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HUFF POST BUSINESS

# Footwear Giant Skechers Can Run, but It Can't Hide From Abusive Labor Practices

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Skechers, one of America's largest footwear companies, can run, but it can't hide.

A report released Wednesday by the Los Angeles Alliance for a New Economy (LAANE), "Out of Step: How Skechers Hurts Its California Supply Chain Workers," exposes the company's troublesome labor practices. It is not a pretty sight.

The report reveals the mistreatment of the workers who deliver Skechers' products -- primarily shoes, apparel and luggage -- from ports to warehouses to retail stores around the country and around the world. In doing so, "Out of Step" also exposes the huge gap between Skechers' carefully crafted image as a hip retailer, which has led it to become a $1.8-billion corporation, and the reality of a company for whom truck drivers and warehouse workers labor under harsh, stressful, and exploitative conditions.

Skechers recently overtook New Balance to become the fifth-largest athletic-footwear brand in the country. With its headquarters in Southern California, Skechers strives to portray its shoe and apparel brands as a reflection of traditional California lifestyles, images, and personalities. With endorsements that, over the years, have included celebrity Kim Kardashian, former NFL quarterback Joe Montana, and even star racehorse California Chrome, Skechers has depicted itself as a company that defines the California dream. Its commercials portray its customers as fun-loving, easy-living, athletically inclined, well-conditioned, prosperous young adults.

That image is in sharp contrast to the lives and working conditions of the people who don't wear Skechers' products on their feet but haul them in their trucks and carry them on their backs. "Out of Step" tells the stories of people who came to California to work and found jobs moving goods for Skechers, but whose low pay, scarce benefits, and dangerous working conditions make it almost impossible for them to realize the California dream. Thanks to these hard-working laborers -- many of them immigrants -- Skechers realized record profits. Its top executives make huge salaries, but the company does not share that prosperity with most of the workers who deliver its products.

Skechers has not taken responsibility for making sure that its contractors not only comply with the law but provide decent wages and benefits so that these workers and their families can make ends meet.

"Out of Step" reveals that the workers whom Skechers depends on to move its products are subject to the latest in cost-cutting schemes, including independent contracting of truck drivers and warehouse workers, often as part-time and/or temp employees. Skechers has adopted the Walmart model: It increases its profits by reducing its costs -- primarily by using subcontractors who pay poverty wages and subject their employees to harsh and dangerous conditions.

In addition, Skechers -- like Walmart and other corporations -- claims that it is not responsible for its subcontractors' pay and working conditions.

Skechers' subcontractors have had difficulties staying within the boundaries of California and federal laws. For example, four truck drivers for Green Fleet Systems -- a Carson-based company that hauls 40 truckloads of Skechers products per day -- filed claims with the California state labor commissioner claiming that they are misclassified as independent contractors and are therefore owed $280,822 for the deductions the company made from their checks. All four won their cases, and the labor commission found that they were indeed misclassified as independent contractors. But the company is appealing, holding out on money owed to these workers. Six more drivers' cases will be heard in July.

By labeling employee drivers as "independent contractors," companies like Green Fleet avoid paying their share of Social Security and Medicare taxes, or paying any Unemployment Insurance, worker disability, and Workers' Compensation taxes. According to a study released in February by LAANE and the National Employment Law Project, the state of California lost more than $3.9 million in tax revenues because these companies misclassified port drivers. The study also discovered that $850 million in wages were stolen from drivers every year.

Green Fleet's workers have been fighting for over a year for dignity and respect at work. The drivers have gone on strike three times to protest illegal retaliation. They have asked the Teamsters to help them unionize.

Because Skechers is Green Fleet's largest customer, the workers have being pressuring Skechers to hold Green Fleet accountable to obeying labor laws. On May 23 Green Fleet workers delivered 25,000 signatures -- from concerned Americans around the country -- on a petition to Skechers CEO Robert Greenberg at company headquarters in Manhattan Beach, California.

The drivers also attended Skechers' annual shareholder meeting last month in Manhattan Beach and made the same demand directly to shareholders and company executives. On behalf of their fellow workers, two drivers, Mateo Mares and Yasser Castillo, raised their concerns directly to Greenberg, who last year made $3.5 million and whose total holdings in the company are worth about $380 million. (Greenberg's son Michael, Skechers' president, was paid $1.5 million last year. Skechers' board of directors is all-white and all-male.)

After the stockholder meeting, the workers had an extended conversation with Robert Weinberg, Skechers' chief operating officer, asking the company to contact Green Fleet and stop the retaliation.

But the retaliation has continued. As the *Los Angeles Times* has reported, the National Labor Relations Board issued a complaint last week alleging over 50 egregiously unfair labor practices on the part of Green Fleet, including encouraging anti-union workers to pick fights with pro-union workers, firing two drivers when they refused to withdraw their claims with the labor commissioner, retaliating against pro-labor employees, and even planting an anti-union operative amid its workforce. (Yes, that's right. The NLRB determined that one of the company's anti-union drivers is actually an "agent" of the company who made death threats to pro-union drivers.)

"The NLRB's extensive allegations indicate that the company set out to destroy the lawful union organizing effort of its drivers," the *Times* reported.

Similarly, warehouse workers who move Skechers backpacks at Olivet International in Jurupa Valley, California, face health and safety hazards that have led to serious citations from Cal/OSHA, the state agency responsible for enforcing workplace health and safety laws.

Skechers is not the only California corporation whose business model fits this description. "Out of Step" is valuable not only because it pulls back the curtain on one company's abusive labor practices but because, unfortunately, Skechers is representative of the entire goods movement and logistics industry, which has become a critical part of California's economy and is characterized by low wages, few benefits, poor working conditions, and resistance to giving workers a voice at work.

California's logistics industry -- primarily trucking companies and warehouses but going all the way to the stores and other parts of the supply chain -- is engaged in a dangerous race to the bottom. All Californians lose when we allow a major sector of the economy to drive down wages and exploit workers. If workers don't have enough money to spend for basic necessities, it undermines the larger economy, and everyone suffers -- except, of course, the richest 1 percent, who benefit from the suffering of others.

Only when workers in the logistics industry earn a decent living will they be able to participate as consumers in our economy. Only when these workers receive health insurance and sufficient wages to raise a family will they no longer be forced to access public services and health care just to stay afloat. Only when trucking companies begin paying taxes for truck drivers misclassified as "independent contractors" will the state budget receive the tax revenues it should get from hugely profitable California-based retailers like Skechers. Only when companies like Skechers agree to take the high road and require their contractors to follow the law and treat workers with respect will the company truly reflect the California dream.

Over the past decade the anti-sweatshop movement (including consumer, human rights, and student groups) has traced the abuses at overseas and domestic factories to decisions made at the corporate headquarters of major apparel and footwear companies like Walmart, Nike, and Gap. These global corporations control every aspect of their business: They carefully design their products and spend large sums to market them by promoting a very specific brand image. Although they outsource to subcontractors the manufacturing of their products (typically overseas in low-wage countries) and the distribution of their products from the factories to the warehouses to the stores, they also exercise strict oversight and controls on these parts of the operation.

In the past few weeks we have seen new and groundbreaking examples of retailers yielding to legal or public pressure to take responsibility for irreplaceable subcontracted workers who help make their operations successful. Last month Walmart settled with over 1,800 warehouse workers at Schneider Logistics' warehouse in Southern California, one of Walmart's largest subcontractors, in a lawsuit alleging massive wage theft among workers whom Walmart did not directly employ. Instead, the court looked at the fact that Walmart had a significant amount of control over the work and compensation of these workers. The settlement, for over $21 million in damages, was the first time a retailer has been held responsible for labor violations in the supply chain.

And two weeks ago janitors compelled Target to agree to a responsible contractor policy applying to subcontracted janitorial contractors at Target's stores in the Minneapolis area. Target was the subject of public pressure to recognize the rights of those workers to fair pay and freedom of assembly -- basic human rights that they claim to support.

The efforts of the workers at Green Fleet and other Skechers subcontractors to improve their working conditions is part of a much larger movement around the country. The uprising of low-wage workers at Walmart, fast-food chains, ports, and other sectors as well as the growing pressure in cities and states around the country to raise the minimum wage is all part of a movement to address the nation's widening inequality between the super-rich and everyone else, to revitalize the labor movement, and to build bridges between workers and communities concerned about the declining standard of living and falling wages, the rising cost of housing and college education, the epidemic of foreclosures, and the growing public health crisis caused by community and workplace environmental hazards.

Skechers' customers must ask whether its subcontractors' abusive labor practices are acceptable. The "Out of Step" report will help consumers with a conscience get informed. But learning about these labor abuses is not enough. Consumers need to pressure Skechers and other corporations to stop profiting from these irresponsible labor practices and demand that they be responsible corporate citizens.

How? The workers are urging people to sign the petition to Skechers' CEO Greenberg to protest the abusive practices of its subcontractors.

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