor groups like United Students Against Sweatshops ([www.studentsagainstsweatshops.org](http://www.studentsagainstsweatshops.org)) and the National Labor Committee ([www.nlcnet.org](http://www.nlcnet.org)), which have spent the past decade exposing sweatshop abuses and supporting workers' struggles to unionize around the world. SweatX could help create a US market for union goods made in poor countries by selling them under a highly visible brand name that can compete with Nike, Gap and others. For example, a union shop in El Salvador, Just Garments, had expressed interest in becoming a partner of SweatX just before the factory closed.

"I have no regrets," says Alfredo Guerra, a 40-year-old cutter from Guatemala who was one of SweatX's first production workers. "We know what went wrong. We know what to do differently. I think we could make it succeed."

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