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**A Study of Collaboration and Local Context of Labour Governance  
Effectiveness in Global Value Chains.**

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The PhD program Economic Sociology and Labour Studies (ESLS) (30<sup>th</sup> cohort) stems from the collaboration of four Universities, namely Università degli Studi di Brescia, Università degli Studi di Milano, Università degli Studi di Milano-Bicocca and Università degli Studi del Piemonte Orientale “Amedeo Avogadro”. The University of Milan serves as the administrative headquarters and provides the facilities for most teaching activities.



## ABSTRACT

As an answer to the limits of unilateral, corporate labour governance, so-called multi-stakeholder initiatives (MSIs) have increasingly emerged to tackle the regulation of labour standards in global value chains (GVCs), making use of the leverage and tools of more diverse actors, including governments, trade unions and NGOs. The emergence of these MSIs is linked to the belief, that higher collaboration leads to more successful labour governance (World Bank, 2015). The diversity among collaborative initiatives suggests however that the reality is more complex. Factors such as the involvement of specific stakeholders, the organizational setup and the initiative's local environments can all heavily affect their governance-outcomes, and ultimately their success. Whereas studies on private labour governance have considered each of these factors separately, so far there is no consorted effort which examines the impact of both internal and external conditions on the success of collaborative global labour governance through MSIs. Examining the Fair Labor Association (FLA) and the ILO's Better Work Program, this dissertation contributes to fill this gap with a quantitative-qualitative research strategy. First, it gives insights into the internal conditions of collaborative governance by offering a new and comprehensive classification of labour-regulating MSIs, using dimensions of scope, membership and function. Through a comparative case-study, the research further uncovers re-enforcing dynamics between levels of collaborativeness and governance-quality. Second, external conditions are examined by analysing FLA's and Better Work's social compliance data. Here, the dissertation presents novel findings which unravel the impact of supply-chain characteristics, institutional environments and state roles on the development of social compliance with diverse labour standards. The research specifically highlights the distinct organizational tangibility of enabling and observable rights (Barrientos and Smith, 2007) and the relevance of national labour market regulation as well as controlled trade de-regulation for effective public reinforcement of global labour standards.

In vista dei limiti della gestione aziendale unilaterale, le cosiddette iniziative multi-stakeholder (MSI) ci sono progressivamente moltiplicate per affrontare la regolamentazione degli standard internazionali del lavoro nella catena globale del valore, utilizzando le leve e gli strumenti dei più svariati attori, tra cui governi, sindacati e ONG. L'emergere di queste MSI è legata alla convinzione che una maggiore collaborazione porti a una gestione del lavoro più efficace (World Bank, 2015). Le diverse iniziative di collaborazione suggeriscono però che la realtà sia più complessa. Fattori come il coinvolgimento delle parti interessate, la configurazione organizzativa e il contesto locale possono influire notevolmente sui risultati della loro gestione e, in ultima analisi, sul loro successo. Mentre gli studi sulla governance privata del lavoro hanno considerato separatamente ciascuno di questi fattori, non esiste a oggi uno studio che esamini in maniera congiunta l'impatto dei fattori interni ed esterni sul successo della governance collaborativa tramite le MSI. Il presente lavoro si propone di contribuire a colmare questo divario prendendo in esame i casi dell'associazione Fair Labor Association (FLA) e il programma Better Work dell'International Labour Organization (ILO), con una strategia di ricerca quantitativa e qualitativa. In primo luogo, la ricerca fornisce un approfondimento sulle caratteristiche della governance collaborativa offrendo una nuova e completa classificazione delle MSI sulla regolazione del lavoro, considerando le dimensioni del campo di applicazione delle iniziative, della compliance e della funzione delle stesse. Lo studio di caso comparato sottolinea ulteriormente la rilevanza delle dinamiche tra livelli di collaborazione e qualità di governance. In secondo luogo, la ricerca esamina l'impatto dei fattori esterni analizzando i dati sulla social compliance di FLA e Better Work, presentando nuovi risultati che svelano l'impatto delle caratteristiche della supply chain, del contesto istituzionale e del ruolo statale sullo sviluppo della social compliance a fronte di diversi standard di lavoro. La ricerca sottolinea in modo specifico la diversa tangibilità organizzativa dei diritti ammissibili e osservabili (Barrientos e Smith, 2007) e la rilevanza della regolamentazione nazionale del lavoro, nonché del commercio, per promuovere efficacemente gli standard internazionali del lavoro.

**DECLARATION**

I hereby certify that this DPhil dissertation, presented for examination at the University of Milan/ NASP, is solely my own work. I declare that this thesis has not been and will not be submitted in whole or in part to another University for the award of any other degree.

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Signature:  .....

Milan, October 31<sup>st</sup> 2017

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**LIST OF ACRONYMS**

BFC	Better Factories Cambodia
BP	Best practice
CL	Child Labour
Co	Compensation
CSC9000T	China Social Compliance for Textile and Apparel
CSO	Civil Society Organization
CSR	Corporate Social Responsibility
ER	Employment Relations
ETI	Ethical Trading Initiative
EU	European Union
FDI	Foreign Direct Investment
FL	Forced Labour
FLA	Fair Labor Association
FoA	Freedom of Association
FPRW	ILO Declaration on Fundamental Principles and Rights at Work, 1998
GATT	General Agreement on Tariffs and Trade
GPN	Global Production Networks
GVC	Global Value Chains
H&S	Health and Safety
HA	Harassment and Abuse
HoW	Hours of Work
HR	Human Resources
IFA	International Framework Agreement
IFC	International Finance Cooperation
ILO	International Labour Organization
ILO BW	ILO Better Work Program
IMF	International Monetary Fund
IO	International Organization
IR	Industrial Relations
ITUC	International Trade Union Confederation
MFA	Multi-Fibre Agreement
MNC	Multi-national corporation
MSI	Multi-Stakeholder Initiative
ND	Non-Discrimination
NGO	Non-governmental Organization
OECD	Organization for Economic Cooperation and Development
OSH Policy	Occupational Safety and Health Policy
PPP	Public-Private-Partnership
R&D	Research and Development
ROL	Rule of Law
SAI	Social Accountability International
SDGs	Social Development Goals

SHAPE	Nike's Safety, Health, Attitudes of Management, People Investment and Environment program
TATA	US–Cambodia Bilateral Textile and Apparel Trade Agreement
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDHR	UN Universal Declaration of Human Rights, 1948
UNGC	UN Global Compact
UNRISD	United Nations Research Institute for Social Development
USA	United States of America
WB	The World Bank
WIPO	World Intellectual Property Organization
WRAP	Worldwide Responsible Accredited Production initiative
WTO	World Trade Organization



## CHAPTER I.

### INTRODUCTION

Over the course of the 20<sup>th</sup> century, economic globalization has driven the rapid internationalization and fragmentation of production into so-called global value chains (GVCs). As production becomes more globally dispersed, especially low-skilled and labour-intensive tasks are outsourced to the cheaper and less regulated labour-markets of developing countries. Economically, the participation in GVCs represents an important entry point for developing states to global trade, potentially leading to processes of economic upgrading and increases in investment, employment and technology (Gereffi, 1999; Rossi, 2011; Distelhorst, et al. 2016). However, as these dynamics were not accompanied by the development of an equally strong systems of global justice (Cohen and Sable, 2006), they also coincided with several negative repercussions at the social level, most noticeably resulting in the severe exploitation of workers involved in GVCs (Locke, 2013). And as the nature of work continuously changes<sup>1</sup> and technology threatens manual workers in the value chains of today, the concern about these conditions continuously rises (ILO, 2018).

As exploitative social practices of suppliers finally led to a series of large sweatshop-scandals in the 1990s, especially the appalling conditions in garment-exporting factories provoked calls for a system of global labour regulation. With this call, social movements and NGOs especially targeted global brands, such as Nike or Gap, accusing their competitive buying behaviour to be the main reason for labour standard deterioration in suppliers-factories. Consequently, to address risks associated with reputational losses (Vogel, 2008), the first major initiatives of global labour regulation in GVCs were led by global buyer firms. By relying on unilateral,

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<sup>1</sup> See the Working Draft of the World Development Report 2019 on “the changing nature of work” online available under <http://pubdocs.worldbank.org/en/816281518818814423/2019-WDR-Darft-Report.pdf>, last accessed April 2018

compliance-based governance programs – usually in the form of code of conducts – these private governance programs sought to enforce labour standards under the threat of contract-termination at continued non-compliance of suppliers (Locke, et al. 2007; 2013). Yet, after decades of efforts and studies, these forms of private governance have become widely known to suffer from major limitations in both rigidity and effectiveness (e.g. Barrientos and Smith, 2007; Vogel, 2008; Locke, 2013).

To address the limitations of unilateral governance, new, so-called multi-stakeholder initiatives (MSIs) emerged, which seek to engage a variety of diverse stakeholders, including governments of production countries, NGOs and trade unions into the process of regulating labour in GVCs. MSIs operate based on the idea that labour violations are neither caused, nor solved by single stakeholders (Mena and Palazzo, 2012; Baumann-Pauly, et al. 2016). However, as violations of global labour standards in GVCs persist, the question emerges whether and how these collaborative forms of governance are really more effective than their unilateral predecessors. Consequently, since corporate buying (Locke, 2013) and management (Distelhorst, et al. 2016) remain to exert a dominant influence on the capacity to implement labour standards, and while a perceived “renaissance” of the nation state as regulator (Schrank, 2009) moves the influence of national institutions back into the centre of the debate (Coe, et al. 2008; Coe and Hess, 2013), we must ask: under which conditions is collaborative governance successful?

A comprehensive effort to examine the importance of the diverse circumstances of MSI-governance in GVCs has yet to be made, to allow for a better understanding of how specific organizational, corporate and local conditions may impact the quality and effectiveness of collaborative governance efforts in the field of global labour regulation.

## **1. Research Aim and Purpose**

So far, the literature on global labour governance has mainly focussed on the analysis of impact and effectiveness of specific regulatory initiatives under specific circumstances, analysing individual organizations, companies or geographies. Although most of these studies consider

certain elements of regulation, such as local embeddedness or supply chain governance, to understand the programs' impact, hardly any efforts have been made to create a structured insight into both the internal organizations *and* the external conditions of global labour governance.

To address this, the purpose of this research is to provide a comprehensive account and a deeper understanding of the factors through which global labour governance is either reinforced or restricted. To accomplish this, both the internal (organization and collaboration) and the external (the local institutional environment) conditions of governance initiatives will be examined in detail with the help of two MSI-case studies, namely the Fair Labor Association (FLA) and the International Labor Organization's (ILO) Better Work Program. The aim of this dissertation is therefore:

- a) To contribute to the lack of comparative literature on the conditions of collaborative global labour governance and their impact;
- b) to offer an analytical and empirical distinction between internal factors and external factors of global labour governance, highlighting all of their relevant dimensions and how they influence quality or effectiveness in labour-regulating MSIs; and
- c) to provide quantitative and qualitative evidence from two cases, underlining case-specific dimensions of the internal and external conditions of global labour governance.

Isolating and studying these factors will finally serve a purpose on both the theoretical and the practical level. On the one side, further knowledge about the impact of the conditions of governance will substantially contribute to the theoretical understanding of how effective labour governance is contextualized and offer additional insights on how to frame future research in this area. On the other hand, the findings of this study can enrich the practical knowledge of regulation, for example about how to address barriers to implementation and effectiveness.

## 2. Main Argument of the Dissertation

The research in this DPhil dissertation departs from the assumption, that a thorough understanding of the success of labour governance needs to regard a) the internal organization (internal factors) and b) the local and environmental conditions (external factors) of global labour governance programs separately. Based on this, two research-trajectories are pursued, each based on a separate, yet ultimately connected line of argumentation.

First, to examine the impact of internal conditions of MSIs for the outcome of governance, I argue that comparing organizational variations between global multi-stakeholder programs can indicate which internal factors are related to governance outcomes. A classification of the three key dimensions of scope, membership and function will be used to structure the variations of collaborative labour governance initiatives and test this argument. Furthermore, I argue that we are likely to find a positive relationship between levels of collaborativeness and levels of governance quality. I base this argument on the assumption, that the involvement of more diverse actors in governance leads to the possibility of more checks-and-balances and a higher variety in tools and mechanisms of implementation. A comparative case study between the chosen cases, FLA and Better Work, will serve for the assessment of this assumption.

Second, when examining the external environment of global labour governance, the study is based on the argument that both corporate as well as institutional environments matter for the outcome of compliance. I thereby combine the expectation of two main streams of literature, one highlighting the importance of company and supply-chain characteristics for the success of governance (Riisgard and Hammer, 2011; Locke, 2013) and the other stressing the importance of local embeddedness (Coe, et al. 2008; Coe and Hess, 2013). A cross-country comparison with FLA compliance data will assess the impacts of these external conditions. Furthermore, I argue that the differences of local environments can be untangled by making conceptual use of specific roles of the state, which are found in the context of global value chains. By

operationalizing these state roles alongside a set of institutional dimensions, their impact on the effectiveness of global labour governance is tested by an analysis of Better Work data.

### **3. Structure of Thesis**

The research of this DPhil dissertation is structured into three parts. First, following the introductory chapter, chapters two and three include a thorough outline of the undertaking and background of this study. To outline the project's intent, chapter two first explains the study's two research-trajectories, outlining the problem and gaps to address, the key concepts to use and formulating the research questions. The second part of chapter two outlines the study's research strategy, the choice of cases and the methodology. Chapter three complements this, by offering a thorough introduction into theory and literature on global labour governance.

Second, the theoretical chapters four and five contain an in-depth elaboration and description of the current universe of global labour governance and its main challenges. Chapter four outlines in particular how unilateral forms of global labour governance have developed into bi- and multilateral platforms, by offering a thorough account of all actors involved in global labour governance, their tools and the accountabilities they confronted with. Chapter five conceptualizes the output dimensions of governance and further outlines the most commonly debated conditions which influence these outputs.

The third part of this dissertation contains the empirical analysis. The empirical section is split into two parts, each focussed on one of the defined research-trajectories. The first part in chapter six, offers a set of qualitative analyses, which focusses on the internal conditions of governance in labour-regulating MSIs. Here, a classification of collaborative governance is built to structure the findings on labour-focussed MSIs overall, and to analytically embed the comparison of the two case-studies, FLA and Better Work, in particular. The comparison is further focussed on the question whether and how factors of collaboration and quality of governance are found to be linked in global governance.

The second analytical part can be found in chapter seven. Here, social compliance data from both FLA and Better Work are used to conduct quantitative regression analyses to test the impact of specific external conditions on compliance. First, the FLA-analysis focusses on the comparison of corporate versus institutional effects on governance outcomes. Thereafter, the analysis of Better Work concentrates on unravelling the specific effects of local institutions on global labour standards, testing the impact of institutional proxies for diverse roles of the state. The dissertation will conclude with a summary of findings, some final remarks on the interaction between internal and external conditions of governance and by specifying a set of policy-implications and recommendations for future research in the area.

## CHAPTER II.

### PROBLEM-SETTING AND METHODOLOGY:

#### Trajectories of this Research

To lead into the thesis with a good understanding of what was studied, this chapter offers an introduction to the main concepts and questions related to global labour governance in the context of this thesis. To do so, the first section sets the analytical frame by contextualizing “the problem” on which the thesis focusses and introduces the study’s analytical aim and research questions. The second section of this chapter leads us through a short methodological discussion about how the empirical analyses in this work will address these research questions and will finally outline the reasons for choosing the two cases studied in the analyses.

#### **1. Setting the Analytical Frame: The Problem**

The forms of global labour governance studied in this thesis are firmly linked to the world of global production, more specifically, the so called global value chains (GVCs). Due to the chosen cases – the Fair Labor Association (FLA) and the ILO’s Better Work (BW) Program – the study especially focusses on the apparel sector, encompassing the development of global trade in garment, textile and woven products. Due to a high degree of global outsourcing practices and production processes, which are characterised by hazardous, manual work, apparel represents an industry commonly used for the study of global labour standards and their governance (Locke and Romis, 2010; Locke, 2013; Bartley, et al. 2015).

To develop a deeper understanding of the challenges caused by the production- and trade-environment of apparel, the following section offers an introduction into the main characteristics of the global apparel industry and an overview over the typical structures of apparel value chains. Subsequently, the general idea and motivation behind global governance is

explained, paired with a short introduction into governance-effectiveness and compliance, notions commonly used to assess the success of governance initiatives. Finally, based on this elementary understanding of where the core problem of global labour governance in the apparel industry lies, the final section of this chapter will outline the study's main research questions.

*i. The Apparel Value Chain*

The production of apparel is characterized by a high fragmentation of processes, which means that different tasks of production can easily be separated from each other through time and space. Fuelled by trade policy, this characteristic has made the globalization of the apparel industry especially interesting for large brand and retail companies from industrial countries, which started in the 1970s to outsource the labour-intensive tasks of apparel production to countries with lower labour costs (Fransen and Conzelmann, 2014).

The incentive to outsource apparel production internationally has only increased over the decades, supported by a growing number of preferential trade agreements between industrial states and developing countries. Interests to move production are therefore multi-faceted. Whereas brand firms seek to reduce costs, for developing economies apparel production is “considered a springboard for economic development, and often is the typical starter industry for countries engaged in export-oriented industrialization, due to its low fixed costs and emphasis on labour-intensive manufacturing” (Gereffi and Memedovic, 2003).

Until 2005, the global apparel industry was still strongly regulated through the application of trade-quotas. Regulated through the Multi-Fibre-Agreement (MFA), an important regulatory institution implemented in 1974 under the General Agreement on Tariffs and Trade (GATT), the quotas were primarily meant to protect industrial economies from cheap textile imports. However, also developing countries such as Bangladesh and Vietnam benefitted from the regulation through the MFA, as trade-quotas provided protection from low-cost giants such as China (Gereffi, et al. 2005). Still, in 2005, as decided by the Uruguay Round, textile trade was

moved under the umbrella of the WTO, giving way to increased trade-liberalisation and rising export quotas especially of large apparel producing states, such as China.

Table 1 summarizes the textile- and clothing-exports of the 20 largest export-markets<sup>2</sup> from 1980 - 2015. The development of exports displayed in the table highlights the relatively changing market positions of today's most important apparel exporters and the corresponding industry export values in USD. We can see that a.) the overall value of apparel exports has risen substantially over the years and that b.) especially China was able to profit from this growth (absolute and relatively). Being able to triple its global market share in textile and clothing exports from 12,2% to 38% in 20 years, there is no doubt that China has been the biggest reaper of benefits from the globalization of the apparel industry.

**Table 1: Biggest Clothing and Textile Export Countries 1980 - 2015.**

YEAR	1980		1995		2005		2010		2015	
COUNTRY	Bil.US\$	%	Bil.US\$	%	Bil.US\$	%	Bil.US\$	%	Bil.US\$	%
<b>China</b>	4,17	4,36	37,97	12,22	115,21	23,91	206,69	34,09	282,90	38,00
<b>EU (28) (a)</b>	--	--	--	--	156,95	32,57	168,70	27,82	176,89	23,76
<b>Viet Nam (b)</b>	--	--	--	--	5,41	1,12	13,45	2,22	29,66	3,98
<b>Bangladesh (b)</b>	0,42	0,44	2,40	0,77	7,60	1,58	16,12	2,66	29,13	3,91
<b>Hong Kong</b>	6,75	7,06	35,11	11,30	41,12	8,53	35,36	5,83	27,52	3,70
<b>Turkey</b>	0,47	0,50	8,65	2,78	18,91	3,92	21,72	3,58	26,07	3,50
<b>United States</b>	5,02	5,25	14,02	4,51	17,40	3,61	16,86	2,78	19,83	2,66
<b>Pakistan</b>	0,98	1,02	5,87	1,89	10,69	2,22	11,78	1,94	13,26	1,78
<b>Korea, Rep. of</b>	5,16	5,40	17,27	5,56	12,97	2,69	12,58	2,07	12,77	1,71
<b>Indonesia</b>	0,14	0,15	6,09	1,96	8,31	1,72	10,96	1,81	11,99	1,61
<b>Chinese Taipei</b>	4,20	4,40	15,11	4,86	11,27	2,34	10,70	1,76	10,52	1,41
<b>Poland</b>	1,10	1,15	2,82	0,91	3,79	0,79	5,29	0,87	7,19	0,97
<b>Thailand</b>	0,60	0,62	6,95	2,24	6,85	1,42	8,06	1,33	7,18	0,96
<b>Mexico</b>	0,09	0,09	4,01	1,29	9,44	1,96	6,29	1,04	7,05	0,95
<b>Japan</b>	5,61	5,87	7,71	2,48	7,37	1,53	7,62	1,26	6,66	0,89
<b>Malaysia</b>	0,33	0,35	3,39	1,09	3,83	0,80	5,55	0,92	6,47	0,87
<b>Cambodia</b>	--	--	--	--	2,24	0,47	3,06	0,50	6,06	0,81
<b>Sri Lanka (b)</b>	0,11	0,12	1,92	0,62	3,01	0,62	3,66	0,60	5,06	0,68
<b>UAE (c)</b>	0,07	0,07	--	--	2,16	0,45	2,93	0,48	4,27	0,57
<b>Romania</b>	--	--	1,54	0,49	5,29	1,10	4,09	0,67	4,20	0,56
<b>World</b>	95,58	100	310,67	100	481,87	100	606,29	100	744,41	100

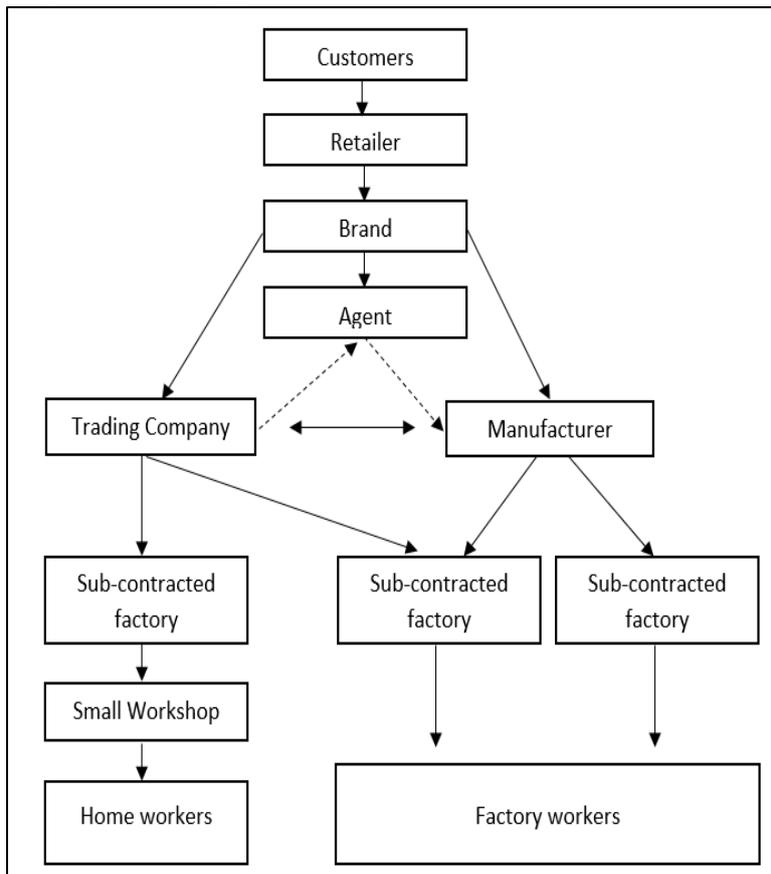
Source 1: WTO, 2017 (<http://stat.wto.org/StatisticalProgram/>); (a) includes also inner-European trade (b) includes estimates (c) includes years of missing data. Illustration of table taken from Fernandez-Stark, et al. 2011. All values in Billion USD in currency value of each year. Merchandise indicators included: Textile and Clothing. Percentage: in terms of global export value. Receiving region of exports: World.

<sup>2</sup> Order of biggest textile and clothing export-markets based on export-values to "the world" in 2015.

Still, also countries like Bangladesh and Vietnam were able to achieve a constant growth in both total export values and market share over the last decades. Others, such as Indonesia, Cambodia, Sri Lanka, Turkey and Pakistan, while increasing their national export shares (and therefore the relevance of the sector for their national economy), experience a stagnation in terms of their global market position due to the exorbitant increase in exports from champions such as China. Typical buyer markets on the other hand, such as the EU and the US, show decreasing export shares. This indicates their gradual move away from manufacturing, usually towards higher value-adding business functions such as design, marketing and retail (Gereffi, et al. 2005).

As we can see from the shifts and growth in global textile and garment trade, the sector of apparel production has undergone an intense process of globalization. Nowadays, nearly every major apparel brand uses outsourcing and offshoring-techniques, which fragment and move the different steps of production into other, usually cheaper and/or less regulated countries. Value chains, traditionally understood to be the “full range of activities which are required to bring a product or service from conception, through the different phases of production, [...] delivery to final consumers, and final disposal after use” (Kaplinsky and Morris, 2003: 4), therefore experience a geographical fragmentation, which creates *global* value chains (GVCs) which distribute different production-phases mostly into the developing parts of our world.

Global apparel value chains typically have large, multinational lead firms with headquarters in industrial countries and a supplier base of manufacturers largely located in developing countries (Fernandez-Stark, et al. 2011). The value chains are vertically organized and encompass a multitude of tasks (from knitting, through sewing to packing) and combine different business functions to different degrees. Functions such as purchasing and design are therefore less integrated in the value chains than functions such as marketing and production (Fransen and Conzelmann, 2014). To create the best value for the lead firms, the value chains finally combine and involve multiple supplier-firms for different tasks and functions, connecting them through a complex global network of production.

**Figure 1: The Apparel Value Chain**

Source 2: Fransen and Winter, 2015.

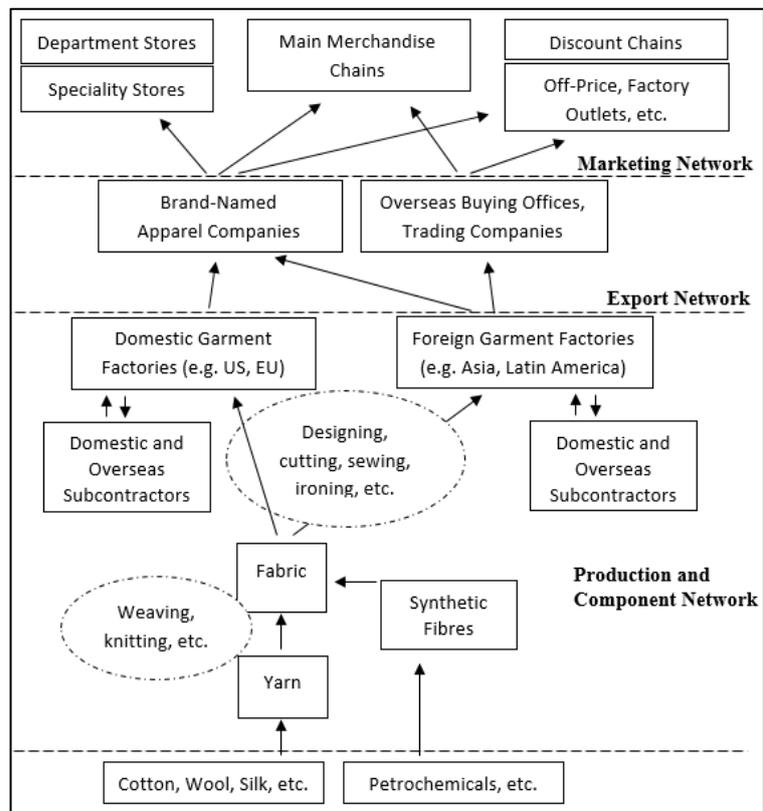
Figure 1 depicts a possible blue-print of a global apparel value chain and the vertical relationship between the involved actors. This rather simplistic representation highlights the hierarchies and vertical governance structures which exist in the GVCs of the apparel industry, where the customer's demand strongly influences the lead firms' buying behaviour and thus the pressures received by

workers (Fransen and Winter, 2015). Indeed, in terms of market coordination, consumer-driven market pressures in the apparel industry are high: the demand for constantly new designs due to season and fashion changes leads to highly volatile production processes at low profit-margins (Locke, 2013; Fransen and Winter, 2015). It is due to this, that the global apparel industry was one of the first to implement global standards for the protection of labour.

Figure 2 illustrates the apparel GVC in more detail. Firstly, it highlights the length of the chain, going all the way back to raw products such as wool and cotton, and structures it into different networks. Secondly, it highlights the diversity of tasks which can be found in apparel value chains. According to Fernandez-Stark, et al. (2011), apparel value chains are organized around five main segments: raw material supply, component supply (such as fabric and yarn), manufacturing, export channels and finally the sales and marketing networks.

The most substantial shifts and challenges due to apparel value chain globalization manifest especially within the production and component networks (Gereffi and Frederick, 2010). Here we see how first tier suppliers (domestic or foreign garment factories) may contract their own set of subcontractors, which in turn might further work with third, independent home-

**Figure 2: Stages and Networks of Apparel-Production**



Source 3: Fernandez-Stark, et al. 2011

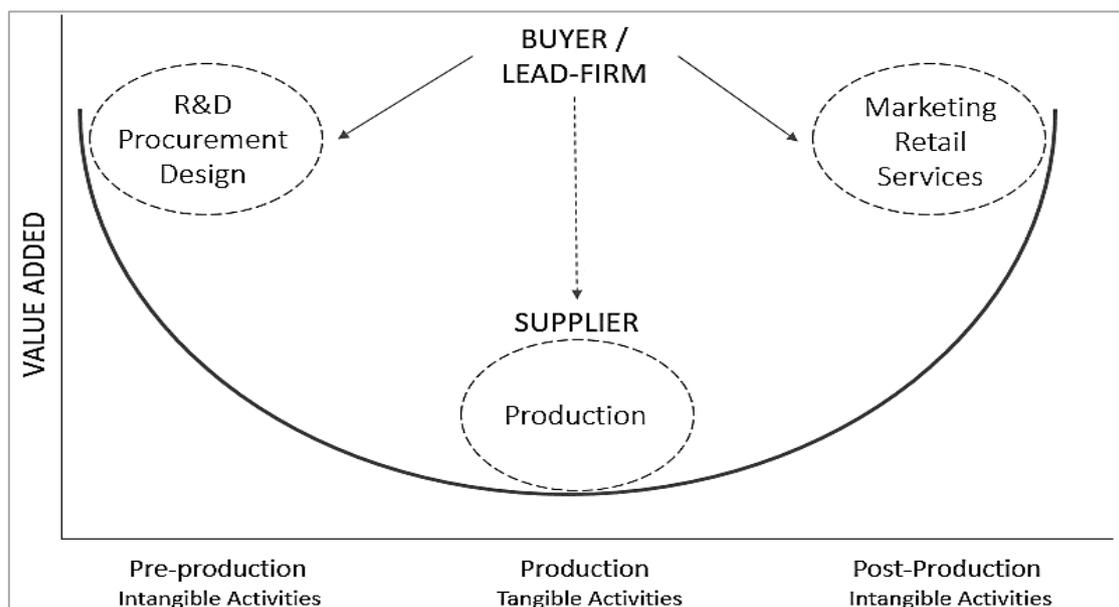
workshops, and so on. This highlights how complex and often untraceable the production of one piece of clothing can be. In many cases, brand/ buyer companies do therefore not know which second-, third- and lower tier suppliers are involved in the processes of their subcontractors, turning certain production conditions virtually into black boxes.

Finally, especially significant for the distribution of production tasks in apparel GVCs is the role of “value-added” in each production step. Value added essentially captures how every task of supply and production adds a certain value to the final product and usually depends on the cost entailed in the production-step or the competitive advantage it may provide on the market. The traditional stages of an apparel production process are: research and development (R&D), design, production, logistics (purchasing and distribution), marketing and branding and services (Fernandez-Stark, et al. 2011). Based on the logic of cost-calculation, especially R&D, logistics and services are adding value to a product. Competitive advantage is created through processes of design, marketing and branding. Ironically, the physical assemblage and manufacturing of a

product is therefore left with the by far smallest piece of added value to the final product. In other words, the biggest value of apparel products is generated at the beginning (research, design) and at the end (marketing, branding and services) of the apparel value chains. This is captured by the so-called “smiley-curve” of value-added depicted in figure 3 (Frederick, 2010; Fernandez-Stark, et al. 2011; Miller and Hohenegger, 2017).

This distribution of value-added in apparel production has two important consequences. Firstly, it determines task-distribution. The tasks which are outsourced are thus usually those, which add the least value, such as manufacturing. Although increasingly also higher value adding processes are outsourced to production countries (i.e. R&D and services), the highest value adding and therefore most important processes for competition and operational success (i.e. design, branding, marketing) are typically kept at home. Secondly, while many developing production countries compete for the lowest value-adding processes to start participation in GVCs, the more interesting tasks in terms of social and economic development are those which are of higher value-added. The possibility of economic upgrading from lower to higher value-added tasks in GVCs is therefore a key goal for most production countries and a continuous target of non-governmental organizations’ (NGO)-campaigning (Miller and Hohenegger, 2017).

**Figure 3: Curve of Value Added in the Apparel and Textile Supply Chains.**



Source: Graphic based on Frederick, 2010 in Miller and Hohenegger, 2017.

The factories of production we study in global labour governance are therefore at the lowest end of the value-added share in apparel production. This also means, that these factories suffer the highest consequences of strong competition and economic pressure, since their processes are rather non-specific and can be easily reproduced by a competitor with lower prices (Fernandez-Stark, et al. 2011). Precisely these highly labour-intensive processes paired with a low level of profit margin and little power within GVCs are the reason why the precariousness of labour in garment and textile factories is so immense. It is within these settings, that we find global governance initiatives appearing to address labour precariousness, and it is regarding these attempts of governance that the key-questions of this thesis will be defined.

*ii. Studying Effectiveness of Governance*<sup>3</sup>

With the spread of GVCs, the necessity for the regulation of labour standards moved out of national governments' reach and into a space of "global governance deficit", where neither firms, nor governments have the sole prerogative and capability of regulation (Gereffi, et al. 2005; Mayer and Gereffi, 2010). International organizations, such as the International Labour Organization (ILO), have tried to fill this void with treaties and declarations for decades<sup>4</sup>. However, notwithstanding the normative importance of those documents, the public responsibility to regulate labour standards in GVCs has been moved largely onto multinational corporations (MNCs) instead of national governments.

Pressured by public campaigns and unions, firms adopt forms of global (private) regulation, such as corporate codes of conduct, to assess the implementation of labour standards in their supply chain. Monitoring and auditing are used to track compliance, whereas the threat to end business relations, although hardly ever put into effect, is a potential tool of consequence in case

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<sup>3</sup> Part of this chapter is used as introduction in the author's publication of chapter 6.1. forthcoming 4/2017 in *Transfer* under the title "The enforcement of diverse labour standards through private governance. An assessment" (Judith Author).

<sup>4</sup> As part XIII of the treaty of Versailles 1919 the ILOs work goes back decades. The "ILO's declaration on Fundamental Principles and Rights at Work", which is nowadays considered as most important document for international labour standards, was however only adopted on June 18<sup>th</sup>, 1998 (see <http://www.ilo.org/declaration/lang--en/index.htm>).

of persistent non-compliance (Locke, 2013). Most commonly used forms of global regulation include: unilateral private strategies, such as company codes of conduct, bilateral international framework agreements (IFAs), including MNCs and international union-federations, and a variety of multilateral multi-stakeholder initiatives (MSIs) (Jenkins, 2001; Hammer, 2005). Both cases studied in this thesis, FLA and BW, fall into the last category.

Even though global labour governance programs have been created as a substitute for public regulation, “stepping in” where governments are unable to act, their effectiveness is questionable. There is clear evidence that governance programs are enforced patchily, with varied success, sometimes even being counter-productive (O’Rourke, 2003; Bulut and Lane, 2011; Anner, 2012). Private governance is for example found to be less effective for standards which are less tangible and therefore unobservable for auditors, such as freedom of association, harassment and discrimination (Barrientos and Smith, 2007). Moreover, due to the multi-layered complexity of GVCs, governance programs are usually only capable of reaching first-, and utmost second-tier suppliers with their programs. They are therefore unable to capture and address the reality of lower-tier suppliers (i.e. small, home-based workshops), which are often the most affected in terms of precarious work (Barrientos, 2007).

Consequently, larger scale studies on effects of private codes of conduct have found evidence on both positive (Bartley and Egels-Zandén, 2015) and negative (Mosley, 2011; Locke, 2013) developments of labour standards under private and global governance. The concept of “effectiveness” in the study of these programs is therefore still an elusive concept and remains a key question in the discussion about success and tools of global labour governance.

Regarding global labour governance, the notion of effectiveness can be debated in three ways: 1. How is effectiveness defined? 2. How is effectiveness measured? 3. Which determinants impact the outcome of effectiveness? All three questions will be thoroughly discussed throughout the course of this study, arriving in short at the following conclusions.

First, *effectiveness is defined* as the capacity of a program to transform the status quo (the “what is”) into a defined goal (the “what should be”). How easily the status quo is transformed into a given goal can depend on several dimensions defining each given governance program, such as the timeframe of implementation, the scope of the program and the visibility of results. In short, effectiveness is however always defined as the visible or measurable output of a governance program, which depends on internal structures, such as processes, actors and mechanisms of implementation, as well as the external context in which it is embedded (Schäfferhofer et al. 2009; Mena and Palazzo, 2012). In other words, effectiveness is the extent to which a governance program has helped to implement and establish targeted policies and processes of change, either within a factory at the smaller level or within a country at the bigger level (Khagram, et al. 2012). A further discussion of the dimensions of governance outcomes and effectiveness can be found in chapter 5.1 of this thesis.

Secondly, *the measurement of effectiveness* is in its core always dependent on the tangibility of a phenomenon and the quality of data at disposal. The main difficulty of measuring effectiveness lies therefore in its elusive character: there is no universal definition of effect, nor a common method of evaluation. For a long time, qualitative case studies have therefore dominated the literature on global governance programs, making use of context-specific definitions of effect and program-specific explanations of success. Studying effectiveness quantitatively has emerged only within the last ten years, making use of monitoring records from those programs which make use of social auditing. By introducing social compliance audits as a data-source of studying governance, scholars however explicitly choose to use the concept of *compliance* as a proxy for the effectiveness of governance initiatives (Locke, et al. 2007; Locke, 2013). In most cases it is the combination of quantitative measures (compliance) and qualitative, context-specific insights which offers the most promising results in capturing effectiveness. See chapter 5.1 and the methodological sections of the analyses in chapter 7 for further clarification on the measurement of compliance and its contextualization.

Finally, *the determinants of effectiveness* of global labour governance are several and often difficult to unravel. They are therefore a core interest of this thesis. Generally, two larger sets of determinants are considered as important for the outcomes of global labour governance: a.) the structural factors of companies and production in which governance is embedded in (Gereffi, et al. 2005; Kaptein and Schwartz, 2007; Mayer and Gereffi, 2010), and b.) the local public and social environments in which both GVCs and the governance programs are located (Coe, et al. 2008; Coe and Hess, 2013; Barrientos, 2013). In the first, determinants such as industry, size of lead-firm and suppliers, power-distances and contractual relations are of interest. The second regards the influences of local legislation, labour markets, social and labour movements as well as the institutional environment, thereby considering the potential complementarities between global and local forms of governance (Locke, et al., 2013).

The different importance of these factors for the improvement of labour standards in specific governance programs is examined as a core question in two analyses in chapter 7. In a previous line of enquiry, chapter 6 examines the organizational conditions and strategies of multi-stakeholder governance programs and discusses their potential importance for the quality of global governance.

### *iii. Contextualizing Compliance*

Formally, compliance is defined as “the act of obeying an order, rule or request”, and is synonymous to the idea of obedience (Cambridge dictionary, 2017). In private labour governance however, compliance only describes the objectively verifiable adherence to an imposed set of rules, whereas obedience itself cannot be measured. To verify compliance, the governing party (i.e. the GVC lead firm) generally uses tools of monitoring. Monitoring outcomes are used to determine the extent to which a supplier is compliant with a given code of conduct. Practices of monitoring differ between programs and can entail scheduled and unscheduled factory visits, manager- and worker-interviews, as well as questionnaires and document-revision.

Monitoring practices are often strongly contested by academics and NGOs alike, as they are either viewed as corporate tools of control or simply seen as ineffective tools, unable to capture the complexity of challenges and realities in global labour governance. Audits can therefore be heavily biased depending on the auditor's objectivity and ability to identify problems: audits have found to be less rigid in cases where the same auditor visited the factory before, audit teams were less experienced, all-male or paid by the audited supplier (Short, et al. 2015). Furthermore, Locke et al. (2007) highlight that isolated efforts of monitoring produce only limited results in terms of actual labour standard improvement. Instead, they insist "that when monitoring efforts are combined with other interventions focused on tackling some of the root causes of poor working conditions, [...] working conditions appear to significantly improve" (Locke, Qin and Brause, 2007: p.3), highlighting both the importance of new forms of governance, such as capacity building, and the importance of governance-contextualization.

Consequently, to use compliance successfully as a proxy for effectiveness, certain pre-considerations about the monitoring practices are important. A. Research must be based on a good understanding of the content of a governance program (and its related code of conduct) in question and evaluate possible goals and strategies of actors within this frame. B. The processes of implementation which define compliance should distinguish between mechanisms which are formally outlined and should exist (the potential of a governance program), and mechanisms in use and the rigour of their application (the actual enforcement of a governance program). C. The interpretation of compliance needs to be embedded in an understanding of its context.

While all above-mentioned considerations will be addressed, especially the contextualizing of compliance forms part of the key interests leading through the analysis in this study. The following factors can be considered as important when studying compliance within global labour governance initiatives:

1. *Company characteristics and power-relations within the value chain:* Age, size and importance of firms; structures of production in industry; number of suppliers in GVC;

- company objectives; brand-importance; buyer-seller relationship; existence of internally consistent approaches (Gereffi, et al. 2005; Locke, 2013; Curran and Nadvi, 2015).
2. *Market structure and trade development*: Local and global industry and business standards; economic development and performance; importance and size of sector; trade agreements (Egels-Zandén, 2009; Lund-Thomsen and Nadvi, 2010; Toffel, et al. 2015).
  3. *Activeness of the social environment*: Number and activities of social groups/ trade unions; press freedom and openness of society; global and local civic engagement (Vogel, 2008; Meardi and Marginson, 2010; Bartley, et al. 2015; Fransen and Winter, 2015, Oka, 2015).
  4. *Bureaucracy and regulatory efficiency*: Efficiency of bureaucratic procedures; government effectiveness, control of corruption; trust in the government, etc. (Piore and Schrank, 2008; Schrank, 2009; Amengual, 2010; Ronconi, 2010; Berliner, et al. 2015)
  5. *Policies of social investment and institutional legacies*: the development and status-quo of policies of human capital investment, education, gender policies for the labour market, active and specific labour market policies (e.g. minimum wages), and policies for the inclusion of excluded workers, etc. (Morel, et al. 2012; Garritzmann, et al. 2017).
  6. *The constitutions of global standards*: number of actors involved in governance; scope and content of codes, level of cooperativeness, transparency and traceability, mechanisms of implementation and enforcement (Kaptein and Schwartz, 2007; Bartley, et al. 2015).

To further elaborate and unravel the importance of these factors, in chapter 5.2. the discussion about governance-context and embeddedness will be continued. Chapter 6 discusses in depth how the constitution of codes in global governance can vary in three dimensions and how different degrees of collaborativeness and governance-quality of global standards are connected. In chapter 7, the environment of compliance is operationalized through two quantitative compliance analyses.

*iv. The Global-Local-Dilemma*

When studying the regulation of global economic matters, it is easily forgotten that neither firms, nor workers exist in a purely global space. No matter how global the business-plan and value chain, the actors themselves are always embedded in a set of local circumstances (Coe, et al. 2008). Even though it has been argued that the negative externalities of global production for labour exist in a “regulatory deficit” (Mayer and Gereffi, 2010: 2) – either due to incapacity or unwillingness of national legislators –, many private provisions are still likely to overlap with local laws. This existence of simultaneous governance at the local, public and at the global, private level does not come without challenges. When studying regulation in global production, it is therefore key to develop a good understanding of the many challenges and potential complementarities, which are generated by the mutual existence of global and local labour regulation (Mayer and Gereffi, 2006; Vogel, 2008).

The awareness of global-local linkages is in fact nothing new to the processes of global production. Thus, GVCs are not only designed to generate global competitive advantage through local benefits of production (such as cheap labour and low regulation), they also encompass established governance structures regulating challenges which emerge through gaps between global goal-setting and local practices (Gereffi, et al. 2005). This pre-established governance structure in GVCs allowed lead-firms to quickly expand regulation beyond only the product-quality, when calls for social accountability got louder. Once established however, it was to many unclear whether these “social regulations” were meant to complement, substitute or counter pre-existing national laws, and many questions arose regarding the interactions between these two levels of regulation (Locke, et al., 2013).

In this thesis, I will argue that the degree to which local and global labour regulation can be complementary (as opposed to substitutes), is strongly dependent on factors of governance-quality and collaborativeness within global labour governance initiatives. This argumentation

will be developed throughout the analysis in Chapter 6 and 7 and be based on two general assumptions about the linkages between local and global regulation.

Firstly, I assume that there is a constant reciprocity between global and local standard making, which is largely based on the mutual exchange of local and global norms. For example, a local norm can be established internationally when a process is globalized and its attached rules of practice are accepted and established at the global level. De Santos calls this “globalized localism” and examples are the translation of specific rights, well-proven practices and local rules into global norms and standards, possibly codified e.g. by the International Labour Organization (ILO) into international declarations (De Santos and Rodríguez-Garavito 2005; Bartley, et al. 2015). Conversely, “localized globalism” then describes the impact which globalized best practices and norms have in return on the development of specific local conditions and their regulation (De Santos, 2006). As such, we can see how ILO declarations and standards are the base-line of compliance for most company codes of conduct, becoming thus a globally defined baseline of expectation for local work and production.

Secondly, I recognize that neither the global nor the local are vacant spaces, which can simply be filled by new regulation without at least recognizing the existence of pre-established standards and practices. Therefore, all forms of global labour governance must to some extent be anchored in both, pre-existing global standards (e.g. by referencing ILO core standards) and local legislation (e.g. by using local law as baseline for compliance). In this study, the basic assumption about regulation will therefore be aligned with the idea of Bartley, et al. (2015), who highlight that: “it is preferable to start from the [...] premise that sites of implementation are crowded with different actors and agendas, only some of which are likely to line up with global standard-setting initiatives. [...]” (Ibid: 28). This presumption helps to be aware of a.) the challenges which global regulation faces in its implementation and b.) highlights the importance of creating linkages and complementarities between local and global forms of governance.

A further discussion on global-local linkages can be found in Chapter 5.2, where the focus lies on the reciprocity between local and global standards, and in several smaller mentions and

thoughts on governance complementarity, which are spread throughout this thesis. Throughout the thesis, “global regulation” will usually refer to the standards of global private- and multi-stakeholder governance initiatives, whereas the term “local regulation” mostly credits standards of national legislation and their enforcement through public governance. Still, also other forms of regulation – such as global public governance and local social or private regulation – are recognized as important, will however be less prevalent in discussion.

v. *Research Gaps and Research Questions*

The literature on private labour governance in GVCs is qualitatively well developed. A big collection of case studies, focussed on singular factories, buyer-firms or countries has theoretically and empirically paved the way to understand more concretely how labour standards are influenced by global production under specific circumstances. However, more generalizable, quantitative study-trajectories regarding the success of private governance have only emerged within the last ten years, mainly pioneered by Richard Locke’s studies on supplier compliance in Nike’s supply chain (Locke, et al. 2007; Locke and Romis, 2007; Locke, 2013). Even though quantitative compliance-studies have become more frequent in the last five years, studies with a comparative scope – whether in terms of geography (international comparisons) or in terms of governance programs (organizational comparison) – are still rare.

In this doctoral thesis, I aim to contribute to the lacking literature on the conditions of effectiveness and impact of global labour governance by taking a comparative focus. The most basic assumption of this thesis is, that the success of governance is highly dependent on two factors: A) the internal organization (internal factors) and B) the local and environmental conditions (external factors) of global governance programs. To address both, the study will be split into two main research trajectories, each with a different dimension of comparison and a common overall interest in governance-effectiveness.

The first trajectory of research addresses assumption A, examining and comparing the varieties of collaboration in global multi-stakeholder labour governance. By building and applying a

cohesive classification of multi-stakeholder collaboration, this line of enquiry explores the relevance of collaborative stakeholder strategies for the governance quality and potential impact of global labour governance programs. Two specific cases will be operationalized alongside this classification and serve as base of comparison, exemplifying if and how collaborativeness and governance-quality are linked in different regulatory programs. The chosen cases are The Fair Labor Association (FLA) and the ILO's Better Work (BW) Program.

The second research-trajectory will use global compliance data of these two chosen cases to explore assumption B, examining the importance of different external conditions for the effectiveness of global governance in two cross-country comparisons. By using two separate analytical models, the importance of both corporate, supply-chain and public, local macro- and meso-institutions are quantitatively tested to study their impact on the effectiveness of global labour governance.

**Research Trajectory I** – Understanding *varieties of collaborativeness* becomes increasingly important for the study of global labour governance, as most originally unilateral and corporate codes of conduct are nowadays neither unilateral, nor purely private anymore (Mena and Palazzo, 2012). In fact, modern governance programs actively strive to involve NGOs, civil groups, unions and governments to gain higher credibility (Vogel, 2008; Barrientos, et al. 2011). These global forms of collaborative social governance, commonly known as multi-stakeholder initiatives (MSI), have become the norm, not the exception, for the organization of global labour governance (Mena and Palazzo, 2012; Baumann-Pauly, et al. 2016).

However, whereas several papers examine the impact of specific initiatives (Barrientos and Smith, 2007 and Alford, 2016 on the Ethical Trade Initiative; Anner, 2012 on the FLA; Egels-Zandén and Lindholm, 2014 on the Fair Wear Foundation), there is few consorted efforts to categorize MSIs in terms of organization with the aim of linking this to insights on how MSI-profiles may affect the quality of their organization and its effectiveness. Noticeable exceptions are efforts by Ellis and Keane (2009), Fransen and Kolk (2007) and Mena and Palazzo (2012).

Building on pre-existing models, the first analysis will be based on the proposal of a new and comprehensive categorization of collaborative labour governance and addresses the following:

*RESEARCH QUESTION A:*

*WHICH STAKEHOLDER-STRATEGIES AND STRUCTURAL DIMENSIONS OF MULTI-STAKEHOLDER INITIATIVES (MSIs) INFLUENCE THE QUALITY AND OUTCOMES OF COLLABORATIVE LABOUR GOVERNANCE?*

To specifically examine MSIs in the area of labour governance, I outline stakeholder-strategies which actors use to decide on processes of coordination and implementation within an initiative. Derived from these, chapter 6 identifies three key dimensions of variation in MSI governance, scope, membership and function, and ask:

*RQ A.1. Which varying factors of scope (topic, product, geography and framing), membership (leadership, rule target and inclusiveness) and function (best practice sharing, certification and governance) can be found in organizations of global labour governance?*

The dimensions and strategies used to build the MSI-classification will finally serve as a frame of operationalization in two ways. First, 29 prominent multi-stakeholder labour governance initiatives are assigned values alongside each dimension of the classification to draw a coherent and structured picture of the universe of current labour-related MSIs. Second, I will use the classification as base to compare the two selected MSI cases – The FLA and ILO’s BW Program –, specifically focussed on the following question:

*RQ A.2. Is there evidence that higher levels of collaborativeness in MSIs’ organization, coordination and implementation will lead to a higher quality, and ultimately the success of global labour governance?*

**Research Trajectory II** – Focussing on the *impact of the external conditions of governance on compliance* directly relates to the first research-interest by complementing the question of what impacts global governance “internally” with what affects it “externally”. For the external conditions of compliance in global labour governance both supply-chain context (Gereffi, et al. 2005; Gereffi and Fernandez-Stark, 2011) and the local and social embeddedness of governance (Coe, et al. 2008; Coe and Hess, 2010) have been highlighted and studied quite extensively.

However, there has yet been little concerted efforts in a.) quantitatively testing the diverse effects of these conditions on the implementation of all versus specific standards and in b.) unravelling the macro-idea of “local environments” into measurable meso-institutions. Some noticeable exceptions of recent literature on topic a) are Distelhorst, et al. (2015), Bartley, et al. (2015) and Toffel, et al. (2015). Complementing these, the gaps will be addressed by asking:

*RESEARCH QUESTION B:*

*WHICH EXTERNAL CONDITIONS OF GLOBAL GOVERNANCE SUPPORT OR OBSTRUCT  
THE IMPLEMENTATION OF DIVERSE LABOUR STANDARDS?*

This question will be broken down in two different ways. The first quantitative analysis, using FLA-compliance data, will separate two dimensions of governance-conditions into those which are privately impacted (value chain and corporate structures) and those, which are publicly impacted (regulatory environment). The analysis will thus explore the following questions:

*RQ B1. Is there evidence indicating that both value chain/ corporate characteristics and the institutional environment are important for social compliance in global labour governance?*

*RQ B2. Are there institutional environments which are more conducive or obstructive to the implementation of specific global labour standards?*

The second quantitative analysis, focussed on the compliance data of Better Work, seeks to clarify the generalized notion of “local environments” by operationalizing the so-called roles of the state (Horner, 2017; Mayer and Philips, 2017) and assigning them selected proxies for meso-institutions in the areas of economic and market regulation, labour-market regulation, free-trade policies and social investment politics. By making each of the roles measurable, we can question their potentially diverse impacts on the compliance-outcomes of global labour governance and ask the following question:

*RQ B3. Which favourable or obstructive environments for the development of diverse labour standard compliance can be found amongst the following state-roles: state as institutional environment, state as regulator on the labour market, state as trade facilitator and state as social provider?*

Underlying both research-trajectories the study has the added interest of a.) identifying evidence of governance-complementarities between both global and local, as well as private and public forms of governance and of b.) clarifying the different effects of conditions for labour standards of different characteristics, especially enabling and process standards (Barrientos and Smith, 2007). Both topics can be found as a red-line of related interest and will be discussed repeatedly in both theory and the analytical parts of the study.

## **2. The Methodology**

Briefly outlining the methodology of this thesis is a challenging task, as the three analytical parts follow each their own considerations. This section will nevertheless attempt to summarize the most important choices made for this study regarding data, methodology and the cases used to answer the research questions outlined above. More specific methodological remarks for each quantitative analysis can be found in the analytical chapters itself, in separate methodological sections ordered before each analysis.

### *i. An Argument for Quantitative Research*

A big part of the research on global labour governance in GVCs has been conducted as qualitative case studies. This selective focus on one case, such as one single governance program, one country, one buyer or even one factory, has distinct advantages. Research of this kind can explicitly target and examine specific, national institutions and focus on key-actors involved in the governance of labour. Additionally, qualitative studies can include the views and narratives of workers at the shop-floor and interpret their opinion within a specific set of geographic and historical circumstances.

This depth of insight through including worker-voices and the ability of grasping the entire complexity of global governance-networks are what quantitative research designs on the other hand often lack. Regarding the complex relations within global labour governance of GVCs, qualitative case studies have therefore been the logical tool of choice to study the phenomenon.

However, despite concerns about over-simplification, the possibility of studying private governance quantitatively must not be completely discarded. In fact, I argue that quantitative methodology is an important *complement* to the existing universe of qualitative case studies, embedding them in a more structural and comparative view on the world of challenges and possibilities when promoting global labour standards.

After more than 20 years of governance efforts in GVCs, labour standards are still low and violations continue to be of shocking magnitude all over the world (and not just in developing countries). Whereas it is indispensable to understand local opposition and challenges to private labour governance, the failure of private governance is in many ways also a global phenomenon. To capture challenges and problems which may lie beyond one factory, one country or one buyer, structural quantitative comparison is therefore necessary.

Through the testing of hypothesis over multiple institutional and economic environments, structural evidence from social compliance efforts can be further contextualized and insights previously found by case studies can be compiled and compared with other developments in a global setting. Quantitative analysis should however not stand by itself. Only when combining qualitative with quantitative insights can we move forward in understanding why global labour governance has so far been unable to make a sustainable difference for workers in GVCs.

To accommodate this view, this study adopts a mixed research design. The qualitative part of the thesis will comprise the development of a qualitative classification of multi-stakeholder strategy and -governance, which serves as theoretical base for the comparison of links between collaborativeness and governance-quality in two most-dissimilar organizational case studies. The main emphasis of the qualitative section therefore lies on examining the importance of “internal”, organizational conditions of global labour governance. The quantitative part of this thesis will examine the compliance scores of the chosen case-studies, focussing on the “external” governance conditions of each initiative, such as value-chain characteristics, local macro- and meso-institutions and the social environment.

*ii. Methodological Challenges*

There are several difficulties to face when studying the global governance of labour standards. In the following, three methodological challenges will shortly be discussed, which were also found to be relevant in the context of this thesis. The subsequent sections on case-selection, methodology and analytical models will then recapitulate how these challenges are addressed.

Firstly, quantitative studies assessing the effectiveness of MNC governance rely in many cases on data, which often underlie strict privacy rules both to protect the companies involved in global governance and to assure their continued participation (ILO, 2013). Empirical research of compliance in private governance initiatives therefore faces a demanding problem of data availability. This scarcity creates quality issues: It seems to be justified to use just about every available audit-report as data source, no matter how low the quality of data-collection, if only some form of insight is gained. Potential biases due to “company-loyal” audited reports and a low quality of auditors are therefore not uncommon. Still, to make sure that a study is based on a workable amount (enough in quantity) of credible monitoring data (sufficient in quality), researchers must not resist carefully selecting which governance-program to study. Both the defined research-interest of the study and the organizational characteristics of governance-programs can be of help in this selection.

Secondly, once audit-data is obtained, certain common characteristics of social compliance data may arise further methodological concerns (Egels-Zandén 2009; Anner 2012). The main concerns regarding audits as research-data refer to: a.) the subjectivity of audits (Short, et al. 2015), b.) the uncontrollability of data collection and random sampling (Bartley and Egels-Zandén 2015) and c.) the commonly missing counterfactuals (Newitt, 2013).

Whereas a. and b. are often accepted as unalterable methodological constraint, which may be addressed by the careful selection of a program, scholars have been especially unable to address the final point c. This poses a challenge especially for the interpretation of compliance-analyses, as missing control-groups make it possible to contest even the most basic assumption of this

study: whether factory-participation in governance-programs even yield any impact on workers. This reveals a big problem of quantitative studies in this field which are entirely dependent on the collection of data through third parties. These third parties usually are only interested (or only paid) to collect data of factories *within* a program. The idea of counterfactual however relies on the idea of data from control-groups, so factories *outside* the same. Newitt (2013) thus highlights, that “most assessments occur as isolated research exercises [and] suffer from a lack of broadly comparable data and a limited ability to draw system-wide conclusions about impact. [Here], (t)he missing counterfactual is a key limitation: that is, an understanding of what would have happened if the codes were not in place, established by comparison with a control group” (Newitt 2013: 12).

Third, the complexity of multi-stakeholder governance poses certain difficulties for the quantitative comparison of programs. Grasping the multifacetedness of all actors involved in governance theoretically entails understanding their different logics of action and the in-depth knowledge of their potential preferences. Methodologically this is a challenge, as actors in multi-stakeholder governance are not only many, but in many cases – as mentioned above – they are also unknown. Still, the disregard of actor’s perceived preferences may lead to wrong interpretations of governance-outcomes: private governance can therefore be seen as very promising or very deceiving, depending on how the intentions of the actors behind regulation are being perceived. To visualise governance correctly, the consideration of corporate self-interest is therefore just as important as understanding the political standing of governments and the institutional histories of countries (Garrizmann, et al. 2016; Mosley, 2017). Quantitative studies on governance-mechanisms are therefore always faced with a challenging task of abstraction and simplification, which may alter the interpretation of results if done carelessly.

### *iii. The Data-Sources and Cases*

The narrative in this study will be complemented through the analysis of two multi-stakeholder initiatives, which are both focussed on global governance of labour standards in global apparel

value chains. The chosen cases are: A) the Fair Labor Association (FLA), a US-based privately-led MSI, which is with its almost 30-year old history one of the oldest multi-stakeholder labour governance schemes in GVCs of the apparel sector; and B) the publicly-led ILO Better Work Program, which is currently among the largest multi-stakeholder governance schemes focussed on labour governance in global apparel value chains. The selection of cases was based on two major considerations: the equilibrium between similarities and differences between the cases, and the reasonable balance between data-availability and data-quality.

*The similarities and differences* between the chosen cases align almost perfectly for the purpose of this study. In terms of similarities, both governance programs can be considered as multi-stakeholder initiatives, both focus on labour conditions in GVCs as their core-concern of governance and both have for the longest time emerged and developed as single-sector programs, concerned with the global apparel (and footwear in the case of FLA) sector. Apart from these baseline-similarities however, their organizational histories, mechanisms and structures could not be more different. The FLA is therefore a privately-led initiative, strongly relying on the structure of participating buyers' GVCs and the enforcement of mechanisms through lead-firm leverage. Multi-stakeholder involvement in the FLA on the other hand is only relevant in advisory- and/ or complaint-functions. Better Work on the other hand is publicly-led by the ILO and focusses more on local enforcement of standards within specific country programs, where the involvement of social partners and local governments is strategically used to reinforce implementation. Its tripartite committee-based system on the local, national and global level makes this organization for many "the gold standard" of multi-stakeholder global governance, not only in the apparel industry. It is the similarity in goal and the extreme differences in execution, which make the FLA and the BW Program suitable cases for comparison.

*Data availability and quality* are also well balanced in both organizations. The FLA has a freely available online-pool of data<sup>5</sup>, providing access to all annual audit-reports (so-called tracking-chart) of participating FLA-companies. Out of the total amount of online available audit reports, all those in the sector of apparel and footwear available between the audit-years 2004 and 2014 were encoded into a quantitative data-set. The detailed protocol of this entire coding process can be found in Appendix 2.3. Whereas availability of the FLA data is very high, the quality of the available audit reports is only average. Because audits are conducted by different agents in different countries (sometimes even different agents within countries), full consistency in documentation is lacking. For example, some reports are uploaded as raw tracking-sheets in excel-format, whereas other audits are uploaded in proper report-form as pdf-files. Additionally, whereas some audits are conducted by FLA-monitoring teams, most reporting is outsourced to external monitors in different countries, which may lead to inconsistencies in the way how benchmarks are interpreted. Still, since the benchmark-codes and standards are rather detailed and the same for audits in all countries (with local adjustments based on national legislation), possible variation in interpretation will be condoned.

The situation for the ILO is converse, here the data quality is stellar but the availability is restricted. The data was shared for this study only after several months of elaboration and conversation with the research team at Better Work. While the organization is generally not against sharing their compliance data, high value is placed on the research's relevance for the organization itself and their partners. A detailed plan of research and an outline of the variables to be used, as well as external data-sources and a signed non-disclosure agreement therefore had to be provided and discussed before the full data was shared for research. In terms of quality, the BW-data is collected through a well-shaped research-design which provides for random sampling in some country-programs and a full sample in others, where participation is mandatory for all factories involved in garment export. Additionally, monitoring is based on a

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<sup>5</sup> Tracking charts online available at <http://www.fairlabor.org/transparency/workplace-monitoring-reports>, last accessed 15.08.2017.

detailed Compliance Assessment Tool<sup>6</sup>, which is globally relevant (with country-adjustments, according to local legislation, like in the FLA data) and entirely conducted by ILO and Better Work's own staff, guaranteeing balanced, unbiased and high-quality audit-results.

*iv. Research Strategy, Methodology and Analytical Models*

This research takes a mixed-method analytical approach, starting off with a qualitative strategy to examine and compare the organizational strategy and structure of the two MSI case-studies, followed by a quantitative analysis of the conditions and characteristics of each related compliance-program. In the following, I will outline the general research-strategy in five steps, followed by a short discussion on how the previously mentioned methodological challenges will be addressed in the relevant stages.

(1) *Setting theory and frame.* In a first step, the literature and general theory on labour governance in global value chains will be reviewed. Subsequently based on this, a whole chapter will be dedicated to setting the context of this study. By a) reviewing actors, tools and mechanisms of global labour governance, b) discussing and theorizing compliance and effectiveness and finally c) examining the importance of local and social embeddedness, the realities of global labour governance are outlined and discussed. This account will lay a solid groundwork for both the qualitative and the quantitative line of questioning to follow.

(2) *Building a classification for collaborative governance.* Based on the solid understanding of global labour governance developed in the theoretical chapters, the first analytical effort is focussed on building a classification of multi-stakeholder initiatives, connecting internal structures of MSIs with properties of governance-quality and -success. By compiling and complementing the efforts of former studies, the proposed classification will be developed alongside the consideration of multi-stakeholder strategies, namely organizational, coordination, implementation and legitimacy strategies, which are each connected to processes

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<sup>6</sup> Online available at <https://betterwork.org/blog/portfolio/better-works-global-compliance-assessment-tool/>, last accessed 15.08.2017.

and outputs of multi-stakeholder collaboration. Based on these, the following dimensions are developed and proposed for the MSI-classification: a) scope, b) membership and c) function. All three dimensions will finally be applied to a list of 29 labour-related MSIs to give an overview over the structures in the current universe of governance initiatives.

(3) *A comparative study of two global labour governance cases.* The formerly developed dimensions of MSI-strategy developed will be used here to perform a thorough organization- and strategy-analysis of the two chosen multi-stakeholder cases, the FLA and Better Work. By examining history and development of the two cases, their relevant processes of operational strategy, implementation and collaboration are tracked and ordered for examination. The findings from these accounts on organizational development will then be used for a qualitative comparison of the links between collaborativeness and governance-quality found in each of the cases. This comparison further seeks to contribute to the understanding of links between organizational strategy and MSI-success.

(4) *Conditions of compliance and effectiveness in the case of the FLA.* The qualitative insights on internal and operational conditions of GVCs labour governance are followed by the first quantitative compliance-study. Here, the importance of external circumstances for compliance outcomes are examined. This first compliance-analysis is focussed on examining the different impacts of corporate versus institutional conditions for the development of compliance. The FLA-data was chosen for this analysis, as the strong private characteristic of this MSI offers a good opportunity to test for the importance of public institutions while controlling for corporate and value chain characteristics. In other words, the public effects found here must be rather strong, as they are measurable in an environment where organization and implementation is almost entirely privately dominated. The analytical model chosen for this analysis is a regular OLS-regression with the count of labour violations as dependent variable. A second model looks at the impact of corporate and institutional variables on the level of enabling standards, merely containing standards on “Freedom of Association”, “Discrimination” and “Harassment and Abuse”. This line of enquiry tests for expected differences in response to

governance-conditions of labour standards with diverse characteristics (i.e. i.e. observable versus enabling standards; Barrientos and Smith, 2007).

(5) *Meso-level institutions and their impact on Better Work compliance.* Finally, to unravel the generalized impact and importance of public and local environment for compliance-outcomes, a second quantitative analysis is designed. Since the Better Work governance program is publicly-led and strongly embedded into the public environment of its country-programs, its compliance data is useful for this analysis, as we can expect that this data is especially susceptible to the impact of local institutions. Due to the panel-structure of the BW data, the analysis will involve fixed- and random-effects regression models. For each standard within the BW-Compliance Tool, two regressions will be modelled, to expand the line of enquiry different responses of diverse labour-standards (see point 4).

As mentioned above, the main problems of quantitative social compliance research are the potential biases in audit-reports, the questionable credibility and quality of data and the methodological constraints in terms of research-design (especially random sampling and the missing introduction of counterfactuals). Since the data-sources used in this study did not allow for any influence on the data-collection or research-design, the main strategy of counteracting potential problems through data-issues are addressed through a) the decision on data-sources with a reasonable (in the case of the FLA) and good (in the case of Better Work) data quality and b) by the complementation of the quantitative analysis on audit-reports with a thorough qualitative examination of their sources. The comparison of the two case-studies in the qualitative analytical section therefore not only serves to examine the “internal” conditions of global labour governance, it also serves as a framing-process of the monitoring data used in the subsequent quantitative analyses. An in-depth study of the mechanisms and functionalities of each program will not allow to erase biases, but enables to identify biases and take them into consideration when making assumptions and inferences. In the case of Better Work, additional longitudinal control allows for further bias-reduction.

### CHAPTER III

#### LITERATURE-REVIEW AND THEORY

##### LABOUR GOVERNANCE IN A WORLD OF GLOBAL PRODUCTION

Economic globalization is viewed as normality today; but it is a normality with severe consequences for the perceptions and realities of production, labour and standards of work<sup>7</sup>. Especially the internationalization of markets and the increased organization of production in global production networks (GPNs) and global value chains (GVCs) bring significant challenges to the goal of securing global labour standards (Riisgaard and Hammer, 2011). The struggle for decent work is particularly strong in the GVCs of the garment, apparel- and footwear industry: Highly decentralized production and labour-intensive, manual work paired with strong international market pressures make manufacturing work in this industry especially susceptible to low quality labour standards. To keep up with the international competition regarding price, quality and flexibility, factories may for example violate working time regulations without adjusting wages. Furthermore, investments into training, health and security are neglected, unions are underrepresented or absent and even child and forced labour are still reality.

In the early 1990s, several large scandals brought the issues of labour-standard violations within apparel-GVCs to the attention of the public<sup>8</sup>. The focus of the scandals was specifically directed towards important brands such as GAP and Nike rather than the national governments of sourcing countries and their poor labour regulations. Mainly through the effort of non-governmental organizations' (NGOs) and local unions', these naming-and-shaming campaigns denounced many large multinational companies (MNCs) for their blind and socially

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<sup>7</sup> For an interesting comparative study on the influence of economic globalization on workers' rights, see: Mosley, L. and Uno, S. (2007): Racing to the Bottom or Climbing to the Top? Economic Globalization and Collective Labour Rights. *Comparative Political Studies*, Volume 40(8): 923-948.

<sup>8</sup> The breakthrough of the sweatshop-discussion into international media was triggered especially by a widely circulated anti-sweatshop exposé on Nike from Jeff Ballinger, "Press for Change" in 1991, later published in *Harper's Monthly* (Ballinger, 1992).

irresponsible supply chain management (Vogel, 2008). Many scandal-struck companies thereafter reacted with pledges to private forms of labour governance designed to combat sweatshops, mostly as strategies of corporate social responsibility (CSR<sup>9</sup>) or company codes of conducts.

These forms of private governance have since grown into well-organized tools of global labour governance which are especially used in GVCs, where lead-firms oblige suppliers to commit to certain quality standards of work. However, decades of effort and thousands of codes of conduct later, the problem of securing global labour standards is still not under control and disasters such as the 2013 Rana Plaza collapse are only the very worst of examples. The question thus remains: how can decent work be achieved in a world of global production and who is responsible for it?

The question of responsibility and neglect in this context is complex. Labour regulation has traditionally been the responsibility of nation-states and, where applicable, their national industrial relations system (Marginson and Meardi, 2010). In the public eye however, mostly MNCs are target of allegations and called upon by NGOs and civil movements to take responsibility for decent work in their supply chains (Toffel, et al. 2015). This increased importance of transnational private actors in areas of originally public prevalence, challenges in many ways the traditional divide between public and private governance and their assigned responsibilities (Regalia, 2007; Hess, 2008).

Since the transnational structures of MNCs often surpass national borders and their jurisdictions, a need for new forms of labour regulation, exceeding the traditionally national level of governance, arose, forming a trend towards mostly private forms of governance (Gereffi, et al. 2005; Gighliani, 2005; Mayer and Gereffi, 2010; Levi-Faur, 2012). An ever-growing number of global private labour governance initiatives are the result, and most MNCs nowadays accept and

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<sup>9</sup> ILO: “Corporate social responsibility (CSR) is a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law.” InFocus Initiative on Corporate Social Responsibility (CSR), Governing Body, 295th Session, Geneva, 2006, GB.295/MNE/2/

signal a certain degree of responsibility for securing labour standards within their supply chains (Vogel, 2008; Barrientos, et al. 2011; Locke, 2013). Subsequently, also the traditional dynamics and power relations between social, private and public partners in industrial relations systems, originally negotiating labour regulation in national systems of bi- or tripartite collective bargaining, cannot be taken for granted anymore (Marginson and Meardi, 2010).

Some argue that these new, private forms of governance aim at filling a “global governance deficit”, caused by weak or absent national and international state-regulatory capacity (Gereffi and Mayer, 2006; Mayer and Pickles, 2010; Mayer and Gereffi, 2010). Others see private forms of governance rather as complementing national law in those areas where labour legislation may be weak (Barrientos, 2011; Locke, 2013). Those focussed on interaction, eventually see private and public governance merging into a complex multi-scalar construct of public-private forms of regulation (Coe, 2012; Hess, 2013). In all scenarios, private governance emerges as tool to enforce international standards which are *higher* than pre-existing (or non-existing) sets of national public regulation.

This section summarizes and examines some of the most influential and some of the most recent literature on private labour governance in GVCs. To provide a good overview of theoretical approaches used and analytical questions asked, the chapter is divided into two sections. The first section explores the theoretical background of a. global governance and b. global production by outlining key theories and concepts of relevance to the topic of private governance. The second section of this chapter focusses on the literature directly engaged with the phenomenon of private governance of labour standards.

### **1. Theories of Global Governance**

In May 2000, a United Nations (UN) vision project<sup>10</sup> report was released in cooperation with some of the most important global think tanks and academic institutions bearing the title: “critical choices – [...] the future of global governance” (Reinicke and Deng, 2000). The report

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<sup>10</sup> UN Vision Project on Global Public Policy Networks [www.globalpublicpolicy.net](http://www.globalpublicpolicy.net)

develops the concept of *global public policy networks* as “creative new arrangements [which] are needed urgently to allow governments, other organizations both public and private, and individuals around the world to work together to address pressing global problems as they arise” (Ibid: 7). Adequate global labour standards are listed as one of these problems. The central message of this report is twofold. Firstly, modern key challenges are always global and not one singly regulating actor, but the action of many parties on different levels are required to address them adequately. Secondly, the success of networks of global action (or global governance) relies on bridges of cooperation between public, private and civil society groups, across sectors of activity and beyond national and regional borders (Reinicke and Deng, 2000: 8).

The discussion surrounding the need for new and transcending levels of governance is therefore not an entirely new topic, neither in the public nor in academia. In fact, already Karl Polanyi predicted what he called a “disembeddedness” of markets from social and national institutions due to a growing global integration of markets (Polanyi, 1944). He thereby mainly referred to the dominance of transactions, which are not embedded in social relations but based on economic self-interest, and the lack of social control regarding economic production and distribution processes (Mayer and Gereffi, 2010). When regarding the seemingly anarchic dynamics of the globalized economy (see e.g. Burroway, 2010), the core message of Polanyi seems today more fitting than ever. In an increasingly global world we are thus left with the question of global governability.

#### *i. Multi-Level Governance*

When approaching questions of governability and governance in the modern global context, the *multi-level governance* approach can be a useful tool to structure the picture of the global playing field. Often used in industrial relations (IR), the general assumption of this framework describes additions to traditional national levels of regulation and is especially popular in the literature focused on the European Union (EU) (e.g. Marginson and Sisson, 2004; Gighliani, 2005; Regalia, 2008). In IR, the idea of multi-level governance follows the

acknowledgment that an internationalization of labour gives rise to new practices, preferences and interactions between actors on multiple levels, which potentially go beyond the traditional forms of collective bargaining on the national and sub-national level (Gighliani, 2005: 362). Much of the literature on multi-level governance focuses on the EU as *the* new level of governance next to the national (Regalia, 2008). Nevertheless, many other levels must be taken into consideration as well, namely the regional and sub-national level and the supranational level. In terms of content, the tripartite idea of IR – a negotiation process including social actors, firms and governments – somehow remains, is however expanded by the inclusion of initiatives which have formed outside of public coordination, such as private governance and social activism (Gighliani, 2005; Vogel, 2008; Mayer and Gereffi, 2010; Levi-Faur, 2012).

Important for the context of the literature on global labour regulation is that the consideration of multi-level governance not only aim at understanding the emergence of new levels of regulation in IR, but also ask questions about the interaction of these levels (Regalia, 2008: 13). When regarding the internationalization decisions of MNCs, pre-existing networks, relationship building and (cross-border) cooperation therefore play a key role in the choice of investment (Mayer and Gereffi, 2010; Rugman, Verbeke and Nguyen, 2011). The importance of multi-level networks, contacts and the exchange of information are therefore growingly important considerations for the study of private governance, as they suggest a framework for potential arrangements or alliances of regulation<sup>11</sup>. On the other hand, it is important to acknowledge theoretical constraints of the concept of multi-level governance, especially in term of lacking precision: Beyond the context of the European Social Dialogue we should consider it more as a general framework of thought rather than a complete theory.

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<sup>11</sup> We will see in the following literature that multi-stakeholder arrangements on labor governance issues become increasingly used and important. Some of the most prominent forms of international labor governance are therefore cooperative between two or more parties (e.g. International Framework Agreements; Third party Auditing; Public-Private Partnerships; etc.).

*ii. Regulatory Networks*

Closely related to the notion of multi-level governance is the understanding of regulatory networks. Especially in terms of definition institutional design in transnational spaces, the regulatory network is an important feature (Jordana and Levi-Faur, 2014). Some have even gone so far as to call international networks the “New World Order” (Slaughter, 2004). And although this expectation may be excessive, the institutional designs of many transnational organizations in all parts of the world are indeed based on the idea of networks (Berg and Horrall, 2008).

The inclusion of private actors as well as governments and international bureaucratic agencies play a key role in their promise to find effective, new ways of how to regulate trans-nationally (Jordana, et al. 2011). As such, transnational regulatory networks are “neither hierarchies nor markets, networks are [...] a diverse and polycentric institutional architecture of transnational governance. The extent to which networks can develop innovative modes of decision-making, public sphere processes, and strategies of development is highly critical to any viable alternative to hierarchy in global and regional governance” (Jordana and Levi-Faur, 2014: 1). As example of such networks can be named i.e. the network for the regulation of telecommunication in Latin America (Ibid: pp. 3f) as well as any private governance-initiatives to govern international labour standards in global value chains (Coe, et al. 2008).

The concept of regulatory networks will be of continuous importance throughout this dissertation. The key aspect of it lying in the assumption that a national, institutional shift from government to governance may in strongly internationalizes sectors entail a move from (national and international) political institutions to transnational regulatory networks (Jordana and Levi-Faur, 2014). Whether these networks are finally able to act efficiently, enhance their capacities and establish legitimacy, largely depends on factors such as their geographical, social and economic environment as well as their “institutional script”, determining autonomy, mechanisms and organization of the network (Bruszt and Mc Dermott, 2014).

*iii. Experimental or Pragmatic Governance*

Explicitly addressing networks, the more recent approach of *experimental (or pragmatic)*<sup>12</sup> *governance* tries to implement a more complete notion of interaction by focusing on the functionality of coordination and cooperation between existing levels of governance, instead of only addressing how new levels of governance emerge (Zeitlin 2010; de Búrca, Keohane and Sabel 2014). Experimentalist governance therefore draws a picture that is less focused on the governance levels as such, but focuses on the emerging processes between them and their potential outcomes. Accordingly, de Búrca, Keohane and Sabel (2014) define this form of governance as “(...) an institutionalized transnational process of participatory and multilevel problem solving, in which problems (and the means to addressing them) are framed in an open-ended way, and subjected to periodic revisions by various forms of peer review in light of locally generated knowledge” (ibid. 477). This application of this approach is also focussed strongly on the EU, however less interested in social dialogue and more in policy and reform-implementing areas.

Without EU-application, the concept of experimental governance is somewhat idealistic and abstract and serves better as an ideal type in the Weberian sense, rather than as an operationalizable concept of cooperation. It is however an interesting frame for thought and mind experiment in the context of global labour governance, potentially allowing us to link forms of private regulation with parallel developments in the public sphere. Additionally, paradigms such as learning and mutual accountability between collaborating units are important. Zeitlin (2010) even uses supply chains as an example: “In firms and supply chains, these new forms of coordination are based on the iterated co-design of products and production processes between collaborating units (...), new design goals are established through benchmarking of existing products and processes against current and potential rivals” (ibid, p. 189). The “pragmatism” of this process therefore links to the expectation that firms do not

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<sup>12</sup> Zeitlin (2010) uses the both terms “experimentalist governance” and “pragmatic governance” synonymously. For the sake of convenience, we will stick with the term “experimentalist governance” or GXG as used by de Búrca, Keohane and Sabel (2014).

coerce their producers à la principle-agent structure anymore, but rely on a surplus of trust and learning through fruitful cooperation between actors with aligned self-interests.

Two more applications of this idea are imaginable within the labour governance context. Firstly, if we consider that actors in bi- and tripartite IR negotiations essentially follow the same goal (e.g. finding an equilibrium between stable capital-surplus and correspondingly higher labour standards) we could treat coordinative processes, such as collective bargaining, less on a case-by-case basis and more as an iterative process of monitoring and learning. Secondly, experimentalist governance gives high importance to the notion of monitoring and (peer-) reviews, highlighting the significance of cooperation between public, social and private actors. In both cases the framework is however more useful in order to debate what could and should be, rather than using it for the description of reality.

## **2. A World of Global Production**

Global production has been one of the main drivers of economic growth and prosperity in many areas of the world. Increasingly fragmented manufacturing processes make it possible for the most remote areas to take part in a value chain and products often travel the world before entering a store in Europe. Krugman, et al. (1995) called this process the “slicing up of the value chain”, referring to many singular processes being situated in an ever-growing number of different geographical locations which are usually picked due to lower production costs. Wool turned into yarn in India and knitted into garment in Pakistan, cut and sewed into a product in Cambodia and finally sold in Europe: this very real example demonstrates how global the production of our very affordable, favourite new sweater may have looked like.

The increased disintegration of the production of value or “value added” is a powerful tool used by MNCs to exploit the possibilities of the global market and achieve maximum margins. At the same time however, it pushes local markets into fierce competition, creating and increasing challenges for the labour rights of millions of workers worldwide (Riisgard and Hammer, 2011). Studying the dynamics of global production is thus the first step to understanding the difficulties

of manufacturing employers worldwide to uphold global labour standards. The second step is to untangle the organization and types of relationships within global production to later identify the potentials and problems of counteracting negative impacts through private governance.

Jennifer Bair describes in her book “frontiers of commodity chain research” (2007) three theoretical approaches of the study of global production:

- (1) the world-systems tradition of macro and historical analysis of commodity chains;
- (2) the global commodity chains (GCCs) framework of Gary Gereffi and colleagues as a blend of organizational sociology and comparative development studies; and
- (3) global value chains (GVCs) analysis, which draws inspiration from its GCC predecessor but also, in some of its formulations, from the quite distinct tradition of transaction cost economics (Ibid: 2f).

In recent years, an additional workstream has entered the field, mostly led by scholars of economic geography (Coe, et al. 2008; Neilson and Pritchard, 2009; Coe and Yeung, 2015):

- (4) global production networks (GPN) analysis, which considers the embeddedness of global production in its local environment as key to understanding its challenges and opportunities.

For the purpose of this thesis, I will especially consider the literature surrounding the study of GVCs (3) and the analysis of GPNs (4).

Global production is essentially driven by the goal to reduce the cost of manufacturing (Rugman, et al. 2011). Traditionally, especially low-skilled jobs in manufacturing sectors were moved abroad, whereas skill-intensive tasks were more often kept in-house and in-land (Hanson and Feenstra, 1996: 240). Yet in recent years, thanks to the internet and technological advancement, also services and “knowledge work” have become part of this development (Gereffi, 2004; Jensen and Kletzer, 2008).

Once a company decides to globalize its production it can essentially choose between two main strategies: offshoring or outsourcing. Offshoring refers to setting-up or buying an international subsidiary<sup>13</sup> through foreign direct investment (FDI). This strategy moves value-added and work abroad while keeping management and organization in-house and was the most popular mode of entry into foreign markets in the 1960s and 70s (Gereffi, 2004). Outsourcing on the other hand describes the process of setting-up a supplier-network of contractual relations with local manufacturers in other countries (Dicken, 2003). The strategic coordination of these multi-party and multi-national contractual relations is organized in so-called global production networks (GPNs) or global value chains (GVCs). As opposed to FDI, outsourcing is associated with the growing trend towards an economy of international trade (Gereffi, 2010). By engaging in one or a combination of these global production strategies<sup>14</sup>, companies become characterised as “multinational” (Dicken, 2003; Rugman, et al. 2011).

*i. Global Production Networks and Value Chains.*

Studying private governance of international labour standards almost exclusively focusses on the model of *outsourcing* which is characterised by especially low levels of labour standards and a poor capacity of labour regulation. Mosley (2011), investigating the relationship between worker’s rights and multinational production, for example shows that international production only positively affects labour rights if embodied in FDI. International production types such as subcontracting on the other hand create a race to the bottom in terms of labour standards. She therefore highlights that the mode of entry into a foreign market is decisive for the governance-necessity of labour standards (Mosley, 2011). But even more than governance-necessity, we need to consider governance-capacity to study the challenges of global labour standards: whereas FDI allows vertical regulatory structures inside an organization with clear hierarchies,

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<sup>13</sup> Depending on which location is chosen, this can be a wholly owned subsidiary, a buy-in into a locally established firm (e.g. if market-access is difficult) or the creation of a joint-venture (as e.g. required in China).

<sup>14</sup> In fact, most large MNCs pursue a mixed internationalization and production-strategy of outsourcing and offshoring at the same time.

production networks and supply chains are more complex to manage and regulate, as companies are of independent ownership and management (Gereffi, et al. 2005; Rugman, et al. 2011).

The notion of networks of internationally organized production is important in business-practice as well as academia. When studying their governance structures and impacts on labour scholars usually either refer to the concept of GVCs or the concept of GPNs. Whereas GVCs strictly refer to the economic inter-firm activities and power-relations within globally organized production (Gereffi, et al. 2005), the understanding of GPNs aims at additionally highlighting non-economic ties, such as local embeddedness and social networks (Coe, et al. 2008).

Kaplinsky and Morris (2003) define GVCs as the “full range of activities which are required to bring a product or service from conception, through the different phases of production, [...] delivery to final consumers, and final disposal after use” (Ibid, 2003: 4). Value chains can include only one supplier-firm or be dispersed over multiple firms, include services as well as goods and have different degrees of geographical reach (Gereffi and Fernandez-Stark, 2011). Their growth in importance can be traced back to an important macro-economic shift in the 1980s. Following the debt-crisis of the 1960s and the readjustment programs of the 1970s, many developing countries substituted their import oriented industrialization policies with a strategy of export-led growth. This enabled easier, more beneficial and subsequently increasing transactions between MNCs and developing countries (Kaplinsky and Morris 2003; Gereffi, et al. 2005; Barrientos, et al. 2011). Thus, value chains are often globally dispersed and their variety of activities are being carried out by different companies in different countries, chosen due to their competitive advantages (Gereffi and Fernandez-Stark 2011).

Coe, et al. (2008) on the other hand define GPNs as “the nexus of interconnected functions, operations, and transactions through which a specific product or service is produced, distributed, and consumed” (Ibid, 2008, p. 272). With this definition, the analysis of GPNs seeks to go beyond the study of vertical interfirm ties of the global value chain analysis (Neilson and Pritchard, 2009). GPNs are thus not seen as static concepts of value chain organization, but rather as a constantly changing and dynamic organism, evolved through and within its context

(Coe and Yeung, 2015). The importance of local embeddedness is central to the understanding of GPNs which sees endeavours of private governance embedded in two different ways: “[they (private governance initiatives) are] quite literally grounded in specific locations. Such grounding is both material (the fixed assets of production), and less tangible (localized social relationships and distinctive institutions and cultural practices)” (Coe et al., 2008, p. 279). Hess (2013) refers to these differences also as “network embeddedness” vs. “territorial embeddedness”.

Both notions, GVC and GPN, have distinct advantages for the study of private global labour governance. Since the study of both aims at embedding labour standards in the context of global production, in this thesis the concept of GVCs will be considered as nested within the notion of a GPN. By further referring to GVCs as concept of global production in this thesis, I thus still aim to highlight the importance of both: interfirm ties and local embeddedness of globally organized production.

*ii. The Structure of Global Value Chains.*

Based on this understanding of global production, different strings of literature unfold for the mapping and characterization of value chains. One of the most prominent approaches to studying GVCs is Gerry Gereffi’s, who, in collaboration with several colleagues inside the so-called Global Value Chain Initiative<sup>15</sup>, identifies four key dimensions for the modern GVC study (Gereffi, et al. 2005; Gereffi 2010; Gereffi and Fernandez-Stark 2011):

- 1. Input-Output Structures* of GVCs identify main activities and segments of a value chain, which are industry-specific and identify the dynamics between companies. E.g.: drawing a map of value chain segments, placing small/large suppliers and activities, identifying subcontracts, etc.

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<sup>15</sup> Originally founded by Gerry Gereffi, John Humphrey and Timothy Sturgeon, and located at Duke University the Global Value Chains Initiative (GVCI) presents itself as a “network of researchers, activists, and policymakers that seeks to foster the development of the GVC perspective, an industry-centric view of globalization highlighting linkages between economic actors across geographic space” ([globalvaluechains.org/](http://globalvaluechains.org/)).

2. *Geographical considerations* are important identifiers for the firms in the formerly detected segments. The location of firms allows the definition of country-level positions and may be used to trace geographical shifts and patterns in GVCs. E.g. A recently noticed regionalization trend of value chains retracting geographical dispersion (Rugman, Verbeke and Nguyen, 2011).
3. *Analysing the institutional context* of a value chain allows the identification of how local, national and international conditions and policies shape the internationalization process of the value chain. E.g. economic conditions (labour cost, available infrastructure, access to other resources such as finance), social structure (availability of labour and skills) and formal context (tax and labour regulation, subsidies, education and innovation policy) can all promote or hinder industry growth and development (Gereffi and Fernandez-Stark 2011).
4. *The governance structures of value chains* need to be taken into consideration. They highlight the questions concerning how a chain is coordinated in terms of power dispersion between actors and can be useful e.g. for understanding private governance challenges (Barrientos, et al. 2011).

The strength of these four dimensions is that they focus not only on business-related processes, but distinctively include institutional and other contextual realities. These four dimensions can thus be very helpful as a general guide to understand which attributes and characteristics of a single global production set-up are critical for labour issues. In terms of comparisons, the sole use of these dimensions may not be enough, as their logic is based on the presumption that patterns are largely equal among industries (Gereffi, et al. 2005). Differences between industries, even business practices, are however widely known to have large consequences for the structure and organization of production (Riisgard and Hammer, 2011).

*iii. The Governance of Value Chains.*

For the process of mapping the relationships within value chains, the fourth dimension and concept of *governance* plays an especially important role. For this purpose, Gereffi (1994: 97) defines governance as “authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain.” In this earlier study, the distinction

between buyer-driven and producer-driven chains is made as a first step towards distinguishing between different forms of coordination and power distribution within value chains. Buyer-driven chains thereby refer to industries in which large, multinational manufacturers play the central role in coordinating production networks (esp. capital and technology-intensive industries), whereas producer-driven chains describe networks of decentralized production, usually located in developing countries, set up by large retailers and branded manufacturers in labour-intensive consumer-goods industries such as apparel and footwear. As a first step to understanding the dynamics of power within value chains, the formulation of this dichotomy was highly important for the theoretical context of the study of governance within the GVC. After twenty years of study in this field, this very crude distinction has however been outdated: its major shortcoming being that it does not account for the possibility of hybrid forms of value chains, which increasingly exist not only in the apparel industry. Lead manufacturers (i.e. from China) grow in size and power up to the point where they can negotiate, even dominate, many of the contractual terms within a value chain (Locke 2013). Consequently, Kaplinsky (2010) suggests that the dichotomy between buyer- and producer-driven should only be used for conceptual purposes and not anymore for the description of reality.

**Table 2: Key determinants of Global Value Chain Governance**

Governance type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	Degree of explicit coordination and power asymmetry
Market	Low	High	High	Low
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	High

Source: Gereffi, et al. 2005: p. 87.

At the beginning of the new millennium, the GVC Initiative around Gereffi, et al. (2005) extended the idea of governance in value chains, identifying five distinct governance clusters: markets, modular chains, relational chains, captive chains and hierarchy. Within these clusters, they aim to capture and formalise repetitive relational patterns between buyers and manufacturers in value chains. Relationships are thus determined through three critical variables: a. the complexity of the information between actors in the chain, b. the codification of information for production and c. the level of supplier competence. The value of these parameters subsequently decides on five pre-defined types of governance as listed in table 2.

The variables defining Gereffi, et al.'s dimensions strongly refer to the discourses within two theoretical approaches: the economy of transaction-cost and the more socially oriented network approach (Gereffi, et al. 2005). Transaction-cost theory focusses mainly on the complexity of inter-firm relationships, identifying reasons why outsourcing may be too costly or risky. Protecting intellectual property in high technology industries may for example be a strong motivator to keep production in-house to avoid opportunism. Large efforts to coordinate a value chain with too many specific parts (so called asset-specificity), may also prove to be too costly (Williamson, 1975).

Network theorists on the other hand argue that if relationships are managed well, trust, mutual dependence and reputation can counteract or prevent negative impacts of complexity and opportunism (Powell, 1990). Therefore, not only transaction-costs have an influence on power-relations within a supply chain, also the understanding of social networks and organizational learning can influence the complexity of global-scale production (Dicken et al., 2001). The key insight is however that “coordination and control of global-scale production systems, despite their complexity, can be achieved without direct ownership” (Gereffi, et al. 2005: 81).

The Gereffi, et al. governance framework has distinctive advantages towards other, older conceptualizations, as it allows the observation of dynamics and thus acknowledges the change which occurs as an industry evolves and matures. A shortcoming of the model is that it is not

able to accommodate multiple levels of governance. Notions about the importance local embeddedness and global-local linkages are just as difficult to insert as the idea of multi-level governance, where global value chains are understood to be characterized by several interacting governance structures at the same time (Dolan and Humphrey, 2004; Gereffi and Lee, 2016).

*iv. The Notion of Economic and Social Upgrading.*

The study of global production in social sciences is strongly focussed on the consequences of GVCs for society and the local context of manufacturing. The question of labour standards encompasses many of these potential consequences, but also areas such as environment and local development can strongly be affected. To capture the notion of consequences of global production, the literature has given a lot of attention to the concepts of economic, social and environmental upgrading. Especially the first two are important for the context of labour standards (Gereffi, 2005; Barrientos, et al. 2011).

In the context of GVCs, social upgrading represents “the process of improvement in the rights and entitlements of workers as social actors, and enhances the quality of their employment” (Rossi, 2011: 7; Sen 2000). Barrientos and Smith (2007) additionally distinguish between social upgrading of observable standards (such as better wages, safer work environment, etc.) and the upgrade of those standards which are due to their unobservable character described as enabling standards (such as empowerment, freedom of association, etc.). We will come back to this important distinction of rights at a later point in the thesis.

Docking onto the concept of industrial upgrading, Gereffi (2005) defines economic upgrading on the other hand as “the process by which economic actors [...] move from low-value to relatively high-value activities in global production networks” (Ibid: p. 171). This type of upgrading is then split into four specificities – process-, product-, functional- and chain upgrading, – each with different consequences for the workers and all focussed on advancement of the supplier’s business capabilities (Barrientos, et al. 2010, p. 6):

- (i) *Process upgrading*: the enhancement of production processes towards higher efficiency. Potentially negative outcomes for labour due to e.g. increased automation.
- (ii) *Product upgrading*: the move towards more complex product types. Potentially more or higher skilled jobs required to accommodate change.
- (iii) *Functional upgrading*: the increase of higher value-added tasks and outputs (e.g. from production to design). Potential training or completely new labour needed for new skillsets.
- (iv) *Chain upgrading*: a move into new and more advanced manufacturing technologies, end-markets or marketing-channels. Potential training or completely new labour needed for new skillsets.

Apart from the upgrade opportunities *within* the production firms, a lot of attention in the literature has also been directed at the impact of GVCs on the countries of production, which are mostly developing nations (Kaplinsky, 2005). Traditionally focussed on economic outputs and the increase of national value-added, there are several statistical and econometrical tools developed to measure this impact (Cattaneo, et al. 2013). International organizations, such as the OECD thus advise these states to “reshape [their] trade, competitiveness and development policies accordingly, to seize these opportunities and avoid the risks associated with greater participation in global value chains” (Ibid, p. 2).

The negative outcomes of value chains are often of social or economic nature and are not easily avoided. Since the international division of labour is often motivated by the low cost of labour, some countries – and the companies in them – are trapped in a status of low value-added business functions, constantly in need for the competitive advantage to keep global capital from moving away (Rossi, 2011). In this scenario, the participation in a value chain and the increase in output does not lead to any form of economic upgrading, nor to a benefit for workers, e.g. in the form of higher wages (Kaplinsky, 2005).

Due to the strong connection of both to the standard of labour, recent literature has given a lot of attention to questions of dependencies and interdependencies between economic and social

upgrading. The question arises whether increased innovation and competitiveness among firms can stimulate decent work and employment practices within countries of production (Gereffi, et al. 2005; Barrientos and Smith 2007; Barrientos, et al. 2010; Kaplinsky 2010; Barrientos, et al. 2011). Exploring different linkages, trajectories and scenarios, Barrientos, Gereffi and Rossi (2010) find that strategies of up- and downgrading are often intertwined. For example, in some low-price markets economic upgrading is not the preferred business strategy since the status-quo of operations is more beneficial to social upgrading and economic benefit. This is e.g. the case where a “half-way upgrading” strategy<sup>16</sup> for the domestic market is a more lucrative strategy than global trade (for concrete examples see Barrientos, Gereffi and Rossi, 2010: 15ff). Furthermore, social upgrading also considers worker’s perception of their own working-situation as important, thus, “certain choices might be considered social ‘downgrading’ for some actors, but not for others” (ibid: 16). Workers may for example not perceive economic upgrading as a benefit, if it brings only a minor increase in wages but in turn demands much more productivity. Social gains and economic gains therefore do not necessarily go together and economic upgrading has different dynamics than social upgrading; connections between the two must therefore be drawn carefully (Barrientos, Gereffi and Rossi, 2010).

### **3. Private Governance of Labour Standards**

With the increase of private governance initiatives in international labour regulation after the large scandals of the 1990s, also the interest of scholars and subsequently the literature in this field started to grow. By focussing mainly on specific cases, a rich literature on mechanisms, success and failure of private labour regulation in specific GVCs accumulated. In the following, a short review of this literature will be provided and structured after three main topics: the promise and challenges of private governance, the effectiveness of private governance and finally the cooperativeness and embeddedness of private governance.

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<sup>16</sup> In this case a small part-manufacturer would only upgrade to an original design or brand-name manufacturer, instead of upgrading to a full-package export production (OEM). See example in Barrientos, Gereffi and Rossi (2010: 15ff.).

*i. Promise, Challenge and Context of Private Governance*

Private governance refers to such a multitude of organizations and practices that a fixed definition would potentially be too limiting. Most studies thus chose to describe in detail the specific private governance tool they are currently investigating, rather than using a pre-defined model of investigation. To encompass the variety of organizations and actors studied, a broad definition of what is *governance*, such as from Mayer and Pickles (2010), serves best: “[with the term governance] we refer to those institutions that constrain or enable market actor behaviour, both public in the form of governmental policies, rules, and regulations and private in the form of social norms, codes of conduct adopted by businesses, consumer demand for social responsibility, or other non-governmental institutions and social movements. (Ibid, 2010: 1).

Following this understanding, the literature on private labour governance has two stories to tell: one about the challenges of upholding labour standards in global value chains, another one about the ways in which different governance measures try to overcome these challenges. Whereas the first story is told by the GVC literature and the extended ideas of socio-economic up- and downgrading, the second story is more diverse. From the beginning on until now, most studies on private governance focus on the narratives of single, in-depth case-studies. By going into detail with specific firm cases, a broad range of factors can be taken into consideration to draw conclusions about extremely complex situations. Not only focussed on specific GVC features, but by factoring in political decision making, specific union activism and worker’s self-organization, these studies provide an almost complete picture of specific situations in which private governance failed or succeeded. Good examples are works such as from Yu (2007), who presents a study on Reebok’s governance impact in a Chinese-Taiwanese company, Rodriguez-Garavito (2005) who focusses on private governance and anti-sweatshop activism in global apparel factories in Central America and Hess (2013) who seeks to understand the self-regulation of workers in Cambodian garment.

Many more studies can be named here, most of which are either focussed on analysing a specific company (e.g. Egels-Zandén, 2015; 2016), the impact of a specific governance program or certification body (e.g. Barrientos and Smith, 2007), or a specific national / regional context (e.g. Amengual, 2010). Of course not only apparel and footwear GVCs are subject to investigation, other highly relevant sectors for this field are the food- and beverage industry (e.g. Reardon, et al. 2003 on the power of supermarkets; Bacon, et al. 2008 on coffee), electronics (e.g. Locke, 2013 on IBM; Distelhorst, et al. 2016 on HP), horti- and agriculture (e.g. Brown, et al. 1999 on tobacco; Barrientos and Kritzing, 2004 on fruit-export; Riisgard and Hammer, 2011 on flower and banana workers) as well as the wood-, paper- and home-furnishing sector (e.g. Ivarsson and Alvstam, 2009 on IKEA; Bartley, 2005 on forest certification).

However important and interesting single in-depth narratives are, it is almost impossible to derive any form of structural insight or generalizations from them, rendering it impossible to construct comparative insights. Studies to cater this gap with more quantitative and comparative research have only emerged gradually within the last five years. Especially Nike's release of audit reports, which served as a grand gesture of transparency as part of their radical strategy to become the leader in all things CSR, offered a so far un-exploited source of quantitative data on supplier social compliance in GVCs. In a series of articles and insightful quantitative and qualitative studies, Locke and his colleagues provide insight into the use and efficiency of Nike's corporate code of conduct through the study of their audit-methodology (Locke, et al. 2007; Locke, Qin and Brause, 2007; Locke and Romis, 2010; Locke, 2013). These studies show how all potential Nike suppliers undergo three different types of audits: a basic environmental, health and safety (SHAPE<sup>17</sup>) audit, a more in-depth audit about management and working conditions (M-Audits) and regular inspections of about 5% of suppliers by the FLA (Locke, et al. 2007). With a compiled data-set including a considerable sample from all three audits, Locke

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<sup>17</sup> SHAPE is Nike's company Safety, Health, Attitudes of Management, People Investment and Environment program which all Nike personnel responsible for either production or compliance receive as a training, alongside their code of conduct, labour practices and cross-cultural awareness standards.

and his colleagues are able to trace compliance behaviour over time at Nike's suppliers and show, that notwithstanding the millions of US Dollars spent on monitoring and control in factories, compliance rates have at best stayed at a constant level, however have in many cases deteriorated. Two relevant deductions are made here. Firstly, the variation of labour standards "appears to be the result of *country effects* (the ability of the labour inspectorate to enforce labour laws and standards in the country in which the factory is located), *factory characteristics* (the age and size of the factory) and *the relationship between Nike and the particular supplier* (whether [...] a strategic supplier, [...] Nike staff visit and interaction [frequency], and [other buyers])" (Locke, Qin and Brause, 2007: pp. 35f). Secondly, findings suggest that a system of arms-length and controlling relationship between supplier and buyer may be less effective than a long-standing, trust-based relationship (Ibid, 2007).

The latest study of Locke (2013) accumulates much of these insights, adding comprehensive case studies from several multinational companies to this quantitative account. Here Locke demonstrates that even in factories with overall low levels of violations, suppliers hardly ever display stable behaviour of compliance. Rather they move in and out of compliance on a regular basis (Locke, 2013). In his conclusions, Locke additionally stresses the importance of *downstream* business practices, such as managerial, financial and in-time-production pressures. The study of misguided managerial practices is therefore not enough to gain a full picture of the effectiveness of private labour governance (Ibid: 142). Criticism on the studies on Nike have mainly been directed at the quality and credibility of the audit data, which was provided by the GVC-lead firm under investigation itself. Issues of independent and credible monitoring data of this kind are an issue in many, if not most quantitative studies on global labour standard compliance.

Suppliers moving in and out of compliance is according to Egels-Zandén and Lindholm (2014) not proof that codes of conduct are not able to address non-compliance. It is however an indication of how monitoring and codes are unable to *sustain* compliance, ergo to "make a supplier stay compliant" (Ibid. p. 20). They furthermore argue that even though outcomes were

rather unsatisfying, social GVC-auditing practices are upheld under an illusion of improvement. Receivers of audit information (either at the sourcing-company or at the private governance organization) thus tend to focus more on corrected as opposed to new non-compliance and on first large rather than sustained improvements (Egels-Zandén and Lindholm, 2014).

In one of the first quantitative multiple-industry studies, Bartley and Egels-Zandén (2015) analyse data from 192 electronics, apparel/textile and footwear factories in Indonesia and show how the significance of codes varies across issues. Due to the introduction of a control group, their study is a significant addition to current research by providing evidence that companies governed by codes of conduct are indeed superior in the level of their standards than those without such codes. This superiority is focussed especially on certain areas, such as health and safety. Unfortunately, and mainly due to the shortcomings in their data, they are not able to trace back which mechanisms lead to this discovery. They are therefore unable to define whether this superiority is an effect of the code itself, or of a pre-treatment self-selection. In other words, it is possible that only those companies partake in monitoring, which already have a higher level of standard. Furthermore, their findings suggest that codes of conduct must display certain qualities to face less resistance. Codes which do not contest managerial control, which follow a technocratic logic regarding their compliance and which are relatively inexpensive to convert into practice are accordingly the most successful in implementation (Bartley and Egels-Zandén 2015).

Finally, an increasing amount of studies furthermore highlights the importance of the notion and impact of the “conscious” or “conscientious consumer” – “that is, consumers viewing their purchases as a way to express some sense of ethical, or perhaps even political, responsibility” (Bartley, et al., 2015: p. 3; see also Bartley and Egels-Zandén, 2015; Toffel, et al. 2015). On the one hand, there is a common perception that the consumer public shows more interest in observable standards such as health and safety than process rights, such as freedom of association (Anner, 2012; Bartley and Egels-Zandén, 2015). In other studies, socially conscious consumers are seen to have an influence especially on those buyer companies which originate

from their own countries. The market pressure through social consumerism is thus seen to effect civil society, state preferences and market institutions, which in turn shape MNCs' adherence to global norms (Toffel, et al. 2015). Bartley, et al. (2015) finally argue that understanding conscientious consumption always requires an intense study of the industrial and political contexts of consumption as well as private governance. For this purpose, they define four factors of variation which should be taken into consideration in any study of social consumption and private labour governance: (1) structures and production of consumption (i.e. industry, prominence in local economy, size, distribution rate, VA share), (2) constituencies of standards (founding constituencies, industry outsider vs. insider, private versus public versus multi-stakeholder), (3) global-local linkages (multi-level web of actors, dependencies, responsibilities and standard setting procedures), (4) coexistence of rule-making (local law, pre-existing structures and local standards, regional agreements).

*ii. Effectiveness and Embeddedness of Private Governance*

In a dedicated attempt to examine the legitimacy of corporate codes of conduct, Keller (2008) describes private governance through codes of conduct as “social steering mechanisms [which] purportedly fulfil a governance function” and, due to the international level on which they exist, as “governance without government” (Ibid: 32, 34). She argues that they fall out of the traditional question of legitimacy related to public power, thereby highlighting the hybrid qualities of private governance, which regulates privately that which is a matter of public interest. This argument favours the displacement hypothesis, where private governance replaces potentially more rigorous and effective public labour regulations (Bartley, 2005).

Correspondingly, the debate surrounding the necessity of private labour governance enfolds. On the one side, scholars consider private governance as a managerial necessity. As such it is a tool to address demands of social and political pressure (Gighliani, 2005; Vogel, 2008). Vogel (2008) highlights that this does not automatically mean that private labour governance measures are mere public relations tools without any value for corporate social achievement. He rather

stresses that companies, especially large MNCs, seldomly have one singular character: whereas one department can genuinely be looking for solutions, another one may be lobbying against it. In other debates, this conflict is captured as a clash of social and economic interests within the governance of GVCs (Gereffi, et al. 2005; Barrientos, et al. 2011; Locke, 2013).

In discussions focussed on regulatory outcomes, scholars argue that private governance can only be considered as useful under certain conditions (O'Rourke 2003; Locke 2013; Bartley 2005; Mayer and Gereffi 2010; Marginson and Meardi 2010; Toffel, et al. 2015). Mayer and Gereffi (2010) for example frame a limited set of circumstances in which private governance can flourish. The four formulated hypotheses are useful as a theoretical orientation for studies on effectiveness, and include the following considerations:

1. *Importance of the value chain structure*: the higher the economic leverage of the buyer, the larger the potential impact of private governance and the scope of change;
2. *Importance of brand identity*: the higher visibility, the more likely private governance;
3. *Importance of societal pressure*: the higher capacity of mobilization, the higher likelihood of effective private governance;
4. *Importance of aligned interest*: the more commercial interests align with governance concerns, the higher the effectiveness.

Other studies expand this by adding for example considerations on how low industrial concentration, NGO involvement and overly strong standards lead to fragmentation of governance, inhibiting effectiveness (Fransen and Conzelmann, 2014; Fransen and Burgoon, 2012). This high fragmentation of regulatory bodies may additionally affect their credibility and make it even more difficult to reach those firms who are non-compliant and not participating (Marx, 2008). Additionally, forces such as consumer power (Oka, 2010; Donaghey, et al. 2014) and the active role granted to workers (Donaghey and Reinecke, 2017) can play an important role in how effective private governance is.

While social considerations find their place in this literature, most studies lack reflection on the role institutional surroundings and public policy play for the outcome of private labour governance. The contemplation of local embeddedness is necessary e.g. to link the

considerations surrounding social and economic upgrading that have been mentioned before (Gereffi, Barrientos and Rossi 2010; Barrientos, et al. 2011).

To highlight the importance of embeddedness and local context, several studies have shown that the regulatory capacity of the state and a factory's social surroundings play an important role for the adherence to standards, stressing the importance of state (e.g. Vogel, 2008; Bartley, 2011; Locke, 2013; Distelhorst, et al. 2015) and interstate (Abbott and Snidal, 2012; Toffel, et al. 2015) regulation, focussing on the activity of the civil society and NGOs within a country (Gigliani, 2005; Vogel, 2008; Lim and Tsutsui, 2010) or suggesting complementary importance of private and public governance (e.g. Amengual 2010; Locke, Rissing, Pal 2013; Bartley and Egels-Zandén 2015). Finally, and closely related to the concept of economic upgrading, also the state of the local economy can play a decisive role for the stimulation of decent work and employment practices within a country of production (Gereffi 2005; Barrientos and Smith 2007; Barrientos, et al. 2011).

Toffel, et al. (2015) for example find that countries who are signatories to more ILO international conventions tend to show a higher tendency to commitment and compliance to private governance than those with less. This may have to do with selection effects (only countries who already adhere to standards sign a treaty), effects of norm diffusion or implementation of international norms in domestic law; in any case, it highlights that the contextual behaviour of national governments is by no means irrelevant to the outcome of private governance (Toffel, et al. 2015).

The study of Toffel, et al. furthermore highlights the importance of three types of institutional clusters on the compliance of labour standards: state-based institutions (intergovernmental and domestic legal institutions), supplier-country civil-society institutions and buyer-country market institutions. The first of these is addressed by Distelhorst, et al. (2015) and Locke (2013) using the World Bank's "rule of law" (ROL) Index. With this they point out that the success of private governance not only depends on the supportiveness of public institutions, but also on their non-

disruptiveness to private governance initiatives. This assumption can however only stand under the pretence that private standards are higher, or at least equal to public rules.

The literature on the importance of supplier country's civil society mainly focuses on public opinion and social mobilization. Most literature on private governance agrees that both can have a large effect on the regulatory environment as well as corporate social behaviour in GVCs (Ghigliani, 2005; Marginson and Meardi, 2010). As anti-sweatshop campaigns usually target the buyer companies rather than the regulators (Vogel, 2008), leverage carries overseas due to higher CSR involvement and private governance programs which are formed in response (Locke, 2013). The strength of campaigns can be attributed to domestic or trans-national union movements (Ghigliani, 2005), press freedom (Short, et al. 2015) or the higher density of international NGOs in buyer- and supplier countries (Lim and Tsutsui, 2010).

*iii. Collaborativeness in Private Governance.*

Meyer and Gereffi (2010) argue that private governance must be linked to multiple stakeholders, especially public actors, to achieve sustainability. This insight is closely linked with the increasingly spread awareness that “most of the issues we face today are neither owned nor solved by individual stakeholders anymore. With growing interdependence comes a growing need to search for collaborative approaches” (Van Tulder, 2012). In the private governance literature, the focus on cooperativeness in governance is still underdeveloped, even though multi-actor governance organization are already very important, especially due to their monitoring and auditing capacity (Reinicke and Deng, 2000; O'Rourke, 2003; Benner, et al. 2003; Marx, 2008). Many studies therefore focus on the success and challenges of private governance programs, without further classifying them as cooperative in nature. If under the pretence of cooperation, studies usually referred to collaborative private governance as Multi-Stakeholder Initiatives (MSI).

As a concept, MSIs are however somewhat fuzzy; mostly describes as: “private governance mechanisms [involving] corporations, civil society organizations, and sometimes other actors,

such as governments, academia or unions, to cope with social and environmental challenges across industries and on a global scale” (Mena and Palazzo, 2012: pp. 527f.). As such they may describe everything from certification bodies, auditing programs and public-private endeavours to industry-specific governance projects (Bauman-Pauly, et al. 2016). Regarding the apparel sector, we find for example studies on the Clean Clothes Campaign (2009), the Ethical Trading Initiative (ETI; Barrientos and Smith, 2007), the Fair Labour Association (FLA; Anner, 2012), Social Accountability International (SA8000; Hiscox, et al. 2009), Fair Wear Foundation (Egels-Zandén and Lindholm, 2014) and the Better Work Program (BW; Hess, 2013) – all of which can strictly be defined as MSIs (Smith and Feldman, 2003).

Apart from the involvement of second and third actors, increased cooperativeness in governance also refers to the so-called “new forms” of labour regulation (Locke, 2013). Locke explicitly identifies these “new” forms of governance as more collaborative in character and therefore more promising in their outcome. According to this, private labour governance can benefit from collaborative planning (aligned buyer-seller interests and trust relationships) and capacity-building strategies (prevention and enabling), as well as stronger private-public regulation and cooperation, such as for example the public reinforcement of private initiatives (Ibid, 2013).

A specific type of collaborative form of governance often discussed more often than others is the notion of public private partnerships (PPP). Especially through the strong promotion of IOs such as the World Bank, PPPs have become strongly used tools in industrial and developing states especially to “bring greater efficiency and sustainability to the provision of such public services as water, sanitation, energy, transport, telecommunications, health care and education” (WB, 2017<sup>18</sup>). Their legitimacy and effectiveness are however very disputed. Schaefferhoff, Campe and Kaan (2007) for example describe PPPs as a hybrid type of governance in which private and public actors co-govern functions originally within the sole authority of states. Supporters of PPP thus argue that it is a tool which may improve effectiveness and legitimacy of global governance processes (Reinicke and Deng, 2000; Schaefferhoff, Campe and Kaan,

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<sup>18</sup> Read more: <http://www.worldbank.org/en/topic/publicprivatepartnerships> (last viewed 23.01.2017).

2007). Such partnerships are thus argued to enhance the capacity to solve complex problems and create win-win situations by assembling different resources from diverse partners “address[ing] issues that no one sector can resolve by itself” (Reinicke and Deng, 2000: 3).

Critics of PPPs on the other hand doubt the possibility of easily formulating common public-private goals to make use of such win-win situation. They instead dismiss them as “privatization of world politics”, which serve mainly corporate, financial and therefore non-public goals (Brühl, et al. 2001). Even more so, Toffel, et al. 2015 argue that the value of increased public involvement in the governance of global labour standards may not necessarily lie in cooperation, but in the existence of multiple overlapping regulatory regimes (Ibid: 22). Bartley and Egels-Zandén (2015) back this argument through their study, by finding that not necessarily the connection of private and public governance increases labour standards but that strong complementary tendencies suggest that the parallel existence of both, private and public governance, can indeed have a strong positive effect on labour standards.

Finally, if good monitoring is an indication for a higher impact of private governance (Bartley and Egels-Zandén, 2015), it appears obvious that not only the complementary of private and public regulation is important, but any kind of stakeholder-cooperation leading to a higher, more independent degree of monitoring (O’Rourke, 2002). One additional condition believed to be strongly influential on private governance success is therefore the increased sophistication of auditing under collaboration. This is especially for MNCs interesting, as private auditing systems can be costly in terms of “years of effort and significant investments [...] in developing evermore comprehensive monitoring tools, hiring growing numbers of internal compliance specialists, conducting thousands of factory audits, and working with external consultants and NGOs” (Locke, 2013: 2f). Additionally, even if companies invest heavily in monitoring systems, critique of monitoring processes and auditors is persistent (O’Rourke, 1996, 2003; Pruett, 2005; Bartley, 2005; Kaptein and Schwartz, 2007; Locke and Romis, 2007; Marx, 2008). Yet, the inclusion of governance resources for monitoring, e.g. dispatching public personnel for monitoring purposes, is only partly seen as a solution to bad auditing and most companies

therefore chose a model of combining monitoring from private and public or third parties (NGOs/MSIs) (Locke, 2013). By comparing different systems of MSIs, their form of regulation and policies on transparency, O'Rourke (2003) finds that the walls between monitoring regimes are crumbling altogether and that actors increasingly make use of one another. This is for example the case, when companies enlist union officials or NGOs for monitoring purposes (O'Rourke, 2003: 24).

#### **4. Some Reflections on the Literature**

The current state of research on global labour governance shows that most actors involved, increasingly seek and engage in cooperative forms of regulation. This has up- and down-sides. Some forms of cooperation are for example limited to advisory, which leads for some programs only to the production of documents rather than to the active support or advocacy of meaningful practices. Furthermore, a lack of organizational quality in organizations can hinder effective implementation, regardless of how many actors are involved. However, on the other hand, collaboration can increase monitoring potency and checks and balances, by offering an important surplus of objectivity and spread accountability over a variety of actors. Additionally, the involvement of more actors may lead to the availability of a higher variety of governance tools. In the endeavour to secure international labour rights, labour standards may thus be addressed from more diverse angles than in unilateral regulatory programs. Taking all this into consideration, cooperation between multiple stakeholders is perceived by both academics and policy-makers as a promising way to tackle problems of exploitation and bad working conditions in the context of global production. Furthermore, as the interdependencies of different levels of regulation (local, national and global) become increasingly important, studies do well to include considerations of multiple actors when examining global labour governance. Furthermore, many studies stress the importance of local embeddedness of global production and related labour governance programs. Factors such as the institutional context, the economic environment and the dynamics of the civil society and local NGOs are all considered to be of

some importance to the success of labour regulation. Due to many case studies regarding the practices of global governance, it has therefore become apparent that we are not – and neither should be – studying these processes of global labour governance in a vacuum. Considerations of both local and network embeddedness are vital to understand the progression of regulatory success. Yet, how exactly specific factors of local institutions, society and the market influence the outcome of labour governance is still understudied, calling for more research on the importance of the horizontal integration of global production and its labour.

Finally, the study of vertical governance in GVCs – in other words, the governance within supply chains – often faces a problem of over-complexity. In many cases, the operations and relationships between global buyers and their local suppliers therefore remain somewhat of a black-box. Due to the involvement of many trans-border processes, several organizations and long chains of possible dependencies, studies mostly settle with explaining just one element of the sum to reduce this complexity. Consequently, the biggest challenge of this field of study is often the object of the study itself: the researcher must find a way to create a comprehensive account of governance-trajectories within and around GVCs, without under- or over-simplifying their nature of complexity. The numerous theoretical dimensions of recent literature displayed in this review are of substantial help in this endeavour and will also be of further use to the research in this dissertation.

## CHAPTER IV.

### SETTING THE CONTEXT: MAPPING GLOBAL LABOUR GOVERNANCE

#### 1. Introduction: The Mechanisms of Governance

As production grows more global, regulation seeks to follow in many diverse forms and the picture of labour governance in GVCs becomes more and more complex. To capture this complexity, the literature on multi-level governance stresses the importance of taking into consideration not only one, but several actors and levels when studying global governance (Marginson and Sisson, 2004; Regalia, 2008) and studies on private governance in human and economic geography refer to trans-scalar governance regimes, as “complex networks of state, private and civil society actors operating at multiple scales” (Alford, 2016). Additionally, notions of responsibility and accountability are shifting: we see private multinationals taking over public prerogatives to address social pressure, social actors reorganizing internationally to manage the new challenges of global production and public actors facing challenges of coordination between global standards and local regulation.

To organize this complex picture, the following section concentrates on presenting and mapping the actors, tools and accountabilities encountered when studying the field of global labour governance. The following three sub-chapters will each focus on one set of actors individually – first public, then social and finally private/ corporate actors. Each group of actors is examined according to their behaviour, the mechanisms and tools used in addressing problems of global labour governance and the main challenges they face. The chapter concludes in a short discussion about the reasons for the present development from predominantly unilateral governance towards principally multilateral forms of governance. The section’s overall goal is to draw a map, which helps us to understand the diverse promises and challenges faced by the stakeholders involved in global labour governance.

## 2. A Web of Actors and Accountabilities

Actors participating in global labour governance are many: national governments, international organizations, private companies and organized labour all play decisive roles. For the study of their behaviours and accountabilities, it is useful to separate them into rough groups as private, public and social actors. All three groups include several actors on different levels. Public actors encompass national governments and their agencies, as well as international organizations. Private actors include all types of companies (multinational brands-firms, retailers, manufacturers, service agencies, etc.) and business associations. Social actors can refer to NGOs, national and international trade unions and self-organized worker movements, as well as other civil society groups. Vertically, four levels will be considered as important: the international (including global and transnational<sup>19</sup>), the regional, the national and the local.

Defining the accountability of actors in global labour governance is less easy. This is partly due to accountability itself being a complex and multi-faceted concept, derived from public administration and accounting (Boven, 2003). Here, accountability is understood as administrative responsibility of an organization to report and defend their actions to those with political legitimacy (especially elected officials) (Jordana, et al. 2016: pp. 3f). Empirically, accountability is therefore usually measured as a mechanism, as “any relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct [...] the forum can pose questions and pass judgement, and the actor may face consequences” (Bovens, 2007: p. 450).

In global labour governance, there is however *no single* and *no official forum* in the position to impose obligations or sanctions when labour violations in global production occur. The notion of accountability has therefore shifted into an open and less defined sphere and towards a

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<sup>19</sup> The “global” is the level of supranational organization and the “transnational” focusses on the level of cooperation between several national actors. They are shown as unity in table A, but should remain analytically distinct.

concept of “public opinion accountability<sup>20</sup>” or public accountability. What an actor is held accountable for, can therefore be strongly influenced by the amount of trust he enjoys within a society and the predominant public opinion (Jordana, 2016). Bovens (2003) describes this public accountability as being characterized by a justification given in public (meaning that it is openly accessible to everyone), thus underlining the importance of the relationship between transparency and accountability.

Therefore, when speaking of public accountability in the following study on global labour governance, it will be understood as a combination of externally- (usually through the forum of public opinion and social pressure) and self-imposed (e.g. as a response to social pressure) responsibilities, which morally or otherwise obligate actors to promote and/or enforce higher labour standards in the context of global production. Other than in administrative accountability, actors can choose to ignore this obligation, as sanctions are neither strictly defined, nor inevitable. Furthermore, since public accountability in global labour governance relies on transparency and publicly available information, it can shift between actors and is susceptible to the lobbying of opinion-leaders.

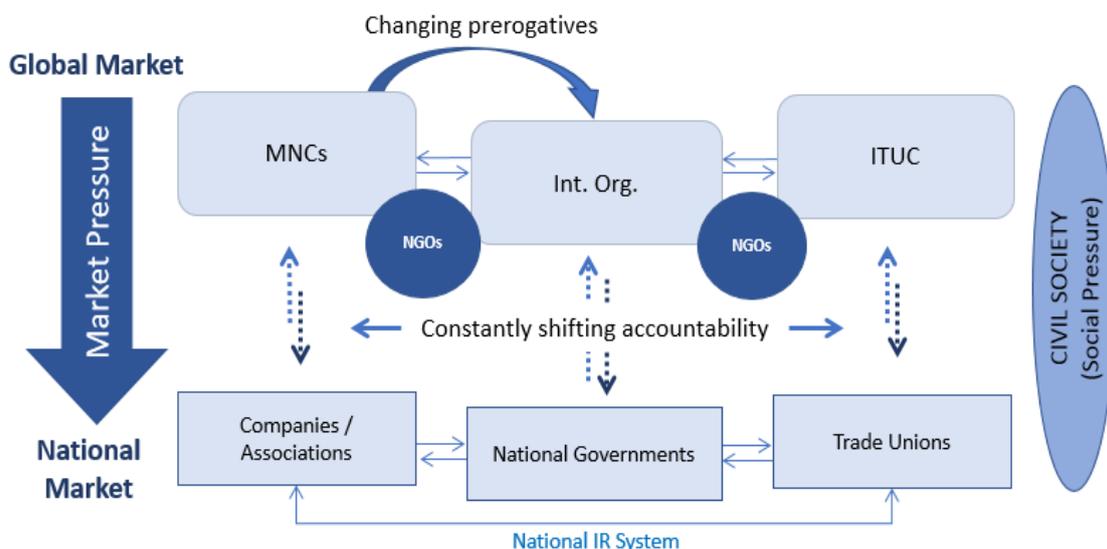
In many ways, initiatives and programs of global labour governance, such as codes of conduct, are an attempt to bring the more structured form of administrative accountability back to the regulation of global labour. In labour governance initiatives, we thus find both forms of accountability: administrative and public. MNC’s decision to join programs and willingly commit to private codes of conduct is mostly based on considerations of public accountability as described above. Yet the processes of private governance within value chains aim to establish forms of administrative accountability, such as organizational hierarchies, written obligations and responsibilities and fixed mechanisms of enforcement and sanction. The success of these programs to create and incorporate forms of administrative accountability is equitable with their success of establishing a high- versus a low-quality governance system.

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<sup>20</sup> Usually known as “public accountability” in the governance-literature, is not to be confused with the accountability of governments. In this context, public accountability is not shaped by the government, but by public opinion towards certain actors and their obligation (Odugbemi and Lee, 2011) – if public accountability is used in this thesis, it will thus refer to “public opinion accountability”.

The arrows in Figure 4 give an example of how public accountability in global labour governance can shift between actors and across levels. Two key dynamics are shown: vertical shifts of accountability across levels and horizontal shifts of accountability between actors. Diagonal shifts between actors on different levels are also imaginable, however not displayed. Vertical shifts of public accountability from local to global may appear when global market pressures and insufficient local standards lead to a call for higher public accountability of actors at the international level. In other words, as globalization pushes local businesses into markets of global production, also the attention of public opinion shifts towards actors at the global stage. Multinational companies (MNCs) and the global standards of International Organizations (IOs) are perceived as appropriate actors for the implementation of better labour regulation in GVCs. Often, this public responsibility is then however redistributed. We therefore witness an opposite, “downward”-directed assignment of accountability, often within a fixed structure such as a private labour governance-programs in GVCs. Through these programs, public accountability on the global stage is redistributed as administrative accountability on the local level. It is now the local suppliers which is held responsible, even sanctioned, for their actions and it is again local laws, not global standards, which are used as a baseline for compliance.

**Figure 4: Actors and Public Accountability in Global Labour Governance**



Source: Author's own illustration (2016)

The horizontal dynamics of accountability in Figure 4 are somewhat more diversified. The question here does not only revolve around *who* is responsible for regulating labour standards in GVCs, but also around *how* they are involved in the process of regulation. In reaction to the shifts on the vertical level, actors may adapt their strategies and assume new prerogatives, taking responsibility for tasks which may traditionally have been the obligation of other actors. For example, by assuming regulatory functions over global labour standards in GVCs, companies participate in a traditionally solely public area of responsibility (Gereffi, et al. 2005; Gereffi and Lee, 2016).

These horizontal shifts in accountabilities change the reality for many actors concerned with labour standards. With their new agenda to regulate labour, companies now not only represent the “problem”, but have become potential partners or potential competitors (depending on the view) for social and public actors in the endeavour to setup global labour regulation. For example, unions aim to adapt to the new realities of private governance by diversifying their traditional portfolio of collective strategies. Traditional forms of labour mobilization and strikes, while still very important, are now increasingly complemented with awareness- and transparency-campaigns to address public opinion and call companies to account (Vogel, 2008). At the same time, unions and NGOs have become important institutionalized partners for programs of global labour governance to increase the trust of workers in these new forms of regulation and to increase the programs’ external credibility.

For public actors, the issue of labour standards in GVCs is especially relevant in developing countries with a high percentage of employment in export-oriented manufacturing. Here, economic strategies of attracting investment and increasing the global involvement of the national economy often clash with the public responsibility to protect labour from exploitation. In other words, government agencies and public personnel may serve “two gods” at the same time, and the need for better labour regulation may be suppressed by the national economic interests of a government (Locke, 2013). On the other hand, even if a developing country has

every intent to setup a stringent and tight system of labour-regulation, it may fail to do so due to lacking resources and influence over the pressures which suppliers experience.

In a related discussion, the question of accountability in global labour governance even reaches the private person in their function as consumer. It is argued, that consumers of internationally produced goods could be held accountable for bad labour conditions due to bad or uninformed consumption-choices (Bartley, et. al 2015). In this case, the consumers would be expected to adjust their behaviour towards well-informed and socially responsible buying-decisions (Oka, 2010). Whether a private consumer can however really be held accountable for low labour standards is doubtful, as there is no way to “control” for irresponsible buying-behaviour.

### **3. Public Actors and Global Labour Governance**

The term “public actors” is wide, encompassing several, often very different stakeholders. For an easier distinction, this section will be split into two segments: first we look at the role of international organizations in global labour governance, later we examine national governments.

#### *i. International Organizations*

Notwithstanding the wide diversity of initiatives in global labour governance, the written content and code of each program is usually based on the conventions and declarations of international organizations. Specifically, the ILO Declaration on Fundamental Principles and Rights at Work (FPRW) from 1998 and the UN Universal Declaration of Human Rights 1948 (UNDHR) are central references for what has become known as the “core international labour standards” (Hammer, 2005: p. 518).

From an institutional perspective, the ILO is the most important international body of global labour regulation. Established in 1919 as a UN agency, it currently counts 187 member-states<sup>21</sup>, the organization has not only framed the global normative discourse on how to improve

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<sup>21</sup> Of the 187 ILO-member states 186 are of the 193 UN member states plus the Cook Islands. Not part of the ILO are Andorra, Bhutan, Liechtenstein, Micronesia, Monaco, Nauru, and North Korea (see ILO-website: [www.ilo.org](http://www.ilo.org), last checked 11.10.2016).

international labour standards, it also represents the main forum of transnational discussion on labour issues. As ILO-members, states automatically commit to promote and respect the four key labour standards outlined by the ILO core conventions, listed in table 3.

The four key labour standards specified by the ILO core conventions are: “freedom of association and the effective recognition of the right to collective bargaining”, “the elimination of forced or compulsory labour”, “the abolition of child labour” and “the elimination of discrimination in respect of employment and occupation” (ILO, 1998). Even though each of these right is outlined in specific conventions, the ILO Declaration on FPRW additionally postulated that the commitment to these rights must be upheld, even if the relevant conventions have not yet been ratified by a nation’s government (ILO, 1998). The ILO’s importance lies not only in its function as central forum for norm-setting in questions of global labour, but also in convening tripartite actors in the pursue of creating equal opportunities and rights at work. As many other IOs, the organization is however relatively restricted in terms of enforcement, lacking the ability to impose direct sanctions and depending almost completely on the willingness of member states to effectively implement regulation. The use of its norms as legal and normative references in global labour governance programs is thus an important extension of the ILO’s impact.

**Table 3: ILO Fundamental (core) and Governance (priority) Conventions**

No.	Name	Year Adopted	Core	Ratified nations
C029	Forced Labour Convention	1930	yes	178
C081	Convention concerning Labour Inspection in Industry and Commerce	1950		145
C087	Freedom of Association and Protection of the Right to Organise	1948	yes	153
C098	Right to Organise and Collective Bargaining Convention	1949	yes	164
C100	Equal Remuneration Convention	1951	yes	171
C105	Abolition of Forced Labour Convention	1957	yes	175
C111	Discrimination (Employment and Occupation) Convention	1958	yes	172
C122	Employment Policy Convention	1964		109
C129	Labour Inspection (Agriculture) Convention	1969		53
C138	Minimum Age Convention	1973	yes	168
C144	Tripartite Consultation (International Labour Standards) Convention	1976		139
C182	Worst Forms of Child Labour Convention	1999	yes	179

Source: <http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:1:0>, last checked 30.09.2015; Hammer (2005).

To regain some operational independence from member-states, the ILO sustains its own global labour governance initiative, the Better Work Program<sup>22</sup>, in 2007. This program has created a substantial platform of impact for the ILO in the countries where the program is located and is nowadays as an exemplary governance-program for the protection of international labour rights. Additionally, the ILO supports and evaluates other firm- or multi-stakeholder-led global labour governance programmes and plays a significant role in the capacity of bringing companies, trade unions and governments together to find common governance solutions in GVCs.

Next to the ILO, also other IOs promote international labour standards through programs which directly engage companies and national governments. Most noticeable in the area of globally responsible sourcing are the *UN Global Compact 2000* (UNGC) and the *OECD Guidelines for Multinational Enterprises*<sup>23</sup> (Hammer, 2005: 520; Gighliani, 2005; Mayer and Gereffi 2010).

Launched at the initiative of former UN Secretary-General Kofi Annan at the UN Headquarters in July 2000, the UNGC currently counts the participation of over 9.000 companies in some 160 countries. Worldwide, more than 40.000 sustainability reports have been published through this framework. The core of UNGC commitment are ten principles of human rights, labour, environment and anti-corruption, all explicitly drafted to address potentially harmful business practices. At the centre of the newest UNGC's strategy lies additionally the goal to drive business awareness and action in support of achieving the UN Sustainable Development Goals (SDGs<sup>24</sup>) by 2030 (UNGC<sup>25</sup>, 2017). A corporate membership in the UNGC entails mainly responsibilities of sustainability reporting, however with no real screening mechanisms or processes aimed at reviewing the correctness or progress of reports. Due to this, many are critical whether UNGC member-companies really engage with the principles or whether the codes are a rather toothless forum for best practice sharing.

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<sup>22</sup> See Chapter VI and VII on a detailed description and analysis of the ILO's flag-ship program "Better Work".

<sup>23</sup> Hereafter "the OECD guidelines" or simply "the Guidelines".

<sup>24</sup> The SDGs, drafted in the UN's "Agenda 2030" in September 2015 contain 17 core principles designed to "end poverty, fight inequality and injustice, and protect our planet" ([www.unglobalcompact.org/sdgs/about](http://www.unglobalcompact.org/sdgs/about), last checked 28.01.2017).

<sup>25</sup> <https://www.unglobalcompact.org/>, last checked on 26.01.2017.

The OECD's guidelines on the other hand were first adopted in 1976 as an annex to the OECD Declaration on International Investment and Multinational Enterprises (OECD, 2017). They are, despite their name, less focussed on directly adjusting companies' business practices and concentrate instead on national governments. The responsibility for the promotion of the Guidelines therefore lies primarily with the adhering governments to create additional, public pressure on companies operating in or from their national territory. All 35 OECD countries and 11 non-OECD countries<sup>26</sup> reportedly adhere to the Guidelines. The governments of these countries, in cooperation with special national OECD-contact points, are responsible for promoting the Guidelines and helping to resolve arising issues (OECD, 2017). Since the Guidelines explicitly identify as recommendations to governments and not as obligations, critics question also here the extent to which the program achieves a real impact on labour standards (Hammer, 2005). To address these shortcomings, the OECD has introduced an additional platform for best practice sharing in 2017 to foster due diligence guidance, specifically in garment and footwear GVCs<sup>27</sup> (OECD, 2017).

In comparison, the UNGC and the OECD guidelines are severely different in terms of scope, content and addressee. The programs however also show numerous similarities and, maybe even more importantly, complementarities. For example, although with slightly different emphasises, the guiding principles of both programs are derived from the ILO's DFPRW-convention and the UNDHR. Additionally, the programs explicitly describe themselves as being complementary to one another in terms of the covered rights and the geographical areas in which they operate (OECD and UNGC, 2005: p. 4). In a joint publication, they therefore declare themselves to be "the world's foremost comprehensive, voluntary corporate responsibility initiatives, (...) [which together] articulate the most important principles of responsible business conduct" (Ibid, 2005: p. 1). This joint effort to commit companies and states to the promotion of

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<sup>26</sup> Non-OECD countries adhering to the Guidelines: Argentina, Brazil, Colombia, Costa Rica, Egypt, Jordan, Lithuania, Morocco, Peru, Romania and Tunisia (<http://mneguidelines.oecd.org/oecddeclarationanddecisions>, last checked 28.01.2017).

<sup>27</sup> Official launch, Feb. 07th 2017, more information under <https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm> (last checked, 08.02.2017).

labour standards is a strong indicator of how international organizations see MNCs *and* states in a shared position of global responsibility to protect worker's rights.

In terms of legitimacy and credibility, the programmes considerably benefit from the large and important institutions standing behind them. However, both still face significant constraints in terms of membership and degree of obligation: they are entirely voluntary, non-binding and solely rely on public accountability and due diligence as enforcement mechanisms. Strictly speaking, neither UNGC nor the OECD guidelines are therefore regulatory instruments.

Whereas many interpret these constraints as shortcomings, they are strictly in line with the programs' self-definition. In the report section on *Accountability and Mechanisms*, the initiatives therefore jointly describe themselves as "voluntary from the perspective of the corporations that choose to engage with them, in that neither relies on formal legal sanctions to achieve their objectives. Rather, they (the companies) each have their own unique means of promoting observance" (OECD and UNGC, 2005: 6). The following section on the UNGC is even more explicit: "The Global Compact *is not a regulatory instrument* – it does not 'police', enforce or judge the behavior of companies – it relies on public accountability, transparency and the enlightened self-interest of companies, labor and civil society to initiate and share best practices in pursuing the principles upon which the Global Compact is based" (Ibid, 2005: 6; emphasis added by author). Many consider this the biggest limit of these instruments: they have not been able, nor trying, to turn their guidelines and commitments into binding international regulation (Hammer 2005; Marginson and Meardi 2010).

Whereas organizations such as the ILO, OECD and the UN seek to drive private and public commitment to labour standards on the base of international norms and standards, other international organizations, such as the World Trade Organization (WTO), International Monetary Fund (IMF) and World Intellectual Property Organization (WIPO), represent more market-oriented forms of international organizations, with goals mainly focussed on the liberalization of trade and markets. Due to the market-centred agendas of these organizations,

critics often see them as potentially counteracting international efforts of securing labour-standards (Bagwell and Staiger, 2001; Meyer and Gereffi, 2010).

Especially in the WTO, the topic of international labour governance is strongly contested. While the organization agreed in 1996 to commit to the ILO core standards in all global economic policy-making<sup>28</sup>, they also decided to leave all active management of such to the Secretariat of the ILO. This means that in the WTO Councils and Committees itself, there is no work on labour standards, at all. Essentially, the WTO's position towards labour standards is best described as ambivalent. On the one hand, the organization raises questions regarding potentially negative ramifications of labour standard governance for free trade. Regulatory action to protect labour in supply chains (e.g. obliging manufacturing firms to obtain public certification) can be non-tariff barriers, potentially discouraging international investment. On the other hand, low labour standards (i.e. extremely low pay, unpaid overtime, etc.) create unfair advantages in the value-added and export-gains of production countries and create a race to the bottom, also in other standards (WTO, 2016). This second view supports the active governance of labour standards as a benefit for free trade (Bagwell and Staiger, 2001: 80).

Finally, even though “the WTO agreements do not deal with labour standards as such<sup>29</sup>” (WTO, 2016), the increasing emergence of so-called *labour provisions* or *social clauses* in free trade agreements raises the question whether labour issues have finally entered bilateral and multi-lateral trade-negotiations. Labour provisions can be understood as any clauses in trade agreements, which emphasise minimum standards of work, reference national standards of employment or establish the ILO and its standards as guideline (Ebert and Posthuma, 2011). The approaches of integrating labour concerns into trade relations can vary considerably concerning their nature, scope, and leverage and are finally subject to the motivation of the involved national governments to regulate social standards (ibid. 2011). Although generally viewed critically by scholars, mainly due to the lack of enforcement mechanisms (e.g. Witte,

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<sup>28</sup> Freedom of association, no forced labour, no child labour, and no discrimination at work (including gender discrimination), see also above full list of core and priority ILO standards.

<sup>29</sup> See WTO on labour rights online: [https://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/bey5\\_e.htm](https://www.wto.org/english/thewto_e/whatis_e/tif_e/bey5_e.htm) (last viewed 12.10.2016).

2008), the impact of labour provision clauses in trade agreements is still understudied and may yet prove to be an intriguing subject of investigation and impact.

*ii. National governments*

As tools and mechanisms to enforce global labour regulation gradually shift onto the private level, many ask the question where and how the nation-state can still assume a meaningful role for the protection of workers (Hassel, 2008; Baccaro and Howell, 2011). However, the mere existence of private governance schemes does not render national regulation obsolete. And although private governance mechanisms are often described as “beyond national jurisdiction” (Mayer and Pickles, 2010; Bartley, et al. 2015), even powerful MNCs cannot fully escape the local regulatory environments in which production is embedded (Coe, et al. 2008).

Due to the embeddedness of GVCs in national surroundings, national governments and their institutional frameworks remain at the core of questions surrounding global labour standards. Not only direct effects, but also indirect effects of an institutional environment can substantially contribute to the enforcement of labour standards (Toffel, et al. 2015) and in many instances state-regulation reinforces private initiatives (Amengual, 2010). State regulation can however also restrain private governance impact (Distelhorst, et al. 2015). Even in the globalized economy, national governments and their legal systems are thus central to labour-regulation and the setting of standards within national economies (Gigliani, 2005; Mosley and Uno, 2007; Vogel, 2008; Amengual, 2010; Toffel, et al. 2015).

Realizing that state regulation remains important in questions of global labour regulation is thus vital. Equally important is however, to understand how public governance is viewed. Most private governance initiatives consider the public component of labour regulation through the status quo of state-institutions and legislation, i.e. national minimum wages, pension laws, maternity rules, and so on. Where feasible, national standards and laws are used as minimum benchmark requirements for private codes and auditing (Jenkins, 2001). Unfortunately, in many developing countries that legal minimum may be very low or even non-existent (e.g. in the case

of minimum wages) and codes would do well (but often fail) to seek to establish a status quo of labour standards above the legal minimum, to reach credibility (O'Rourke, 2003). Yet, in the study of global labour governance, the consideration of the state needs to go beyond the institutional component. States must be seen not only as context but also as *actors* which shape the definition and enforcement of national and international labour standards.

Hence on the one hand, national labour regulation always has a political component to be considered (Amengual, 2010). Rigorousness of state-regulation and the capacity for change may depend on the government in office and a country's overall state of economic and social development. On the other hand, the state appears as a rational player in pursuit of social and economic goals, particular national interests and strategies therefore need to be taken into account (Locke, 2013). Economic strategy for example plays an important role if a country is in the process of opening its market to global capital and trade. Under these circumstances, states will pursue neoliberal reforms rather than implementing labour protective measures. Concessions regarding new operating licenses without proper safety controls, legalization of flexibilities concerning working time and falling trade barriers, which drastically increase competitive pressures, are likely to accompany market-liberalization. Here, strategic interests of a government may strongly counteract the success of global governance programmes.

To better grasp the concept of nations as actors in the context of private labour governance, two main roles can be detected: states in the capacity of a "host country" of international production (i.e. the production country) and the role of the "home country", i.e. the states where global buyers originate from<sup>30</sup> (Marginson and Meardi, 2010; Mayer and Gereffi, 2010).

As host country, states face a dilemma of dual interests (Locke, 2013). On the one hand, governments are the main actor for regulating labour within their territory, they set minimum standards of work quality and social security. On the other hand, these governments have a high

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<sup>30</sup> As stated above, there are mainly two forms of affiliation between MNCs and International production: ownership (subsidiaries) and contracts (suppliers and subcontractors) (Gereffi 2005), or so-called intra-firm vs. inter-firm networks (Rugman, Verbeke and Nguyen 2011). This distinction is especially important in the context of managerial reach and efficiencies of private governance structures (Mosley 2011).

interest in foreign capital to promote economic growth, create jobs and increase tax earnings. These two objectives may create contradicting goals and therefore lead to a suboptimal trade-off between sustainable labour regulations and neoliberal economic policies. However, Mayer and Gereffi (2010) point out that nation-states consist of an array of sub-national institutions, which may all have different goals and each lobby their interests on a centralized national level (Mayer and Gereffi 2010), referring to the mechanisms of Putnam's two- and three-level game<sup>31</sup> (Putnam 1988). Critics assume that tensions of multiple interests are used by MNCs as opportunity to apply pressure on developing countries' governments, potentially triggering "beauty contests" (Marginson and Meardi, 2010) and a race to the bottom in labour standards.

As a home country on the other hand, national governments often face problems of limited impact on the regulation of international labour employed by native multinationals (Mosley 2011; Baccaro and Howell 2011). Since states are unable to regulate international economic activities unilaterally, especially concerning outsourcing rather than FDI, they often rely on agreements with host-states (i.e. inter-state cooperation, regulatory networks, social clauses in trade agreements) or private-public-partnership models to regain grounds of negotiation.

Finally, Nadvi and Lund-Thomsen argue that the heritage (or origin) of a GVC lead-firm may also have an important influence on how regulation is designed beyond the direct state-influence of private regulation. For example, the different organization and governance of supply chains linked to multinationals originating from emerging countries (as opposed to western countries) may highlight how cultural values can play a role in how labour standards are regulated (Knorringa and Nadvi, 2014). Additionally, different representative traditions and national industrial relations structures (Hess, 2013) as well as shifting national trade preferences (Curran and Nadvi, 2015) may significantly shape the governance within GVCs and thus the importance which MNCs give to (private and non-private) international labour regulation.

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<sup>31</sup> Putnam's original article (1988) on game-theory in multi-level policy making refers to two levels: the "domestic" and the "international", assuming that international agreements will only be successful if also beneficial for the domestic level. More recent scholars, especially within the EU-context, have extended this view and added a third-level of observation, which is either the EU-level (between domestic and international) or the sub-national.

#### 4. Social Actors and Global Governance

Amongst social actors, we can distinguish between two main groups working on the promotion of labour standards. At first, we will look at two different types of civil society organizations (CSO): big, often international NGOs with a strong but broad development focus on the one hand, and specialized CSOs with an explicit focus on promoting global labour standards on the other hand. Secondly, we will focus on the actors of organized labour, where especially national trade unions and their global confederations are of key-interest.

##### *i. NGOs and Civil Society Organizations*

Civil society actors have always been of importance for global policy making and their engagement is critical for public policy legitimacy. It comes as no surprise that civil society engagement is therefore also imperative for the success and legitimacy of global labour governance. Broadly speaking, CSOs can be interest groups, social movements, international and national NGOs and even the media, so long as they manifest and promote the interest of citizens (Vogel, 2008). Examples for well-known international NGOs working on global labour issues (but not exclusively) are Oxfam and Transparency International. More specific CSOs promoting global labour standards in global production include e.g. the Clean Clothes Campaign and the Fair Wear Foundation, but also many small, local and lesser known initiatives exist. In terms of global labour standards, these CSOs and NGOs are an important source of pressure towards multinational corporations. They can be regarded as “a counterbalance to corporate power” (Campbell 2007: 958).

The coordinated social action of CSOs to promote labour standards is usually either directed at policy level of governments or at the corporate level of MNCs. In the first case, lobby and policy-influencing activities can be directed at the ministries or governments of MNC's home countries or the governments of GVC host-countries. The possibilities of political engagement for CSOs and NGOs can finally be broadly divided into three strands.

Firstly, activities can focus on strengthening worker's self-awareness and their capacity to self-organize and -mobilize. Outcomes can be alliances between unions and CSOs or NGOs' support of unions' organizational capacities in developing countries (Fransen and Winter, 2015). Secondly, direct policy influencing activities and lobbying can be focused on national governments' representatives or agencies. If received positively, this can result in policy-building cooperation between CSOs, NGOs and government agencies (Vogel, 2008). Thirdly, especially international NGOs can lobby and support the level of international and transnational organizations in their agenda to promote and secure international labour standards. The UNGC for example encourages non-governmental membership<sup>32</sup> and the ILO has a long tradition of including NGOs in multi-stakeholder dialogues<sup>33</sup>.

Furthermore, social organizations' lobbying activities toward corporate actors can have both a more productive and a more destructive character. On the one hand, MNCs can be very vulnerable to the negative campaigning of NGOs and CSOs. In an arena where the power to sanction comes not easy to anyone, NGOs and social movements have found ways to mobilize the ability of imposing reputational penalties on firms that violate the global norms they stand for (Toffel, et al. 2015: 8). Whether local or global, social actors are therefore an important actor to be won over by corporations (Sabel and O'Rourke, 2000). On the other hand, there is an increasing number of private-social cooperation promoting labour standards jointly, e.g. when NGOs assume the auditing responsibilities at an MNC's local supplier or where MNCs join socially-led governance programs. Acting as third-party control in governance, civil society organizations can thus use both, "positive incentives and negative sanctions to entice actors into compliance with norms and rules" (Risse, 2006: 184; Mena and Palazzo 2012).

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<sup>32</sup> Find the complete list of membership of the UNGC here: [www.unglobalcompact.org/what-is-gc/participants](http://www.unglobalcompact.org/what-is-gc/participants), last checked 09.02.2017)

<sup>33</sup> Regarding the relations with NGOs, the ILO states on its website: "As a tripartite organization, the ILO does not simply collaborate with non-governmental organizations but actually integrates sectors of civil society into its structure. The ILO maintains a close relationship with the non-governmental sector, which involves the following: 1. the integration of non-governmental social partners in the identity of the Organization itself 2. according consultative status to NGOs that meet certain criteria, 3. collaboration at the operational level" (ILO, <http://www.ilo.org/pardev/partnerships/civil-society/ngos>, last checked 09.02.2017)

How effectively social actors can place their agenda on government and corporate levels, depends on three factors (Fransen and Winter, 2015). First, it is important how long the CSO or NGO has already been devoting their time to a particular cause. A longer commitment may lead to more experience, stronger trust in existing networks and cooperation and increase the degree to which campaigns reach consumers. Second, the specificity of lobby-demands is important. The more a CSO is able to communicate clear demands in terms of policy and action, the easier it is for the receiver (the government or corporations) to respond. Third, the strength and scope of the network among civil society actors matters. Driving decisions and commitments related to labour and human rights is challenging and can often not be achieved sufficiently by single organizations. Often, complex networks of civil engagement, local social movements and international CSOs and NGOs are required for sufficient influence on powerful corporations and states. The rigidity or openness towards CSOs of the institutional context in which social lobbying takes place also plays an important role in this regard (Fransen and Winter, 2015).

The development of global governance in the apparel sector is a prime example of the influence of civil society actors. In the wake of several scandals in the apparel sector in the 90s and several following in the decades after, such as the recent collapse of Rana Plaza<sup>34</sup> in 2013, public outrage and anti-capitalist campaigning put MNCs into a defensive position. This created a global corporate necessity (especially in the apparel sector) to react and publicly defend their image. What used to be handled through public relations quickly shifted towards strategies of CSR management. Since accidents and sweatshop scandals however didn't come to a stop, so was the concept of CSR increasingly confronted with green- and clean-washing accusations through CSO- and NGO- campaigns. The necessity for more credible, stable and cooperative forms of governance emerged and MNCs strongly lobbied for the participation of social actors

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<sup>34</sup> On April 23<sup>rd</sup>, 2013, the eight-story commercial Savar-building in Dhaka, Bangladesh, also known by the name of its owner as Rana Plaza, collapsed due to a structural failure. In the fatal accident 1134 people, most of them garment workers, lost their lives. Amongst the companies sourcing from the Rana Plaza manufacturing were well-known western brands such as Benetton, Mango, Primark and Walmart, which were faced with harsh accusations of negligence. Beyond those buyers, the whole apparel sector was faced with immense reputational issues in terms of their international manufacturing practices and labour safety and regulations (see for example the Guardian, 2013 - 2016: <https://www.theguardian.com/world/rana-plaza>).

in their private governance programs to gain credibility and legitimacy for their actions (Gighliani 2005; Newitt 2015). In many ways, the impact of social actors on public opinion has thus been (and remains) a driving force behind the creation of private global labour governance (Vogel 2008).

*ii. Local and international Trade Unions*

As representatives of workers inside and outside of factories, unions are an important actor for the promotion of labour standards all over the world. Most literature on the impact and success of unions is however focussed on developed states and only few concerted efforts exist to study the development of industrial relations in developing states (Oka, 2015). Concerning global labour governance however, both unions from developed and developing states are important. It is unions in developing states, which are the representatives at the shop-floor, potentially helping to demand and implement international standards, assisting in monitoring and auditing of factory conditions and helping workers to express their concerns and views without being subjected to potential negative management repercussion. Depending on the point of view, unions' de facto influence on processes of global labour governance is disputed. They are placed between generally significant (Morantz, 2013; Oka, 2015), effective when cooperating (Riisgard, 2007) or reinforced by the state (Amengual and Fine, 2016; Amengual, 2016) and rather limited, especially when facing MNCs (Gighliani, 2005).

Doubts about the capacity of unions to effectively promote labour standards in the context of global production mainly refer to three obstacles: a) the limited degree of union-organization and -legitimacy in many developing countries where production is located (Amengual and Fine, 2016), b) the missing link between global (private) governance and lower-tier suppliers in GVCs (Riisgard, 2005, 2007; Barrientos and Smith, 2007), and c) the missing coordination between local and global union-strategies (Gighliani, 2005).

Despite these obstacles, unions' potentially positive influence under the right circumstances and their normative importance as representatives of workers are difficult to contest. They therefore

still count as important partners for private (Oka, 2015) and public (Amengual, 2016) regulation, representing the voice of labour in setting standards and providing legitimacy gains to governance programs in which they are involved (Riisgard, 2007). To better understand the potentials of local unions, the following will take a closer look at the three mentioned obstacles and how they can possibly be overcome.

First, the effectiveness of unions when confronting global labour governance is inevitably linked to their local, institutional context and the importance of their national economy's export-sector. Also, the organization of unions in developing countries and the national labour regulation they are embedded in, are obviously diverse. A look at different cases demonstrates this. In Indonesia for example, unions remain fragmented and with a comparatively low density (4-5%). Their political power on the other hand has grown: through the mobilization of massive protests, they pushed for strong labour reforms at the beginning of the 2000s (Amengual and Chirot, 2016). In Argentina, unions suffer from weak factory-presence and legitimacy. Legal structures and extensive access to the state have however still allowed them to successfully lobby for stricter regulations in certain sectors (Amengual and Fine, 2016). In Cambodia, we can see a high union-multiplicity and low coordination between them, especially in the garment sector. Nevertheless, a very high sector-density of about 58% and a strong labour regulatory-system, in part due to the important status of the ILO's better factory program<sup>35</sup>, seem to result in comparatively higher improvements of labour standards at factories with union presence (Oka, 2015). Known to be a difficult case is China, where laws limit the establishment of independent trade unions or the right to strike, possibly to protect economic competitive advantages (Lund-Thomsen and Pyke, 2015). Due to strong political intervention in union-action and weak labour regulation, there are doubts about the ability of Chinese trade unions to protect members' interests (Chan, 2003).

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<sup>35</sup> Funded and initiated principally by the USA, the ILO started a monitoring program in Cambodian garment factories after a clause in the trade agreement between the US and Cambodia stated that export quotas would be increased significantly, if labour conditions would be substantially improved (Oka, 2015: 4). Later, in 2004, this program was permanently institutionalized and renamed into "ILO Better Factories Cambodia" (see online: <http://betterfactories.org/>, last checked 11.02.2017).

All these cases show, that it is not only measures such as union-density and -coordination, which decide whether union-presence at a factory positively influences labour standards or not. National legislation of the state where production takes place needs to allow for organized labour and ideally for collective action to take form (Marginson and Meardi 2010). Additionally, the state's economic interests can strongly shape their motivation to strengthen labour regulation. On the one hand, many case studies find positive reinforcement between unions, international governance programs and state regulatory institutions (Amengual, 2010; Locke, et al., 2012; Distelhorst, et al. 2015; Amengual and Chirot, 2015). On the other hand, as can be seen in the case of China, state regulation can just as easily be obstructive to the impact of local unions (Lund-Thomsen and Pyke, 2015).

Secondly, in the context of GVCs, union activity is exposed to processes of global sourcing and increasingly confronted with global governance initiatives as additional actors in the field of labour regulation. As previously discussed, private codes often face the criticism of being unable to reach lower-tier suppliers (Smith and Barrientos, 2007). This missing link between private governance and lower-tier suppliers in GVCs also has consequences for union-activity, as it may force union-strategy to uncouple from the global standards (Riisgard, 2007). Two problems may occur in this case. For one, especially in the garment sector, lower tier suppliers can be unregistered, home-based and therefore un-unionized workshops. In these cases, union-activity as well as global standards often have very little to no influence. Secondly, in cases where lower-tier suppliers are unionized factories, international standards may not play a role due to the power-distance of GVC lead-firms pressuring for promotion. In other words, subcontracting from one supplier (first-tier) to another (second- or lower-tier) often does not entail the transmission of codes of conduct from private governance programs. Unions may thus instead have to focus on promoting the potentially lower local laws, instead of the higher global standards.

Thirdly, to understand local unions' impact in a global environment, we need to reiterate on how far it is important for these unions to align their local and international strategies. Whereas local strategies can either be formulated by singular unions or in national cooperation (e.g. several unions of one sector), international strategies could be designed on the level of regional or international union federations, within or across industries. The global level of union-organization is argued to a) help gain entry to the discussion about workplace arrangements with MNCs and b) lead discussion on an equalized level (Gighliani, 2005). To understand this capacity of global strategic alignment, the following will give an overview over the existing global union confederations and outline their functions.

The International Trade Union Confederation<sup>36</sup> (ITUC) is the largest alliance in terms of members and the most inclusive in terms of affiliation. It offers membership to individual unions and trade-union centres from over 160 countries, representing up to 181 million workers by their own estimation (ITUC, 2017). The ITUC is divided into four regional units – Africa, Asia-Pacific, the Americas and the Arab region – and cooperates with the European Trade Union Confederation (ETUC), the regional trade union federation within the European context. Much smaller and with a far-left political orientation is the World Federation of Trade Unions (WFTU). Apart from these, the Global Union Federations (GUF, formally known as the international trade secretariat ITS) and another nine mostly industry-specific confederations exist, of which the oldest traces back to 1889<sup>37</sup>. Most important for the apparel and footwear sector is the IndustriALL, created in 2012 as a consortium of the IMF (metalwork), ICEM (chemical, energy, and mining) and ITGLWF (textile, garment and leather) trade unions (GUF, 2017).

The purpose of trade union federations is outlined e.g. in the ITUC's statement of intent: “[the confederation was created as] a countervailing force in the global economy, (...) [and to]

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<sup>36</sup> Originally called the International Confederation of Free Trade Unions (ICFTU) which merged with the World Confederation of Labour (WCL) and changed into the ITUC on Oct. 31<sup>st</sup>, 2006 ([www.ituc-csi.org](http://www.ituc-csi.org), last view 26.09.2015).

<sup>37</sup> The IUF can be traced back to the International Federation of Tobacco Workers, which was founded in 1889. It merged later with others into the IUF (see online: <http://www.global-unions.org/+iuf+.html>).

strengthen the role of the ILO (...), it shall promote and support the coordination of international trade union policies and activities on multinational enterprises and social dialogue with international employer organizations” (ITUC 2014: 8). This highlights firstly, that international trade union federations explicitly focus on the global context of labour representation and clearly identify other global actors – namely the ILO, MNCs and international employer organizations – as their counterparts. Secondly, the excerpt highlights the importance of coordinating trade union policies, suggesting the need to organize and harmonize local union strategies transnationally to achieve feasible results on an international platform.

The success of coordinating local and international union-strategies has unfortunately failed in many instances so far. As example, Gighliani (2005) describes a case study of union organization in McDonald’s, in which the challenge of local versus global prioritization could not be overcome by the union. Gighliani describes how McDonald’s was flagged as an international threat to labour rights by global union confederations, aiming to create a big, coordinated campaign against the fast-food chain. Yet on the national level, other, local priorities superimposed this call for a targeting of McDonalds, rendering the internationally coordinated effort a failure (Gighliani 2005). Firstly, this illustrates how not only a lack of coordination, but also diverse preferences of local and international unions can lead to a failure of global strategy building. Secondly, it highlights how the success of international union strategy depends on the participation of local unions and their capacity to make use of the traditional forms of collective action, such as strikes and blockades. Without local action, international trade union confederations mainly rely on tools like targeting through scandalization (Vogel 2008; Bartley and Egels-Zänden 2015). To compensate this, union federations are increasingly found cooperating in multi-stakeholder initiatives of global labour governance (e.g. the Better Work Program), thereby taking ownership over advisory and expert roles and actively engaging in the strategic development of global labour governance on a new, more cooperative platform.

## 5. Tools of Private and Multi-Stakeholder Governance

When looking to introduce labour governance into their value chains, companies usually have two choices: they can either introduce a self-designed governance mechanism or decide to join an already existing governance program. Since the design of a new, tailor-made governance mechanism can be a long and costly endeavour, many companies (and increasingly so) chose to engage in pre-existing governance programs. Additionally, the incorporation of externally defined rules rather than the introduction of self-designed regulation, often also hauls significant legitimacy gains. In the search for a suitable program, companies however encounter a “bewildering mass [of initiatives], differing significantly in terms of origin, degree of institutionalization, scope, purpose, underlying incentives, and monitoring mechanisms” (Keller, 2008: 15). There is a seemingly countless and growing mass of sector-specific and cross-sectoral multi-stakeholder agreements, sustainability initiatives and certification programmes, which companies are then tasked to choose from.

Each governance program is built around a distinct set of rules and audit mechanisms, often containing training and advisory platforms for their members and likely offering some form of accreditation (e.g. a social certification banner). Based on characteristics such as industry-specificity, related content, prestige of the program, other members, geographical scope and extent of commitment, companies finally must “shop” for a governance program which fits their CSR strategy. Some companies may also choose to commit to more than one program, e.g. large multinationals may look for complementarities in geographical scope and content of two programs. Often, an MNC’s decision to invest time and resources into a program is a strategic choice, since governance programs are not only tools to address social and environmental violations, they are equally instruments to protect the company’s brand and thus its essential economic interests (Gereffi, et al. 2005; Gighliani, 2005; Marginson and Meardi, 2010; Mayer and Gereffi, 2010; Locke, 2013).

i. *Corporate Codes of Conduct.*

The arguably most prominent form of private governance is the *Corporate Code of Conduct*. Codes of conduct usually entail a commitment to corporate self-regulation, which firms impose on themselves, often in response to external pressures and insufficient public governance in the field (Yu, 2007; Locke, et al. 2007; Kaptein and Schwartz, 2007; Newitt, 2013). Historically, the emergence of ethical business codes can be traced back to the beginning of the 20<sup>th</sup> Century. In fact, the first textbook written on “Codes of Ethics” was written in 1924 by Edgar Heermance (Kaptein and Schwartz, 2007). The first codes explicitly addressing the challenges created due to global sourcing practices however only emerged after the blow-up of several large scandals in the late 1980s, marking a new era of private self-regulation to come (Newitt, 2013).

The traditional self-regulating form of ethical business codes used was self-designed and therefore *unilateral*. Increasingly, codes of conduct are however drafted under cooperation with NGOs or CSOs and in correspondence with international declarations. Regarding the members of the drafting process, Jenkins (2001) therefore classifies five main types of codes of conduct: company codes, business association codes, multi-stakeholder codes, model codes and inter-governmental codes. The analysis in chapters 6 and 7 of this dissertation will for example only focus on multi-stakeholder codes.

Apart from the actors involved, codes of conduct additionally vary in scope and by recipient. Smaller codes may thus only address major labour- and human rights issues, such as worker’s safety, child- and forced-labour. Codes with a broader scope can reference all labour standards as defined by the ILO and additionally include issues of environmental protection and community development. Naturally, the scope of a code of conduct strongly affects the question of who is covered by this regulation (Keller, 2008). Furthermore, the focus of these codes has shifted over time. In their beginnings, codes of conduct paid main attention to supplier compliance within national laws. Later they increasingly focussed on concerns of compliance regarding international labour and environmental standards (Jenkins 2001; Locke 2013).

Table 4 contains a summary of the content of three code types as defined by Jenkins (2001). In this table, multi-stakeholder codes stand out as particularly diligent in referencing international standards, both by mentioning core rights and referencing specific ILO codes. Additionally, almost all (95%) multi-stakeholder codes include the promotion of freedom of association and collective bargaining in their text. Companies and business associations on the other hand only reference this right in 24% and 13% of their codes. Also in other areas, differences are extreme. For example, an average of 3 – 7% of the corporate codes refer to concrete ILO Standard, which is roughly ten times less than in multi-stakeholder codes, where two-third specifically mention guidelines of the ILO. Yet, also between corporate codes – those of companies and business associations – differences are distinct. Core international labour standards, i.e. child- and forced labour, find mentioning in twice as many company codes than in those of business associations. Although this inventory is not representative for all current codes of conduct, it is interesting to see how diverse types of codes have different prioritization towards international labour standards. This overview suggests that not only content, but also completeness of codes can be affected by the type of actors involved. It appears for example that the inclusion of a third, non-corporate party in the drafting or auditing process increases the specificity and quantity of international labour standards referenced. Strongly business oriented codes, especially from business associations, on the other hand seem to lack both specificity and completeness.

**Table 4: Proportion of Codes of Conduct referencing ILO core labour standards.**

<b>Attribute</b>	Company codes (%)	Business associations (%)	Multi-stakeholder codes (%)	Total * (%)
No forced labour	41,6	20,0	65,0	39,9
No child labour	46,5	23,3	70,0	44,4
No discrimination/ harassment	67,3	30,0	75,0	61,4
Freedom of association and collect. bargaining	23,8	13,3	95,0	32,0
ILO codes mentioned	3,0	6,7	60,0	11,8
Total number of codes	101	30	20	153

Source A: Jenkins, 2001: The Political Economy of Codes of Conduct; Visualization: Keller, 2008: Corporate Codes of Conduct and their Implementation, University of Zurich. \* includes two inter-governmental codes.

The specificity of codes of conduct is especially important in terms of compliance, as missing precision in formulations can lead to serious difficulties for implementation and monitoring. In other words, the violation to a right which is poorly defined, is hardly correctable nor observable. The problem of missing precision of codes of conduct is thus a major point of criticism faced by companies regarding their tools of self-regulation. Moreover, poorly defined monitoring practices can lead to additional doubts about a codes validity. Critics also question the corporate interest to detect violations, doubting the objectivity of monitoring-findings (O'Rourke 1996, 2003). Consequently, corporate codes of conduct are often argued to be designed as tools of deception rather than labour protection, used to evade real accountability for labour standards in the context of global production (Nye, 2001; Kahler and Lake, 2003).

There is no official inventory which can tell us exactly how many codes of conducts exist today. Since there is no official "registration-procedure" for these codes, the number can only be assumed as likely very large. How many and how diverse the existing codes are, becomes apparent when looking at some attempts of international organizations to create regional or topical inventories.

For example, a 2001 OECD-inventory of codes of conduct examines 246 texts, featuring a wide variety of code-types regarding the issuing-party (e.g. issued by business association vs. issued by NGO), content (i.e. single-issue codes, industry-specific codes, focussed on labour or environment) and degree of openness to engage with stakeholders (OECD 2001). All codes represented in this report are from companies within the OECD, with a majority (52%) of firms from Canada, Australia, the UK and the US, which could point to a higher tendency of companies to adopt codes of conduct if they are from an Anglo-Saxon country. In a wider attempt, a World Bank study from 2003 estimated the existence of over 1,000 codes worldwide (Smith and Feldman 2003). Seeing that this estimate lies almost 15 years in the past, it is safe to assume that today's number of codes of conducts which lies exponentially beyond that.

ii. *International Framework Agreements*

A different approach to the global governance of labour standards are the so-called *International Framework Agreements* (IFAs). As opposed to the traditionally unilateral nature of codes of conduct, IFAs are based on *bilateral* agreements, drafted and signed by companies and international trade union federations. At their beginnings in the 1990s, the number of signed IFAs developed rather slowly. However, in the past decade the governance mechanism has gained increasing attention, also due to its promotion through several international organizations (e.g. ILO's Report to the World Commission 2004; EC Report 2004; EWCB 2004: 8).

The main objectives of IFAs is the promotion of fundamental labour standards in the global economic environment by establishing fixed channels of negotiation and implementation between union federations and MNCs. The scope of IFAs therefore explicitly covers a signatory-MNC's entire GVC (Marginson and Meardi 2010: 226) and always references all of ILO's core conventions<sup>38</sup> (Hammer, 2005). Furthermore, the agreements seek to establish fixed procedural rules of oversight, joint monitoring mechanisms and rules of mediation between the MNCs and local unions (Rüb, 2014).

**Table 5: Global Trade Union Federations and their Framework Agreements**

NAME OF UNION FEDERATION		#IFAs	EXAMPLES OF SIGNATORIES
IndustriALL Global Union	IndustriALL	49	EADS, Endesa, ENEL, Evonik, GDF, H&M, Inditex, Tchibo, MAN, Petrobras, Siemens, Statoil, ThyssenKrupp, VW, etc.
UNI Global Union	UNI	39	Allianz, Barclays, Carrefour, France Telecom, Metro AG, Soci�t� General, Telefonica, etc.
Building and Wood Workers' International	BWI	18	Dragados, Faber-Castell, GDF, Hochtief, IKEA, Italcementi, Skanska, Staedtler, Veidekke, VolkerWessels, Wilkhahn, etc.
International Union of Food, Agriculture, Hotel, Restaurant	IUF	6	Accor, Chiquita, Club Med, Danone, Fonterra, Sodexo.
Public Services International	PSI	3	EDF, Enel, GDF

Source: Author's illustration (2016), figures based <http://www.global-unions.org/+framework-agreements-+.html>.

<sup>38</sup> The most important referenced ILO core conventions in this context are: freedom of association and collective bargaining (C87, C98), equality and non-discrimination (C100, C111), prevention of forced labor (C29, C105) and child labor (C138, C182) (Hammer, 2005).

Currently, some 115 signed IFAs are listed on the website of the global union federations. Some MNCs are even signatories of two or more IFAs, always with a different union federation as partner of the different agreements (e.g. EDF, Enel, Lafarge). The French energy multinational GDF Suez has three signed agreements, and is thus the company who is signatory to the most IFAs (PSI, IndustriALL and BWI). Table 5 shows the distribution of agreements by union federation and lists some of the most prominent signatory MNCs.

Regarding the geographical distribution of IFAs, it stands out that a majority of signatory-MNCs has their headquarters in Europe. In table 6, the number of agreements are listed per country. To provide further indication as to why IFAs may be more common in some countries rather than others, classifications of the countries' models of capitalism (Hall and Soskice, 2001) and industrial relations systems (Hyman, 2005; 2010) are also displayed.

Firstly, the literature on “varieties of capitalism” defines two main capitalist models based on their degree of coordination. Liberal market economies are market-coordinated by forces such as competition, price signalling, supply-and-demand and limited government intervention. Coordinated market economies are based on non-market relationships, trustful networks and institutional oversight (Hall and Soskice 2001). An extension from the literature on “comparative capitalism” allows to classify Asian and state-permeated market economies. The latter being a classification for emerging economies with abstract market-coordination mechanisms based on hierarchy and the dynamics of clans (Nölke and Claar, 2013). Secondly, even though the IR-systems of different countries should always be considered as substantially distinct (Crouch, 1993), a broad typology of employment relations helps to highlight differences of social and economic regulation and the institutional context of industrial relations (Hyman, 2005). The typology of Hyman (2005; 2010) can however only be applied to European countries and the Anglo-Saxon context.

In table 6, we see that most IFAs have been signed by MNCs from countries with a coordinated market economy and either a Germanic or Nordic industrial relations system, characterized by strong union presence and solid national employment regulation.

In fact, more than half of all agreements (76 out of 115) were signed in countries of these typologies, whereas companies from liberal market economies with weaker systems of worker protection, such as Anglo-Saxon countries, make less use of IFAs. This finding is complementary to the mentioned inventory of OECD-codes of conduct, suggesting that companies from liberal market economies make the most use of codes of conduct. One reason for this could be that companies from liberal systems perceive IFAs as invasive and therefore too risky. Also, MNCs from more conservative systems experience higher domestic pressure towards IFAs, which are seen as more credible commitments than unilateral codes of conduct.

**Table 6: No. of IFAs per Country, Form of Capitalism and Industrial Relations System.**

<b>Country</b>	<b>Number of IFAs</b>	<b>Variety of Capitalism</b> (Hall and Soskice, 2001; Nölke and Claar, 2013)	<b>Industrial relations system</b> (Hyman, 2005; 2010)
<b>Germany</b>	<b>24</b>	Coordinated Market economy	"Germanic model"
<b>France</b>	<b>20</b>	Coordinated Market economy	"Germanic model"
<b>Sweden</b>	<b>12</b>	Coordinated Market economy	"Nordic model"
<b>Spain</b>	<b>10</b>	Coordinated Market economy	"Mediterranean model"
<b>Netherlands</b>	<b>8</b>	Coordinated Market economy	"Germanic model"
<b>Italy</b>	<b>6</b>	Coordinated Market economy	"Mediterranean model"
<b>Norway</b>	<b>5</b>	Coordinated Market economy	"Nordic model"
USA	4	Liberal Market economy	"Anglo-Saxon model"
Denmark	3	Coordinated Market economy	"Nordic model"
Japan	3	Coordinated Market economy	-
UK	3	Liberal Market economy	"Anglo-Saxon model"
South Africa	3	State-permeated Market economy	-
Belgium	2	Coordinated Market economy	"Germanic model"
Indonesia	2	Asian Market economy	-
Malaysia	1	Asian Market economy	-
Greece	1	Coordinated Market economy	"Mediterranean model"
Luxemburg	1	Coordinated Market economy	"Germanic model"
Portugal	1	Coordinated Market economy	"Mediterranean model"
Switzerland	1	Coordinated Market economy	"Germanic model"
Canada	1	Liberal Market economy	"Anglo-Saxon model"
N. Zealand	1	Liberal Market economy	"Anglo-Saxon model"
Hong Kong	1	Liberal Market economy	-
Brazil	1	State-permeated Market economy	-
Russia	1	State-permeated Market economy	-

Source: Representation based on information from the Global Union Federation Website <http://www.global-unions.org/> (last view 26.08.2015); Varieties of Capitalism classifications: Hall and Soskice, 2001 (CME and LME) and Nölke and Claar, 2013. Types of IR System: Hyman, 2005; 2010.

Additionally, this “European character of IFAs” (Rosado-Marzán, 2014: 747) could be result of weakening union-capacity and declining -density in the Anglo-Saxon economies. Moreover, the industry structure of IFA signatory-MNCs concentrates on automobile manufacturing, metal industries, and other historically unionized industries, which are strongly represented in the European realm and in the US. IFAs therefore not seldomly are the result of already existing union representative-structures within MNCs, such as works councils (Rüb, 2014).

In the apparel sector, only three large apparel MNCs are currently signatories to IFAs<sup>39</sup>: active agreements exist between H&M and IndustriALL (2015), between Shoprite International and UNI Global Union (2010) and two of the Inditex Group, one with the International Textile, Garment and Leather Workers Federation (IndustriALL, 2007). Both Inditex and H&M additionally signed agreements with UNI Global Union (H&M in 2004, Inditex in 2009).

In all these cases, the IFA was signed on top of already existing corporate codes of conduct, which now underpin the content of the agreement. Codes of conduct and IFAs are therefore not mutually exclusive. In the case of Inditex-IndustriALL, the IFA for example explicitly references the company’s code of conduct as base of the agreement. Irrespective of this, the depth, content and stringency of these apparel-IFAs vary immensely. The Shoprite-UNI agreement reads for example like a quite unspecified arms-length consultation framework. Meetings between union members and the MNC are set at a maximum of once a year and for no longer than a day. Additionally, Shoprite reserves the right to freely choose which information to disclose and when to deny union members access to the corporation’s buildings. Finally, neither concrete action, nor any dispute settlement mechanisms are specified and it does not appear to have had any significant impact since its signing in 2010.

The Inditex and H&M IFAs on the other hand could be a promising step forward from the example of Shoprite, at least in terms of content. The H&M - IndustriALL IFA for example outlines how the parties agree to create permanent structures and mechanisms such as national

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<sup>39</sup> All agreements can be publicly viewed online on [http://ec.europa.eu/employment\\_social/empl\\_portal/transnational\\_agreements](http://ec.europa.eu/employment_social/empl_portal/transnational_agreements). (last viewed 13.10.2016).

monitoring committees “to safeguard the implementation of the agreement from the factory floor upwards, and to facilitate a dialogue between the parties on the labour market<sup>40</sup>” (IndustriALL, 2015). Other points include the joint promotion of collective agreements, joint training for both management and union representatives and H&M’s active use of “all it’s possible leverage to ensure that its direct suppliers respect human and trade union rights in the workplace” (Ibid, 2015).

As we can see in the ambivalence of the apparel agreements, IFAs, although bilateral, are not always able to function in an effective way as labour governance tools. Shortcomings in processes of implementation, representation and monitoring often depend on the willingness and commitment of the agreeing company. It could thus be argued that IFAs’ are more of symbolic significance than of effective impact. Nevertheless, under the pretence of well-drafted agreements, IFAs hold great promise to move labour regulation out of the purely corporate context into a space, where also workers have a platform of participation in global labour governance. “In this way, they [IFAs] are a supplementary instrument in efforts to strengthen, both politically and legally, social human rights on a global scale and to advance the international networking of labour unions as well as the trans-nationalisation of labour relations at the corporate level” (Platzer and Rüb, 2014: 1).

## **6. Conclusion: From Uni- to Multilateral Governance**

In a prominent paper on governance in GVCs, Mayer and Gereffi (2010: 2) connect the emergence of private labour governance with a “global governance deficit”, explaining how the lack of formal global governance provokes the mobilization of civil groups, who then turn towards governments and MNCs alike in their demand for higher labour standards (Mayer and Gereffi, 2010). This notion of a gap in governance has since been criticised by many scholars, especially for its disregard of existing local legislation (Hess, 2013). More interesting than the

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<sup>40</sup> Online via: <http://www.industrialunion.org/industrial-global-union-and-hm-sign-global-framework-agreement> (last viewed 13.10.2016).

idea of an actual governance deficit, may therefore be the notion of a perceived gap in governance. Once regulation is viewed by the public as insufficient, demands for new, private forms of regulation of labour emerged, and MNCs are driven to react. The historical call for international accountability for the protection of labour in GVCs does however not stop here, as also the unilateral forms of private regulation have been found to be inherently flawed (Alexander, et al. 2017). The problems of private global governance to deliver on its promises were further fuelled by the inability of national governments to effectively regulate labour in the context of global production, endorsing private initiatives. As a response, a renewed call for global governance emerged, this time for more multilateral forms of governance, with higher involvement of social and public actors. This new campaign for more multilateralism in global labour governance shows, how collaborative forms of regulation are expected to supersede the ability of unilateral corporate regulation by offering more stringent and effective forms of control and implementation. The idea that a publicly perceived gap in governance provokes the creation and popularization of new forms of governance can therefore be upheld also for the emergence of MSIs.

When calls of more cooperation increased, bilateral governance-mechanisms were the first to appear, for example in the form of public-private partnerships models or the union-sponsored IFAs. However, we find that not only bilateral, but ever more multilateral forms of governance dominate the playing field of global governance, which involve several different stakeholders from the global, as well as the national and local landscape. It seems in fact, that in the attempt to combine forces to tackle the challenges of global production more effectively, any combination of actors is possible for collaboration. These multilateral forms of governance, the so-called MSIs, are seen as advantageous in comparison to other models, as they may inherently include stronger systems of checks-and-balances and have more diverse tools of labour standard enforcement (Fransen and Winter, 2015).

However, until now, the academic literature has been somewhat hesitant in examining whether multi-stakeholder initiatives really do address all challenges of unilateral corporate governance

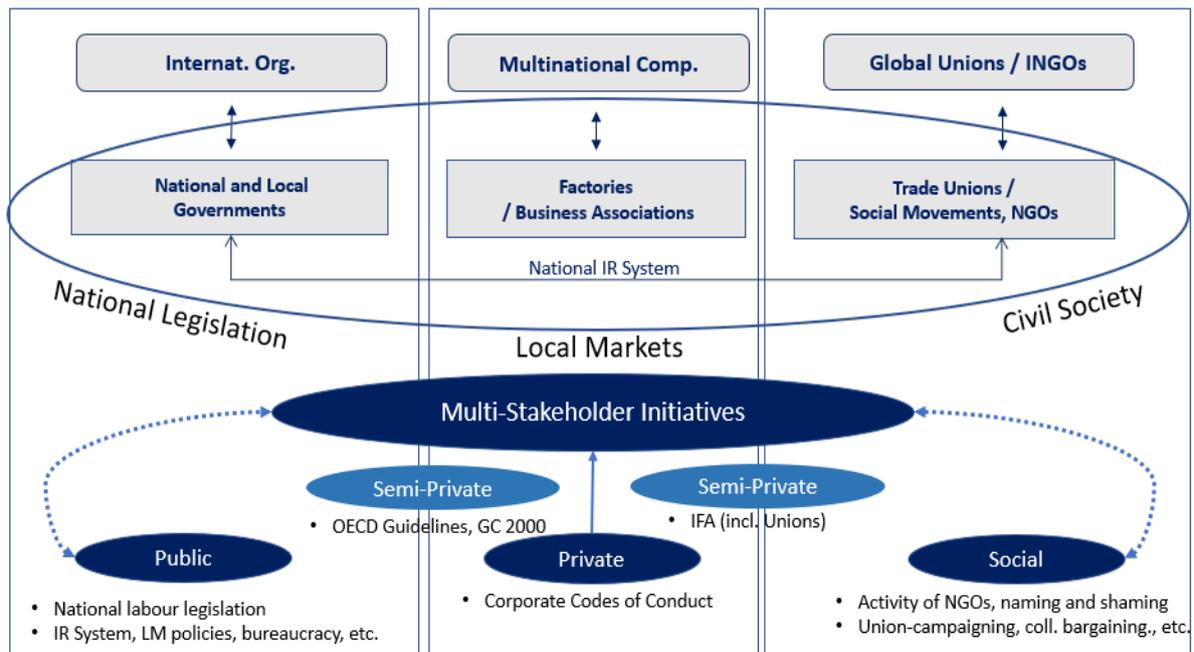
more effectively. Certainly, collaborative governance initiatives have for example the advantage that important conflicts of interest about labour protection are not only subject of discussion within companies (e.g. between departments with different priorities, such as CSR/HR and Sales/Procurement), but are carried out between a set of different stakeholders. This can guarantee a higher counter-weight to corporate interests.

However, other problems which are related to strong core processes of global value chains may be less simple to address through collaboration. Labour standards thus often suffer from specific industry practices, e.g. when core routines of production change quickly and frequently, such as the just-in-time production in the apparel industry. Also, the potential leverage of buyers to withdraw business as a consequence of non-compliance may be insignificant to change a supplier's practices, if the supplier is a multinational player himself. Moreover, notions such as the "liability of foreignness" describe how governance can fail due to operational, cultural and institutional borders (Nachum, 2014; Husted and Allen, 2006; Jamali, et al. 2017). Such core challenges to labour standard governance in GVCs may also be difficult to address if the mechanisms of global governance are not unilateral.

Figure 5 offers a final, summarized scheme of the different forms of governances discussed in this chapter, which displays the different stakeholders involved and the diverse forms of governance they chose. Here we can see how global labour governance tools and mechanisms can evolve from disconnected, unilateral forms of governance, represented at the bottom of the figure, to more bilateral agreements, represented in the middle, to finally multi-lateral initiatives of regulation. Although not all multilateral collaboration for governance includes actors from all three areas, public, social and corporate, the participation of at least one actor from each group is usually perceived as desirable. Additionally, we find that global actors in labour regulations, such as MNCs, INGOs, IOs and global union federations, increasingly collaborate with local stakeholders, which are embedded in a national legislative environment, local markets and society. Through the involvement of local and national actors, global initiatives of multilateral labour governance seek to increase their effectiveness of implementation, for example by

making use of national systems of industrial relations or local civil society movements. Thus, multilateralism does not only refer to the multiplicity of types of actors which are involved in governance, but also at which level they operate.

**Figure 5: The Different Types of Global Labour Governance**



Source: own illustration, 2017.

Under these pretences, multi-stakeholder governance has become the new normal in labour governance and enjoys a positive reputation amongst practitioners and academics alike, which assume that the involvement of more actors will generally lead to gains in the quality of governance and higher effectiveness (World Bank, 2016). As the actual superiority of MSI governance has not been really proven yet, the analysis of chapter 6 in this dissertation will focus on examining the effectiveness of collaboration more closely. However, to first gain a solid understanding of what we even understand under effectiveness and impact of global labour governance, the following chapter 5 will first elaborate on different concepts of governance-outcome. Diverse conditions which may affect these measures of success, such as local environments and differences of standards, are additionally examined.

## CHAPTER V.

### EFFECTIVENESS AND IMPACT UNDER DIVERSE CONDITIONS

#### 1. Introduction

How to define the success of regulatory interventions is among most critical question for actors and researchers of global labour governance. In most programs, governance-success is commonly defined by concepts such as effectiveness and impact. In this chapter, the focus will lie on exploring why and how different concepts of achievement are important for the definition of governance-success, while emphasizing that in fact none of these concepts measures exactly the same.

Once the concepts are clear, the chapter will offer insight into key-conditions which may alter these outcomes. To do so, we will address key differences in the characteristics of specific labour standards and highlight how concepts of achievement and success may differ under diverse conditions and how this leads to practical challenges of monitoring and impact-analysis. In the final part of this chapter offers a thorough introduction into the external conditions of governance. Here, we review the importance of context and environment for the impact and effectiveness of global labour standards, highlighting the relevance of not only how, but where governance takes place. Summarizing the main conditions which are considered as “contextual” for global labour governance, we review the main arguments of the literature concerning their importance for governance outcomes and elaborate on the debate of how different conditions and standards of governance may specifically influence compliance outcomes. This section is therefore instrumental in preparation for the two quantitative analyses in the second analytical chapter 7 of this thesis.

## 2. Concepts of Outcome in Global Labour Governance

To describe and measure the achievements of global governance mechanisms, the use of three concepts is widely used: compliance, effectiveness and impact. These three concepts represent different forms of outcome, have distinct implications in terms of measurement and separate conclusions can be drawn from them. A clear understanding of each concept is therefore not only important for academic purposes, but a key-competence for governance-initiatives themselves to evaluate the feasibility of their tools and mechanisms.

### *i. Effectiveness*

The definition of effectiveness lies in the degree to which something is successfully producing a desired result<sup>41</sup> and is therefore distinct for each governance-program. Often formulated as a key-goal of governance initiatives, effectiveness is frequently measured with the help of compliance tools, may however not be confused with compliance itself. Compliance is merely to be understood as one (and not the only) way to measure effectiveness. The definition of effectiveness may thus differ due to four particularities of governance.

First, to define effectiveness for a given governance program, the key actors and goals of governance need to be identified. In other words: who is trying to regulate what or whom? Here, the definition of key roles, range and spaces of governance can all influence how effectiveness is interpreted (Kaptein and Schwartz, 2007). For example, business governance programs for occupational safety and health policies have a very straight forward definition of effectiveness. A dedicated manager in charge of supervision, a clear-cut target group among the employees, a clearly defined set of guidelines and a deadline of implementation make it possible for both regulating and regulated actors to document progress transparently and even measure the distance to completion. If the progress of implementation is too slow or desired results are not achieved, the effectiveness of the guidelines or the implementation-techniques of the manager

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<sup>41</sup> Oxford Dictionary: <https://en.oxforddictionaries.com/definition/effectiveness>, last access 01.08.2017.

are in question. For global governance initiatives, the definition of effectiveness is somewhat more complex, as there are usually multiple parties on both sides of regulation. Such multiplicity blurs the lines of supervision as well as the assignment of obligation and makes the process of defining effectiveness more difficult. This is one reason why governance programs with monitoring commitments use the more straight-forward measure of compliance as a way of tracking their achievements. Initiatives without audit-capacities on the other hand, may make use of case-studies or simply abstain from tracking effectiveness in the first place.

Secondly, the choice of governance tool (i.e. unilateral code, MSI, IFA, etc.) plays an important role for the definition of effectiveness. Here, governance programs can distinguish between codes with regulation *for* businesses (such as business codes, directed at internal staff), codes which indicate regulation *through* businesses (such as e.g. codes of conduct) (Kaptein and Schwartz, 2007), or a combination of both. Moreover, the content of the governing text is instrumental in defining effectiveness. A governance tool therefore needs a clear objective and a specific goal on which progress can be measured. Agendas with less clear objectives (e.g. reduce poverty) will therefore likely be less effective in the implementation of their goals as those with confined, but more specific goals (e.g. raise wages) (Fransen and Winter, 2015).

Thirdly, expectations of stakeholders and organizational objectives of the governing body need to be considered when defining effectiveness (Kaptein and Schwartz, 2007). Expectations of stakeholders, such as NGOs, governments and civil society, may strongly influence the governing body's goal and determine a.) what effectiveness means for the governance program and b.) as how effective the program is viewed in the public. Operational objectives of single stakeholders may additionally determine the timeline of effectiveness. Lead-firms can have different reasons for choosing diverse timelines, which decide whether a program is implemented more quickly (e.g. to counteract bad publicity), rather slowly (e.g. due to cost-issues) or sustainably (e.g. as part as a long-term strategy). Others may put higher importance

on the visibility of the achieved impact rather than the effectiveness of their governance in terms of the actual defined goals (Vogel, 2008).

Fourth, the institutional context, such as pre-existing codes and legislations which many private codes of conduct are linked to, play an important role for the definition of effectiveness. Effectiveness can therefore even vary between different countries of one governance-program. This may be the case if the goal of governance is to simply abide to local laws. In this case the effectiveness of a program is much easier to achieve in countries with lower regulations than in countries with solid labour laws. Also, industry, economic conditions and competition (economic pressure) may all separately and additionally influence the objectives of stakeholders within a governance program and can thereby affect the way effectiveness is defined (Gereffi and Maier, 2010).

In summary, all processes, procedures, stakeholders and conditions of governance programs can impact significantly if and how effectiveness is defined. Due to this, effectiveness is often an elusive concept and the same results may be viewed as more or less effective by different parties of the same organization. To be able to objectively classify results of governance, many initiatives therefore make use of the concept of compliance as measure of success.

*ii. Compliance.*

To study governance-effectiveness quantitatively, governance programs commonly use the concept of compliance. In academic research, R. Locke (2007, 2013) first paved the way for a quantitative approach of studying the outcomes of labour governance by using company-internal M-Audits to examine Nike's global supply-chain. Through the introduction of audit-reports as a data-source for studying governance outcomes, the concept of *compliance* has become a much-used proxy for the effectiveness of governance initiatives.

In the context of labour governance, compliance describes the objectively verifiable adherence to an imposed set of rules, and is usually completely unrelated to the conviction or sense of

responsibility of the governance party or the organization under observation. In this regard, compliance differs significantly from the concept of effectiveness. To verify compliance, conventional social-audits are used which check the adherence of a factory to a catalogue of pre-defined standards. The results, so-called audit- or monitoring-reports, are then used to determine the level to which a supplier is compliant with the given code of conduct. Depending on the governance program, monitoring practices can additionally entail scheduled and unscheduled factory visits, manager- and worker-interviews as well as questionnaires and document-revision.

Notwithstanding the many quality concerns surrounding monitoring<sup>42</sup>, the use of audit reports as data-source is to date the only tool to study governance effectiveness quantitatively. To use compliance successfully as a proxy for effectiveness, it is therefore important for researchers to contextualize the data (Amengual, 2010; Toffel et al. 2015; Bartley and Egels-Zandén, 2015, etc.). Studies must be based on a good understanding of the content of the code in question, the mechanisms of enforcement and the local social and institutional context it is embedded in (see following sections). By doing so, the researcher will become sensible to possible biases in the data. Additionally, by distinguishing between outlined mechanisms which should exist, and those mechanisms which actually exist, an impression of already existing biases is given.

### *iii. Impact of Global Governance*

The impact of corporate codes of conduct and corporate governance are the subject of interest in many disciplines. Business and management scholars for example often seek to connect the social accomplishments of companies with their business achievements, such as financial performance and growing orders (Distelhorst, et al. 2015). Positive effects expected in return for social investment include higher profitability, enhanced brand value and stronger ties to customers and public actors through reputational gains and rising worker morale (Yu, 2008: 514).

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<sup>42</sup> See section 4. In this Chapter for a discussion about the challenges of Monitoring in social and labour governance programs.

In the study of labour in GVCs on the other hand, the study of impacts regarding global governance rather focusses on the social and micro-economic attainments of labour regulation than on strategic management choices. Possible corporate gains resulting from participation (such as growing productivity through increasing worker motivation) are therefore seen as incentivization tools to increase program- participation (Distelhorst and Locke, 2016), to stimulate further governance effectiveness (Joonkoo, 2016) and as representation of classical win-win-scenarios (Barrientos, Gereffi and Rossi, 2010). Also in this study, the notion of governance-impact in global labour governance describes the long-term influence which a program has on the economy and society, instead of relating to short-term payoffs, as it is the case for compliance and effectiveness.

To highlight this, Khagram, et al. (2012) describe two distinct differences between effectiveness and impact. Firstly, effectiveness and impact refer to two distinct points in time and in the implementation process of global governance: “*Effectiveness* is the extent to which an MSI has helped to change policy or facilitate public debate in participating countries. *Impact* is the extent to which these debates and policy changes have had measurable effects on the social, economic, or environmental conditions within or across participating countries” (Ibid: 18). While focussing on public governance in their study, Khagram’s insight can be easily applied for governance programs focussed on labour standards: effectiveness is the extent to which an MSI aids measurable change for workers within a factory. Impact on the other hand is the measurable change of norms on the local market, changing labour market policies and improved social dialogues, such as collective bargaining. Effectiveness is therefore assessable at an earlier stage and at a smaller range than impact.

Secondly, the outcomes of effectiveness and impact are related to different processes. Effectiveness therefore depends on internal structures, such as processes, actors and mechanisms of implementation and the external context, which it is embedded in (Schäfferhofer et al. 2009; Mena and Palazzo, 2012). Impact on the other hand is in large parts dependent “on factors beyond the direct control of [governance initiatives]” (Brockmeyer and Fox, 2015: 18).

In previous studies on global labour governance, the difference between effectiveness and impact has not always been made explicit, and there are even instances in which the two concepts are falsely treated as synonymous. A concrete differentiation between governance impact and effectiveness is in fact quite useful, as it allows for two different measurement concepts and two different lines of interpretation and strategy-deduction. For example, quantitative compliance-measures are mostly used to establish measures of governance-effectiveness with direct link to the performance of the factory. Impact-assessments on the other hand often include more holistic approaches of qualitative insight, involving multiple stakeholders also from outside the factory.

*iv. A Governance “Results-Scheme”*

To illustrate the different stages of governance and related concepts of results which can be assessed in global governance programs, the “Transparency and Accountability Initiative”<sup>43</sup> - an MSI promoting higher transparency, accountability and participation in MSIs - formulated the governance results-scheme depicted in Figure 6.

This main value of this scheme lies in distinguishing between three concepts of governance outcomes: outputs, effectiveness and impact. All three are directly or indirectly connected to the quality of inputs and the planned intervention of a governance-program. Inputs of governance include everything which constitutes a governance-program, from goal-setting to membership, inclusiveness in decision-making, rules of representation (Fransen and Kolk, 2007) and procedural fairness, consent and transparency (Mena and Palazzo, 2012). Ultimately, inputs are what decides on the mechanisms which create not only the implementation of governance and the creation of outputs, but also affects the legitimacy of those outputs.

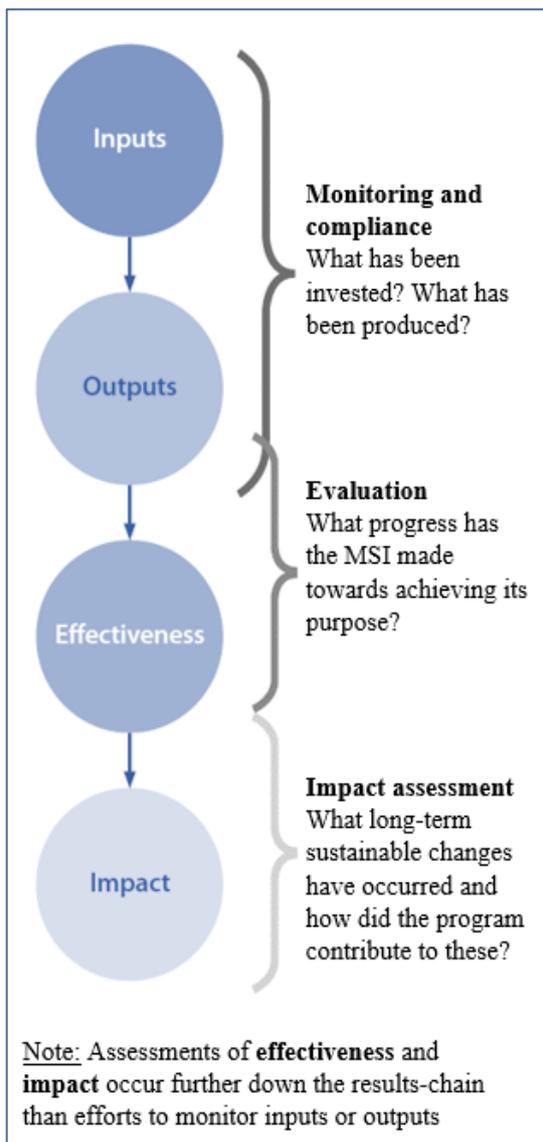
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<sup>43</sup> “The Transparency and Accountability Initiative (T/AI) is a donor collaborative that includes the Ford Foundation, the Omidyar network, the Open Society Foundations, the United Kingdom Department for International Development (DFID) and the William and Flora Hewlett Foundation. T/AI aims to expand the impact, scale and coordination of funding and activity in the transparency and accountability field” (T/AI, 2015).

Outputs are therefore direct and unevaluated results of the inputs (the constitution) of a specific governance program. Effectiveness and impact on the other hand are defined as intermediate and long-term outcomes of the same governance program (Brockmeyer and Fox, 2015). Inputs and outputs are connected through the defined governance-interventions of each initiative.

The main difference between effectiveness and impact in this scheme is the same as discussed in the previous section: effectiveness is related to short-term, factory-specific outcomes,

**Figure 6: Governance Results-Scheme**



Source: Transparency and Accountability Initiative Report. Brockmeyer and Fox, 2015: p.17.

whereas impact recounts more general, and long-term effects. Outputs on the other hand, represented between inputs and outputs in the scheme on the left, are the measures used to evaluate effectiveness and assess the impact of a governance program. The efforts made to monitor inputs and outputs are therefore earlier in time and chain than the assessment of outcomes. Outputs are therefore the observable facts used to evaluate effectiveness and impact. An important output of interest is for example compliance. However, also growing of falling membership and the organizational efficacy (leadership, policy coherence and goal formation) can be important output information for the evaluation of effectiveness and impact (Schäfferhofer, et al. 2009; Mena and Palazzo, 2012; Brockmeyer and Fox, 2015).

### 3. The Role of Diverse Standards in Global Value Chains

To reduce information asymmetry and increase international trade (Blind, et al 2018), diverse global standards have been created over the last decades, seeking to establish sound management practices (e.g. ISO9000T), environmental governance (e.g. Forest Stewardship Council) and fair labour conditions (e.g. SA8000, Better Work, FLA) in global value chains. Challenges met, and experiences made have led to a noticeable diversification of these standards. Standards are therefore not only distinguishable by origin (e.g. private standards versus civil society standards) but dispose over fundamentally different characteristics across and within standards due to the subject-matter and the way it is addressed. Ultimately, this diversity also leads to significant differences in the definition of what is considered as successful implementation, effectiveness and as positive impact. In the following, three important distinctions in labour standards and their different links to governance-outcomes are discussed. All three standard-distinctions will be of ongoing relevance in the reflections and analyses of the following chapters.

#### *i. Product versus Process-Standards*

Product and process-standards are the two major families in standard-setting within value chains and while conceptually distinct, are often applied at the same time (Kaplinsky, 2010).

The main difference between product and process-standards is their object of interest. Product standards are usually concerned with the final product and therefore the outcome of production. These standards are directed at specificities of the manufactured product related to national or international standards and therefore highlight necessities in quality and cost. For example, lead-firms seeking to lower cost and increase flexibility, could thus impose a product-standard regulating a minimum level of defects in the product (Kaplinsky, 2010: 4). In textile, product standards could also demand a certain velocity in production to ensure quickly changing orders are met on time. In food-processing, product standards may include the obligation to restraint the use of pesticides to enable the labelling of bio-products (Bartley, et al. 2015).

Process-standards on the other hand are concerned not only with the outcome but with the procedures of production. These standards usually require a certain amount of documentation throughout the production process and are rather concerned with the way manufacturing is conducted than with the end-product itself (Kaplinsky, 2010). Governance programs concerned with labour-standards are therefore usually qualified as process-standards, requiring the lead-firms and factories to provide information about the achievements in procedures such as minimum wages, reasonable working time and worker's rights to associate and engage in collective bargaining.

The documentation and enforcement of process standards are usually more complex, as they are connected to voluntary involvement rather than the economic interests in product standards (Bartley, et al. 2015). Since process and product standards are often applied at the same time, the latter may take the precedence in questions of prioritization (Locke, 2013). This is problematic, since the desired outcome of these standards are not always complementary (Kaplinsky, 2010). It is entirely possible that a factory is compliant with process standards, but not with their product standards, or vice versa. If they are however not promoted at the same time, it is possible that the enforcement of one standard, leads to the deterioration of the other. For example, a garment factory's measures to assure higher flexibility in their production to meet required standard of on-demand buyer-practices may include higher work-intensity and less considerations of over-time regulation. The measures to promote product standards would in this example stand in direct conflict with the outcomes of process standards. Economic pressures to deliver on product standards are therefore often listed as a major challenge to the success of process standards (Locke, 2013).

*ii. Observable and Enabling Standards*

In the governance of global labour standards, the importance of a further distinction between observable and enabling standards is widely recognized. Here, the different standards correspond to different concepts of labour: labour is either understood as productive factor or

seen as a socially embedded concept (Barrientos, Gereffi and Rossi, 2010). Using these different concepts of labour, Barrientos and Smith (2007) distinguish between the upgrading of measurable or observable standards (such as better wages, safer work environment, etc.) and the upgrading of those standards which are less observable and more process-related rights, so-called enabling standards (such as empowerment, collective bargaining, freedom of association, etc.). Whereas observable standards are more obvious to the eye, enabling standards are related to processes which in many cases empower workers to fight themselves for the improvement of working conditions. Observable rights are therefore often described as the outcomes of the more complex process rights, which in turn are perceived as more important for the sustainability of labour standards (Barrientos, Gereffi and Rossi, 2010).

The differentiation between these rights is especially important for the question of monitoring and compliance-assessment. Private monitoring tools therefore often focus more on observable rights in their assessments, as they are directly connected with corporate practices (Anner, 2012). Furthermore, due to the intangible character of rights such as harassment, abuse and freedom of association, monitors often tend to “oversee” the problems which exist in the audited factories. Social compliance auditing is therefore often deemed unsuccessful in reporting on the effectiveness of governance programs to address circumstances related to enabling standards (Barrientos and Smith, 2007; Barrientos, Gereffi and Rossi, 2010; Anner, 2012).

### *iii. Global versus Local Standards*

An ongoing debate surrounding global labour governance deals with the question whether the standards imposed by international governance are complementing, superseding or facilitating already existing local standards. Generally, this discussion is captured under the notion of global-local linkages (Davies, et al. 2011; Bartley, et al. 2015) and is often connected to a North-South discussion, where the global represents imposed rules of “the North” regardless of local rule-setting in “the South”. (Reinicke and Deng, 2000).

Theoretical specifications of how standards on “the global” and “the local” level interact, have proven to be struggling in two main points. Firstly, studies often tend to define actors at the local level as passive recipient of global action. The popular notion of a global “governance gap” (Mayer and Gereffi, 2010) for example suggests not only local passiveness, but also a vacuum of regulation at the local level of production. The notion of developing countries as mere recipient-sites of global models is another illustration of this misconception (Frank, Hironaka and Schofer, 2000). Secondly, notions of “the global” are often synonymized with an understanding of universalism, whereas “the local” is perceived as singularity (Bartley, et al. 2015). These extreme forms of global and local are however rarely found and it is important for research to capture nuances between and beyond the duality of global and local.

One way to deal with these problems is to adapt De Santos’s notion of “globalized localism” versus “localized globalism” (Santos and Rodríguez-Garavito 2005; Santos 2006; Bartley, et al. 2015). Globalized localism refers to “the process by which a particular phenomenon is successfully globalized, whether it is the worldwide activities of the multinational, the transformation of the English language into a lingua franca, the globalization of American fast food or popular music or the worldwide adoption of the same laws of intellectual ownership, patents or telecommunications aggressively promoted by the USA” (Santos, 2006: 396). In term of global labour governance, this notion represents the translation of specific rights, well-proven practices and local rules into global norms, which are then codified as international law e.g. in ILO declarations on decent work or the UN Charter on Human Rights.

Localized globalism on the other hand refers to “the specific impact on local conditions produced by transnational practices and imperatives that arise from globalized localisms” (Ibid: 397). In other words, the previously established global norms, once widely accepted, are then used to drive change and behaviour of actors and organizations on a local level. In the context of global labour governance, this can for example be seen where references to specific ILO declarations and codes are included into private codes of conduct. Global norms thereby

establish the baseline of expectation for local routines of work and production, whereas it is local law which specifies these benchmarks.

Both concepts highlight that neither the local nor the global are the empty spaces as which they are often displayed. Additionally, these considerations about global and local standard-making sensibilised us for the fact that all international norms are essentially grounded in local practices. For the analysis in this thesis, the general assumption about global-local linkages will be aligned with that of Bartley, et al. (2015), which state that: “it is preferable to start from the [...] premise that sites of implementation are crowded with different actors and agendas, only some of which are likely to line up with global standard-setting initiatives. [...] Some elements of global standards are [thus] easily incorporated into local practices while others are fiercely resisted”. Keeping this presumption in mind further highlights the importance of local embeddedness and governance-context, which will be discussed in the following sections.

#### *iv. The Challenges of Monitoring*

Factory auditing and monitoring has been a tool of surveillance for decades and also in private labour governance it is a common tool of assessment. With the rise of first private and later multi-stakeholder global labour governance, the meaning of social compliance audit has however entered a new era of discussion around the appropriateness of monitoring tools to assess improvements in social conditions, such as labour standards (Short, et al. 2015; Locke, Qin and Brause, 2007).

Most commonly used monitoring practises are strongly contested, as they are often viewed as corporate tools of control rather than effective tools of labour governance (O’Rourke, 1996; 2003). Short et al. (2015) find for example that audits are heavily biased depending on the auditor’s objectivity and ability to identify problems. Accordingly, audits report lower levels of violations if the same auditor had visited the factory before, when audit teams were less experienced, all-male or paid directly by the audited supplier themselves (Ibid, 2015). The importance of involving several actors into social auditing mechanisms to secure transparency

and objectivity is a key argument for the increasing appearance of multi-stakeholder initiatives in global labour governance (Bauman-Pauly, et al. 2016).

Furthermore, critics of monitoring usually question the legitimacy of social compliance audits, arguing that they “crowd out” the more thorough and trustworthy inspections by public and social actors (Esbenshade, 2004). Even more so, lead-firms are accused of taking advantage of monitoring to circumvent the potentially more rigorous public standards in production countries (Bartley, 2005). By monitoring through “governance without government” (Keller, 2008: 34) lead-firms’ actions often challenge the traditional question of legitimacy by regulating privately that which is a matter of public prerogative, potentially undermining the authority of public inspections (ILO 2013: 4).

Until today, most programs of global labour governance continue to use social compliance audits as their go-to tool for assessing effectiveness. Less critical viewers therefore see social compliance auditing as an important tool lacking quality only if done unilaterally, not rigidly and as only method of assessment. In other words, monitoring is seen as promising under certain conditions (Locke, Qin and Brause, 2007). These conditions may refer to multi-stakeholder involvement and local accountability mechanisms (Davies, et al. 2011), the use of further assessment-tools, such as interviews and observation (Bartley and Egels-Zandén, 2015), and the use of efficient tools of remediation and capacity-building (Locke, 2013).

Besides the many debates revolving around possible green-, clean- and fait-washing through buyer driven governance initiatives, the question of monitoring-challenges is also related to the quality and characteristics of the standards under observation. Apart from the previously discussed challenges of monitoring process-related and enabling standards, also the quality of the standards itself calls into question the significance of audits. For example, there are instances in which monitoring-quality is decent and compliance is high and still, the level of worker’s rights remains unsustainable.

Alford (2016) reports about such a situation in the South African Fruit Sector, where high compliance with standards of the Ethical Trade Initiative are sold as a success but standards are

so low, that high compliance is essentially meaningless for the workers. The reverse case is imaginable, too: a high standard may produce low levels of compliance – still, the outcome and dynamic produced for the workers may be more desirable than the South African case. Consequently, merely by looking at monitoring-results, one is hardly able to tell whether a program is achieving promising results or not. An assessment of such kind must always be paired with significant knowledge about the standards in question.

#### **4. The Relevance of GVC-Structures**

For a long time, GVC- literature considered the value chain structure in which a firm is embedded in as the key environment to global labour governance (Gereffi, 1995). And even though the perception of the relevant context has been expanded to include local embeddedness and public environments, the design of GVCs must still be considered as a highly important condition for the success of global governance programs. Especially the power of multinational lead-firms within their GVCs is still considered as undeniably instrumental in achieving supplier-commitment and compliance to global standards, leading to the success of global governance (Gereffi and Fernandez, 2011; Locke, 2013; Bair, 2017).

However, the seemingly unlimited potential of lead-firm influence over suppliers must be contextualized itself. Power within a value chains is therefore always moderated by structural factors within the design of the supply chain. Three of the four key dimensions of GVC-study identified in the literature review of this thesis (based on Gereffi, et al. 2005; Gereffi and Fernandez-Stark 2011) can be used in the following to understand how the potential success of governance-programs could be altered under varying conditions of the value chain in which regulation is set. These dimensions are:

- a. the governance structures;
- b. the input-output structures; and
- c. the geographical configuration of GVCs;
- d. the institutional environment of value chains.

This section will discuss the first three of these governance-conditions, whereas the last, regarding institutional environment, will be discussed in the following section.

Firstly, *the governance structures of value chains* need to be taken into consideration. These structures highlight questions concerning the coordination of a chain in terms of power dispersion between actors and can be useful for understanding where challenges of private governance effectiveness arise (Barrientos, et al. 2011). Previous chapter have outlined how value chain theory structures the ideas of vertical integration, and how different dimensions of power between lead-firm and suppliers can move within patterns of coercion, resistance and cooperation<sup>44</sup>. The power-relations between buyer and supplier within a supply chain thereby rely on certain identifying characteristics (mainly of the supplier), such as e.g. the ability to codify transactions and specialize in production (Gereffi, et al. 2005). The use of power and leverage in business-relationships between lead-firms and suppliers within global value chains has therefore come to be recognized as neither strictly linear nor as merely one-sided (Kaplinsky and Morris, 2003).

To address situations in which lead-firms potentially do not have enough leverage over suppliers, due to their size, specialization or importance, some governance initiatives (e.g. Fair Labor Association) have started to enlist not only lead-firms into their program, but to also offer membership to lead-suppliers who in turn are often lead-firms of their own GVC.

Secondly, by drawing a map of *input-output structures of GVCs*, all industry-specific activities and segments of a value chain must be included which make it possible to identify the dynamics and relationships between companies. Ideally, such a map is then able to place different suppliers, their locations, activities and contract-sizes (Gereffi and Fernandez-Stark 2011). Where possible, such a map can identify subcontracting and allow to understand every single step in the value-adding production of a product, from raw material to retailed end-product. Obviously,

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<sup>44</sup> See section *Mapping Global Value Chains* within the Literature Review Chapter, which offers a summary of many relevant theories and studies on the relationship between suppliers and lead-firms within value chains.

these input-output structures are separate from the concept of governance input-output discussed in the previous chapter, as they are entirely focussed on corporate operations and initially have no ties to any form of social governance.

Why then, is the input-output structure of a value chain important for the effectiveness of global labour governance? Firstly, the strategy of global buyers when setting up their value chain can set the key conditions for labour standards by shaping suppliers' constraints and opportunities to economic upgrading (Joonkoo, 2016). So-called "make-or-buy" decisions ultimately decide which activities are outsourced and which are kept in house, determining the availability and quality of jobs available in a local market (Gereffi, et al. 2005). Strategies of consolidation (buying from lesser, but bigger suppliers, instead of several small suppliers) may on the other hand privilege workers in larger factories, while marginalizing those in small workshops (Cattaneo, et al. 2010). In these scenarios, large and important factories are often argued to become a fertile ground for global labour governance due to the increased importance of one buyer at the supplier (and thus higher leverage), the capability of larger factories to buffer demanding purchasing practices (and thereby avoid downward pressure on labour standards) and potentially more possibilities for collective action and union involvement (Appelbaum, 2008; Joonkoo, 2016). The non-universality of this expectation is however illustrated by examples such as Foxconn<sup>45</sup>, whose size present a challenge to global governance, rather than an opportunity.

Secondly, the emerging structures and the related procurement strategies of lead-firms (and larger suppliers) are the frame into which social governance programs are woven. Aggressive purchasing practices of global buyers are therefore recognized as an important, negative condition to labour standards in global value chains, which potentially counteract the efforts of active governance programs (Barrientos, 2013; Locke, 2013). In the garment industry, procurement practices such as the "just-in-time" or the "fast-fashion" model are associated with

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<sup>45</sup> Foxconn is the worldwide largest producer and supplier of I-phones to Apple. This Taiwanese multinational company employs over 1,3 Million workers and has an estimated net annual revenue larger than that of Nike (about 4,460 billion USD in 2015).

excessive working and overtime-practices as well as workforce-casualization (Rossi, et al. 2014; Joonkoo, 2016). These management strategies and techniques therefore pass market uncertainty and risks onto suppliers, who often pass them on to their workers (ILO, 2014).

In the light of these challenges, the implementation of global governance programs in “hostile” GVC environments can therefore be an invidious uphill battle. The core problem is, that every lead-firm’s first responsibility is its sustained profitability and social responsibility is only partly included in this. In many ways, social campaigns have tried to tie social and financial loss by quantifying reputational-loss as lever for buyer commitment to CSR (Vogel, 2008). However, to really sustain effective lead-firm commitment to social governance, considerations of worker protection need to become inherent to procurement strategies. Creating a “new normal”, where deterioration of labour standards is weighted equal to deterioration in product quality, must therefore be the goal.

Finally, the *geographical configuration of value chains* is an important identifier for outsourcing or resourcing strategies, trends to create regional clusters of production by retracing geographical dispersion or the opposite (Rugman, Verbeke and Nguyen, 2011). These trends are potentially important for the success of global labour governance due to two reasons.

Firstly, whereas the geographical distance between buyer and supplier may not matter in terms of strictly-business investment decisions, a longer “distance” may in turn create difficulties in questions of implementation of process, especially social standards due to different interpretation of their importance based on cultural diversity. In international business theory, this phenomenon is discussed as “liability of foreignness”, a disadvantage created through cultural differences which means that adaption costs of social standards within intra-regional networks may be smaller than those in cross-regional networks (Rugman and Verbeke, 2007; Kolk, 2010). The implementation of social standards through the leverage of a lead firm may thus be more effective, where the liability of foreignness is lower due to smaller or less diverse geographical dispersion. The recent rise of industrial clusters and the regionalization of value

chains may therefore also be of importance for the effective implementation of global standards (Rugman, et al. 2011).

Secondly, geography can be important for labour governance programs where the value chain does not follow the conventionally established logic of Western buyers and Southern suppliers or where the value chain setup. Nadvi and Knorringa (2014) for example highlight the importance of recognizing, that MNCs from emerging economies such as India, Brazil and China may not have the same interest or motivation to cater to international standards as Western brand-firms do. Catering to the middle-class in Southern end-markets and with a much stronger dependency relationship between firm and state, these so-called EMNCs are potentially impenetrable for social standards perceived as purely Western. The existence of more indigenous forms of CSR-tradition, such as local standards in emerging economies as well as production countries and the potential transition mechanisms EMNCs can establish to mediate between global and local standards become the key in this line of enquiry (Nadvi and Knorringa, 2014; Yoon and Nadvi, 2018).

### **5. The importance of Local Context and Public Regulation**

Analysing the institutional context of GVCs allows the identification of how local, national and international conditions and policies shape the internationalization process of the value chain. Potentially important circumstances relate to economic conditions (labour cost and productivity, available infrastructure, industry-mix of national economy, access to other resources such as finance, etc.), social structure (availability of labour and skills, trade unions and organized labour, civil society empowerment, etc.) and formal context (tax and labour regulation, subsidies, education and innovation policy). Depending on their specifications, all these characteristics can potentially promote or obstruct the success of private governance in global value chains (Gereffi and Fernandez-Stark 2011). In the light of struggling private governance initiatives, the increasing importance which is again given to

the public and local environment has been noted as a “regulatory renaissance” of the state (Amengual 2010; Locke 2013; Piore and Schrank 2008; Sabel and Zeitlin 2012).

Whereas the discussion of the classical arguments around the local embeddedness of global production networks can be read in the literature review of this thesis, the following sections will highlight three somewhat new discussions surrounding this re-recognized importance of the state and its importance for labour regulation in GVCs. Firstly, the importance of policy legacies and state capacity are examined. Secondly, we look at different, possible conceptualizations of the “role of the state” and lastly, we examine whether there is a possible conflict between the politics of governance and political governments.

*i. Policy Legacies and State Capacity*

The notion of policy legacies comes from the literature on historical institutionalism and basically states that the history of policies is essential to the current regulatory environment of a state (Pierson, 2001). This literature therefore argues that it is not only actors who shape policy, but also the other way around: “once established – these policies re-shape actors’ preferences, strategies, and power relations. In other words, existing institutions affect the menu of available policy options, i.e. existing policy legacies – in interaction with the evolving structural context – influence the policy agenda” (Garrizmann, et al. 2016: 12). Such policy legacies are for example the national welfare-state (if existing) and a country’s production regime.

Due to this, policy legacies can also have an important influence on the capacity of states to support the implementation of global governance initiatives. Firstly, the existing legacies therefore not only determine the type of work and the possibilities of work which already exist within a country but they also influence which types of work are actively supported to increase by the public administration. According to the varieties of capitalism, institutional frameworks of the political economy are thus decisive for the type of human capital countries strive for (Hall and Soskice, 2001; Iversen, 2005). Whereas production strategies of countries are usually directed at seeking economic growth, the way they can achieve this growth is therefore highly

dependent on their state's institutional capacities and their political economy (Hassel and Palier, 2015). In other words, based on their institutional and policy legacies, governments develop and implement different kinds of employment and growth strategies (Garritzmann, et al. 2016), which in turn are decisive for whether a global labour governance program is publicly supported, or not. Generally, countries participating in value chain production are usually found to have an export-led growth strategy instead of the consumption based growth logic in industrialized markets (Hassel and Palier 2015). This growth-logic of production countries however also suggests, that often governments are more interested in export-growth and job creation, than in the related consequences for working conditions (Joonkoo, 2016).

On the other hand, bureaucratic and state capacity can be instrumental in establishing a public agenda for labour protection, despite an aggressive growth-oriented strategy. Especially in emerging economies and in Latin American countries, clientelist practices can therefore play an important role for the acceptance of global governance programs. The explicit gain of export-growth due to "ethical" production may therefore give reason enough for state actors to collaborate more actively with labour governance initiatives. The direct consequences of larger buyer firms to either further invest or reduce expenditure, can be seen along those lines.

*ii. Different Roles of the State*

To understand the importance of value chains for national governments, Porter's (1990) idea that not only companies but also nations economically compete is fundamental. A nation's competitive advantage relies on "differences in national values, culture, economic structures, institutions, and histories, [which] all contribute to competitive success" (Porter, 1990: 74). The idea of national competitiveness as a set of favourable institutional and economic structures is a key lesson for developing markets, who want to participate in global production (Mosley, 2011). Thus, Porter's notion not only highlights the importance of reaping the benefits of global production for MNCs, but also for the countries involved. In other words, we do hardly well in seeing national governments only as the facilitating bystanders in a world of GVCs.

Horner (2017) shows, that for a long time, GVC-study indeed mainly viewed the state as a trade-facilitating environment: governments were merely seen and evaluated in their capacity to enable their country's firms' participation in GVCs (see also Bair, 2005; Coe and Hess, 2013). However, with the increasing awareness of continuous labour-precariousness in GVCs despite NGO- and private governance responses, the question about national public responsibility *beyond* the facilitation of trade resurfaced. To incorporate this re-emerged interest of public capacity in the study of private governance outcomes, notions of public-private synergy (Gereffi and Lee, 2012; 2016), complementarity (Locke, 2013), cooperation (Amengual and Fine, 2016), territorial and societal embeddedness (Coe, et al. 2008) and multi-level governance (Mosley, 2011) surfaced. Often however, these notions are very broad and unspecific and tend to focus on the state as isolated from civil society (Amengual and Fine, 2016: 2). To account for national biases, even quantitative studies, have so far relied on rather broad notions of development (such as the GDP, i.e. Bartley and Egels-Zandén, 2015) and regulation (such as the Rule of Law Index, i.e. Locke, 2013).

Extending this understanding that there is an important role of politics and states beyond “the construction and maintenance of a GVC world” (Mayer and Philips, 2017: 135), several dimensions of “state-roles” (Horner, 2017) or “governance-types” (Mayer and Philips, 2017) have been identified as important for the interaction between public and private actors in GVCs. These dimensions most prominently include the state as *institutional environment*, as *facilitator* of development or trade and as *regulator*, e.g. of the labour market. Additionally, Amengual and Fine (2016) highlight that the state may interact with social actors (such as worker organizations) in such a way that he becomes a *reinforcer* of their influence. A role which may play a prominent role for labour standard enforcement in general. Mayer and Philips (2017) furthermore discuss the *distributive responsibility* of a state, which they argue is often neglected in the name of competitiveness (Ibid: 136). Furthermore, the state also acts as the *provider of a social system*, where social provisions and investments are specifically designed to endorse social inclusion, social capital and social cohesion (Morel, et al., 2012).

Finally, depending on the sector of interest, the state may also be of interest as producer (state-owned enterprises) and as buyer (public procurement) (Horner, 2017: 5f) – although this is of smaller importance for the textile and garment sector. Alford (2016) highlights that the different roles a state can adapt towards GVCs may create different relationship-strategies, leading to internal or external tensions surrounding the state governance of labour (Ibid: 61). A major challenge remains to understand, how these different roles of the state may be able to influence the effectiveness of certain private or multi-stakeholder labour governance efforts in GVCs and this question will thus be at the core of the second analysis in Chapter 7.

*iii. Governance versus Government?*

The elaborations in this chapter highlighted, that no global governance initiative operates in a vacuum. They are based on existing local legislation and ideally respond and interact with local public and social actors (Bartley, et al. 2015). Additionally, the shift of production through offshoring has moved labour-rights issues out of the European and US local context and into the context of predominantly developing production countries. Moreover, global outsourcing from north to south is increasingly accompanied by shifting markets due to increased south-south trade and cooperation and the growing weight of consumer-markets in the emerging economies. Correspondingly, it is not the European and Northern American governments who are the dominant public actors in the setting of global labour governance anymore, but rather the governments of the emerging economies of Asia, the Middle East and Latin America (Egels-Zandén, 2009, Curran and Nadvi, 2015).

Where global governance meets local governments, two separate but not necessarily diverse sets of regulation are applied to the same setting. Even though it is argued that global governance fills wholes where public regulation is lacking (Nadvi, 2014) many of the production countries already have a rather stringent set of labour laws and structures of industrial relations, as for example in Cambodia. Others, such as Vietnam and China, have undergone profound changes to update their labour regulation (Cooney et al., 2002). Frequently, the lack of public regulation

in production countries does therefore not lie in the absence of labour law, but rather in its poor implementation. In other words, in many production countries we find large gaps between what is written in the legislation, what is enforced through the government and what is practiced by the corporations (Chen, 2003; Cooney et al., 2002; Egels-Zandén, 2009).

However, not only the limited enforcement of public regulation in production countries may lead to challenges for labour governance, also indirect influences such as economic growth-strategies and their impact on labour market structures and regulatory environments can amplify challenges for labour standards. Export Processing Zones (EPZs) are an example of such a growth strategy, with which developing countries seek to attract investments of buyers to increase the national involvement in global supply chains (Joonkoo, 2016). However, working conditions and enforcing labour standards in EPZs have been a controversial issue (Milberg and Amengual, 2008), since some of the incentives given to exporters are specifically targeted at cutting costs which are associated with the protection of universal labour standards, such as unionization and minimum wages (Taplin, 2014).

Naturally, the way in which governments and governance interact differs from nation to nation and depends on “the levels and styles of regulatory enforcement” (Locke, et al., 2013). Governance through private and multi-stakeholder initiatives have therefore been found to function complementary to public regulation in countries with more stringent implementation and more active enforcement. Whereas poor and non-systematically enforced public regulation can lead to a substitution of these through external standards of global governance (Amengual, 2010; Locke, et al., 2013). In many cases, the regulation in freedom of association is treated as an exception, as it remains highly reliant on active structures of state enforcement (Barrientos, 2013).

## 6. Conclusions

This chapter highlighted a series of different internal and external conditions to which the outcomes of governance programs are susceptible, and which potentially alter the impact and effectiveness of their global regulation. Outlining the different forms of governance outcomes at the beginning of this chapter already pointed out, that both effectiveness and impact can be severely dependent on internal and external factors of governance. Internal factors vary due to the organizational setup of global governance and depend on processes concerning coordination and implementation which are chosen by a governance program's key-stakeholders. Internal conditions which may affect outcomes of governance are for example the number of stakeholders involved in an initiative and the formalization of a program's processes. In contrast, external factors are formed by the government program's environment, such as the public, legal environment, the activity of local social actors and the value chain structure, in which production is embedded.

Having reviewed the both internal and external conditions of governance, we assume that they are simultaneously important for the outcome of labour regulation in GVCs, and respectively for the effectiveness and the impact of global labour governance programs. However, due to the definition of effectiveness and impact, we may additionally expect that effectiveness is more dependent on internal factors, as it measured solely through processes (e.g. implementation-mechanisms, enforcement-tolls) which are organized within an initiative, whereas impact is more affected by external factors, as it is measured by its success to transform local environments. Nevertheless, we continue to assume that both conditions are always present and thus always relevant for the success of governance. Thus, neither condition should be disregarded when making observations about a program's progress and success.

In the following chapters, this idea is being translated into an analytical strategy. To evaluate the importance of internal conditions, I will first describe different stakeholder-strategies which help to build a classification of MSIs and outline characteristics which are most common among

global labour initiatives. Furthermore, I clarify the relationship between collaborativeness and governance-quality by comparing two specific MSI case-studies, the FLA and Better Work. To examine the importance of external conditions, the social compliance data of the chosen cases will be used for two separate quantitative studies. This will offer insight about the different impacts of local public and supply chain factors on diverse sets of labour standard.

## CHAPTER VI.

### VARIETIES OF COLLABORATIVE GLOBAL LABOUR GOVERNANCE

#### A. A SPECTRUM OF MULTI-STAKEHOLDER GOVERNANCE

This chapter marks an effort to describe, examine and classify the wide range of multi-stakeholder initiatives (MSIs) in the field of global labour governance and to use this classification to uncover links between membership, collaboration and governance-outcomes.

To do so, I first discuss the idea behind multi-stakeholder collaboration and then describe how MSIs can strategically differ in terms of organization, coordination, implementation and legitimacy. Second, building on this description, I develop a classification of the patterns of collaborative labour governance using three dimensions: function, scope and membership. In a third step, this classification framework is then used to examine the characteristics of a list of 29 labour-related MSIs. By classifying these initiatives, I outline the types of multi-stakeholder organizations which currently exist in the universe of collaborative labour governance, asking whether common features of membership have an influence on the function and scope of MSIs. Following this overview, a third step will deep-dive into the development of two specific MSIs, the FLA and Better Work. When comparing these most-dissimilar cases, I pursue the question whether there are links between levels of collaborativeness and governance-quality in MSIs. The chapter will close with a discussion on how and when collaboration can positively influence labour governance outcomes.

#### **1. The Idea behind Multi-Stakeholder Collaboration in Governance**

As questions of labour regulation become more and more globalized, efforts to secure worker's rights and counteract the impact of global competitiveness on employment and working conditions become increasingly challenging. Complexity rises not only due to the constantly growing geographical scope of production, but also due to the increasing number of

stakeholders involved in labour issues surrounding the value chain. Most labour violations are neither caused nor can be solved by single stakeholders. Challenges much rather arise out of complex combinations of global trade-liberalization and fragmented global production involving multiple actors, with multiple interests, operating in a fast and unsparing global economic environment (ILO, 2018).

To come to terms with these challenges, stakeholders seek cooperation with other actors: “with growing interdependence comes a growing need to search for collaborative approaches” (Van Tulder, 2012). The result of this process is the emergence of the so-called MSIs: collaborative forms of private governance, which involve several different actors, i.e. from the social, political and private sphere. Generally, MSIs are built on the assumption that governance of labour in global production is more successful if based on cooperation rather than unilateral regulation.

Existing organizations with elements of collective governance cover a broad range of initiatives (Baumann-Pauly, et al. 2016). They range from best practice sharing and learning platforms (e.g. UNGC), to certification bodies (e.g., the Forest Stewardship Council), initiatives targeted at improving and implementing new methodologies of monitoring (e.g., the Ethical Trade Initiative (ETI) and the FLA), and fully developed governance structures (i.e. Better Work). Initiatives generally require some form of commitment from their members, either involving the acceptance of external monitoring mechanisms and code of conducts or through increased commitment to self-assessments and public reporting on the targeted issues.

Although these initiatives differ immensely in terms of function and composition, they all work as a form of cooperation between at least two of the three following actors: governments, enterprises and civil society (Mena and Palazzo, 2012: p.12). In doing so “they address complex development challenges that no one party alone has the capacity, resources and know-how to effectively [engage with]” (World Bank, 2016).

Due to their diverse characteristics, multi-stakeholder forms of governance have been discussed in many different terms: They have been referred to as political CSR (Fransen and Kolk, 2007; Mena and Palazzo, 2012), non-state market-driven governance (Cashore, 2002), global public

policy networks (Witte, Benner and Streeck, 2005), transnational private regulation (Bartley, 2005), public-private partnerships (Boerzel und Risse, 2005; Schaefferhoff, Campe and Kaan, 2009) and as the already mentioned MSIs (Utting, 2002; O'Rourke, 2003; Baumann-Pauly, et al. 2016). In this study, the term *multi-stakeholder initiative* will prevail, as it is commonly used in international political forums<sup>46</sup> and therefore carries an important practical relevance. Most commonly, MSIs are defined as “private governance mechanisms involving corporations, civil society organizations (CSOs), and sometimes other actors [...] created to cope with social and environmental challenges within and across industries and on a global scale” (Utting, 2002; Mena and Palazzo, 2012: p.2). For the purpose of this study, the definition of MSIs will be slightly expanded. MSIs will be understood as mechanisms of local, regional or global governance, which involve at least two diverse actors from the social, public and corporate domain, aiming at the establishment of good governance mechanisms within diverse settings (e.g. factories, value chains, industries, MSIs, national states) in areas such as economic, social and human development, labour and human rights, environment and sustainability.

MSIs influence partly builds on the idea of soft law: producing rules under the form of standards, as opposed to traditional hard law, such as written legislation (Mena and Palazzo, 2012). Although implementation varies across MSIs, the most important components of collective governance efforts are transparency, accountability and (key-) stakeholder involvement. The success of these initiatives mostly depends on their capacity to develop input legitimacy (or rule credibility) and output legitimacy (or rule effectiveness) (Mena and Palazzo 2012: p.11). The different dimensions of MSI-legitimacy are outlined in more detail in the following sections.

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<sup>46</sup> One of the first mentions of „Multi-stakeholder initiatives” leads back to the UNRISD-publication: “Voluntary Approaches to Corporate Responsibility: Readings and a Resource Guide by the UN Non-Governmental Liaison Service (NGLS) and UNRISD”, Geneva, Switzerland, May 2002.

The diversity of MSIs makes it difficult to derive a general indicator to assess their effectiveness. Yet in academia and politics, they are widely regarded as promising governance tools. Whereas some see MSIs as a chance for governments to “re-enter the ring” (Meyer and Gereffi, 2010), others believe they can bring added benefits through synergies of different forms of governance (Locke, 2013; Gereffi and Lee, 2016). Fransen and Kolk (2006) argue that multi-stakeholder standards are more specific and better elaborated than other standards due to the combination of different perspectives in the drafting-process. Here, three advantages of MSI rule-setting are specified: multiple interest-representation, a watchdog function and the exchange of knowledge and learning between stakeholders. Furthermore, collaborative governance has the advantage of applying a mix of tools and making use of different types of leverage, depending on the actors involved (Newitt, 2015).

Critics of collaborative governance focus on a “privatization of world politics”, claiming that MSIs have rules designed to serve mainly non-public goals, such as corporate and financial interests of growth (Brühl, et al. 2001). Additionally, there are serious concerns about the rigour of multi-stakeholder mechanisms in their implementation: self-assessment and monitoring outcomes rarely lead to severe sanctions, even if they are set by the code (Fransen and Kolk, 2007; Locke, 2013). In particular MSIs with a majority of corporate members are sometimes accused of acquiring an undeserved good reputation, a phenomenon exemplified by ‘greenwashing’ in the environmentalist field (Anner, 2012).

To understand why there are so many different forms of MSIs, gaining a better understanding of the design of collaborative governance is helpful. In the following section, we therefore describe different stakeholder-strategies which are used by key-stakeholders to create MSIs. Moreover, we link these strategies to the related governance interventions and the expected outcomes.

## **2. A Description of Stakeholder Strategies in MSIs**

This section describes different strategies used by key-stakeholders to define the organizational goals, setup and coordination of the MSI they seek to establish. Stakeholders involved in

governance programs therefore must decide on such strategies when establishing their terms of future collaboration in governance. Khagram, et al. 2012<sup>47</sup> suggest that the following strategies are decisive in building cooperation in governance: a. organizational strategies (issue-framing, governance, funding and implementation), b. coordination strategies (stakeholder engagement), c. programmatic strategies (incentives and benefits, capacity building and technology, global norms). According to this, MSI-strategies represent all choices made by stakeholders which establish both the means and the purpose of a collaborative governance initiative.

Inspired by this, also the following section is focussed on MSI-strategy dimensions, slightly adapting and expanding the dimension of Khagram, et al. To achieve an efficient description of these strategies, each will be linked to its targeted deficits. As MSIs are generally aimed at improving regulatory weaknesses in GVCs, we can classify them by looking at the type of deficiency they intend to address. Rather than assuming that MSIs fill a governance vacuum (as contested by Amengual, 2010; Locke, 2013), I understand MSIs as the efforts of stakeholders to correct specific deficiencies through collaboration with other actors of labour regulation.

The following strategy-dimensions are used to describe multi-stakeholder collaboration:

- a) Organizational strategies; helping stakeholders to decide on how to effectively formalize collaboration in GVCs (Mayer and Gereffi, 2010; Mayer and Pickles, 2010);
- b) Coordination strategies; used to address participatory deficits in private labour governance, originally lacking the adequate inclusion of social and governmental actors (Vogel, 2008; Marginson and Meardi, 2010);
- c) Strategies of implementation; designed to establish improved mechanisms for the implementation of regulation (O'Rourke, 2003); and
- d) Legitimacy strategies; aimed at achieving a higher level of credibility for initiatives which are often criticised as partial and subjective (Brühl, et al. 2001).

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<sup>47</sup> The so-called GIFT-Report: The Henry Jackson School published a report in 2012 to "Review Best Practices for Multi-Stakeholder Initiatives: Recommendations for the Global Initiative for Fiscal Transparency (GIFT)". The report makes use of MSI-strategy examination, which will be used also in this study (Khagram, et al. 2012).

**Table 7: Stakeholder-Strategies for Collaboration and targeted Governance-Deficits**

<b>Strategies</b>	<b>Deficit</b>	<b>Dimensions</b>	<b>Strategic Goal</b>
Organizational Strategies	Regulatory Deficit	- Identification and framing of core-issue - Composition and legal status - Acquirement of funding	Setup of organizational structure, goals and purpose.
Coordination Strategies	Participatory Deficit	- which actors to engage with - degree of involvement - coordination of collaboration	Management of stakeholder-relations.
Implementation Strategies	Implementation Deficit	- scope of implementation - responsibilities of actors - tools and mechanisms	Execution of regulative action.
Legitimacy Strategies	Legitimacy / Accountability Deficit	- public accountability - degree of independence and transparency - input / output legitimacy	Justification of practices and achievements.

Source: Authors own representation, adapted and extended from Khagram, et al. (2012).

Taken together, these strategies constitute a governance program's "profile". Since strategies are not always adopted at the same time, nor at the very beginning of a program's existence, they have to be seen a dynamic characteristic rather than a static property of collaboration. The following sections will describe each strategy in more detail.

*i. Organizational Strategies*

MSIs differ in their organizational structures and these differences can be traced back to a chain of distinct operational and strategic decisions made in three main areas:

- a. the identification and framing of the core-issue to be addressed;
- b. the formal composition and legal status of the initiative; and
- c. the acquirement of funding.

The *core issue of an MSI* can vary in several dimensions (see table 8). Even if we focus only on MSIs with focus on international labour standards, objectives can vary for example from concentrating on labour standards only (e.g. Better Work, FLA) to including environmental issues (e.g. WRAP) and addressing questions of community-development (e.g. 4CAssociation, Better Cotton Initiative). The geographical scope of a program can be either local / national, or adopt a regional, international or global perspective. Additionally, core-issues of MSIs differ in

terms of the production processes which are covered: initiatives can target a single product (e.g. World Banana Forum), specific industries (e.g. Forest Stewardship Council) or focus on multiple supply-chains in multiple sectors (e.g. FLA, ETI).

Once the topic is chosen, the issue's framing can vary. Subjects used to frame the core-issue can range from specified contexts, such as specific GVCs, to more broad areas, such as Human Rights or Sustainability. Framing often differs according to the type of stakeholders who design the program. In global labour governance<sup>48</sup>, NGO-established cooperation for example often highlights the human rights component of labour standards (i.e. Clean Clothes Campaign<sup>49</sup>, Workers Rights Consortium). MSIs with strong corporate participation frame labour-issues in terms of "assuming responsibility" for the consequences of business action (e.g. ETI) while simultaneously highlighting "the business case"<sup>50</sup> for enforcing standards. Governments and international organization tend to frame labour issues in wider debate on economic and human development (e.g. UNGC). Some possible ways in which governance in labour-related MSIs can be framed are summarized in table 8.

The *formal composition of MSIs* can either that of an independent organization, or be embedded in an already existing legal body. If created as autonomous legal personality, MSIs are typically registered as international non-profit and non-governmental organization. For example, US-based MSIs are usually registered as charitable, non-profit 501(C)(3) organization (e.g. FLA, SAI). Some others, such as the Clean Clothes Campaign, exist as global alliances of trade unions and NGOs, with only a small pool of independently employed staff. Few organizations are set up as for-profit consulting firms (e.g. AA1000). Programs sponsored by international organizations, such as the OECD guidelines or the UNGC, operate as agencies.

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<sup>48</sup> See table A in Annex 1.1. for a list of the most important MSIs covering to some extent labour standards.

<sup>49</sup> For example, the first sentence on website of Clean Clothes Campaign regarding "our vision: All people working in the global garment and sportswear industries enjoy and exercise their human rights at work and in the community and are able to defend and improve these rights". <https://cleanclothes.org/about/principles>, last accessed 30.05.2017.

<sup>50</sup> See ETI-website [www.ethicaltrade.org/join-eti/business-case](http://www.ethicaltrade.org/join-eti/business-case). last accessed 31.05.2017.

**Table 8: Variation of MSI-characteristic regarding Core-Issues**

Characteristic	Examples
Core-Issues	Labour standards only / Labour and Environment / Labour, Community & Environment.
Framing	Production in Global Value Chains / Human Rights / Sustainability and Development / Climate Change
Geographical reach	Local / National / Regional / International / Global
Production scope	Product-specific / Sector-specific / Firm- or supply-chain specific

Source: Adapted from Newitt, 2015; Ellis and Keane, 2008.

Finally, the question of *funding* can have a strong impact on the MSI's legitimacy and autonomy. MSIs have several options to generate income, of which the most common are membership-fees, private donations and service-fees for monitoring and reporting. Especially MSIs funded by membership- and monitoring-fees are often criticised for risking their impartiality towards the companies they are supposed to regulate. Anner (2012) for example criticized the FLA, because more than 85% of the organization's budget in 2010 was paid by a handful of large members. A dependency which he perceives as destructive to the value of MSIs (Ibid: p.617-18). Seen as the more suitable ways of funding, public and private grants as well as fees for advisory- and training-services have thus become more important as financial sources.

#### *ii. Coordination Strategies*

Once the organizational outline of an MSI is established, stakeholders engaged in collaboration must decide on how to coordinate within their MSI. This entails decisions about:

- a. which actors to engage with;
- b. to which degree actors will be involved; and
- c. how the collaboration should be coordinated.

In labour-related MSIs we mostly see collaboration between companies and NGOs. Yet also initiatives without corporate participation (e.g. Clean Clothes Campaign) and such without NGOs (e.g. the OECD guidelines and Better Work) exist. Generally, the *membership of an MSI* is important for its credibility. The campaign for new members is an ongoing process, as most

MSIs are built to grow in influence and size to maximize their impact. Especially the participation of social actors in privately driven programs can be crucial for the credibility of collaboration. Due to the growing density of private governance, programs compete for the participation of social actors, especially trade unions. If trade unions openly reject working with an MSI, they can damage the initiative's credibility. Social actors thus become more than "guardians of the guardians" (Ayres and Braithwaite, 1992: p. 440), they can transfer, lend or extend their reputation to the governance initiative, so that the latter acquires credibility (Amengual and Fine, 2016: p.6).

Furthermore, stakeholders can *be involved to different degrees*. First, we can differentiate between stakeholders who are actively involved in the processes of MSIs and those who are also the "target-group" of governance (Mena and Palazzo, 2012). Second, there are differences in the roles assigned to stakeholders. Stakeholders can be involved in tasks of rule-making and standard-setting, they can hold advisory functions (i.e. as members on the advisory board) or be responsible for implementation. Responsibilities like assessment, reporting, and monitoring are only deployed if MSIs seek to fulfil a certification- or governance-function (Bauman-Pauly, et al. 2016). Whereas collaboration in some MSIs excludes the rule-targets from rule-design (e.g. Clean Clothes, UNGC), other initiatives, such as the FLA and Better Work, are explicitly built to involve all stakeholders in the processes of rule-making<sup>51</sup>.

The concept of inclusiveness (Fransen and Kolk, 2006) complements the idea of actor-involvement with the different roles which can be assigned to diverse stakeholders involved in governance. According to this, the diversity of members (only from industrial or also from emerging/ developing states) and their involvement in processes of implementation (e.g. monitoring) and governance (e.g. membership on executive board) can either be narrowly or widely inclusive (see explanation in table 9). Inclusiveness is a useful concept, as it helps us to combine the idea of membership-diversity and member-engagement in one concept.

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<sup>51</sup> See FLA website section "about us": "We offer a collaborative approach allowing civil society organizations, universities and socially responsible companies to sit at the same table and find effective solutions to labour issues". <http://www.fairlabor.org/about-us>, last accessed 31.05.2017.

**Table 9: The Inclusiveness of Multi-Stakeholder Initiatives**

	<b>Broad inclusiveness</b>	<b>Narrow inclusiveness</b>
Membership	(involvement) Representation from various stakeholders, including both Northern and Southern groups.	(consultation) Representation from Northern groups, indirect links to Southern stakeholders
Governance	Board membership for stakeholder groups, as well as extensive participation in various forums.	Advisory board membership for stakeholder groups at best, annual roundtable participation
Implementation	Carried out by various stakeholders	Carried out by companies; stakeholders may give some input

Source: Fransen and Kolk, 2006: 679

Once membership and member-involvement have been set, stakeholders must decide on forms of *coordination within the multi-stakeholder governance structures*. Generally, successful stakeholder-participation is dependent on either a) the achievement of credible commitment (Ostrom, 1996) or b) the implementation of successful enforcement. To strengthen voluntary commitment, collaborative governance requires a collective decision-making process that is formal, consensus-oriented and deliberative (Ansell and Gash, 2008, p. 544). Enforcement on the other hand requires fixed structures of operation. In a study on the collaboration between government agencies and trade unions, Amengual and Fine (2016) show for example that without formal arrangements of communication and coordination, potential co-enforcement between stakeholders can be undermined (Ibid: p. 26).

### *iii. Implementation Strategies*

Regarding to the implementation of multi-stakeholder governance, different choices can be made in terms of the following:

- a. scope of implementation;
- b. the responsibilities of actors in implementation; and
- c. the tools and mechanisms used for implementation.

The *scope of implementation* can either focus on a geographical or a sectoral scope of governance. Even if two MSIs target the same core-issue, choosing diverse scopes of implementation can lead to the setup of two very different programs. Implementation with geographical scope focusses on regions, nation-states or even single cities. A sectoral scope concentrates on specific global value chains.

The implementation of MSI-governance with a geographical scope, like Better Work and the Kimberly Process, is usually more dependent on the involvement of local governments. MSI-governance with GVC-focus (e.g. FLA, the Fair Wear Foundation, ETI) is particularly reliant on the participation of the value chain's lead-firm. Finally, implementation can also focus on specific value-chains in specific locations, the CSC9000T<sup>52</sup> is an example of this.

Furthermore, the implementation strategies in MSIs vary according to the *level of engagement* expected from participating stakeholders. According to Palazzo and Scherer (2010: pp12 - 13), multi-stakeholder engagement can be differentiated into four tasks:

- (1) MSIs as **learning platforms**, here organizations can exchange experiences, signal their commitment, and learn from each other. A good example for this is the UN Global Compact.
- (2) MSIs as **developers of standards**, in the form of codes of conduct, rules, recommendations, or guidelines, regarding the behaviour and activities of those, which are addressed by the standards. The Clean Clothes Campaign fits into this category.
- (4) Finally, MSIs as **distributors of labels and certifications** for those organizations that comply with its standards. A well-known example is the Forest Stewardship Council.
- (3) MSIs as **developers and moderators of auditing and compliance-mechanisms** to ensure that rules are followed, such as the ILO's Better Work Programme.

Building on the different degrees of stakeholder-engagement, Baumann-Pauly, et al. (2016: p.7) finally distinguish between three types of MSIs: Best practice (BP) sharing MSIs (task 1 and 2), Certification-MSI (including task 1-3) and Governance-MSI (typically involving task 2-4).

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<sup>52</sup> China Social Compliance for Textile and Apparel CSC9000T, the "Chinese version" of SA8000, created in 2008 as a tool to replace "foreign" certification.

**Table 10: Mechanism for Monitoring and Compliance-Assessment in MSIs.**

<b>Mechanism</b>	<b>Monitoring-party</b>
First party	Self-assessment of rule-target at firm-level.
Second party	Within GVC: monitoring of suppliers by buyer- /lead-firms.
Third party	Third actor involvement: MSI internal inspector, auditing contractor or NGOs conducts announced or unannounced auditing.
Multi-stakeholder	Monitoring is undertaken by a mixed group, commonly made of companies, trade unions and NGOs.

Source: Adapted from Newitt, 2015; Ellis and Keane, 2009.

The differentiation between these three types of MSIs helps us to capture the function of different governance initiatives. Because of their different functions, also the use of *governance tools and mechanisms* differs. BP-sharing MSIs address the need for sharing experiences between stakeholders and ideas on how to overcome challenges in governance. Tools used include awareness-campaigning, the writing of reports and case-studies, forums and conferences for exchange and acts of public transparency. Certification-MSIs are signalling initiatives, meant to incentivize good practice through the distribution of labels. Tools for compliance-assessment usually include first-party self-assessment and reporting (see table 10 for explanation). The functions of Governance-MSIs are more diverse. In most cases, a holistic and sustainable approach to establish lasting good practice and assessment mechanisms is combined with capacity-building. Tools used to monitor progress are a combination of internal first- and second-party as well as external third-party audits. To deepen their insights, Governance-MSIs frequently combine monitoring with the use of worker's interviews and participatory observations to gather deeper, qualitative insights.

#### *iv. Legitimacy Strategies*

The legitimacy of an MSI is crucial for gaining the trust of companies, governments and social partners and thus for being able to credibly pursue its agenda. The variety of stakeholders involved in a program, the inclusiveness of MSI-membership, the degree of stakeholder-

engagement in implementation-processes and the tools chosen to monitor compliance all have an impact on the level of an MSI's legitimacy.

MSI-governance builds largely on a soft law approach (Vogel, 2008), producing rules as standards of guidance, as opposed to traditional hard law (Abbott and Snidal, 2000). The legitimacy of standards under soft-law depend on effective third-party control mechanisms and the ability of MSIs to impose formal or informal sanctions, such as reduction of order sizes or the publication of misconduct (O'Rourke, 2003; Keller, 2008). Still, MSI may also act to support enforcement of legally binding standards, in the undeclared economy for instance, so that they may both refer to hard law and have the possibility to activate legal sanctions.

A popular concept used to discuss the democratic legitimacy of MSIs is that of input and output legitimacy from Mena and Palazzo (2012). Here, input legitimacy is used to enquire the extent to which regulations are justified, measured by criteria such as procedural fairness, inclusiveness, consensual orientation and transparency. Output legitimacy on the other hand focusses on the MSI's capacity to effectively solve the problems which they target. It is judged by criteria of rule coverage, efficacy and enforcement (Ibid. p. 4).

In practice, legitimacy criteria are not always rationally assessed, which highlights that legitimacy has a subjective component. In other words, a program's legitimacy relates to the MSI's ability to credibly present its purpose and truthfully convey its achievements. Zürn (2004) emphasizes that legitimacy-demands faced by MSIs are not unlike those of public regulation, following the rules of public accountability. MSI's legitimacy is thus connected to the previously discussed<sup>53</sup> concept of public accountability, dependent on the level of trust which an organization holds within a society (Jordana, et al. 2011). In comparison to public regulation, the legitimacy of MSIs can however be more complex due to the geographical dispersion of the stakeholders in some initiatives, who do not form one institutionalized "political container" (Risse, 2006; Mena and Palazzo, 2012).

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<sup>53</sup> See Chapter IV for the discussion on public accountability in global governance.

### 3. Dimensions of Collaborative Labour Governance

In order to compare multi-stakeholder governance efforts, we need to consider the substantial differences between them. Even though the differences among MSIs have been described according to several dimensions, such as inclusiveness (Fransen and Kolk, 2006), function (Bauman-Pauly, et al. 2016) and mechanisms for monitoring (Ellis and Keane, 2008; Newitt, 2015), there is no commonly used classification of MSIs that combines these dimensions. This section will bring these different classifications together and complement them where needed, to offer a holistic approach to analytically group multi-stakeholder initiatives.

The built classification will especially focus on the universe of MSIs, which consider labour issues. Going forward, the classification is thus used to categorise a list of important labour-governance MSIs, thereby offering a good overview over the current universe of global labour governance. Finally, this classification will serve as the base for the selection of our cases. The cases will allow us to study the links between collaboration and governance quality (going forward in Chapter 6) and the conditions of social compliance, as well as the complementarities between private and public forms of governance in Chapter 7.

I derive three main dimensions from the description of MSI-strategies and their targeted deficits of governance to develop a comprehensive classification of MSIs in global labour governance: scope, membership and function. The next section briefly clarifies each dimension and outlines how they are operationalized in this study. I will then highlight commonly occurring patterns across the dimensions and elaborate on them with real-life examples.

#### *i. Scope*

The dimension “scope” includes the range of issues pursued to regulate through the MSI. Scope varies over three key areas. a.) The broadness of focus: Most initiatives concerned with labour-governance either focus singularly on labour as their core issue, consider labour and the environment together or additionally include issues concerned with community and society

(Newitt, 2013: 6). b.) The product scope: it can be focussed on a single issue (e.g. child labour) or single product, a specific sector or be defined across sectors. d.) And finally, the geographical coverage, which considers national, regional, and international dimensions.

<i>SCOPE</i>		
<i>Focus</i>	<i>Scope</i>	<i>Coverage</i>
✓ Labour as Core Issue	✓ Single Issue or Product	✓ National
✓ Labour and Environment	✓ Single Sector	✓ Regional
✓ Labour, Environment and Society	✓ Multi-Sector	✓ International

Generally, the overall scope of multi-stakeholder governance can be made up of any possible combination within these four dimensions. Usually however, more encompassing topics and larger product scopes are found in combination with a less specific framing of the debate, such as social development or sustainability.

#### *ii. Membership*

The membership-dimension of MSIs is concerned with leadership (or sponsorship, as Donaghey, et al. 2014: p.235 call it), the question of rule-targets (Mena and Palazzo, 2012) and the three spheres of inclusiveness (Fransen and Kolk, 2006).

Firstly, the leadership-models of MSIs can either generate industry-led MSIs, initiatives led by international organizations or governments and socially-led forms of multi-stakeholder cooperation (Donaghey, et al. 2014). An exceptional case of cooperation is the International Framework Agreement. In the leadership-dimension, these agreements would identify as a trade union-led model of MSI. Due to their very specific organizational setup, they will however not be considered in our list of labour-initiatives.

Furthermore, rule-target are those actors who are defined as “expected to enforce and respect the rules [developed by MSIs]” (Mena and Palazzo, 2012: p. 12). Amongst the rule targets of labour-related MSIs we can commonly find multinational corporations and their supplier factories in the value chains, governments, NGOs and MSIs themselves, or any combination of

these. Most commonly, corporations and factories are the single rule target, less frequently, corporations and additional actors are addressed.

Finally, if labour-related MSIs are reviewed based on the three dimensions of inclusiveness (representation, input-, and output-responsibility), we can find them scoring anywhere between the extremes of a very broad inclusiveness, suggesting a stronger involvement and variety of stakeholders, and a very narrow inclusiveness, which considers stakeholders only in consultative capacity. These levels of inclusiveness regard amongst others the choice and diversity of MSI-membership, the setup of internal governance (who has executive rights), and the engagement of stakeholders in implementation processes.

<i>MEMBERSHIP</i>		
<i>Leader- / Sponsorship</i>	<i>Rule Target</i>	<i>Inclusiveness</i>
✓ Industry-led MSI	✓ Corporations	✓ Broad Inclusiveness
✓ Transnational Organization-led MSI	✓ Corporations and Governments	- equal representation
✓ Government-led MSI	✓ Corporations;	- equal input-responsibility
✓ Societal-led MSI	Government and NGOs	- equal output-responsibility
✓ Trade-union led MSI	✓ MSIs	✓ Narrow Inclusiveness
		- skewed representation
		- no input-responsibility
		- no output-responsibility

Within the dimension membership, any possible combination of the dimensions is imaginable. One disadvantage is, that inclusiveness is rather difficult to assess. To evaluate inclusiveness in the following empirical examples, the composition of executive committees (are diverse stakeholders included in the executive committees rather than advisory committees?), membership (is geographical origin diverse?) and implementation (how many and which stakeholders implement governance?) were used to derive a simple classification of “broad”, “intermediate” and “narrow” inclusiveness. Due to this, the attribution of inclusiveness should only be regarded as approximation.

### *iii. Function*

The function of MSIs differs in terms of the degree to which they seek to engage their members. As described in the previous section, we can distinguish between three types of MSIs. First,

Best practice (BP) sharing MSIs are those, which seek to foster dialogue and focus on knowledge sharing and learning. Second, Certification-MSIs accredit their members for compliance on the basis of first- and second-party monitoring results. Third, Governance-MSIs combine elements of training, standard self-assessment and third-party control mechanisms (Bauman-Pauly, et al. 2016: p.7). These MSIs usually pursue a holistic approach to private governance and are often based on the idea of capacity-building.

<i>FUNCTION</i>		
<i>Best practice-Sharing</i>	<i>Certification</i>	<i>Governance</i>
✓ Focussed on dialogue, knowledge sharing and learning.	✓ Focussed on accreditation of members.	✓ Focussed on holistic governance-approach.
✓ Can ask for periodical reporting.	✓ Asks for periodical reporting.	✓ Asks for more frequent reporting.
✓ No commitment for assessment.	✓ Commitment to self-assessment.	✓ Commitment to independent third-party assessment.

It is important to highlight that all three types of MSIs develop some form of standard- or rule-set, such as legal benchmarks, best practices or code of conducts. The most decisive differences between them therefore does not lie in the formulated rules, but in the mechanisms used for compliance-assessment and control, and the commitment which members are asked to make. Best practice Sharing MSIs usually only entail the commitment of members to tasks such as reporting and participation in the form of learning. They do not include procedures of enforcement. Certification- and Governance-MSIs commit their members to agree to compliance-assessments and especially Governance-MSIs also use methods of enforcement. Whereas Certification-MSIs thus rely mainly on self-assessment, Governance-MSIs hold their members accountable through regular independent third-party monitoring and possible consequences (such as cancellation of orders) at continued non-compliance.

#### **4. A Classification of Labour Multi-Stakeholder Initiatives**

As we know from the chapter on multi-stakeholder strategies, the above defined dimensions are only an extract of what can define an individual MSI. In order to apply the dimensions to real-

life cases, scope, membership and function represent however a good selection of characteristics which are relatively effortless to identify and can thus be easily used for a classification. Applying these dimensions to a list of 29 different labour-related MSIs, we achieve a compact classification of the current universe of global labour governance (See table A in Annex 1.1.). The listed initiatives are ordered by year of creation and have been complemented with information on each of the three dimensions. The following will examine this list to gain a better understanding of the main patterns which occur within our typology of collaborative labour governance.

*The Scope of Labour-related MSIs.*

Scope is arguable the most straight-forward dimension to categorize. Table A lists the core-objective of each MSI, as well as the targeted production scope and the degree to which labour issues are considered. We can see that about one third of the MSIs are targeted at operations in multiple sectors. This number is likely to grow over time, as MSIs often start by targeting one issue or sector and expand their reach as they grow in membership and capabilities (e.g. SA8000, which expanded from only garment to multi-sector. Similar developments occurred for the FLA and the ETI). Supporting this, nine of the eleven multi-sector-targeting MSIs are among the older organizations in the list (creation in or before the year 2000).

Another third of the initiatives listed in table A target single industries, the big majority of which are concerned with garment-production. This is not surprising, as the problem of labour standards occurs especially often in labour-intensive industries, such as for garment, textile and woven products (Locke, 2013). Even though only one MSI is specifically focussed on the electronics-industry (the Global Network Initiative), electronic products are considered in several of the multi-sector MSIs (such as FLA, ETI, Social Accountability International SAI). The last third of MSIs is focussed on single products, especially in the agricultural sector, such as for example soya (Roundtable on Responsible Soy), coffee (4C Association) and palm oil (Roundtable on Sustainable Palm Oil), but also others, such as diamonds (Kimberly Process)

and wood (Forest Stewardship Council). This suggests, that especially the specificities in the production chain of single agricultural products makes it difficult or unviable to target several products at the same time. Also in agricultural production, small and medium-sized farmers and traders are often specialized in one product only. This is a key difference to the garment industry, where raw-material supply as well as manufacturing and vending is usually dealing with many different, often changing products at the same time. This highlights why distinct specificities of production in different industries can require diverse forms of labour governance.

The geographical coverage of MSIs is not specifically recorded in table A, as all listed initiatives have an international focus. The only exception is the China Social Compliance for Textile and Apparel, which is a nationally focussed scheme. However, some of the MSIs have other types of geographical restrictions. The Fair Wear Foundation for example only accepts European garment companies and thus geographically restricts membership, even though the geographic scope of their rule-targets (namely, the supplier factories within the value chains) remains global. Other MSIs focus only specific sites of implementation. The Better Work program for example exclusively operates within its seven country-programs. Whereas buyer memberships, i.e. of GVC lead-firms, is not geographically restricted, supplier factories are only admitted to the program if situated in one of these countries.

*Members and Leaders in Labour-related MSIs.*

Regarding the leadership models of labour-related MSIs, we can see that three quarters of the initiatives in table A are either industry- or societally-led (eleven initiatives each), whereas another seven are publicly sponsored by either international organizations or national governments. Examining each group separately, table A reveals that industry-led MSIs are exclusively targeted at companies and their supply chains (with the exception of AA1000<sup>54</sup>, who

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<sup>54</sup> Strictly speaking AA1000 is a consulting firm and not an MSI. It is included here, because it explicitly targets MSIs and is therefore of relevance to the field of study. It must however be seen somewhat separately from the other MSIs listed.

also offers services to governments, NGOs and other MSIs). This is somewhat comprehensible, as corporations are mainly motivated to participate in governance to protect their reputation and productivity. They would have few reasons to directly address the behaviour of other actors, such as NGOs or governments.

Also MSIs led by international organizations primarily seek to govern the behaviour of corporations. This is unexpected, considering that IOs are usually designed to provide a discussion and governance-forum for the behaviour of national governments and not for private actors. When examining the programs more closely, we see however that MSIs of international organizations de facto involve national actors much stronger than industry-led initiatives. By making use of government-structures and -agency, initiatives led by international organization for example actively involve state actors in policy-discussions (e.g. Better Work), set up national contact points (e.g. OECD guidelines) or include public agencies in the initiative's steering committee (e.g. World Banana Forum).

Government-sponsored initiatives and those led by NGOs on the other hand, consider a much broader variety of target-groups for the implementation of standards. This may be firstly, because they hold a public mandate to protect citizens and address all potentially harmful behaviour, which involves the consideration of a much wider range of actors. Secondly, especially NGOs could be more inclined to seek collaborative strategies targeting actors other than companies, due to their limits in terms of available resources and their lack in leverage at the factory level. In other words, if the impact they can achieve on companies is minimal, they might choose to focus their attention additionally on other targets.

The patterns of inclusiveness of labour MSIs, divided by narrow, intermediate and broad levels of inclusiveness in table A, reveal that more than half of the organizations classified as broadly inclusive are societally-led. These initiatives thus display the highest diversity of members and the inclusion of different actors in internal governance and implementation mechanisms. This could have several reasons. For example, NGOs could rely on partners to gain access to e.g. production sites, the inclusion of other actors in implementation may be simply necessary rather

than explicitly cooperative. Alternatively, since social organization often work decentralized, they may not have the capacity of coordinating an initiative by themselves.

Organizations identified as narrowly and intermediately inclusive contain mostly industry- and publicly-led MSIs. The narrow inclusiveness of corporate MSIs is rather unsurprising. Arguments of economic feasibility and fear of a loss of control over the narratives often hinders the involvement of multiple stakeholders in the implementation and governance processes of MSIs. However, it is especially striking that also the initiatives sponsored by governments and international organizations are mostly defined as narrowly inclusive. This may highlight the strong executive role each international organization and government claims within the MSI they create. The “bureaucratic capture” of such organizations leaves relatively small room for the involvement of other stakeholders in organizational processes.

Finally, if we look at rule-targets by groups of inclusiveness, we can see that MSIs with a low inclusiveness generally have a more diverse set of rule-targets. In other words, initiatives which include more diverse actors in the decision-making process, tend to focus less on rule-targets other than companies. This could suggest that initiatives are reluctant to include those actors in rule-making and executive decisions, which are defined as rule targets. Such reservation could concern the type of actors (e.g. NGOs with reservations of including companies in the rule-making process) as well as their geographic location (e.g. Northern stakeholders with reservations to include stakeholders from the South). In turn, this could also suggest that more inclusive MSIs achieve higher levels of governance-specification, allowing them to efficiently coordinate the governance of one specific rule target, rather than many.

#### *The Function of Labour-related MSIs.*

In terms of the function, table A lists ten best practice sharing MSIs, 13 Certification-initiatives and six Governance-MSIs. When comparing the related dimensions of membership, we find that almost all listed Governance-MSIs count the participation of corporate actors. Even the one exception, the Worker’s Rights Consortium (WRC), is only seemingly excluding companies: As

the WRC works with universities in their function as buyers in GVCs, they de facto represent entities with business character. The necessity of including companies in holistic governance ventures, may partly rest on the corporate capacity to enforce an initiative's regulation through their value chain. Since Governance-MSIs are based not only on the commitment, but also on the control of the factories in their program, initiatives rely on the power of GVC lead-firms to pressure for change. Additionally, many labour Governance-MSIs seek to address not only labour conditions at factories, but also the buying behaviour of lead-firms. To reach these buyers with programs of training and advise, their participation in the initiative is imperative. Finally, also the financial aspect may play an important role here: many governance initiatives are highly dependent on private contributions such as membership and service-fees. This is especially the case, if donations and governmental grants are not enough to cover the costs of monitoring. This aspect is often a point of criticism directed at MSIs who rely on corporate funds, such as the FLA (Anner, 2012), and in turn provides a legitimacy argument for those Governance-MSIs with higher degrees of public funding and financial independence from their corporate members (e.g. Better Work).

Similar membership characteristics can be found in Certification-MSIs, who depend on companies' participation and membership to provide not only leverage, but also finances. Here, capital is usually generated through accreditation and service-fees. Certain certification schemes, such as the Kimberly Process and the CSC9000T, are also funded by public actors. Furthermore, we can see that most labour certification-schemes are industry-led, whereas best practice sharing MSIs are largely publicly or societally sponsored. Governance-initiatives, on the other hand, are sponsored by diverse parties and interestingly also depict a higher level of inclusiveness than e.g. certification schemes. The latter may be a necessity, the more ambitious a project gets, the higher is the necessity to involve multiple stakeholders in operational processes. However, since not all Governance-MSIs depict a broad inclusiveness, this necessity also seems to have its limits.

Regarding the issues which MSIs seeks to regulate, Governance- and Certification-initiatives are more narrowly focussed than Best practice (BP) sharing MSIs. Of the initiatives in table A, especially the Governance-MSIs focus on labour standards as their core-issue of regulation, always targeting companies as main platforms of responsibility and mostly focussing on the garment industry. Certification-initiatives also focus on either singular topics or single industries, are however not as strictly focussed as Governance-MSIs. BP-sharing MSIs on the other hand tend to frame their field of interest broader. They also address a wider range of issues simultaneously, focus on multiple industries and define a wider group of actors as their rule-targets. A higher level of MSI-commitment (as it is the case in Governance-MSIs) therefore requires a higher level of precision when defining the goals and mechanisms of an initiative, to ensure the practicability of regulating these goals.

Finally, when looking at the creation-date of the listen MSIs, we can additionally note that certification have especially been created in the early years of 2000, whereas BP-platforms are mostly from before. The first Governance-MSIs evolved around the turn of the millennium, with the FLA, the Fair Wear Foundations and the Worker's Rights Consortium as the first noticeable multi-stakeholder labour-governance initiatives in 1998/ 1999. Whereas all three initiatives pursued similar goals, they explicitly differed in their collaborative strategies and thus represent good examples of how diverse strategies of membership can lead to different outcomes in terms of scope and function.

## **5. Preliminary Conclusions**

The previous classification of MSIs in labour governance underlines several distinct organizational patterns related with distinct combinations of characteristics in membership, scope and function. Generally, a higher number of stakeholders and a higher involvement of specific actors, particularly unions and the state, play an important role for the legitimacy of private governance, possibly through a spill-over of their democratic legitimacy to the initiative. Additionally, patterns of leadership and function seem to be decisive indicators for the

outcomes of an initiative. We could therefore see how the leadership of an MSI can for example result in distinct differences in terms of the actors which the initiative targets with governance, the core-issues it addresses and the level of its governance inclusiveness. Societally-led MSIs are for example more widely inclusive in terms of membership-involvement and tend to target a wider group of actors and a wider range of issues. Privately-led initiatives on the other hand almost exclusively set out to regulate companies, usually with more narrow or intermediate levels of inclusiveness and a more specific range of issues. Publicly-led initiatives are an interesting hybrid, as they are less inclusive than societal forms of MSIs, but target a wider range of actors and issues than private initiatives. These differences suggest, that the characteristics of a leading party in global governance also influence the goal of governance. Private actors seek to address reputational risk, which is associated with specific challenges of global production for labour standards. Societal actors seek to address a wider range of actors in order to create change by raising awareness about labour issues not only with companies, but also with consumers and governments. Governments often use MSIs as a forum to discuss labour regulation in a bigger forum and connect issues to wider questions of human and economic development.

In function, the differences between Governance-MSIs and Best practice sharing initiatives is especially prominent. Governance initiatives therefore almost always include corporate members and display a high level of inclusiveness and a narrowly focussed range of issues to address. This is conceptually sound, as Governance-MSIs require a high level of commitment from its members to address and assess a specific issue. The wide inclusion of corporate members is thereby necessary to enable enforcement through global value chains. Additionally, production specificities of target industries or products may be so high, that Governance-MSIs would not easily be able to address a wider scope with their operations. Best practice sharing MSIs on the other hand do not have the necessity to specify in a specific issue or even to include their members in internal processes. As they are platforms of discussion and exchange,

requiring low levels of commitment and no enforcement, also the demand for inclusion should be comparatively lower.

As characteristics of membership, scope and governance-function form into distinct patterns of MSIs, also the relationship between collaborativeness and governance-outcomes becomes more visible. To further follow this trajectory of research, the next section will take us into a discussion about different levels of collaborativeness to answer the questions if and how they can influence the quality of governance. To do so, the upcoming chapter examines two most-dissimilar cases within the pool of Governance-MSIs. By laying out the structure and development of these case-studies, we discuss and compare the links between patterns of collaborativeness and governance-quality they display.

## **B. COLLABORATIVENESS**

### **AS A MEASURE OF QUALITY IN GOVERNANCE?**

A study of two cases.

#### **1. Introduction**

There is a general assumption about MSIs, that due to their higher levels of collaboration, they represent a higher quality of governance. This claim usually refers to comparisons between unilateral and multi-lateral forms of governance and indirectly postulates the hypothesis, that more collaboration leads to more successful governance. The classification of labour-related MSIs in the previous section shows how MSI-patterns within membership, scope and function correspond, suggesting that collaborativeness and quality could be linked. Since however all MSIs are collaborative in nature, we need to create a distinction of different levels of collaboration for a *within*-comparison of MSIs. Therefore, to really verify the link between quality and collaborativeness, we must understand whether higher collaboration also improves the governance-quality when comparing a set of multi-stakeholder initiatives.

When setting out to tackle this comparison, I found that the main difficulty of this task was of conceptual nature, as there is neither a common conceptualization of a.) what constitutes a higher level of collaboration in an already collaborative environment (that of MSIs), nor are there b.) common indicators for the measurement of quality-levels in labour-governance.

Taking into consideration this challenge, this chapter will begin by outlining the characteristics of governance-quality and collaborativeness. Using characteristics of the previously outlined dimensions of MSI-strategy, we will conceptualize the different levels of collaborativeness and governance-quality in labour-related MSIs. Thereafter, I will offer a short justification for the choice of cases, which will lead into a thorough discussion of the history, organizational structure and composition of each chosen MSI. This deep background knowledge of cases is important to build an understanding of the critical choices and meaningful junctions which occurred in each initiative and which are analysed in the subsequent section.

The last section of this chapter will compare the chosen cases by making use of the dimensions in our previously compiled MSI-classification. Each case will be examined alongside the relevant MSI-dimensions and the paired collaborative strategies. Alongside these concepts, possible links between collaborativeness and quality in labour governance are highlighted. The chapter will end in a thorough discussion about the relevance of collaboration not only for the quality, but also for the notions of effectiveness and impact of global labour governance.

## **2. Characteristics of Collaborativeness and Governance-Quality**

We saw in the previous section that global labour governance is a field of multiple forms of multi-stakeholder cooperation. The typology assembled in the previous chapter also showed, that although all initiatives are based on multilateral cooperation, they may represent fairly different levels and intensities of collaboration and governance-quality. As the literature does not offer any comprehensive concepts to identify levels of collaborativeness and quality in multi-stakeholder governance, this section represents an effort to fill this gap.

By using the previously defined stakeholder-strategies outlined in Chapter 6.A.2, the following will propose a conceptualization of both collaborativeness and governance-quality. I will make use of the outlined stakeholder-strategies instead of the MSI-classification, because 1) they are able to portray a series of stakeholder-decisions, which establish structures of collaboration and governance; and 2) they are better suitable to follow the development processes within MSIs, which is key for our analysis.

Table 11 offers an overview of how the levels of collaborativeness and governance-quality tie into the decisions of stakeholders, when designing multilateral cooperation. Not each level is important for both, collaborativeness and quality. By applying the relevant dimensions, the following definitions of collaborativeness apply for labour-related MSIs:

- ✓ *MSIs with high levels of collaborativeness* are characterized through consensual processes for the definition and interpretation of their core-issues. They operate with funding from multiple sources and include a high diversity of members (concerning type and geographical origin) who are somewhat similarly represented. The coordination of these MSIs is based on an equal share of responsibilities between all actors, in executive- and rule-making decision as well as in implementation.
- ✓ *MSIs with low levels of collaborativeness* have their range of issues defined by one, leading actor, which also provides the funding. Membership is either not very diverse or displays a very unequal representation of diverse actors. Coordination is captured by the leading party in all executive, rule-making and implementation capacities.

**Table 11: Characteristics of Collaborativeness and Governance-Quality**

Stakeholder-Strategy	Characteristic	Collaborativeness		Governance-Quality	
		Low	High	Low	High
<i>Organizational Strategies</i>	Identification of Core-Issues	Defined and interpreted by leading party.	Consensual definition /interpretation.	Weak formulation, not appropriate to target issue.	Stronger formulation, appropriate for topic.
	Funding	One source.	Multiple sources.	Entirely funded by rule-targets.	Multiple, target-independent sources.
<i>Coordination Strategies</i>	Membership	Low diversity of members by type and origin and/ or unequal representation.	High diversity of members by type and origin and/ or equal representation.	n/a	n/a
	Degree of involvement	Executive and rule-making bodies exclusively lead by one party.	Executive and rule-making bodies equally represent all stakeholders.	Weak and/ or informal commitment.	Stronger, more formal commitment.
	Coordination of Collaboration	Executive coordination through leading party.	Consensus-oriented with equal distribution of responsibilities.	No defined responsibilities, no fixed structures for cooperation.	Clearly defined responsibilities, fixed structures for cooperation.
<i>Implementation Strategies</i>	Tools and Responsibilities	All implementation responsibility lies with one party.	Even share of implementation-responsibilities between all stakeholders.	Inappropriate with weak or no enforcement and using few tools.	Appropriate. Stronger enforcement mechanisms, diversity of tools.
	Independence from rule-targets	n/a	n/a	High operational dependence.	High operational independence.
<i>Legitimacy Strategies</i>	Transparency	n/a	n/a	Low/ No transparency.	High transparency.

Source D: Author's own illustration (2017).

As we seek to explain the quality of governance alongside the same stakeholder-strategies as the ones of collaborativeness, the following definitions for governance-quality will apply:

- *A high level of governance-quality* can be found in initiatives whose goals are strongly and precisely articulated, with adequate and to the point formulations. Funding will be from multiple sources if possible and entirely independent from the targets of regulations. Coordination is based on a strong and formal commitment, which is bound by a clear distribution of responsibilities and fixed structures of cooperation. Implementation is strongly enforceable, involves independent third-parties and guarantees complete public transparency of the processes and results.
- *A low level of governance-quality* is subject to MSIs with weakly formulated target-issues who set inappropriate standards to achieve the set goals. These operations are highly dependent on their target-groups, in terms of funding and operations. They have weak or informal structures of commitment, no clear defined responsibilities, and no fixed structures for collaboration. Implementation uses inappropriate tools, lacks capacity of enforcement and display low or no levels of transparency.

Both concepts of collaborativeness and governance-quality are ideal types (in the Weberian sense) and may not exist as such in reality. They are therefore models to which the reality of our cases will be compared.

### **3. The Choice of Cases**

For studying the links between collaborativeness and governance-quality in labour-related MSIs, the following two Governance-initiatives were selected: 1) the privately-led Fair Labor Association (FLA); and 2) the publicly-led ILO Better Work Program. The cases were deliberately chosen from the pool of Governance-MSIs, as they will also be used for the subsequent quantitative analysis, where their social audit data come to use. Within this pool, the

choice of cases was made based on their similarities concerning operational scope and goals and their differences in the dimensions of coordination, implementation and legitimacy strategies.

Regarding their operational goal, both MSIs focus on labour standards in GVCs as central issue of their program. Additionally, both initiatives were designed and developed as single-industry programs with focus on the global apparel sector. The declared purpose of both initiatives is consequently the improvement and enforcement of a fixed set of global labour standards, in each referenced to the ILO, within the global value chains of apparel, textile and garment<sup>55</sup>.

Yet apart from these similarities in operational goals and industry-scope, the initiatives have chosen extremely different approaches regarding coordination and implementation in their governance programs. Classified as privately-led initiative, the FLA is for example organized alongside the value chains of its participating corporate members, relying on their finances and the enforcement of mechanisms through their lead-firm leverage. Coordination is value-chain focussed and FLA multi-stakeholder involvement is established mainly through advisory-roles and pipelines of complaint. Due to several scandals in factories associated with them, the FLA has had several difficult time-stretches, fighting for a positive reputation of its governance.

Better Work on the other hand is an ILO-led initiative and focusses on factories in GVCs through local enforcement-mechanisms within country programs. Here, the involvement of social partners and local governments is strategically used to reinforce implementation. Better Work's tripartite committee-based system on the national and global level has won this organization a golden reputation amongst labour-related MSIs, not only in the apparel industry.

It is these similarities in goal and scope paired with the extreme differences in execution, which make the FLA and the BW Program suitable cases for the following analysis and comparison.

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<sup>55</sup> The scope of FLA governance additionally includes footwear, with Nike Inc. being one of the founding corporations of the initiative.

#### 4. The Fair Labor Association

*Historically*, the foundation of the Fair Labor Association (FLA) can be traced back to a meeting in the White House in 1998, where several companies, NGOs and unions were convened by the US-president at the time, Bill Clinton. Motivated by embarrassing findings of sweatshop-like production under the Kathie Lee Gifford label in New York and Central America, Clinton challenged the invited to create a joint initiative to improve working conditions in the apparel and footwear industries. This meeting would lay the foundation of the Apparel Industry Partnership (AIP), creating the groundwork for a lengthy and conflict-heavy process of which would eventually develop the FLA.

The AIP, also known as the "anti-sweatshop taskforce", originally consisted of 18 members from US-based companies, NGOs and unions tasked with the drafting of a code of conduct which could be used for the certification of garment-factories that were associated with US lead-firms. However, after months of unsuccessful negotiations, nine companies and NGOs of the taskforce formed a separate committee of discussion, finally drafting a "preliminary agreement" which included the proposal of a newly created monitoring body – the FLA. On November 2, 1998, the proposal was presented to the AIP, and found endorsement of four more companies<sup>56</sup>. However, the participating unions UNITE (Union of Needletrades, Industrial and Textile Employees) and the Retail Wholesale Department Store Union (RWDSU), as well as the NGO Interfaith Centre on Corporate Responsibility (ICCR) refused to accept the proposal and instead chose to leave the taskforce in protest (Gallin, 2000: 24-25). On the reasoning behind their withdrawal, the UNITE and the ICCR representatives stated:

“We are...concerned that this agreement will reinforce the tendency to view voluntary corporate codes of conduct as a substitute for the enforcement of existing laws and the adoption of legislation and trade agreements designed to protect the

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<sup>56</sup> The nine task force members that reached the preliminary agreement were Liz Claiborne, Nike, Reebok, Philips Van Heusen, Business for Social Responsibility, the Lawyers Committee for Human Rights, the National Consumers League, the International Labor Rights Fund and the Robert F. Kennedy Memorial Centre for Human Rights. The four other companies joining the agreement were L.L. Bean, Patagonia, Nicole Miller and Kathie Lee Gifford (Gallin, 2000: 25).

rights of workers in the global economy. While such codes can in some circumstances supplement the rule of law in protecting workers rights, they are a step backward when they undercut the demands and actions of the anti-sweatshop movement and allow corporations to carry on business as usual." (UNITE)<sup>57</sup>

"The agreement...does not commit participating companies to pay a sustainable living wage in apparel and footwear plants around the world. A factory may be clean, well-organized and monitored, but unless the workers are paid a sustainable living wage, it is still a sweatshop." (Rev. David M. Schilling, ICCR)<sup>58</sup>

The ICCR further criticized that the agreement did not spell out how the right to freedom of association (FoA) would be protected in countries, where this right is denied by national legislation. With this they highlighted that "Independent unions, controlled by workers, are an important element in the struggle to eliminate sweatshops", and that this what not sufficiently addressed by the AIP proposal (Sister Dolores Brooks, OP, Co-Chair of ICCR, Nov 5<sup>th</sup>, 1998).

Beyond lacking the protection of FoA-rights, the central two points criticized by UNITE regarded a proposed 95%-rule of monitoring and the plan that companies would select and monitors their suppliers themselves. To these topics UNITE emphasized that "companies are free to choose the same accounting firms as monitors that they have always employed for that purpose, including firms that perform other services for the company... [additionally], on the basis of as few as 10% of a company's facilities subject to an annual inspection in an initial three-year implementation period and as few as 5% a year thereafter (the so called 95% rule) (...) a company could be declared in compliance with the code" (UNITE commentary on AIP "preliminary agreement", Nov 2<sup>nd</sup>, 1998).

The drafting corporations' response to this criticism displayed understanding for this concern, but no will to find a compromise. Their principle argument thus concerned the scope and leverage of the program, highlighting that the AIP (and later the FLA) would be dependent on

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<sup>57</sup> Statement from UNITE on AIP "Preliminary Agreement", Nov 5<sup>th</sup>, 1998. Online archived under <https://archive.cleanclothes.org/urgent-actions-list/478.html>.

<sup>58</sup> Statement from Rev. David M. Schilling, spokesperson of Interfaith Centre on Corporate Responsibility (ICCR) on AIP "Preliminary Agreement", Nov 5<sup>th</sup>, 1998.

the participation of more brands and major retailers, such as Wal-Mart, to make a substantial difference. While the brands at the AIP-table insured to have a general sympathy for the NGOs' and unions' proposals, they argued that this would not be acceptable to the rest of the industry and would thus have to be rejected. "In this instance, corporations did not use the direct threat of their defection [as an argument against stronger regulation], but rather the threat that the initiative would not grow due to its inability to attract new corporate members" (Anner 2012).

Finally, after the disruption and internal conflict in the AIP which led to the loss of the unions as participants, in January 1999 the FLA institutionalized as a 501(3)-non-profit organization under US law, counting nine corporate members and five members from NGOs. As a sign of good will, the original draft was reviewed with some of the unions' proposals and the FLA finally required member-MNCs to have 30% of their factories inspected by independent monitors within the initial implementation period (varying between two and three-years). The original governing board consisted of six corporate and six NGO representatives, as well as one elected chair and could agree upon changes to the code of conduct and the monitoring system only by a supermajority vote, granting veto-power to each side (Anner, 2012: 616). Finally, the financial setup of the organization was largely built to rely on the financial support from the FLA's corporate members in the form of private donations and annual fees, as well as on additional finances from public grants.

Yet even after revising the FLA's monitoring mechanisms and tightening rules, criticism regarding the association's system persisted. Especially after several American universities decided to join the FLA, to subject the production of their branding-items to the FLA conduct, country-wide student protests flamed up. Most of them were led by the student-movement USAS (United Students Against Sweatshops) and marched under the banner of the World Action & Awareness Coalition against sweatshop conditions (and for monitoring) at the production of university clothing (WAAKE-UP). As a direct response and alternative to the FLA, in April 2000, a coalition of USAS, other student movements, university administrators and labour rights experts pushed for the creation of the Worker Rights Consortium (WRC).

After continued student pressure, about 35 colleges and universities joined the WRC, which plans to monitor labour practices through surprise checks rather than planned monitoring visits. In the following years, several more universities drop out of the FLA to join the WRC, but still many other universities remain with the FLA. Notwithstanding the continued student protest movement, many university leaders thus see the FLA as "necessary", relying on the argument that they otherwise would not have sufficient leverage to make the big industry-players cooperate. The incident in which Nike reportedly cancelled their contracts with the Ivy-league institution Brown after the university joined the WRC, was often used as justification.

In August 2001, after protests slowly lost their momentum (although not disappeared), the FLA kicked off their first year of formal monitoring. Later in the year, the so called Third-Party Complaint Procedure, which allows workers, unions and NGOs to file complaints and reports of abuses at the FLA, was launched. Due to continued pressure from activists, in 2002, the FLA announces to adopt a new policy, guaranteeing that all FLA independent external monitoring visits will be unannounced "unless there were good reasons to announce them" (FLA Annual Report, 2003: 146). Additionally, all monitoring reports (so-called tracking sheet) are subject to be published online under a strict transparency commitment.

*The FLA Governance-mechanisms* is based on a combination of company-duties to create internal processes which accommodate the FLA code of conduct, an ongoing obligation of self-assessment, and a yearly obligation to subject 5% of the value chain's factories to external, third-party monitoring. In table 12, the FLAs main processes and mechanisms of governance are listed in eight steps, which each FLA-admitted company pledges to implement.

In a first two- to three-year implementation period, buyer companies must assure that processes are implemented internally, the appropriate staff is selected, educated and trained and that internally processes of monitoring and remediation are set-up and conducted correctly. Within the first year of this period, additional external audits are conducted to review high-risk factories and establish a margin of expectation for future assessments, some of which are unannounced.

In year two of implementation, a margin of 5% of factories is assessed by external monitors. These factories are selected by the buyer-companies under advisement of the FLA. A procedure which will be repeated yearly, also after implementation.

**Table 12: Governance Process-Steps and Mechanisms of the Fair Labor Association**

MECHANISM	PROCESS STEP	Period	MECHANISM
<b>0. Initial implement. period</b>	Implementation period for preparing and implementing FLA code in supply chain.	2-3 years	Length of period at discretion of company (“compliance as lengthy process”): Implementation of mechanisms 1-6.
<b>1. Code of conduct implementation</b>	Announcement of official commitment to implement FLA-code in processes of manufacturing.	Impl. Period	<ul style="list-style-type: none"> <li>- Naming responsible person or division for promoting code compliance in chain.</li> <li>- Training of compliance personnel to ensure standards are recognized as basis for continuation of supplier relations.</li> </ul>
<b>2. Internal Monitoring</b>	Companies are responsible for establishing internal system of promotion for the code’s standards through education, monitoring and remediation.	Impl. Period	<ul style="list-style-type: none"> <li>- Informing workers of their rights in code;</li> <li>- Establishing relations with local NGOs and unions to identify common violation;</li> <li>- Training company monitors;</li> <li>- Conducting periodic unannounced and announced factory visits</li> <li>- Establishing processes of remediation.</li> </ul>
<b>3. Independent external Monitoring</b>	Companies must allow external monitoring. Issues identified here serve as priority to address. FLA receives report at the same time as buyer-company.	Year One	- In Year One announced and unannounced visits at selected (by buyer-company under consultation of FLA) "high-risk" facilities.
		Year Two	- In Year Two, FLA staff selects the monitor, factory and date of visit. - A 5% ratio of factories in participating companies’ supply chains are selected.
<b>4. Remediation</b>	When non-compliance is identified, company is responsible for effective remediation.	When in question	<ul style="list-style-type: none"> <li>- Making physical changes to facility, build management capacity, conduct training</li> <li>- Discontinuation only at repeatedly unsatisfying results.</li> </ul>
<b>5. Verification /Accreditation</b>	Independent verification of progress and effectiveness of internal compliance programs at FLA buyer-companies.	Yearly	<ul style="list-style-type: none"> <li>- Annual audit of buyer to review internal procedures and documentation.</li> <li>- Field visits to observe local compliance staff, assess factory conditions and remediation.</li> <li>- Further factory visits are scheduled by FLA, where remediation not sufficient.</li> </ul>
<b>6. Public Reporting</b>	Company obligation to report on progress, both on macro and micro level.	Yearly	<ul style="list-style-type: none"> <li>- FLA issues a public report, reviewing the <i>global compliance record</i> of companies.</li> <li>- FLA publishes tracking charts of external monitoring and remediation on website</li> </ul>
<b>7. Third Party Complaint procedure</b>	Allows for an individual or organization to report serious incidents of non-compliance with the FLA-code to lodge a complaint with the FLA.	When in question	<ul style="list-style-type: none"> <li>- Third party provides detailed information on the non-compliance, including evidence.</li> <li>- FLA Executive Director assesses complaint and makes determination, whether case will be forwarded to appropriate buyer-company.</li> <li>- In case complaint is forwarded, buyer has 45 days to report back with plan of remediation.</li> </ul>

Source: FLA yearly reports, 2003-2014; FLA assessment and training portal; FLA document on “principles of monitoring” (2005) and association’s website fairlabor.org. Summary of process-steps and presentation by author.

Once the implementation period has been successfully completed, the members are taken under review by the FLA to verify whether all processes have been implemented with due diligence. If verification is successful, members can achieve an FLA-accreditation based on the full setup of procedures outlined in process-steps 1-3 in table 12. The purpose of this accreditation is described in the following: “The FLA does not offer certification, and does not accredit brands or factories. Rather, FLA specifically accredits a company’s compliance program to indicate the presence of systems and procedures required for successfully upholding fair labour standards throughout brands’ supply chains” (FLA Website<sup>59</sup>, 2017).

As the association kept growing and developing, systems of remediation and third-party complaint were given a higher priority to open channels of communication for worker’s concerns and allow for more collaboration with organized workers. Yet the principle points of criticism from activists remained: the relatively low threshold of 5% monitoring-ratio and the high freedom of buyer-companies to choose both external auditors and monitored factories remains to date unchanged. The main criticism is here, that to complete the third-party audits required by the FLA, buyer-companies can hire auditors like Ernst & Young or Pricewaterhouse Coopers, with which they have been working for years on other issues, and which face many allegations of easily overseeing the shortcomings of their profitable clients (O’Rourke, 2003).

To increase the trust in its processes, the FLA has constantly tried to further develop the mechanism of monitoring used to assess affiliated factories and buyers. In 2005 for example, the so-called FLA 3.0 methodology was introduced, focussing on a multi-stakeholder process which serves to identify, prioritize and remedy compliance risk, preferably through capacity building. The released document outlining these new “principles of monitoring” (FLA, 2005) sought to highlight how both the obligations of companies and the obligations of external monitors must be upheld to achieve an effective monitoring system. However, after a new wave of scandals in 2012, the FLA again redefined it’s monitoring to a system branded as “Sustainable Compliance (SCI) Methodology”, and what is still used today.

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<sup>59</sup> <http://www.fairlabor.org/accreditation>.

The SCI methodology has been used for all FLA-audits from 2012 forward and is built on three main principles: assessment, reporting and capacity building. It marks the FLA's strategy to ensure that assessments are "both deeper and broader than a conventional audit" (FLA, 2016: 2). Another important characteristic of the SCI strategy is a high level of transparency. This policy further includes publishing the full amount of FLA-factory assessments – so-called tracking sheets – on their website, including the name of buyers, sourcing countries and some supplier information. Each report contains a list of violations, including detailed explanations of the violation and recommended action. Follow-up notes mark revisits and the progress of recommendation-implementation (see Annex 2.1 for an example of FLA-tracking sheets).

Based on these systems, FLA-affiliates have conducted and published about 2,000 external audits in facilities associated with their corporate partners since 2002. The audits are concentrated on the FLA code of conduct and focus on violations in nine areas of labour standards: employment relationship, non-discrimination, harassment and abuse, forced labour and child labour, freedom of association and collective bargaining, health, safety and environment, hours of work and compensation. The areas of forced labour and child labour are regarded as zero-tolerance standards, where non-compliance leads to an immediate need for remediation. All standards directly or indirectly refer to the ILO's international core labour standards (as outlined in Chapter 4.3). See Annex 3.1.a and 3.2.b for the complete outline of FLA Principles and the full Code of Conduct.

*FLA Membership*, too has evolved over the years, seeing periods of growth as well as decline. From the initial 13 members which agreed to the "preliminary agreement" in 1998 to form the FLA, the association grew its membership in the subsequent 5 years to 20 participating companies and 179 colleges and universities. Only the number of NGOs declined from originally five to finally four member-organizations (FLA Annual Report, 2003).

In 2003, the FLA considered for the first time to admit a corporate member not from the garment sector. Namely, the agricultural multinational Syngenta approached the FLA after they suffered a massive child-labour scandal in Indian cotton-seed farms associated with them,

seeking to implement a system of private labour governance. After conducting a case study on the sector, the FLA decided roughly one year later that the codes of conduct could be adjusted also to incorporate monitoring activities in the agricultural sector. In 2006, the first monitoring report of Syngenta was published on the FLA website (FLA Syngenta Report, 2006). With this step, the FLA moved from being a single-sector MSI to a multi-sector initiative. Moving forward, the FLA has admitted companies from further sectors, currently counting members among apparel, footwear, electronics and agricultural brands<sup>60</sup>.

Besides admitting brand-multinationals from other sectors, from 2006 forward the FLA also started admitting multinational suppliers, mainly from the garment-sector, into their program. They are admitted through the same vetting-program as multinational lead-firms and explicitly commit to the same standards and obligations as the FLA's full-member buyer companies. With this, the FLA seeks to do justice to those suppliers which are large multi-national companies themselves who direct their own multi-dimensional value chains, and addresses the problem of falling short on the governance of lower-tier suppliers in GVCs.

Another membership-development of the FLA was introduced with the announcement of Category B Licensee memberships in 2004 and Category C and D Licensee memberships in 2008 (see Annex 3.1.c for a full list of the different FLA membership-obligations). Covered under so-called "collegiate licensee agreements", this membership-category includes small and medium-sized companies which produce branded products – anything from clothing and jewellery to luggage – for the universities and colleges associated with the FLA.

Collegiate licensees differ significantly from full FLA-memberships, mostly because licensee companies do not have to subject themselves to the full FLA governance-mechanism. For one, only those factories of Licensees are of interest to the FLA, where college- or university material is manufactured. Furthermore, licensees of Category C and D have no responsibilities of external monitoring, nor do they have any reporting-duty on internal audits or progress.

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<sup>60</sup> See online list of all currently participating brands on <http://www.fairlabor.org/affiliates/participating-companies>, last accessed 15.07.2017.

Licensees are merely given “access to one-on-one guidance and tools, resources, and materials to help them develop compliance systems that respect workers' rights throughout their supply chain” (FLA website<sup>61</sup>, 2017). Without any mechanisms of control of accountability which apply to them, especially the licensees of category C and D are thus part of an FLA best practice sharing platform, rather than participating in the full governance scheme. Here, the FLA appears to follow a strategy of quantity over quality.

*The organizational structure of the FLA today*, was further shaped by another wave of scandals in 2011 and 2012, which heavily damaged the association's reputation. On January 25<sup>th</sup>, 2012, the New York Times<sup>62</sup> publishes an extensive feature about the labour conditions at Foxconn, the largest supplier for Apple's iPads in China. The report received world-wide recognition and documented, amongst others, how violations of excessive overtime and the use of poisonous chemicals lead to worker medical fatalities and several attempts of workers' suicides.

On January 13<sup>th</sup>, only a few days before the release of this article, Apple had become a paying, full member of the FLA. Additionally, after taking a guided tour of Foxconn in February, FLA CEO Aret van Heerden reportedly said that Foxconn's “facilities are first-class; the physical conditions are way, way above average of the norm”, that “Foxconn is really not a sweatshop” and that “workers are very outspoken and they're not intimidated at all” (NY Times<sup>63</sup>, Feb. 2012). The FLA was heavily criticised for both the early praise of Foxconn, and the membership approval of Apple, which was associated with of a very high sum of membership fees paid to the FLA. Many public figures and media-representatives called into question the FLA's independence from its corporate members and openly wondered how critical its factory-assessment could really be.

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<sup>61</sup> Find details under section “Collegiate Licensees” on <http://www.fairlabor.org/affiliates/benefits-membership#LICENSEES>, last accessed on 15.07.2017.

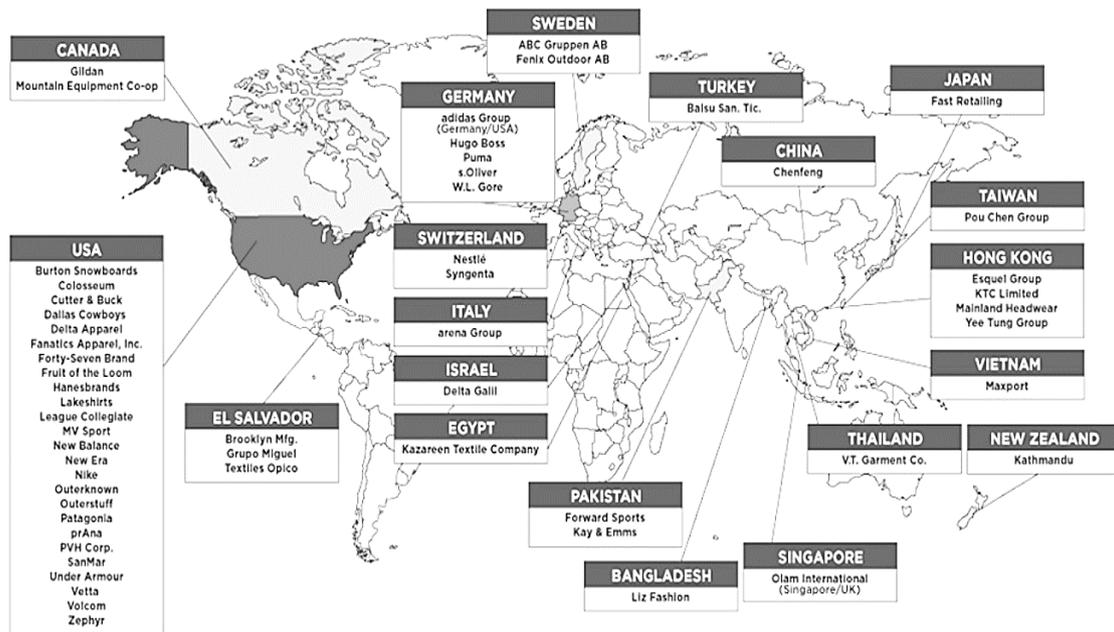
<sup>62</sup> Duhigg, C. and Barboza, D. (2012): In China, Human Costs Are Built Into an iPad. New York Times. [www.nytimes.com/2012/01/26/business/ieconomy-apples-ipad-and-the-human-costs-for-workers-in-china.html?scp=4&sq=foxconn&st=cse](http://www.nytimes.com/2012/01/26/business/ieconomy-apples-ipad-and-the-human-costs-for-workers-in-china.html?scp=4&sq=foxconn&st=cse).

<sup>63</sup> Steven Greenhouse (2012): Early Praise in Foxconn inspection brings Doubt. New York Times. [www.nytimes.com/2012/02/17/business/early-praise-in-foxconn-inspection-brings-doubt.html?\\_r=1](http://www.nytimes.com/2012/02/17/business/early-praise-in-foxconn-inspection-brings-doubt.html?_r=1).

Resulting from this scandal, a loss of members and related financial problems almost led to a complete demise of the FLA. Only through several reforms in the organizational structure, a new CEO, a new program for monitoring (the SCI methodology) and the financial help of some of the larger participating companies to overcome solvency issues, the FLA recalibrated in 2013 and has been able to regain its reputation and membership over the last five years.

Nowadays, the FLA manages offices in Switzerland and China, next to the headquarters in Washington D.C. It employs 33 permanent employees and produces about 200 agricultural and factory-assessments yearly in up to 21 countries. The current organizational governance is based on a strong executive policy-making body, the Board of Directors, which consists of 19 members with equal representation from companies, universities and civil society organizations. Presently, there are however only five NGO representatives on the board, instead of the intended six, leaving the NGO’s slightly underrepresented.

**Figure 7: Current FLA Participating Companies & Suppliers**



Source: <http://www.fairlabor.org/affiliates/participating-companies>. Last viewed, 14.07.2017.

In terms of membership, the FLA presently counts 44 fully participating companies and 15 participating suppliers, of which 27 are FLA-accredited. A geographical distribution of these

companies, can be seen in figure 7. Furthermore, 160 universities, 65 category B collegiate licensees, roughly 550 category C and about 1600 category D licensees are registered at the FLA (see Annex 3.1.c for explanation). The number of civil society organizations, currently seven, seems minimal under these dimensions. Although the FLA repeatedly states, that the association “partners with local civil society organizations, government agencies and trade unions to promote fair labour practices, resolve complaints, and conduct investigations of labour rights violations around the world (...) at the grassroots level” (FLA Website<sup>64</sup>, 2017), none of these are listed by name or as partners in official capacity. This underrepresentation of local civil society actors, national government and trade unions in membership and management capacities remains to the day the biggest challenge to the FLA’s credibility.

## 5. The ILO’s Better Work Program

*Historically*, the Better Work (BW) Program can be traced back to an ILO-programme in Cambodia, which was set up in the aftermath of negotiating a bilateral trade-agreement between the United States and Cambodia: the “US–Cambodia Bilateral Textile and Apparel Trade Agreement (TATA)”, first signed in 1999. The agreement was negotiated to allow Cambodia continued access to the US-market as Cambodia, due to its rapidly growing garment and textile industry, had only shortly before been placed under trade-quotas of the Multi-Fibre Agreement (MFA<sup>65</sup>). Due to the enormous importance of the garment sector for Cambodia (approx. 70% of export share in 2016<sup>66</sup>) and an about 90%-share of its exports to the US at the end of the 1990s, the TATA negotiation was perceived as vital to secure further economic stability and growth in the Southeast Asian state (Oka, 2015).

However, TATA negotiations were held in a time of growing global labour-rights movements in the United States, which were spurred by sweatshop scandals involving important brands, such as Nike and the Gap (Bair and Palpacuer, 2012). Due to a petition to the congress by one of the

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<sup>64</sup> <http://www.fairlabor.org/affiliates/benefits-membership>. Last accessed, 16.07.2017.

<sup>65</sup> An important international mechanism allocating trade-quotas in textile-exports from 1974 to 2004.

<sup>66</sup> Figures based on calculations from <http://www.intracen.org/itc/market-info-tools/statistics-export-product-country/> last accessed (17.07.2017).

leading confederation of American trade unions, the American Federation of Labor-Congress of Industrial Organizations, to investigate working standards in Cambodia, the US administration under Bill Clinton was pressured to further take the issue of labour standards into considerations when negotiating TATA. Consequently, the original agenda with a heavy emphasis on trade-expansion and market-liberalization was reviewed, to include provisions on labour rights and worker's safety (Bair, 2017: 172). One tool growing out of this revision was an ILO-led monitoring program, the so-called ILO Garment Sector Working Conditions Project, which was tasked through TATA to specifically assess labour standards at the factory- rather than the governmental level. The compliance data collected by this program was meant to be used to make varying decisions on quotas under the trade agreement (Kolben, 2004).

Even after the phase-out of TATA at the end of 2004, the ILO-program was sustained and continued its monitoring activities as a renamed organization: Better Factories Cambodia (BFC). The continuation of the monitoring activities and the setup of BFC were motivated by two main realizations. Firstly, the program had become a way for Cambodian garment producers to successfully promote their products as “ethically” manufactured. And although there were already many other certifications of ethical production on the market, the ILO-given stamp of approval quantifiably carried weight with the international buyers and created a strong and positive reputation for Cambodian-made garments (Oka, 2015). Secondly, the BFC represented an unanticipated opportunity for the ILO to reinvent their mechanisms to address global labour standards and to regain grounds on global labour governance, which had increasingly been claimed by private governance initiatives. With this, the creation of BFC – and later Better Work (BW) – also represented a process of “institutional entrepreneurship” on the side of the ILO, which allowed the organization to claim a distinct niche in the rapidly growing market for social compliance auditing in GVCs (Bair, 2017).

Building on the positive experiences of BFC and the successful organizational setup of the national monitoring program, a joint initiative of the ILO and the International Finance Cooperation (IFC) – the World Bank's private-sector credit institution – finally launched the

Better Work Program in 2007 with the official aim to “improve labour standards and competitiveness in global supply chains” (BFC online, 2017). Following a five-year roll-out plan for Better Work, 2008 and 2009 marked the start of the first three country-wide pilot projects: Vietnam, Jordan and Haiti. Over the course of the following years, the BW country-programs in Lesotho (2010), Nicaragua (2011), Indonesia (2011) and Bangladesh (2014) followed. The newest country to join Better Work is Egypt, which is currently in its pilot-phase for the setup of a BW Egypt country-program (pilot phase Jul-Dec 2017).

Originally, Better Work was built with the idea of adding not only country-programs, but also other sectors, such as agribusiness, light manufacturing, transport, construction and electronics (BW Factsheet, 2008). However, presumably due to limits in capacity, this has so far not become reality. To this day, BW remains 100% dedicated to the garment sector, operating through its seven country-programs<sup>67</sup>, representing with an estimated number of 1,9 million workers in 1450 garment and textile factories in its program the presently largest global labour governance program worldwide (BW online<sup>68</sup>, 2017).

*The governance-mechanism of Better Work* is based on a holistic tripartite logic, which is woven into the program on all levels: local, national and global. Benefitting from a unique level of trust due to its standing as an agent of two international organizations, Better Work benefits from the support and involvement of several important tripartite actors at the national and global level. Union-confederations, such as IndustriALL and ITUC, but also national governments and employers’ associations play an important role for the success of BW and are what significantly differentiates this governance-program from other, privately-led forms of labour governance.

Table 13 gives an overview over the actors collaborating in Better Work and the mechanisms used to involve them. We can see, that the management committee of BW is the only non-multi-stakeholder body of the program. In all other committees, the program seeks to engage multiple

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<sup>67</sup> The Better Work country-program in Lesotho (BWL) was discontinued after the main program funder, the United States Department of Labour, stopped all funding of BWL in June 2016 and no alternative source of funding could be found (Lesotho Times, March 18<sup>th</sup>, 2017: <http://www.lestimes.com/better-work-lesotho-in-limbo/>).

<sup>68</sup> Figures taken from <http://betterwork.org/about-us/the-programme/>, last access 18.07.2017.

actors on all levels: globally, nationally and at the factory. For this purpose, forums of advisory, oversight and negotiation are convened to foster dialogue, discuss challenges and find joint solutions.

On the national level for example, each Better Work country-program possesses a national, tripartite oversight body, the so-called Project Advisory Committee (PAC). These PACs convene government officials, members from industry and employers' associations, as well as trade unions, and define the key-rules to each country-program according to national laws. Additionally, the committees are set up to support ongoing operations, encourage social dialogue and strengthen the collaboration between the involved national actors and the Better Work staff operating in the country.

Despite Better Work's inclusive logic, the setup and work of the PACs are not always conflict-free. In the Nicaraguan case for example, Bair (2017) describes how the Nicaraguan Ministry of Labour and the Nicaragua's Free Trade Zone Commission ended up delaying the process of defining compliance criteria in Nicaragua by breaking into an "intra-governmental dispute about the meaning of the country's labour code" (Ibid: 178). Specifically, the Commission and the Ministry disagreed about which of the two should be the organization to provide the program-required public interpretation of the BW labour code on which compliance would be assessed. Such conflicts demonstrate the inherent vulnerability and challenges which come with the consequent multiple-stakeholder involvement practiced in BW country-programs.

Whereas the global and national levels are strongly based on the traditional tripartite working-logic of the ILO, within the country-programs on the local level, the BW additionally focusses on the GVC as a core unit of analysis. By doing so, potential problems resulting from global sourcing-strategies, international buying behaviours and the tensions between local and global markets are able to enter the considerations on both regulation and remediation of labour standards in value chains.

Furthermore, annual assessments at the local level play a key role in the governance of individual factories. Next to the quantitative annual social compliance audits, BW additionally

makes use of so-called impact-assessments, which are based on qualitative methods, such as worker- and management-interviews and observation strategies. Other than the conventional compliance-audits, impact assessments are mainly addressed at questions of program-impact on worker's life and well-being as well as more broad interest about economic development.

The staff deployed for both factory-audits and -assessments is usually ILO- or Better Work-staff itself, which is locally trained and sensibilised for national particularities. Both audits and assessments are based on a set of criteria in core labour areas, so-called compliance clusters, specified by the BW Compliance Assessment Tool. The key clusters of the BW-assessment count the areas of Child Labour, Compensation, Contracts and Human Resources, Discrimination, Forced Labour, Freedom of Association and Collective Bargaining, Key Strengths and Process Integrity, Occupational Safety and Health, Supplier Information, Systems and Working Time (see Annex 3.2.a. and b. for description of Clusters and Compliance Tool).

In terms of capacity-building and remediation, the so called PICCs (Performance Improvement Consultative Committees) play an important role for the Better Work governance logic. PICCs are formed out of management- and worker-representatives, to discuss violations and challenges and develop joint strategies for solutions. This direct involvement of workers in the regulatory process is another unique feature of the BW governance program. PICCs are also a good representation of the prioritization which the program gives to the direct engagement with factories. Factories are therefore understood as “the entry-point into our problem, that is, where we see first and foremost our operations taking place” (A. Rossi, BW-Research Officer, May 2016; personal interview). Alongside the discussion on annual assessment-reports and the fostering of dialogue in PICCs, BW additionally offers advisory- and training-services to factories. Whereas training is especially directed at supervisors of different levels, discussing topics of good management and implementation of labour standards, BW advisory-staff supports factories and brands in remediation, capacity building as well as in technical questions.

**Table 13: Governance-Mechanisms of the ILO Better Work Program.**

LEVEL/ ACTOR	MECHANISM <sup>s</sup> AND PROCESSES	SCOPE
<b>Global</b>	<b>Management Committee</b> - Two members from each ILO and IFC.	4 Members
<b>Global/ Private:</b> Global Buyers and Retailers	<b>Formal partnership agreement</b> commits global partners to: - Stop their own auditing of suppliers in BW - Increase the number of participating suppliers yearly - Support Advisory process and participate in buyer forums - Not create parallel corrective action plans - Ensure rating systems don't penalise factories - Provide sourcing info and establish clear internal roles	30 Brands and Retailers as Global Partners.
<b>Global/ Private:</b> Employers	- <b>Global advisory committee on Social Dialogue:</b> Convenes international employers' associations, apparel brands and international trade union confederations, and their nationally relevant affiliates. - <b>Multi-Stakeholder Program Advisory Committee:</b> advises BW-Management Group on the overall programme regarding strategic direction and partnerships, key developments and trends in global supply chains and labour standards. Consults: donor governments, international employers' and unions, buyer partners and experts from academia, research organizations and think-tanks.	International Organization for Employers (IOE), US Council for International Business USICB
<b>Global/ Labour:</b> Global Union Federations		IndustriALL, ITUC
<b>National/ Public:</b> Governments	- <b>Project Advisory Committee (PAC):</b> National, tripartite oversight and advisory body. Members include government officials, industry associations or employers' representatives, and workers' representatives, such as trade unions. Purpose of PAC is facilitation of information exchange between all country-level stakeholders and the Better Work staff, as well as to encourage social dialogue among national stakeholders.	Cambodia, Haiti, Indonesia, Jordan, Nicaragua, Vietnam, [Lesotho], Bangladesh, [Egypt]
<b>National/ Private:</b> Employers		
<b>National/ Labour:</b> Trade Unions		
<b>Local/ Private:</b> Factories	- <b>Compliance Assessment Tool (CAT):</b> based on national law (differs by program) used for annual unannounced factory visits. - <b>Assessment reports:</b> guidance for factories to improve and very first step of the Better Work program when it starts working with factories. ILO trains local monitors. - <b>Training Services:</b> ensures factories have know-how they need to succeed in improving factory conditions. - <b>Advisory Services:</b> provided by BW-staff, assists in remediation and technical issues.	Roughly 1.450 factories in 7 (active) country-programmes
<b>Local/ Labour:</b> Workers	- <b>Performance Improvement Consultative Committee (PICC):</b> bipartite (worker-management) committee and labour management body, which discusses through audits identified problems between Management and worker representatives, and develops strategies and step	~ 1.9 Million workers worldwide

Source B: Illustration by author. Information from [www.betterwork.org](http://www.betterwork.org) and Bair (2017).

*The strategic setup of Better Work* is based on a combination of global and local strategy-making and implementation. Even though the seven BW country-programs are in many ways

operationally independent, they are still strongly aligned in terms of strategy, goal and organizational logic, integrating each national program into the global Better Work governance strategy. It is this reciprocity between global strategy and local implementation, which makes it possible for BW to take both relevant local (cultural, local industry, national politics and industrial relations) and global aspects (global competition, market pressure and trade patterns) into consideration. This is a key element of the BW program's success.

However, as in all MSIs, BW's success also relies on its ability to foster credible commitment and lasting obligation. For this, a strong collaboration between Better Work and the national governments of BW country-programs is key. As a result of the intense collaboration in several countries, participation in BW has become mandatory for all textile and garment exporting factories in Cambodia, Jordan and Haiti. This offers the worldwide unique opportunity to commit not only a representative few cases within a country to a program, but to foster change and measure impact for the total population of factories within a national industry.

In cases where participation is not mandatory, Better Work, just like any other governance program, must find credible reasons to convince factories of their commitment to grow the national programs. In Nicaragua for example, enlisting key global buyers to advocate for BW was found to be the most important determinant of the program's success (Bair, 2017: 180). Additionally, suppliers in many countries are eager to join BW, when they believe that participation in the program enhances their chances to secure new business and/ or increase their competitiveness (Hess, 2013; Bair, 2017). To accommodate this, the program additionally aims at answering research-questions about the link between improved working conditions and competitiveness at the factory and industry level. Through this it "[makes] use of competitiveness as a key concept to understand whether improved working conditions are rewarded by vendors or not" (A. Rossi, May 2016; personal interview).

Finally, the simultaneous focus on local involvement and the "bigger picture" grants BW a unique standing as a regulative as well as a development agent. The mechanisms of stakeholder-

involvement and strategy-building, as described above, therefore allow for a global program with local implementation. Each country-program has its specificities, tells their own stories of success and faces specific challenges which are locally addressed. Still, BW aims at a larger development agenda: “to see the impact beyond the workplace, what it means for worker well-being, for their families, for their housing, their communities, and their life beyond the workplace (...) we are trying to understand how a quality job in the garment industry can be transformative as a developmental strategy” (A. Rossi, May 2016; personal interview).

## **6. Comparing Patterns of Collaborativeness**

After having outlined both history and development of the FLA and the Better Work Program, this section will compare the initiatives, highlighting both patterns of collaborativeness and quality of governance. A first, more general comparison with the help of our MSI classification unveils both similarities and differences between the cases. The overview in table 14 underlines, that most similarities are found in their scope. Both MSIs focus on labour as the core issue of governance and have a global strategy with focus on global value chains. Furthermore, both cases developed in the garment industry with corporations as their main rule-targets and both MSIs can be classified as Governance-MSIs, committing their members to mechanisms such as third-party monitoring, capacity building and training. These similarities are important as a good base for comparison, because they demonstrate that the purpose of both initiatives was originally very similar, if not the same.

The most obvious differences between our cases are results of their diverse leadership-models, different levels of inclusiveness and their chosen scope of implementation. The FLA thus represents a corporate-led initiative, with intermediate levels of inclusiveness and an implementation focused on buyer-driven enforcement through specific GVCs.

**Table 14: MSI-Governance Dimensions of FLA and Better Work**

	<b>Characteristic</b>	<b>FLA</b>	<b>Better Work</b>
<b>Scope</b>	Topical Focus	Labour as core issue	Labour as core issue
	Scope	Multi-Sector	Single Sector (Garment)
	Coverage	International	International (structured in national programs)
	Framing	GVC-specific	GVC-specific / Development
<b>Member ship</b>	Leader-/ Sponsorship	Industry-led (privately)	International Organization-led (publicly)
	Rule Target	Corporations	Corporations
	Inclusiveness	Intermediate	High
<b>Function</b>	Best practice Sharing	Online system of training and self-assessment.	Training and Advisory -Services
	Certification	Collegiate Licensees	n/a
	Governance	Participating Companies /Suppliers and the factories in their GVC.	Participating Suppliers (national selection) and “global member” brands.

Source C: Author's own illustration (2017).

Better Work on the other hand is led by an international organization, displaying higher levels of inclusiveness and organizing its implementation mechanisms locally, through seven country-programs. The different operational developments which lead to these differences are key to understanding the links between collaboration and quality. The following section will therefore further examine these differences through the characteristics of stakeholder strategies, which represent the choices made that lead up to the organizational differences between FLA and BW.

*i. The Significance of Public vs. Private Leadership*

Even though the FLA's origins lead back to a public incentive of the Clinton-administration, the initiative's later development was mainly corporately orchestrated and it can therefore safely be classified as private, industry-led platform for multi-stakeholder governance. Coincidentally, also BW's historical roots lie within the Clinton administration. Yet here, the president played a less proactive and more reactive role, facing the increasing social pressure from labour-activists during the US trade-negotiations with Cambodia. This initiative's further development, from the Garment Sector Working Conditions Project, to BFC, and later BW, was however completely directed by the ILO and thus represents a public governance-initiative, led by an international

organization. The assumption that the differences between public and private leadership has a direct influence on the overall level of collaborativeness in MSIs, cannot be immediately verified. We can however see indisputably differences in the composition and involvement of members, which reflect the diverse priorities of each distinct leadership-model in each of our cases. Some of these differences are listed in table 15.

In the FLA for example, the composition of membership is clearly biased towards corporate actors. Corporations set out to self-govern their suppliers, and only allowed for other stakeholders to participate where necessary. Even the framing of its core-issue specifies the FLA as an organization which aims to correct problems created by corporations through corporations: “seeking to ensure that participating companies observe the fundamental labour standards enshrined in the FLA Code of Conduct in factories where their products are produced” (FLA Annual Report, 2003: p. 5). Moreover, FLA-membership systematically attracts mainly corporate brands and universities in their capacity as buyer. Social actors on the other hand are under-represented and have little responsibilities in processes of rule-making and implementation. NGOs and independent experts which are members of the FLA, are thus mainly involved on an advisory level.

**Table 15: Members and their Involvement in FLA and Better Work.**

	<i><b>FAIR LABOR ASSOCIATION</b></i>	<i><b>ILO BETTER WORK PROGRAM</b></i>
MEMBERS	<u>FULL MEMBERS:</u> GVC-Lead firms (Participating Companies and Suppliers)  <u>OTHERS (LICENSEES):</u> Suppliers of brands and universities	<u>FULL MEMBERS:</u> Factories, GVC-Lead firms.  <u>OTHER PARTICIPANTS:</u> Governments (of country-programs), Trade Unions; Business Associations
DEGREE OF INVOLVEMENT	<u>Executive lead:</u> Board of Directors (60% buyers, <30% NGOs)  <u>Advisory role:</u> Independent experts and NGOs.	<u>Executive lead:</u> Board of Directors (100% from ILO) and Tripartite committees on national and global level.  <u>Advisory role:</u> Global Union Federations; NGOs; Independent experts.

Source: Author’s own illustration (2017).

Moreover, Public actors and trade unions have no official association with the FLA, and are only consulted in cases where local expertise is needed. As a result of this membership-composition, 95%<sup>69</sup> of FLA-members are either buyers in GVCs (including universities as lead-firms of college-brands) or licensed suppliers, leaving social and public actors gravely un- or underrepresented.

In contrast, the Better Work Program set out as a public program, seeking to engage a variety of tripartite actors to implement social changes in the garment-exporting factories of specific countries (first Cambodia, then others). The diversity of actors involved is one of the core strategic elements of BW, especially highlighting the relevance of stronger local actors to increase the effectiveness of global labour governance: “the future rests with the collaboration of partners at the national level together with international buyers” (BW online, 2017). To establish BW-membership, it was thus the supplier-factories which were approached as key-members of the program, whereas the relevant international buyers were included only in a second capacity. Furthermore, local unions and national governments were all given substantial representation in the governing bodies of BW’s country-programs. The Better Work’s global policy body further involves global trade union confederations and international business associations. Due to the very even involvement of all public, social and private actors in the program’s strategic decision-making processes, BW has been argued to represent a new, “hybrid” form of governance, which is neither fully public nor fully private (Bair, 2017). Somewhat critical of this I argue, that despite the strong involvement of multiple actors, the public component and leadership of Better Work through the ILO and IFC is still instrumental for the initiative’s success. Especially the ILO as BW-draught-horse allows the initiative to a) retain a strong financial and organizational capacity, b) preserve an impeccable and impartial reputation and c) commit a multitude of actors in its operation, which are high in demand for cooperation in labour governance (such as local and international trade unions).

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<sup>69</sup> Considering a membership of 360 (42 MNCs, 300 universities, 14 suppliers, 4 CSOs) and counting 6 universities in the Board of Directors as advisory /research, plus the 4 CSOs, results in about 3% of members being non- economic entities.

Considering these differences, we can conclude that the BW displays both a higher level of membership-diversity and a higher level of member-engagement than the FLA, which overall suggests a higher level of collaborativeness in this area. However, it is still not completely obvious why this should also be interesting in terms of quality of governance.

First, I argue that collaborativeness in membership (i.e. the diversity of members) promotes the quality of governance especially due to the positive public perception of diversity and the consequential legitimacy gains. Public leadership induces this effect. The perception of BW amongst its members is therefore clearly that of an agent of the ILO, and not that of a private governance scheme. Brand-firms who source from countries where BW is active have come to trust and appreciate the ILO stamp of approval (Oka, 2015) and NGOs and other social actors have a positive opinion about the initiative due to its high diversity among members and the tripartite structures. On all levels, the Better Works legitimacy is therefore high. This is significantly different for the FLA, which has suffered immense reputational loss and faced difficulties (e.g. losing members) due to allegations of unilateralism in governance and the insufficient inclusion of third actors, such as trade unions and NGOs. FLA-processes are therefore often perceived as qualitatively low, simply due to the lack of diversity of actors involved in the initiative's program. Since it is easily visible whether an MSI is very or little diverse in its membership (a simple click on an MSI's website allows this insight), it has become a significant lever for legitimacy gains or losses in the public eye.

Second, we can assume that collaborativeness due to member-engagement creates quality gains of internal governance, coordination and formality. With this argument, I would expect that high member-engagement generates the necessity for MSIs to provide arenas of negotiation to coordinate member's involvement. Through this, fixed structures are established which are a requisite to a more formal organization and coordination of governance. Let us further explore this argument with the help of our cases in the upcoming section.

*ii. Formality vs. Informality in Stakeholder-Governance*

The stakeholder-governance in both the FLA and BW, that is the coordination of interaction and cooperation of involved actors, are distributed over a set of formal committees as well as informal structures. The way these committees and structures differ between our cases is displayed in figure 8. To connect these structures to the quality-levels in governance, let us recall our cases.

The FLA is governed by an executive Board of Directors with intendedly<sup>70</sup> equal representation of companies, universities and NGOs, which takes all major strategic and content-related decisions by supermajority vote, enabling the veto of each group (Anner, 2012). Compliance related remediation takes place between FLA-staff and the responsible buyer-firm, outside a formal committee setting. Local governments, trade unions and local NGOs only participate through FLA-initiated special projects and case studies or can make use of the “third-party complaint system”. However, due to the singular involvement of local and tripartite actors through the complaint system, the FLA is often unable to sustain these relations for future projects. FLA stakeholder-governance therefore only disposes over two formalised consensus-mechanisms: one on the highest, executive level and one for third-party complaints. Both on the implementation and at the local level, coordination is less multilateral (e.g. just between buyer and the FLA) or generally less formal (i.e. in special projects).

In contrast, the internal governance of BW consists of three permanent, formalized committees. At the global level, the executive non-multi-stakeholder management committee consists of four directors from ILO and IFC, which work closely with the Global Advisory Committee (GAC) that consists of global union federations, employers’ associations, governmental and buyer representatives and individual expert advisors. Within each country-program, national tripartite committees, the so-called PACs (Project Advisory Committees), have competencies of rule-

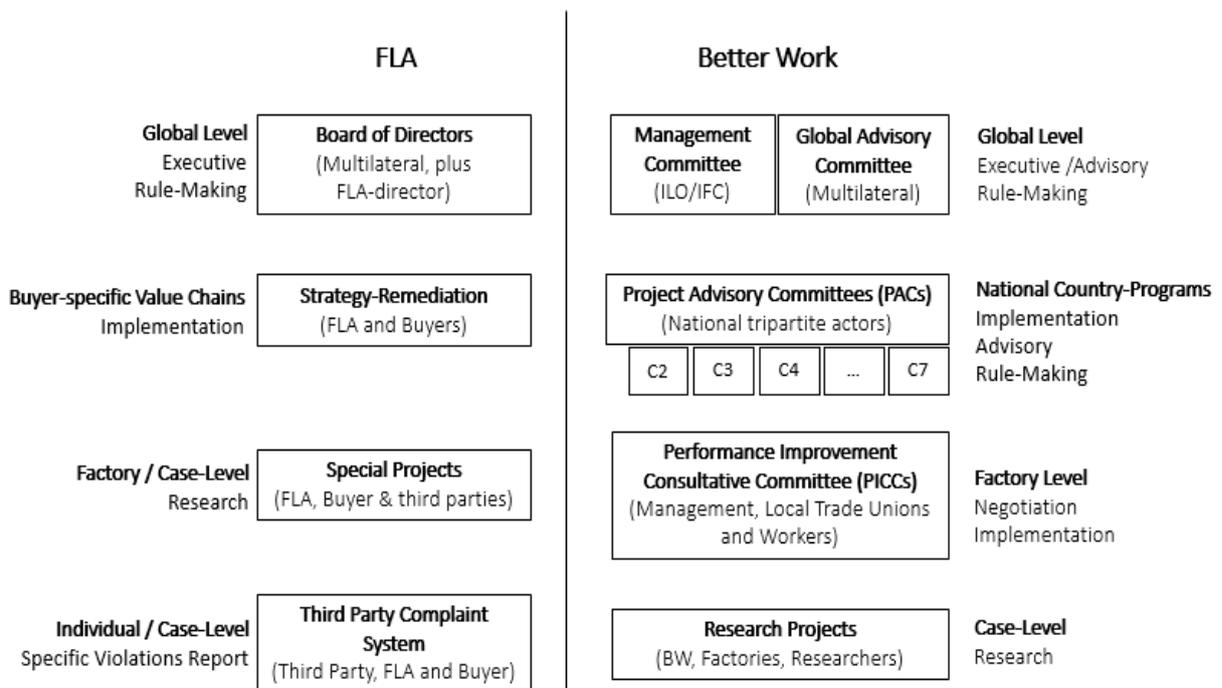
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<sup>70</sup> Even though each group should be represented by 6 members, currently the representation of CSOs only counts 4 members plus one extra individual affiliated to a Law School. The intended equal representation is therefore currently (July 2017) not in practice.

interpretation and act as strategic advisors to the BW country-program officers. On the factory level, special Performance Improvement Consultative Committees (PICCs) establish an arena of negotiation between management, trade unions and workers. Due to these three-levels of multi-stakeholder committees, local, national and global multi-stakeholders are all involved in formal consensus-seeking processes of decision-making.

Regarding the formal and informal structures of stakeholder-governance in our cases, several possible links between the level of collaborativeness and the quality of governance can be identified. First, the organizational structure in both initiatives suggest, that a high level of inclusiveness can only be sustained where the stakeholder-involvement in processes is thoroughly coordinated. In other words, in both of our cases the most formalized structures can be found, where the number of stakeholders and thus collaborativeness is high. In the case of BW for example, both the GAC and the PACs were specifically built as arenas for stakeholder-engagement.

**Figure 8: Characteristics of Stakeholder-Governance in the FLA and Better Work.**



Source: Author’s own illustration (2017).

Clearly defined tasks (e.g. interpretation of national guidelines in PACs) structure their roles and give the stakeholders purpose within their space of operation. Here, a high level of collaborativeness is reinforced through high levels of formal coordination and a clear share of responsibilities, which are indicators of governance quality.

Secondly, in the case of the FLA, the only permanent arena of multi-stakeholder engagement is the Board of Directors, which includes representatives of each stakeholder group in the FLA (universities, companies and CSOs). The FLA's University Advisory Council (UAC) gives council to the board on questions of strategy and monitoring, is however unilateral and does not serve multilateral collaborative purposes. Also implementation and remediation, even though linked to formal procedures and codes, are unilaterally pursued by lead-firms or at best bilateral, including the FLA. These low levels of collaborativeness have led to a severe lack of confidence in the process quality of the FLA.

Thirdly, we can examine the other FLA pre-defined mechanism of multi-stakeholder engagement, the FLA's third-party complaint mechanism. Here, even though the complaint system is formalized, the involved structures, problems and actors are never permanent. Additionally, instead of establishing engagement, dialogue and renegotiation between stakeholders, the mechanism is based on a one-dimensional accusation–address logic. Corrective actions which follow a complaint therefore lie unilaterally in the hands of the affected lead-firms, with few possibilities of intervention or consultation by those stakeholders which have made the accusation in the first place. This case represents a formal, however non-collaborative setting, where the missing inclusion of stakeholders in processes of renegotiation may lead to inappropriate or weak responses and therefore lower levels of governance-quality. Formalization does in this case not automatically lead to higher governance-quality.

In the displayed examples, we can identify several links between collaborativeness and governance quality. First, we see that the collaborativeness between multiple stakeholders relies on fixed structures which allow and establish the engagement and the dialogue between stakeholders. These pre-defined arenas of collaboration, such as advisory committees, clarify

the responsibilities and strengthen the commitment of the involved stakeholders. If these arenas of stakeholder-engagement are offered, actors feel a bigger sense of purpose and belonging and their commitment can be sustained for longer. Higher levels of collaborativeness can therefore lead to higher governance-quality by encouraging the formalization of engagement, which positively affects responsibilities and commitment.

Second, if coordinated arenas of multi-stakeholder collaboration are not offered, the commitment of stakeholders can be short-lived or of little benefit because the potential of the actors stays unutilized and without clear area of responsibility. Lower governance-quality in the form of informality, can therefore have a negative effect on the level and sustainability of collaborativeness in multi-stakeholder governance.

Finally, if formalization is high but collaborativeness low, we find that the expected positive effects of a high quality of governance on its outcomes may be undermined. High levels of collaborativeness thus affect the quality of governance not only as reinforcement, but its absence can also be an obstacle for the effectiveness of high-quality governance.

### *iii. Implementation and Enforcement*

In the previous classification of labour-related MSIs, both FLA and Better Work were identified as Governance-initiatives, reflecting each their requirements of third-party monitoring and other forms of impact assessment. Moreover, both initiatives try to offer a “complete package” of governance-tools from initial implementation to remediation and training. However, notwithstanding the more general similarities of the function of governance in each of our cases, the implementation strategies and enforcement mechanisms used by FLA and BW are in fact rather diverse. The main differences of implementation are created through 1) their choice of mechanisms and scope of implementation, 2) their internal share of responsibilities regarding the execution of these tasks, and 3) the ability to enforce their rules. Table 16 displays the most important implementation mechanisms of each initiative and defines the actors involved in each step.

First, in scope of implementation, both programs target the environment of global value chains. Whereas, the FLA's main mechanisms rely however on the international buyer-firms to convey top-down corrective actions to suppliers, the BW Program engages the supplier factories directly, working with a bottom-up approach. In other words, the selection of monitored GVCs occurs according to member-association in the FLA, and according to geographical location (all exporting factories within the country programs) in Better Work.

Second, concerning the responsibilities of implementation, the FLA largely relies on the lead-firms and their suppliers. Code implementation, internal self-monitoring and remediation are all conducted by the buyers, in collaboration with their suppliers. The FLA itself gets involved sporadically, for example to verify the implementation of the code in the buyer firms, and third-party monitoring is contracted out to external auditors, which are chosen by the lead-firms. In contrast, the BW program handles almost all monitoring themselves, using internal BW-staff in cooperation with local authorities and trade union advisors. All evaluations are made under consideration of discussions and decisions of both PAC and PICCs, and are followed up with training and advisory in the areas of need.

**Table 16: Implementation Strategies of FLA and Better Work.**

Implementation	FAIR LABOR ASSOCIATION	ILO BETTER WORK PROGRAM
<b>Mechanism</b> [Responsibility]	<b>Code of Conduct Implementation</b>	<b>Formal Partnership Agreement</b>
1	Lead firms and suppliers.	Between lead-firm and BW
<b>Mechanism</b> [Responsibility]	<b>Internal Monitoring</b>	<b>Rule-setting in national PACs</b>
2	Lead firm and suppliers.	National tripartite actors and BW.
<b>Mechanism</b> [Responsibility]	<b>Independent external Monitoring</b>	<b>Use of Compliance Assessment Tool</b>
3	Lead firm contracts Auditors.	BW audits suppliers.
<b>Mechanism</b> [Responsibility]	<b>Remediation</b>	<b>Assessment Reports</b>
4	Lead firm works with suppliers.	BW staff interviews workers.
<b>Mechanism</b> [Responsibility]	<b>Verification</b>	<b>Training Services</b>
5	FLA audits Lead-firm.	BW-training for key-staff in factory.
<b>Mechanism</b> [Responsibility]	<b>Public Reporting</b>	<b>Advisory Services</b>
6	Lead firm and FLA.	From BW-advisory staff for lead-firms.
<b>Mechanism</b> [Responsibility]	<b>Third Party Complaint Procedure</b>	<b>Creation of Factory-PICCs</b>
7	Third party, FLA and lead firms.	Workers, factory-managers and unions.

Source: Author's own illustration (2017).

Third, enforcement in the FLA heavily relies on the commitment and leverage of lead-firms through their buying power in the GVCs. Since the mechanisms of Better Work in turn consider problems identified by committees of all stakeholders, they have a higher level of democratic legitimacy within the program. Whereas FLA is thus enforcing through negative incentives (the threat of sanction at misconduct), BW is focussed on a positive incentivization through the member's stronger moral obligation and the promotion of labour standard's "business case" (highlighting the positive relationship between good working conditions and productivity).

If we reflect on collaborativeness and quality of governance in processes of implementation, we find that most of the previously identified links between the concepts can be supported. For example, appointing lead-firms as primarily responsible actors for the implementation of labour governance, as we see it in the FLA, can create several problems for the quality of governance. For one, the FLA itself loses the objective oversight over the monitoring procedures within its program, which creates a high operational dependence. Moreover, although the FLA provides a decentralized web of external monitors to capture compliance, monitoring leaves open questions about the impartiality of audits and is often criticized as influenced by corporate interests: "The FLA does some good work, but we don't think it's appropriate for them to call themselves independent investigators because they're in part funded by companies. (...) Independent monitoring means that you are generally independent of the companies" (Scott Nova, executive director of the Worker Rights Consortium; NY Times<sup>71</sup>, 2012).

These points highlight why the missing collaborativeness in implementation can become a serious quality issue, especially if private actors are involved. Here, the violation of two key characteristics of good governance are underlined: accountability (Baccaro and Mele, 2011) and independence (Palazzo and Scherer, 2012). By failing to distribute responsibility in reporting and implementation through the inclusion of either public inspectors, civil society actors or

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<sup>71</sup> New York Times, February 14<sup>th</sup>, 2012. Online via [www.nytimes.com/2012/02/14/technology/critics-question-record-of-fair-labor-association-apples-monitor.html](http://www.nytimes.com/2012/02/14/technology/critics-question-record-of-fair-labor-association-apples-monitor.html) (last accessed on 24.07.2017).

internal staff, the FLA monitoring and remediation mechanisms largely fails to deliver on both quality-issues.

Better Work on the other hand, while involving multiple stakeholders in different mechanisms of reporting and renegotiation, keeps a good amount of monitoring and assessment tasks inhouse, using especially-trained ILO and BW monitors. Although different than in the FLA, collaborativeness of implementation is in this case also low. The decision to keep assessment tasks close to home is based on two considerations. Firstly, internal staff can receive locally specialized training and are of higher quality than external auditors with no specialized experience. Secondly, the operational independence from rule-targets creates a substantial value in terms of trust-worthiness and accountability of the monitoring results.

Strikingly, in the case of BW we find that complete operational independence in assessment can in fact supersede multilateral collaborativeness in its importance for governance-quality. This is however only the case if assessment-processes are fully internalized by the MSI itself, or by another company-independent third-party (such as an NGO). Bearing in mind that this option may not be feasible for every MSI due to operational and financial limitations, multi-stakeholder collaborative implementation mechanisms, which involve public and/or social actors in tasks of assessment, are still the second-best solution for the quality of governance.

## **7. Discussion: Mutual Reinforcement and The Hen and Egg-Problem**

The comparison between the FLA- and BW-governance mechanisms allows us to make two general reflections about the relationship between collaborativeness and governance-quality. The first can be described as “hen and egg”, or “who comes first?”-problem, describing the unclear direction of the relationship between collaboration and quality of governance. The second discusses the observed tendencies of mutual reinforcement between processes of collaborativeness and structures of high governance-quality.

*The Hen-and-Egg Problem, or the Question of “Who comes first?”* - Even though we see strong interdependences between governance-quality and collaboration in several instances of our

discussed cases, it is not always clear, which characteristic – collaborativeness or quality – is needed first to enable the other. In other words, we find that high collaboration does not automatically create governance-quality, nor does governance-quality automatically create a collaborative setting, but both still seem to depend on each other's impulse in significant ways. Accordingly, what we encounter in the cases of FLA and Better Work is a mixture of relations: Sometimes we see that collaboration leads to higher governance-quality and sometimes we see the opposite, where well-organized structures establish and, more importantly, sustain lasting collaboration. Collaboration and quality are therefore not a one-way relationship and higher quality of governance is just as importance for collaboration as the other way around.

For the strategy of setting up a multi-stakeholder initiative, this means that the simple availability of multiple stakeholders willing to collaborate does not instantly guarantee a good quality of governance. The expectation that each MSI automatically possesses higher levels of governance quality is therefore somewhat simplistic and misguided. This problem is well exhibited through the early development stages of the FLA. Here, a group of willing and diverse stakeholders was convened with the goal to collaborate in designing a global system for garment labour governance. At this point, the collaborative potential of the FLA is high. However, after a smaller, less-collaborative group is able to assert a proposal for governance, which significantly lacks provisions to include organized labour and FoA-issues, several actors decide to leave the collaboration. In other words, due to the acceptance of a lower-quality governance setup, designed by a smaller group of less diverse actors, both the collaborative and quality potential of the FLA were immensely weakened at the same time. Yet coming out on top could have gone both ways: both a higher quality proposal or a proposal developed involving all actors (so a higher level of collaboration) could have led to a more favourable outcome in both dimensions.

The dynamic this problem reveals is closely connected to the second reflection about collaborativeness and quality in the cases of FLA and BW: in both initiatives, we can identify

*Trends of Mutual Reinforcement between Collaborativeness and Quality.* Mutual reinforcement mechanisms are generally interesting because they suggest a more complex and diverse set of relationships between two characteristics than that of simple correlation.

The most straight-forward idea of mutual reinforcement describes a situation in which the improvement of one dimension also benefits the other. We can identify this dynamic in our example of Better Work, where high collaborativeness in membership and inclusiveness (i.e. an even share of tasks and the inclusion of multiple stakeholders in all strategic processes) lead to legitimacy gains and highly specialized and localized processes of rule-making and remediation, which achieve a better governance-fit. At the same time, these processes of stakeholder involvement are linked to established arenas of exchange, which are crucial for the enablement, institutionalization and sustainability of this multi-stakeholder collaboration.

Still, it is not impossible for collaboration to be high and quality to be low. Or vice-versa, to find high-quality governance in a low-collaborative setting. In our cases, we can use the FLA third-party complaint mechanism as example of the former situation. This mechanism is designed to grant access to those stakeholders, which have no place in the fixed structures and processes of the FLA. By allowing third-party actors to file a complaint with the FLA which triggers renegotiation with the buyer in question, this process can be viewed as rather collaborative in terms of stakeholder-engagement. However, despite this collaborativeness, the inclusiveness of the process in terms of decision-making, implementation and follow-up is low. It is therefore the president of the FLA who takes the sole decision on whether a complaint is feasible and thus to be remediated, or not. If accepted, the renegotiation is handed over in its entirety to the lead-firm in question, without actively involving the party of complaint, thereby disabling possibly high-quality governance characteristics, such as independence and transparency.

The latter relationship – quality-governance without collaboration – on the other hand, is demonstrated by the BW monitoring and assessment process. Here we detect an MSI-mechanism which is fully internalized by the organization itself and conducted by BW-staff

only, to ensure quality and trustworthiness of audit-results. In this specific process, collaboration is literally non-existent and still, or better, because of this singular ownership of the task, governance-quality is very high. This case implies however specific conditions. No collaborativeness in implementation will thus only correspond to a high level of quality if the responsible party is impartial and not the rule-target (in our cases, companies). Single enforcement through the rule-targets, as we can find it in the FLA, may seriously undermine the quality of governance outcomes.

Finally, a very interesting characteristic about the mutual reinforcement between collaboration and quality in the cases of FLA and BW is, that reinforcement-benefits are often related to the sustainability of collaboration and good governance. Specifically, in the case of BW we see that fixed structures of exchange within the governance-program are instrumental in distributing responsibilities and tasks to the collaborative partners. These official roles ultimately attribute meaning to the involved collaborators and strengthen as well as sustain their involvement. In return, long-sustained involvement contributes to good governance through identification, internalization of rules and processes and professionalization of the involved actors. The case of the FLA on the other hand demonstrates how the lack of such fixed arenas can lead to short-lived and unsustainable involvement of actors, who are given no further responsibilities beyond a single project and are thus lost for future collaboration.

## **8. Conclusion**

The classification and analysis in this chapter contributed to an overview over the universe of global labour governance initiatives and to a deeper understanding of the relationship between collaborativeness and governance quality in our two chosen cases, the FLA and Better Work. Interestingly, the analysis shows that the general assumption of a linear relationship between collaborativeness and governance-quality cannot be supported without conditions.

First, we came to realize that collaborativeness not only induces the quality of governance, it also requires it for the establishment and continuation of collaboration. This mechanism of

mutual reinforcement supports the finding of Amengual and Fine (2016) that collaboration is undermined if processes of communication and collaboration are not coordinated.

Second, we must realize that there are specific instances in which lower collaboration in implementation may produce governance outcomes of higher, not lower quality. This highlights the importance of the quality of collaboration, which has been little discussed so far. In other words, not only the number of stakeholders of a collaboration is important, but also which stakeholders participate, lead and implement. A general indication of governance quality is thereby always the organizational independence from the rule targets of an MSI.

Finally, the findings in this chapter emphasize the relationship of governance-structures, but are rather modest in their ability to make prediction about the outcomes of governance. For this reason, the next chapter will take a deeper look at the influence of different stakeholder characteristics on governance-outcomes, specifically compliance-outcomes, in MSIs. By asking how diverse conditions of governance may influence the compliance of governance in our cases, we complement the findings in this chapter with insights about diverse stakeholder effects on the effectiveness of multi-stakeholder labour governance. Furthermore, combining insights on structural relations between collaborativeness and quality with findings on the determinants of compliance will allow us to draw valuable insight about the relative importance of internal vs external conditions of governance in MSIs.

## CHAPTER VII.

### SOCIAL COMPLIANCE IN CONTEXT: ASSESSING THE EVIDENCE OF OUR CASES

#### A. DIVERSE CONDITIONS FOR DIVERSE STANDARDS:

##### A Context Analysis of the Fair Labor Association<sup>72</sup>

Even though private labour governance programs have been created to complement public regulation, “stepping in” where governments are unable to act, their effectiveness is often questionable. There is multiple evidence that private governance is enforced patchily, with varied effectiveness, and their sanctions can even be counter-productive (O’Rourke, 2003, Bartley, et al. 2016). Especially for standards which are less tangible and therefore unobservable for auditors, such as freedom of association, harassment and discrimination, private governance is found to be less effective (Barrientos and Smith, 2007).

Due to these shortcomings, questions arise about the conditions under which private governance can be effective and the analysis in this chapter will focus on the underlying question: Which characteristics of the companies and value chains and which factors of the local environment are potentially conducive or obstructive to the effectiveness of private governance programs?

#### 1. Introduction to the Analysis

To answer the posed question, debates surrounding relevant factors for the effectiveness of private governance focus on two areas: the study of contextual variables regarding social and economic upgrading on the one hand (Coe, et al. 2008; Vogel, 2008; Coe and Hess, 2013), and the analysis of firm-specific characteristics on the other hand (Gereffi, et al. 2005; Meardi and

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<sup>72</sup> Note, that an adaption of this chapter has been published as Stroehle, Judith (2017): “The enforcement of diverse labour standards through private governance - an assessment”, in: *Transfer - European Review of Labour and Research*: Vol. 23(4): 475–493.

Marginson, 2010; Locke, 2013). This chapter contributes to both debates: regarding buyer company characteristics, while also taking institutional variables into account.

A significant part of the literature on private governance in GVCs focusses on the importance of vertical governance and power in value chains for the effectiveness of private codes of conduct (Mayer and Gereffi, 2010; Locke, 2013). Factors such as sector, lead-firm and factory size, the magnitude of orders and the length of buyer-supplier relationships have all been identified as significant for private governance outcomes (Locke and Romis, 2010; Locke, 2013). This suggests, that lead-firm and their leverage in GVCs are still a key-factor for the effectiveness of private governance initiatives (Bair, 2017).

However, GVC-literature has been significantly criticised for its strong focus on the firm and for reducing the capacity of public regulation to its institutional background (Horner, 2017). With the increasing awareness of continuous labour-precariousness in GVCs despite multi-stakeholder regulation, the question about national public responsibility resurfaces. To address the shortcomings of the literature, studies with influences from human geography utilized the somewhat broader concept of global production networks (GPNs) to highlight the local and social embeddedness of private governance in GVCs (Coe, et al. 2008; Coe and Hess, 2013). Focussing on the relevance of factories' institutional environments and their relationships with local public and social actors, factors such as national state- (Vogel, 2008; Alford, 2016) and interstate-regulation (Abbott and Snidal, 2012), the rule-of law within a country and the development of local markets (Locke, 2013) are shown to be especially important.

Additionally, notions of public-private synergy (Gereffi and Lee, 2016; Bair, 2017), complementarity (Amengual, 2010; Locke, 2013), cooperation (Amengual and Fine, 2017) and multi-level governance (Mosley, 2011) have become more prominent. Also, the rising number of multi-stakeholder cooperation in private governance fuels the underlying expectation of the literature that shortcomings of unilateral private governance can be addressed through the collaboration in MSIs (Amengual and Chirot, 2016). And indeed, our analysis in the previous chapter suggests that the relationship between collaboration and governance quality – although

not one-dimensional – is of high relevance. The connection to effectiveness on the other hand has not been fully proven yet. Still, the increased interest of public and social actors to co-enforce standards of labour governance suggests that “hybrid forms of governance” (Bair, 2017: 170) may indeed have a higher potential to locally impact worker’s rights. Cooperation with local actors is therefore seen as an important condition for the effectiveness of private governance.

To observe and compare both the impact of structural and environmental features on the FLA-compliance data, the analysis in this chapter will be split in three operational questions. First, which are the main structural components of compliance in the FLA-data, and are they compatible with previous findings? This line of questioning is important to align the compliance-findings of the FLA with those of other, potentially different governance programs. Second, is there evidence indicating that global value chain characteristics, such as e.g. supplier factory size and buyer country-of-origin, are important for the improvement of labour standards? And third, which indications can we make out to interpret certain institutional environments as conducive or obstructive to the effectiveness of FLA-governance?

To answer these questions, the analysis draws on a unique dataset of encoded audit-reports from the FLA. It contributes to the debate on effectiveness, by examining closer how different conditions of private governance affect the level of labour violations in monitored factories. To do this, the two main explanations concerning the conditions of effectiveness, company/value-chain structures vs. the impact of the institutional environment, are tested for their relative importance in presence of each other. To account for unbalanced results of monitoring, the impact of these conditions is tested in relation to two types of labour standards: so-called process and observable standards. This distinction is based on the different tangibility of labour standards (Barrientos and Smith, 2007). Observable standards (such as better wages, safer work environment, etc.) are therefore easier to address and monitor than the more complex process standards (such as empowerment, collective bargaining, freedom of association, etc.), which are

less observable, but enable workers to participate in processes which are perceived as important for the sustainability of labour standards (Barrientos, Gereffi and Rossi, 2010).

This chapter further aims to develop the findings of studies, which show that regional differences (Distelhorst, et al. 2015) and a factory's institutional environment play an important role for compliance with labour standards, stressing the importance of state (e.g. Vogel, 2008; Alford, 2016) and interstate (Abbott and Snidal, 2012) regulation, highlighting the importance of the rule-of-law within a country (Locke, 2013) and suggesting complementarities of private and public governance (e.g. Amengual, 2010; Bartley and Egels-Zandén, 2015).

The analysis in this chapter shows that factors of the local environment a. have a positive impact on the level of recorded violations and b. significantly mediate the impact of company- and supply-chain characteristic on the same. By doing so, it highlights that solid local public regulation and a strong civil-society are important factors in predicting higher levels of private governance effectiveness. Moreover, the findings demonstrate how these effects of public governance differ between diverse sets of rights. Certain standards, namely the so-called process standards (operationalized here as freedom of association, harassment and abuse and non-discrimination), are therefore more affected by public good governance, and possibly private-public cooperation, than others. In other words, private governance seems widely ineffective in addressing enabling rights. With this, the analysis leads into an interesting theoretical and practical discussion about the different tangibility of diverse standards and about the potentially different capacities of private and public governance to protect the rights connected to them.

## **2. The Data**

### *Inspecting the source: Monitoring in the FLA*

As already described in Chapter 6, while all FLA participating partners commit to the initiatives code of conduct, only the members in lead-firm function (the so-called participating companies and suppliers) agree to allow and enforce external auditing within their GVC. Using the FLA's

own SCI “sustainable compliance”-methodology, FLA affiliates have conducted roughly 2,000 audits in facilities associated with their corporate partners since 2002.

Due to the high-transparency philosophy of the initiative, all external audits within FLA-associated factories must be published on the MSIs website. These audits seek to identify potential violations to the code of conduct in nine areas of labour standards: employment relationship (ER), non-discrimination (ND), harassment and abuse (HA), forced labour (FL) and child labour (CL), freedom of association and collective bargaining (FoA), health, safety and environment (HS), hours of work (HoW) and compensation (CO). Each published audit-report (so-called tracking sheets) contains a list of the violations to each of these areas, including detailed explanations of the infliction and the recommended action for correction. Follow-up notes mark revisits to the factory and document the progress of the implementation and remediation processes (see Annex 2.1 for an example of an online FLA tracking-sheet).

#### *Preparation of the data*

The data-set<sup>73</sup> used for the analysis in this chapter is based on the encoding of 1005 publicly available FLA audit reports by the author. The selection of reports for encoding is based on industry (accessories, apparel, footwear and sportswear<sup>74</sup>) and time (audits from 2004 to 2014). Within these parameters every publicly available report at the time was included in the dataset<sup>75</sup>. To aggregate the information of the reports, I counted the number of violations in each area of violation, building numeric variables. With slight variation, each of the nine FLA-code labour standard areas were thus coded as a numeric variable. The areas child and forced-labour were merged into a joined “zero-tolerance” violations-variable.

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<sup>73</sup> In the following called “FLA data”.

<sup>74</sup> 31 buyer-companies are included, all have their HQ in one of six countries: Germany, Hong Kong, Japan, Sweden, the UK and the US. Companies with less than 10 reports online were not considered.

<sup>75</sup> The data-set was built between 10-12.2015. There may be reports that fall into the selection parameters, which were not yet or not anymore available at that time and are thus not included.

The example tracking-sheet<sup>76</sup> in Annex 2.FLA illustrates how the information was extracted from the uploaded tracking sheets. In this extract of an audit-excel sheet we can find information about the auditors, the buyer(s), the size, sector and location of the factory and the date of the first audit and its remediation in the upper left corner. Below the general information about the audit-visit, the nine standards of the FLA code of conduct are listed, each with the possibility to list non-compliances about to specific FLA benchmarks and, if applicable, local labour law.

Wherever the field of “Noncompliance” was filled under IEM (Independent External Monitoring), one violation was counted into the variable of the reference-standard (e.g. Child Labor in the example). If a standard was displayed empty, the variable was encoded with zero violations (e.g. Forced Labor in the example). The box in the right-hand corner displayed information about potential discontinuation of the business relationship between the supplier and the mediating lead-firm. This box only appeared in case of non-discontinuation and was encoded as a binary variable (one for discontinuation) with an extra categorical variable referencing the reason of discontinuation. All information regarding buyers (size, home-country, etc.) as well as the institutional variables about production-countries were collected via online-sources (mainly company-reports and statistical websites of international organizations, such as the WTO, World Bank and ILO). References to these sources can be found in the adjacent encoding-protocol of the FLA-data in Annex 3.FLA.

Even though the data is structured by years, panel quality is unfortunately low (only 20% firms appear twice in time). This is due to the SCI methodology, which updates old reports instead of issuing new scores. Years represented therefore usually highlight the first external monitoring of a factory after the associated lead-firm’s implementation period (2-3 years) to the FLA-program. The dataset is therefore more meaningful regarding distributive structures over different factories and less so in claims of longitudinal inference.

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<sup>76</sup> Not all tracking sheets are uploaded in the same format, some were uploaded as PDF, some in report form and some as an excel sheet. Most of the encoded reports were however found in an excel-format, which is thus used as example as displayed in Annex 2.1.

*Limitations*

The data used for this analysis does not include a counterfactual. The analysis is thus limited to interpreting a population of factories which are all under governance at the point of their audit and the only true statement that can be made is that all developments are valid for this population only. The assumption that developments and dependencies are different for factories without private governance, is only supported by studies with counterfactuals, such as Bartley and Egels-Zänden (2015), not by the data itself.

**3. Analytical concept and variables**

In the following, the level of labour standard violations will be investigated in three steps. The first section will contain a descriptive discussion of the FLA's data, followed by two analytical models testing the same independent variables on different dependent variables (DV). In the first model, the DV counts all violations recorded in the FLA data. The second model concentrates on process rights, combining violations recorded in the field of freedom of association, harassment and abuse and non-discrimination. The third model specifies the number of observable rights (containing hours of work, compensation and health and safety) as dependent variable. As independent variables, I first include a set of firm-characteristics, both production and lead-firm related, testing the importance of company indicators for labour standards. The second group of independent variables considers economic and institutional indicators, accounting for the importance of contextual factors in the study of private governance programs (Barrientos, et al. 2010).

*Company variables.*

This section focusses on those characteristics of companies and the value chain which are believed to have a significant impact on labour standards under private governance. In the following, I will first inspect the characteristics of the GVC lead-firms, such as company-size and ownership-model. In a second step, value-chain related variables concerning

discontinuation and the number of buyers at a factory are examined, finally entering the size of factories as a last company indicator.

*Buyer characteristics.* This chapter focusses explicitly on the governance structures of the FLA. Since the FLA only provides a general framework of labour standard governance, it does not directly affect the relationship between lead-firm and suppliers, but rather adds certain terms and conditions. The involved firms are however still important. Whether this code of conduct is imposed by a larger or smaller lead-firm with lower or higher leverage towards their suppliers may be very relevant (Locke, 2013). Considering this, I will include a size-measure for lead-firms derived from their annual sales and number of listed employees<sup>77</sup>. This measure compensates for wealthy companies with low numbers of employees, such as brand firms which mainly design and market, and overly large numbers of employees of lead-firms with retailing business. Entering this variable into the models, I assume larger lead-firms to have higher leverage towards their suppliers, thus being more able to enforce the FLA-governance mechanisms compared to smaller lead-firms: [*H1.1. - The smaller the lead-firm, the higher the number of violations*].

For an additional variable concerning how lead-firms influence the success of private governance, I enter a dummy-variable on whether the buyer-firm is stock-market listed or not. Many studies hypothesize that companies with strong recognition and higher exposure to the public are more prone to be front-runners in private governance engagements (Vogel, 2008; Mayer and Gereffi, 2010; Bartley and Egels-Zanden, 2015). Stock-market listed companies have a higher exposure to the public, an obligation of information-disclosure and clean image towards their stakeholders. To avoid potential scandals, a higher motivation to manage labour standards within listed companies is likely. Thus, I expect to see a lower rate of labour standard

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<sup>77</sup> Numbers taken from 2014 and 2015 respectively, depending on when latest information was available. All information from stock companies was taken from the yearly financial reports, all information from non-stock listed companies was taken from the corporate websites and corporate material.

violations where the lead-firm is stock-market listed<sup>78</sup>: [*H1.2 – If lead-firm is listed on the stock-market, the number of violations is lower*].

*GVC variables.* Furthermore, strategies of lead-firms regarding supplier-relationships in GVCs may vary greatly (Gereffi, 1994). Locke (2013) shows, that types of relationships between suppliers and lead-firms are dependent on variables such as size of orders, length of business relationship and importance of lead-firm for supplier. To consider some of these factors, I will add two more lead-firm variables: a measure for “other brands” sourcing at the same factory and a measure of “discontinuation” of contract.

Taking audit reports as indicators of success or failure of private governance, we must bear in mind that there may be several governance systems at the same time working within one factory. Not only, as indicated before, must we consider public and social factors. Additionally, one factory may be subject to the requirements and standard specifications of not only one, but several lead-firms. Within the FLA audits we find some information which we can use to control for multiple firms, documented are however only other FLA-buyers. Using this information, I enter the dummy variable “other brands” which indicates whether only one or more FLA member-companies buy from the audited factory. With this variable I control for any effects more than just one FLA-buyer may cause in a factory. Two effects can be imagined. Assuming an increase of pressure due to higher number of FLA-buyers at a factory, lower rates of violations are expected for companies with more than one buyer sourcing from the factory: [*H1.3: The presence of more than one FLA-buyer at a factory decreases the number of violations detected*]. However, conversely we could also expect that with multiple buyers, the leverage of each buyer to implement private governance, becomes smaller, in this case [*HA 1.3: The presence of more than one FLA-buyer at a factory would increase the number of violations detected*].

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<sup>78</sup> This variable only considers the primary lead-firm name on the audit report, other companies which may also source at the factory are being disregarded, *can* however enter the model through a second report.

Furthermore, I include a measure of “discontinuation” of contract. This variable serves as a proxy for the relationship between supplier and buyer. Most codes of conduct contain as ultimate penalty for non-compliance the end of the business relationship. This is however hardly practiced (Gereffi, et al. 2005). Decisions that lead to the end of a buyer-supplier-relationship are instead usually due to cost, quality and/or logistical issues. Also the FLA-dataset only identifies 15% of contract termination due to compliance. The binary variable of discontinuation indicates therefore more than just levels of non-compliance: it can point to a state of relationship between buyer and supplier. I expect that an actual termination is preceded by a phase of negotiation between buyers and suppliers, where supplier experience increased pressure e.g. to cut costs, improve quality, etc. Many studies indicate that such increased market pressures often lead to an erosion of labour standards, which are of second priority next to success and solvency of the firm (Amengual 2010; Locke 2013; Gereffi and Lee, 2016). I therefore assume that the indication of “discontinuation”, preceded by negotiations and economic pressures, bears negative consequences for compliance and leads to a higher level of labour standard violations: [*H1.4: Factories with documented contractual discontinuation display higher rates of labour violations*].

*Supplier variables.* Finally, also suppliers’ characteristics matter for the success of private labour governance. The level of formalization within their organization, the timespan which they have worked on labour standards and their geographical location are all variables decisive on how fruitful the ground is which private governance encounters. Whereas we already control for the institutional environment, previous studies suggest that especially the size of a supplier can indicate on how far their level of experience and formalization has already gone (Locke, 2013; Toffel, et. al 2015). As a final variable regarding companies in the GVC, I thus enter the number of workers at the audit-factory into the model, expecting a lower number of violations in larger factories: [*H1.5: The higher the number of workers at the factory, the lower the number of violations*].

*Institutional variables*

The understanding of the term “institutions” in this analysis is a rather broad one and encompasses all structural environmental factors which potentially influence a factory’s compliance and private governance efforts. These factors include structures and phenomena at social, economic and political level which can be of local and global scope.

*Regulatory capacity.* Studies of institutional impacts on private governance mostly focus on the regulatory capacity of a state. Locke, et al. (2013) show that compliance is higher in supplier-countries with strong regulation, highlighting the persistent importance of state regulation. Toffel, et al. (2015) highlight the importance of three types of institutional clusters on the compliance of labour standards: state-based institutions (intergovernmental and domestic legal institutions), supplier-country civil-society institutions and buyer-country market institutions. Using the World Banks “rule of law (ROL) Index”, Locke (2013) points out that success of private governance not only depends on regulatory institutions to be effective, but also on not being non-disruptive.

Following this example to include regulatory capacity as institutional control, I use the ROL index in my model to capture “the extent to which agents have confidence in and abide by the rules of society, the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence<sup>79</sup>” (World Bank, 2015). A higher score on ROL corresponds to higher levels of regulatory quality and overall societal trust in public security. Using the index in the analysis, I expect a lower rate of labour violations for countries with higher ROL-scores: [*H2.1 - The higher the sourcing country on the ROL index, the lower the number of labour violations*].

Looking at *social institutions*, there is a significant string of literature suggesting that public opinion and mobilization have a large effect on both regulatory environment and corporate behaviour in terms of labour standards (Ghigliani, 2005; Marginson and Meardi, 2010).

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<sup>79</sup> List of variables used to construct ROL can be found online via World Bank Governance Indicators.

Campaigns against labour violations usually target the buyer companies rather than the regulators (Vogel, 2008) and leverage carries overseas due to higher CSR involvement and private governance programs as a response (Locke, 2013). The strength of campaigns can be attributed to domestic or trans-national union movements (Ghigliani, 2005), press freedom (Short, et al. 2015) or the higher density of international NGOs in buyer- and supplier countries (Lim and Tsutsui, 2010).

I also include a measure of press freedom to account for the ability of campaigns to spread, expecting it to influence the incentive structure of firms to comply with labour standards. Following the example of Short, et al. (2015), I use the 2015 measure of the “World Press Freedom Index” provided by the Reporters Sans Frontières. The index is based on surveys collected from correspondents, journalists, researchers, jurists and human rights defenders which score countries regarding their respect of journalistic freedom and government intervention into media. Countries with a lower score on the index have a higher freedom, and I expect corresponding lower levels of violations, or: *[H2.2 – the higher the sourcing country’s level on the press index, the higher the level of violations]*.

*Economic performance.* The overall economic state of supplier countries can be very important for labour standard compliance, specifically in factories linked to GVCs. According to the concept of economic upgrading, increased innovation and competitiveness among firms can stimulate decent work and employment practices within countries of production (Gereffi 2005; Barrientos and Smith 2007; Barrientos, et al. 2011). The embedded concept of industrial upgrading assumes a spill-over of economic advancement to business capabilities in manufacturing firms, which in turn can lead to more leeway for social benefits (Barrientos, et al. 2010). Choosing to follow the notion of linkages between economic and social upgrading, I include the logarithm of the yearly GDP per capita<sup>80</sup> as an indicator of relative economic performance. I expect a spill-over of national economic performance to factory compliance and

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<sup>80</sup> See in the “Methodology” section the reasoning of including a logarithmically transformed variable.

thus expect a lower level of labour standard violations in countries with a high GDP: [*H2.3 – the higher the GDP (log), the lower the number of labour violations*].

#### *Observable vs. Process Standards*

The specification of different models for observable and process rights is based on the assumption that private governance mechanisms, such as monitoring, are unevenly effective in addressing violations within those diverse groups of standards (Barrientos and Smith, 2007). Varying effects in the models for different standards are especially expected in the following way.

First, since it has been shown that even “rigorous multi-stakeholder factory audits seldom are able to identify process rights violations” (Egels-Zandén and Lindholm, 2014: 2), we would expect that company and value chain characteristics do not significantly predict violations of process rights. Concerning the indicators of institutional environment, process rights should be especially related to the strength of social institutions and a strong civil society, as those rights might be especially influenced by generally higher levels of awareness and empowerment. A positive impact of social institutions and press freedom on process rights should be the result.

Observable rights on the other hand are per definition easier to detect and therefore also easier to address for private governance, leading to the assumption that company and value chain variables will be significant predictors for observable standards. Since observable rights are also strongly determined by formal labour regulation and public standards, such as minimum wage-levels and publicly defined safety-standards, I additionally assume that a higher regulatory capacity and economic development of states coincides with higher levels of observable rights.

#### *Control variables*

By including yearly dummies in the model, I control for uneven numbers of audit-reports per year in the dataset. Country- and regional dummies will not be added due to collinearity. To account for differences of country-of-origin, I control with dummies for the state in which the headquarter of each lead-firm is situated (UK, Germany, US, Japan, Hong Kong, Sweden) and

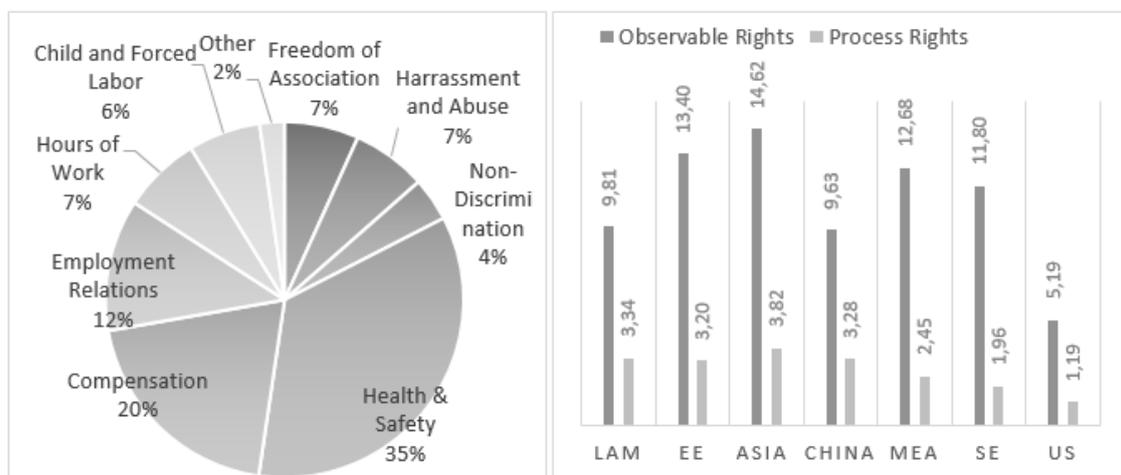
additionally control for industry effects. Finally, I include a categorical variable for the “monitoring agency” tasked to produce the audit-reports, accounting for subjectivity and methodological biases regarding the conductors of audits.

#### 4. Compliance and violations in comparison

By comparing the FLA-data’s descriptives to other literature on private governance effectiveness, I want to make sure that there are no strong deviations from previous findings which could indicate an FLA-bias, possibly produced by a lack of union involvement or the SCI-auditing strategy.

The overall distribution shown in figure 9 is comparable to previous findings. With 35%, health and safety standards (HS) represent the largest number of violations, followed by compensation (CO) with roughly 20%. Together they account for more than half of all recorded violations. This high representation of HS issues is in line with previous audit-datasets (e.g. Barrientos and Smith, 2007; Locke, et al. 2007; Anner, 2012; Bartley and Egels-Zänden, 2015), whereas CO-violations are much less dramatically represented in other data (Locke, 2013; Bartley and Egels-Zänden, 2015).

**Figure 9: Observed violations, by Percentage of Standard and Mean findings per Region**



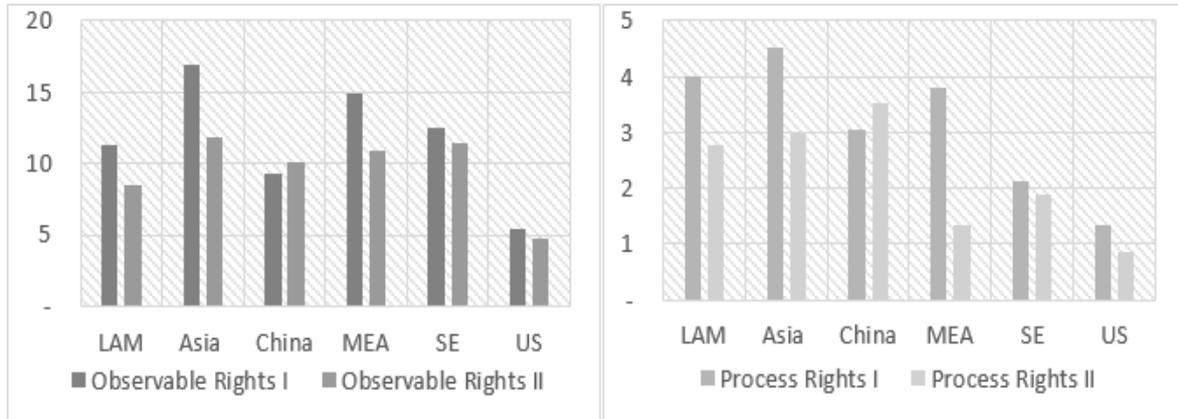
Source: FLA (2016). (a) Left box:  $n = 19.267$  Total no of violations. (b) Right box:  $n$  (observable rights: HS, HoW, CO) = 11,918;  $n$  (process rights: FoA, ND, HA) = 3356. LAM (Latin America), EE (Eastern Europe), Asia (Asia without China), MEA (Middle East and Africa), SE (Southern Europe), USA. Average no of violations.

In audit-data from Nike and Timberland, hours of work standards (HoW) have one of the highest violation-rates (Locke, et al. 2007). It is therefore noticeable that the FLA data only identifies 7% in this field. This deviation is likely due to FLA-definitions, where HoW is partly included in the standard on employment relations (ER), with 12% of violations. Issues regarding administration and documentation of HoW fall into the FLA-category of ER, while they would fall into HoW elsewhere. This highlights how knowledge of the concrete content of codes helps in comparisons.

Figure 10 shows additional geographical-, time- and rights-distributions of the FLA data. Here, regional differences of process rights are in line with expectation: violations are the highest in Asian regions and MEA, where in many cases IR systems are weak to non-existent (Kaufmann, 2004: 489), as well as Latin-America, where IR-systems have been marked by change and decentralization under the pressure of the global economy (Kaufmann, 2004: 528f.). Most violations on observable rights are also found in Asia, however less so in China. This may reflect stricter government controls on HS-standards in Chinese factories which are affiliated with international MNCs (Smith and Zhen, 2016).

Finally, also the underrepresentation of FoA-violations Anner (2012) finds in his data are reproduced. Since the FLA-code of conduct on FoA strongly refers to national laws, violations in this area are likely to be underreported in countries where active union-involvement is not foreseen or even repressed by national legislation.

The two time-points in figure 10 represent a general development over the aggregate of all factories. Looking at this data over time, the overall development of labour rights in FLA-factories seems to have bettered substantially. The stability of this positive trend over regions and time is noteworthy, should however be interpreted carefully: most recent audit-data has found no (Locke and Romis, 2007; Locke, 2013) or only moderate levels (Short, et al. 2015; Bartley and Egels-Zandén, 2015) of improvement in factories under private governance. Considering these previous findings, we may have to assume a positive bias in the FLA-audits, possibly due to the strong corporate involvement in monitoring processes.

**Figure 10: The development of mean labour violations by Type of Standard and Region**

Source: FLA (2016); Period I [2004-2007], Period II [2008-2014]. n (observable rights) = 11,918 (HS, HoW, CO); n (process rights) = 3356 (FoA, ND, HA). LAM (Latin America), EE (Eastern Europe), Asia (Asia without China), MEA (Middle East and Africa), SE (Southern Europe), US (United States).

## 5. Methodology

When preparing the dataset, I merged the FLA-data with selected economic and institutional indicators alongside a unique identifier over country and year. For the two regression models, I used an aggregated variable of all-area violations as dependent variable in Model I, and the violations of process rights in Model II. I abstain from further model specification of observable rights, as results are in line with Model I.

For the statistical analysis, I use standard regressions with one logarithmic transformation and one quadratic term. The logarithm is used to avoid heteroskedasticity of the GDP time series, where the local variance of the series could be larger if the number of cases is higher. The logarithm accounts for these movements and can fit a somewhat more stationary measure, a method especially used for macro-economic measures (Benoit 2011). The quadratic term of press freedom was included when first linear results produced inconsistent results and the marginal fit of the variable was identified as non-linear. The slightly modified formula of linear regression I use in my analysis is therefore the following:

$$Y_i = \alpha + \beta_1 * \log(\text{GDP}) + \beta_2 * x_2 + \beta_3 * (\text{press})^2 + \beta_4 * x_4 + \dots \beta_n * x_n + \varepsilon_i$$

The independent and control variables in both models are identical, with the aim of highlighting differences between institutional and company effects on the dependent variables. I introduce three bundles of independent variables to the regression in a series of nested models. First, I apply the five company variables. All lead-firm variables are tested as a variation of the production firms. With this, I assume all selected lead-firm variables to have a direct effect on the governance of labour standards and thus on the tested level of violations. Here, I also include the buyer country-of-origin control variable.

In a second step the institutional variables are applied. I expect to see strong effects of national differences moderating the effects of company indicators. In other words, company effects still significant under the control of strong institutional indicators, may be interpretable as especially strong. The last model includes all control variables, such as yearly dummies, industry and monitoring agency, creating the final, full model. Lastly, diagnostics were run for all models, including the vif-test for multicollinearity (all values insignificant), a residual-test to check skewness and kurtosis (slight skewness to the left, visible but insignificant kurtosis), and accuracy of prediction (Cameron & Trivedi's decomposition of IM-test). The residuals indicate a slight heteroscedasticity, mainly caused by outliers with extreme values of violation in the dataset which are not ideally predicted by my models. We must therefore assume that the model is more valid for observations with low levels of violations than for those with extremely high levels. This is conceptually sound: a factory with extreme levels of violations is likely to be subject of additional factors driving nonadherence to the code-of-conduct. These could be ineffective management, financial problems and weak compliance structures. To account for misspecifications due to heteroskedastic tendencies, each model is tested for robustness and rerun with a robust standard error. Since  $\beta$  and  $p$  do not change strongly with the inclusion of the robust error, I abstain from further changes to the model regarding specification.

## 6. Results

The regression-results are shown in appendices 1 and 2. In model I, the only company variable continuously significant in all nested models is “discontinuation”. Whereas the effects of “size of lead firm” and “stock-listing” are significant at a 90% confidence-level only in the model without institutional controls. Factory size only becomes significant with the inclusion of institutional variables. Of the institutional variables, GDP and press freedom are highly significant (99% confidence-level) whereas ROL is not significant, at all. Control variables are all significant in model I.

In model II, none of the company variables’ effects are significant anymore. Whereas all institutional variables are significant, including ROL at a 95% confidence level. Interestingly, effect of “press freedom” here is reversed. Finally, the controls for buyer country-of-origin and industry remain significant, while effects of “monitoring agents” are not significant anymore.

Since the results of model III show little to no difference to the model regarding all violations (model I), the following discussion will only refer to model I and model II, abstaining from further including model III in the specification.

## 7. Discussion and Contributions

The results of the analysis contribute to the discourse on effectiveness of private labour governance in GVCs. They do so by a. untangling the independent and relative effects of company characteristics and the institutional environment on private governance-effectiveness, b. by demonstrating how specific groups of labour standards, namely process rights, are not effectively addressed by private governance, but respond to public governance, and c. by highlighting that observable rights in turn are affected by private governance, but less so by public mechanisms. All three points will be elaborated in the following.

To start, the described regression-results give an interesting picture of the importance of corporate characteristics for the success of private governance. In model I, the significance of

“lead-firm size” and “stock-market listing” can only partly confirm the hypotheses 1.1 and 1.2 as they are only significant in models without institutional controls. The effects of “factory size” react in the opposite way: only in the models with institutional variables is factory size significant. Also hypothesis 1.5 is thus only partly confirmed. More interesting however are the results of model II, where all company indicators are insignificant with and without institutional controls, and all three hypotheses must thus be rejected. Two interesting deductions can be made from this difference.

Firstly, these results indicate that company characteristics are not significant conditions for the prediction of violations of process standards, such as freedom of association, discrimination and abuse. On the other hand, since company characteristics are significant in model I, they seem to be specifically important for the governance of the other, observable standards, such as health and safety, compensation and working time. The fact that process standards are not affected by corporate characteristics, confirms the view of former studies (Anner, 2012; Bartley and Egels-Zandén, 2015) that they are less tangible for private governance and therefore more difficult to address through corporate action.

Secondly, we see how variables of public governance moderate the impact of company and supply chain indicators significantly. This demonstrates that public regulation and the institutional context of production countries are important for the success of private governance programs, regardless of their company and supply-chain conditions. For example, even the best corporate and supply-chain conditions of private governance may therefore not be enough to improve compliance in countries where the institutional environment is especially hostile to labour standards. This is specifically relevant regarding that when production is moved to other countries, it is usually moved to countries with less regulation, not more (Anner, 2012). This also feeds into the discussion about complementarity and substitution of different governance-levels, suggesting that private governance does not substitute but rather complement public regulation (Mosley, 2011; Locke, et al., 2013; Gereffi and Lee, 2016).

The significance of buyer's country-of-origin effects further shows that differences in lead-firms can have an impact on their private governance capacity. This is in line with findings of Hess (2013) and expectations of Nadvi (2014), the latter highlighting especially different governance-approaches of MNCs from emerging economies. Unfortunately, this assumption cannot be checked with the FLA data, as there are no lead-firms from emerging economies included in the data. These kind of buyer country-of-origin effects are thus in need of further investigation. The presence of more than one FLA-buyer at a supplier's facility on the other hand shows no significant effects on compliance in either model and H1.3 is rejected.

Another interesting effect of company and supply-chain impacts on effectiveness is shown by the significance of the discontinuation indicator (H1.4 is confirmed), reporting audit-documented termination of a supplier-contract. The positive impact of discontinuation indicates that the audits recorded higher levels of labour standard violations before the contract termination with the supplier. Reasons for this might be twofold. First, if the contractual relations between factory and lead-firm are terminated due to compliance reasons, the lower standards are simply a correct indicator of the factory's non-adherence to the code-of-conduct. If the reason of termination is however not due to labour, but due to strictly economic issues (e.g. cost or quality issues), it may indicate that economic and related pressures leading up to the contract-termination have a negative effect on labour standards. This indicates that economic pressures in the wake of contract termination (due to issues other than labour standards) are often counterproductive for labour standard compliance. Corporate decision-making and strategy beyond labour standards, concerning e.g. quality and cost, may therefore counteract efforts of labour standard governance. This is in line with the findings of other studies in the apparel industry, which highlight the difficulty of lead-firms to manage two opposing interests: upholding extreme economic on-time delivery systems versus the implementation of stringent code of conducts (Locke, 2013; Bartley and Egels-Zànden, 2015).

Regarding the institutional variables, the significance of almost all indicators in both models underlines the relevance of local public and social conditions for private governance on the one hand and highlights patterns of uneven private governance effectiveness on the other hand.

As expected the results suggest that high economic development (as GDP) corresponds to lower levels of labour standard violation, and H2.3 can be accepted. The effects of press freedom in model I furthermore suggest that the impact of strong public transparency and freedom of speech is especially high in those countries which have a medium level of press freedom. Interestingly, for process standards this effect is reversed. High press freedom is here important in countries with extremely high or extremely low levels of freedom of speech, highlighting that e.g. in very repressive countries, free speech is important for those rights, which are closely connected to empowerment such as freedom of association and discrimination. Within these boundaries, H2.2 can be accepted, adding to the generally expected correspondence of higher labour standards with more open societies and potentially more free and active social action.

Moreover, a comparison between the two models empirically highlights the distinct differences between process rights and observable rights (Barrientos and Smith, 2007; Bartley and Egels-Zandén, 2015). The results suggest that these groups of rights respond differently to private and public governance. Public indicators of governance are therefore all significant for the prediction of process rights, whereas corporate characteristics of private governance are not. Process rights are therefore more tangible for public governance than they are for private governance, relying strongly on the institutional environment in which they are embedded. For observable standards on the other hand, this picture looks somewhat different. Whereas some of both institutional and corporate variables are to some extent significant in the first model, the Rule of Law index is for example insignificant. Compared with model II, this not only suggests that public regulation is more important for the governance of process standards than it is for other standards, it in turn also suggests that observable standards may be significantly less affected by public regulation. Therefore, whereas we can ascribe a higher tangibility of process

rights to public governance, the governance of observable rights is potentially more important and successful through private systems of regulation.

There are several possible explanations about what could create these differences in governance-impacts between process and observable standards. To some extent they are however all likely to be related to the standards' different dependency factors on institutional and corporate forms of organization and regulation. In other words, an observable standard, such as providing new fire extinguishers or making sure that protective clothing is worn, can be directly influenced by the corporate organization and management. Public actors on the other hand cannot directly influence this, they would have to indirectly oblige or persuade the firm, to make these changes. Seeing that observable standards may be less affected by public regulation even if regulation is high, could then also be connected to imperfect systems of labour inspection (Bartley and Egels-Zandén, 2015).

Many process standards on the other hand, e.g. the support of local unions at a factory, are much more dependent on several public provisions, such as the legality of unionization and collective bargaining. Private governance can therefore only make a positive impact on rights, where the national labour law of a production country allows it. Conversely, we would assume that with a strong public system in place, factories would have substantially less motive to defect by e.g. suspending union-members, because standards would be concordant with both, public and private regulation. This is the classical argument of public and private governance complementarity and reinforcement (Locke, et al., 2013).

Additionally, process standards, such as discrimination and harassment, are strongly connected to stories of empowerment, gender equality and public awareness. Ways to impact them sustainably may thus be seen in broader institutional areas, such as the educational system and freedom of speech, which are very difficult to reach through private programs. To successfully address these issues through private governance, programs must move beyond the mere writing and control of codes of conduct and move towards tools of direct engagement with workers as

well as capacity building (e.g. worker training, women empowerment groups, establishment of dialogue-channels, etc.). This proposes, that process rights are primarily not unsuccessfully, but rather inadequately addressed by private governance.

The fact that addressing process rights may require the setup of complex and expensive tools of engagement, additionally suggests that factories may have reasons to give precedence to the governance of observable rights. Factories may thus be more motivated to invest in observable, rather than process standards, as they may be easier to comply with and are per definition a more visible sign of improvement. In other words, they may favour observable “quick-fixes” over the lengthy and complicated setup of procedures guaranteeing process rights. Additionally, an increase in observable standards may be perceived as less “risky” to address. In many countries, employers e.g. refuse to recognize factory-level unions, fearing that they may bring more problems than gains (Oka, 2015).

These findings about different governance-tangibility of distinct groups of rights are extremely interesting in terms of compliance strategy as well as policy development. Many private governance systems are therefore based on the assumption that compliance of labour rights can be addressed through one single, corporate strategy. The findings in this analysis challenge this and suggest that there are certain areas, namely those of freedom of association, harassment and abuse and non-discrimination, which are more likely to achieve compliance if subjected to stronger public regulation or possibly private-public collaboration. In these cases, the complementarities between public and private governance play a key role of establishing *sustainable* improvements in labour standards (Egels-Zandén and Lindholm, 2014).

## **8. Conclusion**

Private governance is embedded in a web of multiple actors at multiple levels. Identifying single effects and dependencies regarding compliance within this web remains a big challenge. Through the analysis of a unique data-set of audit reports from the FLA, this chapter isolates

and compares different company and institutional conditions affecting the effectiveness of this specific governance program.

By doing so the findings in this analysis stress the importance of recognizing that distinct labour standards react differently to forms of private and public governance. Different characteristics of process rights and observable rights do not only lead to challenges in monitoring, as it has been widely accepted, but also seem to be fundamentally distinct in their reaction and tangibility towards different forms of governance. Underlined by the varying significance of corporate features and institutional variables in the analysis, process rights are therefore strongly influenced by variation of public regulation and are hardly influenced by changes in company-features and private governance. Even though private governance seeks to fill gaps of weak public regulation with higher standards, process rights seem to remain much stronger susceptible to local, public standards as opposed to global, private ones. Conversely, observable standards are influenced by both, certain institutional and corporate conditions of private governance. However, the findings also indicate that observable rights may in turn not be as strongly affected by levels of public regulation and thus be more effectively addressed by private regulation.

With this, this analysis also strongly supports the assumption of public and private governance complementarity as opposed to their substitution (Locke, et al., 2013). However, only careful assumptions can be made about concrete complementarities between public and private governance and more research regarding the synergies and complementarities of different forms of governance is called for. For one, the effects of public regulation need to be unravelled, identifying relevant meso-level institutions and their potential impact on the effectiveness of private governance. Secondly, the role of social actors needs to be included more clearly and investigated more and separately from broad forms of public regulation (Amengual and Fine, 2017).

## **B. PUTTING THE PUBLIC BACK IN**

### **The impact of public regulation on global labour governance:**

#### **The case of Better Work.**

### **1. Introduction to the Analysis**

In chapter 6 of this thesis, it was shown that higher collaborativeness in governance can establish and reinforce higher levels of governance-quality only under specific conditions. In the previous analysis on the FLA, we have then shown that even if the quality of governance is high, the outcome of regulation will always also depend on how supportive or obstructive the local institutional environment is. The assumption that the impact of global labour governance relies on factors of local and social embeddedness (Coe, et al. 2008) was thereby accepted. Yet, as the notion of institutional environments and public governance was defined rather wide in the previous analysis, we were not able to make any specific claims about the impact of meso-level institutions and policies which potentially support or obstruct global labour governance.

So far, there are no quantitative efforts which examine the impact of specific national policies and meso-level institutions on the outcome of global labour governance. Based on the ILO Better Work Program's compliance audits, this chapter will contribute to filling this gap with an analysis of labour standard variation over a six-country, eight-year time series of roughly 3000 social compliance audits. Although exploring a small set of countries, the analysis shows how the characteristics of four different state-roles (capturing the state as institutional environment, facilitator of trade, labour market regulator and social provider) bear different importance for both global labour compliance in general and specific groups of standards in particular. Building on the findings in the previous section on FLA-compliance, the analysis of different state roles offers more explicit insights into the degree to which specific institutional and economic factors obstruct or stimulate compliance of diverse labour standards. The analysis in this chapter thus contributes to the discussion on external conditions of labour governance by

examining the impact of public institutions on global labour standards and discussing the specificities of complementarity between global labour governance and state regulation.

## **2. Capturing the “Roles of Public Governance”**

As we have seen in the previous chapters, recent literature on global labour governance has increasingly factored in the impact of public and social surroundings on the outcomes of this governance (Amengual, 2010; Bartley and Egels-Zandén, 2015; Amengual and Fine, 2016; Alford, 2016; Amengual and Chiro, 2016; Bair, 2017; Horner, 2017; Alford and Phillips, 2018). Acknowledging the importance of local public institutions, national regulatory frameworks and local social organizations, such as NGOs and trade unions, also aims to recognize the role of local actors not only as environmental factors, but as strategic players, with their own agendas to take up the issues of labour standard enforcement (Horner, 2017). For example, Mosley (2017) thus finds that private governance’s success is still conditional on local political actors’ interests in the protection of workers’ rights.

In quantitative empirical studies, the notions of “the state” and “the civil society” have mostly entered the analysis through broad notions to take into account national specific features. When analysing the institutional conditions of global labour governance in the previous chapter of this thesis, I have therefore used rather wide concepts of development (such as the GDP, used in other studies i.e. Bartley and Egels-Zandén, 2015) and regulation (such as the Rule of Law Index, related to i.e. Locke, 2013). To answer left-over questions about relevant meso-level institutions, the following analysis will make use of the notion of “state roles” (Horner, 2017) or “forms of governance” (Mayer and Philips, 2017), previously outlined in Chapter 5.5.1. These concepts were defined to refine the understanding of public governance, by elaborating on “the diverse roles of politics and states in the construction and maintenance of a GVC world”. This chapter will test the influence of these diverse roles on the processes and outcomes of the Better Work compliance program.

By matching selected state-roles with specific policies and institutions, I want to test their influence on the Better Work social compliance development. As GVC-theory most commonly discusses the public dimension of regulation as either *institutional environment*, as *facilitator of development/ trade* or as *labour market regulator* (Horner, 2017), these three dimensions will be used in the forthcoming analysis. Yet, the literature also discusses other roles of the state, for example specifying the state as *reinforcer* of social actors (Amengual and Fine, 2016), recognizing its *responsibility for distributive justice* (Mayer and Philips, 2017) and defining its role as *provider of a social system* (Morel, et al., 2012). To also include a dimension of social protection in our analysis, the state as provider of a social system will be added. For all chosen dimension, I accept the underlying assumption that each of role of the state relates to different state-strategies and preferences towards GVCs (Alford, 2016). Diverse state roles should therefore display differences in how global labour governance outcomes are affected, and the main goal of this analysis is to link these differences to the developments of social compliance.

Going forward, four dimensions of public governance will be used to untangle what we know as “the institutional environment” and its effect on compliance outcomes in global labour governance. The following roles are expected to be important for the effectiveness of global labour governance:

- a. the institutional environment, accounting for different measures of economic development and regulatory quality;
- b. the state as facilitator of trade, represented by its trade policy;
- c. the state as regulator on the labour market; and
- d. the state as social provider, accounting for the state as social investor and protector, represented by different dimensions of state expenditure and social investment.

In table 17, a set of measures is allocated to each dimension of public governance and the related role of the state. Although there are many variables of theoretical interest for each state-dimension, data-availability or methodological concerns have limited the choice. For example, measures such as the total number of collective bargaining agreements per firm were not

included, as sector-wide agreements have no variation over time, preventing viable results for panel regressions (Torres-Reyna, 2007). For similar reasons, the scope of free trade agreements (FTAs) rather than the actual number is included, making use of a higher standard-deviations.

*The institutional environment.* The national institutional environment is especially important to understand the validity of rules within a country (Riisgard and Hammer, 2011). Furthermore, the state of economic development and the strength of rules are often linked to a country's institutional capacity (Locke, 2013). Variables which have been used to account for this dimension include amongst other the national GDP per capita (Locke, 2013; Toffel, et al. 2015), the World Bank's Rule of Law and the WEF's Economic Freedom Index (Locke, 2013; Distelhorst, et al. 2015) and the commitment in international organizations, such as the number of ILO ratifications per country or membership in e.g. the OECD (Toffel, et al. 2015).

**Table 17: Dimensions and Roles of the State (Public Governance Component)**

<b>ROLE</b>	<b>State as Institutional Environment</b>	<b>State as Facilitator</b>	<b>State as Regulator</b>	<b>State as Provider</b>
<b>POLICY</b>	Economic Standards	Trade Policy	Labour Market	Social Investment/Protection
<b>Chosen Variables</b>	<b>Labour productivity</b> [Economic output p. hour worked p.p.]	<b>Scope of FTAs</b> [# of countries within agreements]	<b>Youth unemployment</b> [% of unemployed among 15-24yrs]	<b>Education Expenditure</b> [Share of expend., as %-share of GDP]
	<b>Control of Corruption</b> [WDI Perception Index of control of corruption]	<b>RCA -Measure</b> [% of national share /global share: real comp. advantage]	<b>Union presence</b> [BIN: union presence] (Oka, 2015)	<b>Health Expenditure</b> [Share of exp., as %-share of GDP]
	<b>Ease of starting a business</b> [DTF-Measure] (Escaith, 2013)	<b>Export Share, global</b> [as %-share of total global trade in sector]	<b>ILO core conventions</b> [BIN: ratified yes/no]	<b>Social Health Protection</b> [Share of population covered]
		<b>Ease of trading across borders</b> [DTF-Measure]	<b>Labour market participation</b> [%-share of pop]	

Source: Author (2017). The description underneath the variable represents one possibility of how to measure the indicator. The caption BIN indicates binary variables. References are made where variables have been used in previous quantitative studies.

For this chapter, three less conventional variables will be used. First, the model will include an annual estimate of national labour productivity from the ILO<sup>81</sup>. This measure is entered as a key representation of economic performance and the international competitiveness of a country. Factors such as technological advancement, improvements in organization, physical and institutional infrastructures contribute to the growth of national labour productivity (ILO, 2016). Although it is not a direct measure of the institutional, I enter it as a proxy for the economic stability of a country.

Secondly, an indicator for the control of corruption is included. Corruption is amongst the biggest threats to unbiased reporting of labour violations and the consequences they bear in developing countries. An issue that received increased attention after the catastrophic collapse of the Rana Plaza, a case where corruption reportedly played a major part in the negligence that led up to the tragedy in 2013 (The Guardian<sup>82</sup>, 2013). The measure for control of corruption is taken from the Worldwide Governance Indicators<sup>83</sup> of the World Bank and represents perceptions “of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests” (World Bank, 2017).

Lastly, the dimension of institutional environment includes a measure for business-friendliness, using an indicator for the regulation of starting a business from the World Bank’s “Ease of doing Business” database. The importance of this measure is highlighted by the findings of a WTO-survey from 2013, where it is found that institutional and bureaucratic support to improve the business environment within developing countries is an important measure for national competitiveness (Escaith, 2013: 18). Countries with heavier regulation to start a business are often found to have higher levels of corruption and larger informal economies (Djankov, et al.

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<sup>81</sup> ILO-estimates and projections, taken from the website of ILOSTAT and recorded in Output per worker (GDP constant 2011 international \$ in PPP) (2000=100).

<sup>82</sup> [www.theguardian.com/world/2013/may/23/bangladesh-factory-collapse-rana-plaza](http://www.theguardian.com/world/2013/may/23/bangladesh-factory-collapse-rana-plaza) (last accessed 10.05.2017).

<sup>83</sup> See table which lists the individual variables from each data sources used to construct this measure in the Worldwide Governance Indicators. World Bank, 2017 (<http://info.worldbank.org/governance/wgi/pdf/cc.pdf>, last accessed, 10.05.2017).

2002). The measure I include in the model is based on the “distance of frontier”<sup>84</sup> index, which specifies how far a country scores from the current best practice examples, or “frontiers”, on the following indicators: the number of procedures needed to start a business, the mean time (in days) as well as the cost and the minimum capital (both % of income per cap) required to set up a business (Doing Business, 2017).

I expect that *business-friendly, non-corruptive institutions, and a stable and productive economic environment are all beneficial to working conditions, and as such to the success of labour compliance [Hypothesis 1]*. Through this, *all three indicators of the dimension are expected to present supportive environments for the enforcement of labour standards and will thus lead to lower violations in the BW data [H1. a. – c.]*.

*The state as facilitator of trade.* According to international economics, the state as facilitator has been viewed as the most central state-functions amidst the growing economic importance of trade-linkages and global production. Many international organizations, such as the World Bank, WTO and United Nations Conference on Trade and Development (UNCTAD), in their policy-recommendations, have put a strong emphasis on the role of the state in trade and value-chain participation, viewing it as a strong driver of economic development (Cattaneo, et al. 2013; Horner, 2017; World Investment Report, 2013). Certainly, the promotion of trade includes an emphasis on a country’s involvement in GVCs, as low entry barriers and favourable trade policies are viewed as “business-enabling” (Neilson, 2014: 45). To capture this role, four measures of trade-facilitation will be used in this analysis.

First, I will use the scope of trade agreements. This indicator captures the number of countries who are either involved in a standing FTA<sup>85</sup> or are part of a customs union with a factory’s national economy. The measure includes bilateral as well as multilateral FTAs, as especially

<sup>84</sup> For calculating the distance to frontier score, the scores obtained for individual indicators for each economy are first normalized over all indicators and then aggregated through simple averaging into one distance to frontier score. An economy’s distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. If a country uses data from two cities, weights according to their sizes are applied. See full method description under <http://www.doingbusiness.org/methodology>.

<sup>85</sup> Only those countries are counted where trade agreements have already been implemented and are “in effect”. A full list of each countries trade agreements can be found on the website of the World Trade Organization [https://www.wto.org/english/tratop\\_e/region\\_e/rta\\_participation\\_map\\_e.htm](https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm) (last accessed, 20.04.2017).

regional trade-agreements “are likely to create a supply chain trade-friendly institutional setting” (Kowalski, et al. 2013: 164).

Secondly, the sector’s world export share is included. This variable is measured as the national exports of goods in the product-categories of “fabrics, apparel and clothing<sup>86</sup>” as percentage of the total of these goods in global exports, as listed by the International Trade Centre (ITC):

$$WES_{g,c} = Exports_{g,c} / Exports_{g, world}$$

Where  $Exports_{g,c}$  indicates the total exports of good  $g$  by country  $c$  and  $Exports_{g, world}$  is the total exports of good  $g$  in global export. The national world-export share places the national sector on the international map, not in relative terms (such as the RCA, see below), but in absolute terms as share of the total worldwide exports. This measure indicates a country’s global market position and its degree of global competitiveness and also describes the size of a national market and its production capacity.

Third, Balassa’s (1965) indicator for revealed comparative advantage (RCA) is included, which reveals the comparative advantage (or disadvantage) of a country’s export in a certain good, by regarding the share of the same product in terms of world trade.

$$RCA_{g,c} = \frac{Exports_{g,c} / \sum Exports_{c, total}}{Exports_{g, world} / \sum Exports_{world, total}}$$

The RCA is a commonly used indicator to capture an economy’s competitive advantage under consideration of trade policy as it offers a straight forward comparability between and within countries (Kowalski, et. al 2013). Additionally, as it is based on the national export share, the RCA is a useful measure for the importance of a specific sector for the local context and its priority on the local government’s agenda (Cattaneo, et al. 2013).

Finally, I use a measure for the ease of trading across borders, taken from the World Bank’s “Ease of doing Business” Ranking. The measure is based on a “distance to frontier”-calculation,

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<sup>86</sup> The following categories were included: Product 60: Knitted or crocheted fabrics Product: 61 Articles of apparel and clothing accessories, knitted or crocheted; Product 62: Articles of apparel and clothing accessories, not knitted or crocheted; and Product 63: Other made-up textile articles; sets; worn clothing and worn textile articles; rags. Export-partner: World. See [http://www.trademap.org/Country\\_Sel Product\\_TS.aspx](http://www.trademap.org/Country_Sel Product_TS.aspx) for full statistics (last accessed 11.05.2017).

as explained before, and includes indicators which regard the time to import and export (in hours) and the cost to import and export (in currency), both in terms of documentary compliance and boarder compliance (Doing Business, 2017). Due to the cost *and* time-element of the measure it is a useful indicator for a country's level of trade-liberalization, as the reduction of transactional costs of trading (such as time) may be even more important for the stimulation of export than the reduction of actual tariff barriers (Djankov, et al. 2008).

The expected effect of trade facilitation on compliance outcomes is more ambivalent. On the one hand the effects of an increased sectoral importance and competitiveness could lead to higher visibility and increased interest of the state in public regulation, fostering better-suited regulation, stricter inspection and consequently higher compliance outcomes (Mayer and Gereffi, 2010). On the other hand, increasing trade-liberalization also raises global competitiveness and growing competitive pressures on downstream-business practices in GVCs, which often lead to higher violations (Locke, 2013). Two encompass both dynamics, two alternative hypotheses will be formulated here: [*H2: We expect decreasing levels of labour violations under growing trade facilitation*] and [*H2A: We expect increasing levels of the same under increasing levels of competitiveness*].

*The state as labour market regulator.* Even though there are many potentially important labour market variables, the dimension will be constraint to four measures, which are believed to be of special importance for the outcome of labour compliance in GVCs: the presence of unions, the ratification of ILO core conventions, the rate of national labour market participation and the level of youth unemployment.

First, the measure of union presence at the factory I use is recorded by the data received from Better Work. Here, every factory is asked once a year if and how many unions are active at the plant-site. Oka's (2015) study on the mother-project Better Factories Cambodia (BFC) shows, that union presence itself has a highly positive effect on the outcome of compliance. The presence of several unions at one factory may on the other hand achieve counterproductive results, possibly due to inter-union rivalry or competition between the employee representative

organizations (Ibid: 7f). Considering this, a dummy for union-presence is included in the model (1-present, 0-absent) under the assumption that [*H3a. union presence has a positive impact on labour compliance for all standards*].

Second, I enter a dummy-variable for the ratification of ILO core conventions (1-ratified, 0-not ratified). Only if all eight ILO core conventions are ratified, will the variable indicate one. This measure will test the importance of international regulation for the policy making of national governments. As the ILO core conventions represent the most important standards of labour protection, I assume that reservations towards these standards, displayed by non-ratification, are a good indicator for hole in the national legislation and/ or weak enforcement in related fields. I therefore expect that [*H3b. factories in countries which have not ratified all ILO core conventions will display higher levels of labour-violations*].

Third, I enter an ILO-measure for labour market participation which displays the “supply of labour available for production in an economy. The measure includes people who are currently employed and people who are unemployed but seeking work”, divided by the total number of people within a country above 15 years of age (ILO, 2017). Participation is mainly entered to control for unwanted effects of informal employment. Especially in countries where development is low and unemployment is high, the informal sector absorbs a big proportion of the population – sometimes as high as 70-80% (ILO, 2007<sup>87</sup>). Labour market participation is also an important measure on the policy- level, which encourages factories’ trade-participation to move jobs from the informal sector to the formal sector or reduce formal unemployment overall (Escaith, 2013). I assume that a growth of formal employment also results in more formal regulation on the institutional level, thus [*H3c: I expect an increase of labour participation to coincide with higher levels of compliance*].

Finally, I chose to enter a measure for youth unemployment instead of a general measure of unemployment due to its social aspect. Youth unemployment (included as percentage of

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<sup>87</sup> Some earlier figures and studies on the informal sector are summarized in the ILO-study (2007) on “Trade and Employment – Challenges for Policy Research” (see p. 69ff.).

unemployed in total labour force between ages 15-24<sup>88</sup>) is an important policy and development issue in many economies. Although youth unemployment must be carefully interpreted, I suggest that continuously high levels suggest not only low numbers of jobs, but also an insider-orientation (where young, unexperienced people find it difficult to enter) and a rigidity of the labour market. This may affect both, processes of social and economic upgrading within a society. For example, since unemployed youth contributes less to national development, they may be less inclined to claim their civil rights once employed. Additionally, the economic potential to upgrade and innovate may be influenced by sustained underemployment of youth (ILO, 2017). Due to this, I assume that [*H3d: a decrease in youth unemployment will coincide with falling levels of labour-violations*].

*The state as provider of a social system.* The role of the state as provider of a social system can be fulfilled through public social investment or public protection. As social investor, the state “is confronted with the process of globalization, both in terms of capacity to raise resources and in terms of opening up its welfare system” (Morel, et al., 2012: 374). By aiming at the promotion of social inclusion and cohesion, as well as the growth of social capital, social investment policies of modern societies are designed to promote social progress and are based on the recognition of interdependencies between the economic, environmental, political and social aspects of such progress (Morel, et al. 2012).

For the analysis, I will include two broader categories of social expenditure: the rate of public health expenditure and the rate of public educational expenditure, both represented as percentages of the national GDP, and one measure of public health coverage, as the percentage of the total population who is covered by the public health system. If we expect factories to be fully embedded not only into the institutional structures of a state but also its social system, it is not far-fetched to expect that high levels of social provision and protection in areas such as public health and education can also have positive spill-over effects to standards of private

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<sup>88</sup> Measure based on modelled ILO estimates. Full indicator and indicator description can be found under <http://data.worldbank.org/indicator/SL.UEM.1524.ZS> (last accessed, 16.05.2017).

governance. For all indicators, we would expect that *[H4: higher levels of educational and health expenditure and a higher coverage through public health protection will coincide with lower numbers of violations]*.

### **3. Sample and Data**

The analysis in this study is based on an unbalanced panel-dataset composed of 3008 audits from Better Work, which were conducted in roughly 1200 factories between 2009 and 2016. As described in the previous section, assessments are usually held once a year and are entirely conducted by internal BW-staff to guarantee the reliability of findings. The results of factory-level assessments are shared with the factory's owners to work out comprehensive improvement plans. The owners can then decide, whether results are also shared with international buyers.

The social compliance audits are based on the Better Work Compliance Assessment Tool (CAT) (see Appendix 2.2 for illustration). The CAT specifies eight clusters, each comprising a set of compliance points and a set of associated questions. Whereas cluster and compliance points are equal in each country-program, the specific questions of which compliance points are comprised are set to reflect national legislation and publicly established requirements and benchmarks, such as the legal minimum of age for young workers (BW, 2017<sup>89</sup>). In cases where the national law is not in line with core international labour standards, factories are assessed based on the ILO-standards (Ibid, 2017).

The data obtained from BW contains audits from six BW country-programs: Cambodia, Haiti, Indonesia, Nicaragua, Jordan and Vietnam. The length of the panel (so the number of years contained in the data) varies for each country, as does the number of observations (factories) and cycles (repetition of audit). See table 18 for an overview of these data-descriptives.

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<sup>89</sup> A detailed description and the full Better Work Assessment Tool can also be found online under <https://betterwork.org/blog/portfolio/better-works-global-compliance-assessment-tool/> (last accessed on 10.08.2017).

**Table 18: Key-descriptives Better Work Compliance-Data.**

<b>Descriptives</b>	<b>Haiti</b>	<b>Indonesia</b>	<b>Jordan</b>	<b>Nicaragua</b>	<b>Vietnam</b>	<b>Cambodia</b>	<b>Total</b>
N (factories)	47	199	90	34	390	515	1275
Years in data	7	6	8	6	8	3	8
Time-range	2010- 2016	2011- 2016	2009- 2016	2011- 2016	2009- 2016	2014- 2016	2009- 2016
Mean compliance rate*	25,16	21,73	26,18	22,77	13,96	20,81	21,77

\* Average number of violations in all areas of rights recorded within factories in one visit. Source: Better Work /Author 2017.

The Better Work compliance data is violation based, as commonly practiced in social auditing. In practice, this means that each monitored violation is registered as a “1”, whereas compliance is noted as “0”. This data is subsequently matched with information from the worker and management interviews to complement the quantitative information. When cleaning the data, some of the qualitative information could also be quantified and was incorporated in the analysis (i.e. the variable indicating union presence).

The eights clusters included in the CAT record violations in the following areas: Child Labour, Compensation, Contracts and Human Resources (HR), Discrimination, Forced Labour, Freedom of Association and Collective Bargaining (CB), Occupational Safety and Health (OHS) and Working Time. Each compliance point within the clusters makes specific references to ILO conventions and other sources of international and national law. Qualitative information is added through the clusters Key Strengths, Process Integrity, Supplier Information and Systems.

Table 19 displays the average numbers of violations found in each cluster of rights and each country of the BW data. This simple descriptive display of data already shows that there are substantial differences in compliance between the factories of different countries. For example, whereas the average factory in Indonesia underperforms compared to the overall mean in almost all clusters, Nicaraguan factories lie everywhere substantially below the global mean of violations (they are therefore overperforming). Linking these systematic differences to the previously defined dimensions of state roles is of substantial analytical interest in this chapter.

**Table 19: Average Number of Violations by Cluster and Country**

<b>CLUSTER</b>	<b>Cambodia</b>	<b>Haiti</b>	<b>Indonesia</b>	<b>Jordan</b>	<b>Nicaragua</b>	<b>Vietnam</b>	<b>TOTAL</b>
Compensation	3,33	3,89	3,03	2,16	1,29	3,14	2,81
Discrimination	0,10	0,15	1,03	1,60	0,52	0,28	0,61
FoA and CB	0,28	0,15	0,42	3,06	0,37	1,84	1,02
OHS	15,70	14,16	14,97	12,58	9,66	10,03	12,85
Working Time	1,92	2,07	2,83	0,49	1,10	2,86	1,88
Forced Labour	0,02	0,07	0,01	0,24	0,00	0,01	0,06
Child Labour	0,05	0,05	0,15	0,08	0,00	0,29	0,10
Contracts / HR	3,75	1,20	3,73	2,58	1,02	2,36	2,44
<b>TOTAL</b>	<b>25,16</b>	<b>21,73</b>	<b>26,18</b>	<b>22,77</b>	<b>13,96</b>	<b>20,81</b>	<b>21,77</b>

Average number of violations in all areas of rights recorded within factories in one visit. Source: Better Work /Author 2017.

In the further analysis of this chapter, the qualitative clusters will largely be disregarded. Of the quantitative clusters, only the first five dimensions displayed in table 19 will be used in the analysis. The fundamental rights of child and forced labour will be left aside as they are expected to have different institutional ties than the rest of the labour standards (Anner, 2012). Furthermore, the category Contracts and HR will be disregarded due to its heterogeneous characteristics. This category includes references to all the other standards (e.g. is there contractual discrimination, is the number of hours specified in the contract, etc.) and therefore does not represent a “clean”, but rather a hybrid dimension, which is difficult to interpret.

As the sample of countries in the BW data is relatively small and with an obviously strong selection bias due to the participation in the Better Work program, we need to contextualize the findings of the analysis correctly. To do so, the sample must be placed into a global context. Table 20 assembles a summary over some key descriptives of the countries in the BW-sample and displays how they relate to the global context.

**Table 20: Country-Sample Description and Comparison.**

<b>Country</b>	<b>National Export Share (2016)</b>	<b>World Export Share (2015)</b>	<b>National Population (in Mio.)</b>	<b>GDP p. cap. (2015, cur. USD)</b>	<b>GDP world-rank (2015)</b>
Cambodia	70,5%	0,8%	15,40	1.159	191
Haiti	87,8%	0,2%	10,95	818	202
Indonesia	5,1%	1,6%	255,46	3.346	145
Jordan	18,3%	0,2%	9,53	4.940	119
Nicaragua	28,1%	0,2%	6,26	2.087	163
Vietnam	14,4%	4,0%	91,71	2.111	162
China	8,9%	38%	1.371,0	8.028	90
United States	0,5%	2,7%	321,4	56.116	8
<b>World</b>	<b>-</b>	<b>1,000</b>	<b>~7.500,0</b>	<b>10.093</b>	<b>71</b>

Sources: GDP p. cap – World Bank, online. National Export share – ICT, International Trade Centre, Trade in goods database online. World Export share – International Trade Statistics, World Bank (HS2 Textiles and Clothing). Population – UNSTAT online. Rank of GDP per capita from 2015 goes from 1 (the highest) to 264 (the lowest), including regional data (e.g. there will be a rank for the average weighted GDP p. cap. The Middle East and Northern Africa) and island states. All sources last accessed 16.05.2017.

As we can see, the GDP per capita of all six countries lies both substantially below the global mean and that of industrial countries. Yet, even though our sample is restricted to a set of countries with a lower level of economic development, we find that it is not without variation. Within the bottom half of the world rank of GDP, the countries in our sample are for example nicely distributed. Also in terms of population, the Better Work sample includes both larger and smaller countries. In terms of production scope, e.g. concerning the national export-rates of textiles and clothing, the sample contains variation, too. We find that while all countries have rather small competitive market-positions on the global scale, they display diverse degrees of national export shares, suggesting a varying importance of the sector for the national economy and different levels of international comparative advantage of each national sector.

#### **4. Research Strategy and Model Specification**

In contemporary comparative studies based on panel-data, social scientists increasingly rely on so-called multi-level models. Whereas this would have been the ideal conceptual setting also for this study (accounting for developments within and between clusters in one model), the idea had

to be discarded due to methodological reasons and I instead chose to rely on three distinct regression models to capture the different variations in the Better Work dataset.

The main challenge to the methodological setting of this study is the small number of observations on the level of our “upper-level clusters”, namely the countries. Bryan and Jenkins (2013) therefore suggest, that to run successful multi-level models, a dataset should contain at least 30 observations on the group (here country) level. With only six countries and a very biased sample, the Better Work data does therefore not fulfil the criteria to run a multi-level model. Instead, this study will look at the different variations of our cases in various models, carefully considering the changes and similarities between the models we specify. With this, I follow the recommendation of Bryan and Jenkins (2013) to pursue a disintegrated rather than an integrated (one-model) approach: “viewing estimation of individual and country effects in terms of a two-step procedure can help to clarify the sources of the problems with small sample sizes” (Ibid, 2013: 3).

Considering the data at hand, there are three different levels of variation, which each capture a distinct angle of the impact of state-roles on the outcome of compliance in BW governance. Firstly, we will look at the entry point of a factory into the BW program. Secondly, we examine the variation over time *within* each factory which are due to changing external factors. Finally, we specify a model regarding the variation *between* different factories of various countries. All three approaches require different modelling, which will be briefly outlined below. The discussion of the model-specification for the analysis follows thereafter.

*The point of entry.* Although factories are part of the Better Work program already for some time before the first audit is conducted, the compliance rate in the first cycle can still be considered as the one with the smallest treatment-effect (where the treatment is the participation in BW). An analysis of the time “ $t = 0$ ” has distinct advantages and disadvantages. On the positive side, at the time of the first audit, we can expect a minimum impact of BW-governance and therefore the most isolated effect of the public environment, which we are interested in. On the negative side, only analysing the entry-point does not allow any insights into the factory’s

compliance-development over time. The model for the point of entry (poe-model) is therefore very static and potentially biased by singular events in the year of entry (yoe).

$$(1) \text{ Non-compliance}_{i1} = \beta_1 X_{i1} + \beta_2 X_{i2} + \dots + \varepsilon_i$$

with  $i$  = factory observed in cycle 1.

The poe-model will be specified as an ordinary least-squared regression restricted to only those compliance scores, which were recorded in “Cycle 1” of the Better Work programme.

*The within factory development.* The within-factory variation of compliance can help to understand how changes in the external environment of a factory influence compliance, while controlling for all unobserved variables which are due to the factory itself. In this case, the observed variation is not due to cross-country differences in the levels of indicators, but rather due to the specific changes in the environment of each single factory. For example, we examine how the increase and decrease of GDP may influence compliance-rates within each factory without regarding the different levels of GDP in each country.

$$(2) \text{ Non-compliance}_{it} = \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + \dots + i.Cycle_{it} + FE_{it} + u_{it}$$

with  $i$  = factory;  $t$  = time

To measure the within-case variation in panel data, I use a fixed-effect model (FE-model) as it removes the time-invariant effect of e.g. factory-characteristics and thereby isolates the net effect of the predictors on the outcome variable (Torres-Reyna, 2007): “The key insight is that if the unobserved variable does not change over time, then any changes in the dependent variable must be due to influences other than these fixed characteristics.” (Stock and Watson, 2007, p.289-290).

*The between factory development.* The variation of compliance between factories is finally used to capture the different developments of compliance between different countries. The varying height of indicators between countries as well as their distinct developments are both examined in this approach. To capture the effects between factories of different countries, I apply a random-effect model (RE-model). These models have the advantage that time invariant

variables, such as ILO core ratifications and the percentage of social health coverage, can be included, as opposed to the FE-model, where they are absorbed by the intercept (Torres-Reyna, 2007).

$$(3) \text{ Non-compliance}_{it} = \beta_1 X_{it} + \beta_2 X_{it} + \beta_3 X_{it} + \dots + \alpha_i + u_{it} + \varepsilon_{it}$$

with i = factory; t = time

*Model specifications.* Each model is run five times to distinguish the effects of the predictors on five distinct groups of rights: (1) discrimination, (2) freedom of association, (3) compensation, (4) occupational health and safety and (5) working time. The dependent variable in each model represents the total number of violations of the specified compliance-cluster. To achieve a better model fit, the following model specifications are applied:

- a) The indicator for labour productivity is included as its natural logarithm.
- b) All predictors of social investment as well as the variable for FTA-access are lagged by one year. The variables are lagged for conceptual reasons, based on the assumption that public expenditure and the signing of international treaties (FTAs) have delayed effects.
- c) I include a quadratic term for the measure of labour productivity. The variable's quadratic fit over the mean number of violations in all countries is illustrated in Annex 1.4.

Finally, in all models I include dummies for the observed cycle under observation, controlling for the development, impact and progress of the BW-program itself. Additionally, in all models I control for the GDP per capita of the factory's country and in the poe- and the RE-model, I additionally control for the size of the factory. The RE-model further includes a factory's compliance-score of the first cycle, as a control for the point of entry. Point of entry scores and the size are automatically controlled in the FE-model, due to their time-invariability. With this, I control for the effects of model one (the poe-model) in model two (FE) and three (RE), hoping to get a clearer picture of compliance-development irrespective of the point of entry.

*Model-Robustness.* To test the quality of our models several robustness tests are run. Firstly, testing for group-wise heteroskedasticity in the fixed-effect model with the modified Wald-test

yields significant results suggesting that heteroskedasticity may be a problem. To control for heteroskedasticity, a robust standard error (Huber/White estimators) is included in all models. Furthermore, a test for autocorrelation of the variables using the Wooldridge test for panel data is run. Since also this test is positive and suggesting that autocorrelation exists, a so-called Rogers clustered standard error for the panel identifier is entered in all FE- and RE-models, which “produces consistent standard errors if the residuals are correlated within but uncorrelated between clusters” (Hoechle, 2007: 3). Tests for cross-sectional dependence and serial correlation are disregarded, as our panel includes <10 years and both produce “more issues in macro panels with long time series (over 20-30 years)” (Torres-Reyna, 2007: 34).

## 5. Summary of Findings

The impact of the different state roles on compliance in Better Work show similar results in all three models. This consistency is encouraging, as it suggests that the chosen indicators are suitable not only for the specific types of variation, but for the overall importance of state-roles on compliance. Few exiting discrepancies are to be expected and can hint to more complex relationships between our predictors and the related compliance-outcomes. In the following, only in case of inconsistent results will I specify the differences between models, mostly referring to the difference between the poe-model and the dynamic models (FE- and RE-models).

Indicators of the *institutional environment* mostly display a positive association with decreases in labour violations. Higher corruption-control thus coincides with higher compliance in enabling rights and working time, whereas more business friendly-environments increase compliance in all cluster, with the exception of working time. Hypotheses 1b. and c. can be accepted. Due to the quadratic term, labour productivity has a split effect: a comparatively high growth in productivity has positive effects on observable standards, yet may have negative impacts on enabling standards. Specifying this impact, the figures in Annex 1.5 and 1.6 show that the average marginal effect of productivity is only significant at a generally low level of

labour productivity. Compliance is not affected by a growth in labour productivity in countries where productivity is already high. Considering this, hypothesis I a. can only partly be accepted.

The indicators of *trade facilitation* can be separated in two distinct groups. On the one side, FTA access and the RCA-index display a positive impact on compliance in almost all standards, with the exception of freedom of association, which is negatively affected in the dynamic models. Apart from this, Hypothesis 2 can be accepted for these indicators. On the other hand, the world export share and the ease of trading across borders display split effects. A large and growing share in global export can negatively affect compliance with standards on non-discrimination, health and safety and working time. Violations on freedom of association and compensation are however reduced. Low transaction costs of trade coincide with high entry-levels of violations against working time and freedom of association, yet a further reduction of these costs increases the compliance with observable standards. For both indicators Hypothesis 2 can only partly be accepted, and in turn for non-discrimination and working time the alternative Hypothesis applies.

The growth of the indicators in *labour market regulation* are almost exclusively associated with a fall of violations. First, the presence of unions significantly lowers the violations in all areas, except FoA and apart from this Hypothesis 3.a is thus accepted. Second, the ratification of all ILO core conventions significantly predicts lower violations, particularly of enabling rights. Third, higher labour market participation increases compliance with almost all rights, except compensation. Considering this, Hypothesis 3.b and c are accepted. Only the rate of youth unemployment falls out of this pattern, where higher unemployment rates coincide with positive compliance development in all areas, apart from non-discrimination. Hypothesis 3.d is rejected.

Our indicators for the *social provider role* have varied effects. State's social investment in public health expenditure is forthrightly positively associated with high labour compliance, and in this case, Hypothesis 4 is accepted. The effects of education expenditure are more mixed, as higher expenditure is associated with more violations of non-discrimination and compensation,

yet higher compliance in freedom of association and health and safety. Here, hypothesis 4 can only be accepted for the latter. Finally, a high coverage of social protection indicates lower levels of violations in all, but compliance issues. Apart from this, hypothesis 4 is accepted for this measure.

## 6. Discussion of Findings

The diverse effects of state roles we find on compliance-outcomes in Better Work yield many thought-provoking results. However, before elaborating on the different impacts of state roles, it is important to acknowledge that the effects of the BW-program itself – the private governance “treatment” so to speak – are very strong. This is highlighted by the significant effects of the control-dummies for *cycles*, suggesting that compliance rates significantly improve, the more time a factory spends in the program. This is somewhat contrary to the more sceptical views of authors who have found that global governance programs yield few positive results for the rights of workers (O’Rourke, 1996, 2003; Bulut and Lane, 2011; Egels-Zandén and Lindholm, 2014).

Under control of the Better Work governance-effect, the findings of all models suggest that each role of the state – institutional, facilitating, regulatory and providing – has a specific impact on the development of labour compliance in this program. Thus, I will discuss each state-role in specific and then make a general resume about the findings.

*The state as institutional environment.* As we have seen, the general conception that a stronger institutional environment automatically leads to higher levels of compliance, is only partly true. Whereas the control of corruption and a business-friendly environment enhance factory’s compliance scores, we find that growing levels of economic performance and labour productivity can also foster negative compliance trends. Regarding this, I argue that the institutional environment of a factory will only generate exclusively positive effects for compliance if these are directly concerned with matters of public regulation, such as the control

of corruption. The institutional variables which reflect dimensions of economic performance on the other hand, i.e. labour productivity, yield mixed effects for labour compliance.

In our model, control of corruption is an example of a positive public provision to achieve higher levels of labour compliance. Here, the higher control of a general miss-conduct leads to measurable improvements of standards such as non-discrimination and freedom of association, which are usually difficult to address. This exemplifies how higher regulation supports compliance. However, also in the case of the Ease of Creating a Business index, we find overwhelmingly positive results for almost all labour standards. In this case, factories of countries with lower transaction costs and less bureaucracy display higher levels of compliance. This therefore demonstrates a case in which deregulation supports compliance.

Even though the dynamics seem to stand in contrast, these two indicators essentially reveal the same dynamics. The reduction of business-creation related procedures therefore requires a careful de-bureaucratization of public institutions and is often accompanied by labour-protective measures to counter-act the negative effects of higher competition. Higher barriers for business creation in turn can hint to protectionist economic structures and/ or higher levels of corruption which emerge to circumvent these barriers. Therefore, both the level of control of corruption and business-creation friendliness of a country indicate how the efficiency of institutions and the existence of effective mechanisms of control through these institutions can have a positive effect on the implementation of labour standards in apparel-exporting factories. This insight complements previous studies which highlight the importance of institutional stability (Toffel, et al 2015; Short, et al. 2015; Bartley and Egels-Zandén, 2015) with the insight that not only regulation, but also deregulation can provide this.

The effects we observe for the levels of labour productivity in the Better Work countries are quite different. For example, while labour productivity has a positive effect on the compliance with observable rights, we find it increases labour violations for standards such as discrimination and freedom of association. The positive impact on observable rights is conceptually sound, recalling that high productivity levels are often accompanied by higher

wages, less necessity for overtime and an improvement of the working environment. For enabling rights however this effect is reversed, which may have several reasons. One explanation may be that workers make less demands for rights such as freedom of association, when they experience less infractions of their rights to better wages and a decent workplace. Another reason may be that higher levels of visible working standards, such as less overtime, undermine the factory management's motivation to also implement improvements for softer and less tangible standards, such as gender equality and worker representation. The generally interesting dynamic here is, that it seems as if the enhancement of observable rights may under specific circumstances undermine the enforcement of enabling standards. This dynamic has found little mention in the literature so far.

*The state as facilitator of trade.* Since the results of our trade-policy indicators differ slightly between the entry point and the dynamic models, they offer insights about the different characteristics of trade-openness and trade-liberalization and their diverse impacts on labour compliance. In other words, a country's level of general trade-openness, displayed by its level at the entry-point, has a different effect on labour standards than the processes of further trade-liberalization, which are captured in the dynamic models.

In the point-of entry model we find, that a high level of trade openness (in terms of FTAs) and a good comparative advantage of the national export-market generate an overall positive environment for labour compliance. In turn, we find that a position of relatively high international competitive advantage and especially trade-friendly export-regulations may have some negative effects especially for the level of working hours and freedom of association. These findings illustrate both the positive and negative aspects of international trade for social development. On the positive side, trade may lead to a rise in wages and higher standards in supervision and work environment, improving standards of e.g. health and safety and even less tangible rights, such as non-discrimination. However, a higher competitive position on the global market and a highly liberal trading-system may also lead to an increased competitive pressure due to potent local competition and fast-moving purchasing deals. A potentially

negative impact on standards which are easily affected by economic pressures, such as working time and freedom of association, are therefore conceivable.

Processes of trade liberalization on the other hand show slightly different effects. Here, all dimensions of trade facilitation find lower labour-violations of observable standards, such as compensation and health and safety, for increasing levels of trade, while indicating significantly negative impacts on freedom of association, non-discrimination and on working time. Particularly the growth of a country's comparative (RCA) and competitive global market position (global export share) may yield negative effects for the less tangible labour standards, the enabling rights, and in some instances for working time. The increase of efficiency in trade- and boarder related processes and the conclusion of additional trade agreements on the other hand yield mostly positive effects for labour standards, particularly for observable ones.

Regarding this, our trade indicators too can be split in two groups, which differ on whether they facilitate trade through regulation or through increasing competitiveness. Trade then has positive impacts on labour compliance insofar the increase of trade is caused through a regulative forum. This may be the controlled decrease of national bureaucratic procedures for import and export or the establishment of a new trade agreements. These regulatory forms of trade-liberalization are often accompanied by local legislation or special provisions in trade agreements, which seek to counteract the possibly negative effects working conditions. Increased trade which is associated with higher levels of competitiveness, on the other hand, can also yield negative effects for labour standards as it is not associated with any regulatory system. Here, especially levels of freedom of association and working hours are vulnerable for violations, as they are easily undermined if regulation is not consciously and consistently applied. Under heightened conditions of competitiveness, such as an increase of the global market position, these rights are thus the first to suffer. Other rights on the other hand, particularly wages and health and safety, may on the other hand increase through the same mechanisms.

Overall this suggests that global trade dynamics are only positive for labour, if induced through a regulated environment of national legislation or international contracts. If induced through global market pressures due to economic forces, such as competitiveness, compliance with labour standards may suffer. Still, for small developing countries (as we have them in our sample) the involvement in global trade requires reaching challenging goals, such as complying with international product standards and sustaining cost competitiveness. Participation in value-chains makes this involvement possible without countries having to develop fully fledged industries: low-technology and low value-added tasks in textile and clothing are the most common to be outsourced and don't require an upfront process of economic upgrading for developing countries (Escaith, 2013). Once involved in GVCs, the ability of a country to increase its global competitiveness depends on the size of its market (Cattaneo, et al. 2013)<sup>90</sup>, the industry's ability to achieve economic upgrading and subsequently the move to higher value-added exports<sup>91</sup> (Gereffi, et al. 2005). The negative association between global competitiveness and compliance in our model is thus additionally interesting because it suggests a negative relationship between economic and social upgrading.

In terms of *labour market regulation*, we find that a strong state-environment has mostly expected and positive effects for labour standards, suggesting that higher levels of labour market regulation lead to better compliance outcomes.

First, the model supports the expectation that the presence of unions reduces labour violations, and is thus in line with e.g. Oka's (2015) article on BF Cambodia. Unions have a positive impact upon entry and at further presence within a company and are especially effective in achieving improvements of working conditions in observable standards, such as health and

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<sup>90</sup> According to Cattaneo, et al. 2013 "market size is the third most important factor influencing sourcing and investment decisions in GVCs). For example, in a GVC where the lead firm is a global producer (as opposed to a global buyer), the size of the developing country's domestic market might be a tipping point for the offshoring-outsourcing decision" (p. 14).

<sup>91</sup> Refers to the four types of economic upgrading by Gereffi (2005: p. 171), where "Process upgrading involves changes in the production process with the objective of making it more efficient; this could involve a substitution of capital for labour (e.g. higher productivity through automation) and hence a reduction of skilled work and Product upgrading, [refers to the introduction of] more advanced product types, which often requires more skilled jobs to make an item with enhanced features". (Barrientos, Gereffi and Rossi, 2010: p. 6). In apparel value-chains we usually see "product-" or "process-upgrading" [Rossi, 2017 personal interview].

safety, working hours and wages. In fact, as they are less effective in addressing issues of discrimination, the expectation that unions may also enhance rights, which are less tangible – such as non-discrimination – is therefore not supported by our model.

Furthermore, we find that the violations against freedom of associations are especially high in factories with union presence. As surprising as this may seem, the finding is indeed conceptually sound. Since unobstructed operations of unions are a key component of freedom of association, we must expect more violations against unions in factories where they are present and active. It also highlights, that factories may feel more threatened by worker's efforts of association and organization, when they are supported through a union. Here, the crude interpretation of compliance scores without further consideration of the context can be very misleading. In fact, in our sample we must assume that factories with lower compliance in freedom of association may in fact dispose over higher levels of union-representation. It is thus the obstruction of the higher levels of representation which eventually creates the lower compliance-scores. This underlines that not only the presence of a union, but also the protection of these unions' rights through public regulation is essential to guarantee actual freedoms of association.

This assumption is further supported by the findings on the effects of ILO ratifications. Here, we find strongly significant effects on improving labour compliance, especially with standards of freedom of association, if the country of production has ratified all 8 core ILO conventions. The countries in our sample which have not ratified all conventions – namely Vietnam, Jordan and Haiti (before 2010) – therefore display significantly higher levels of violations in the area of freedom of association, but also levels of wages, discrimination and hours of work can be affected. Unsurprisingly, all three countries fall short (amidst others) on the ratification of the convention No 87 on the “Freedom of Association and Protection of the Right to Organise Convention” from 1948. This offers an interesting piece of evidence about the significant impact which the ratification of ILO conventions can have on local regulation and suggests. Seeing these differences as results of compliance scores, additionally suggests that the

ratification of all ILO conventions not only increases the quality of national labour governance, but also its implementation.

The rate of labour market participation too has a positive effect for labour standards in all clusters. This indicates that the possibility of high and growing levels of employment generates positive developments for labour standards. Reasons for this could for example be related to positive developments on the job-market. Here, a higher number of employment could raise the competition for workers and stimulate better contracts under better working conditions. This assumption would also be supported by the positive impact of the ease of creating a business index, which suggests that business-friendly environments can stimulate not only the job-market, but also the job-quality.

The chosen indicator for youth unemployment on the other hand, is the only indicator for state's labour market regulation which effects the compliance with labour standards in an unexpected way. Here, results suggest that at higher and growing rates of unemployment, lower violations are to be expected. This suggest, that the indicator in fact does not display the expected insecurity of the labour market, but instead measure the opposite and reflect a higher level of social security: "Paradoxically, low unemployment rates can disguise substantial poverty in a country, while high unemployment rates can occur in countries with a high level of economic development and low rates of poverty. In countries without unemployment or welfare benefits people eke out a living in vulnerable employment. In countries with well-developed safety nets workers can afford to wait for suitable or desirable jobs" (ILO, 2017). This finding, although against our initial expectation, reveals an interesting relationship between a country's social security for unemployment and the corresponding labour standards. Accordingly, countries with a higher level of social security also reveal higher levels of labour compliance.

This finding is also supported by our model's results concerning the *state's social provider role*. Here, we find that both a high coverage of public health protection as well as a government's rising public health expenditure have a significant and positive impact on labour compliance in almost all clusters. This supports the previous finding and supports the assumption that public

social investment can have a direct impact on worker well-being. This may have several reasons. A strong solvent health system may therefore not only contribute to an overall better health-condition of the workers, but also develop a stronger health-regulative system with provisions of health and safety-standards and contribute for example to a higher availability of health staff.

In the dimension on states' social provision, only the effects of educational expenditure are somewhat uneven. Here, higher educational spending correlates with higher freedom of association but also lower non-discrimination and wages. This may have many reasons and we can only take an educated guess as to why these standards coincide negatively with a higher spending on education. One reason may be, that higher public spending on education does not automatically indicate a higher quality nor availability of educational facilities. In fact, in many developing countries the educational systems are still very inequitable and there may be big differences in availability and quality between regions, between the city and the country-side and even between offers for boys and girls. Higher educational spending may also be used in areas, which do not directly improve garment worker's lives, as for example local child-care would. However, to really unravel this relationship, each country case would have to be examined specifically. A thorough analysis of the interaction between social and educational systems with the development of labour standards is therefor called for.

Apart from the observations that can be made for each of the different state-roles, it is also interesting to reflect on the diverse responses of different standards. The results therefore support previous findings, which suggest that enabling standards are more difficult to regulate and more vulnerable to economic pressures of business practices and competition (Barrientos and Smith, 2007). Complementary to this finding, our analysis suggests that also hours of work are highly susceptible to market-pressures and competitiveness. The special vulnerability of this standard, albite it's characterization as observable standard, is in line with findings of Locke (2013), demonstrating how overtime is still a commonly used tool which factories use to solve shortages of capacity when under pressure to supply.

Overall, the findings of this study highlight different dimensions of suppliers' local public environment and contribute to the literature by unravelling, which may support or inhibit their compliance with global labour standards. The analysis thereby offers valuable insights for policy makers and adds to the discussion on the complementarities between specific sets of national public regulation and standards of global labour governance.

When comparing the impact of different state roles, we find that most regulative institutions have a positive, supportive impact on labour standards. Remarkably, this positive impact of institutions is however not only associated with the creation of higher levels of regulation, but can also relate to the coordinated and controlled execution of deregulation. Specifically, stronger regulation has a positive impact on compliance if directly focussed on social and labour issues, such as the institutional support of collective bargaining and unions or the control of corruption. Deregulation or leaner processes of regulation can have a positive impact on labour, especially if focussed on processes of trade and business, and if deregulation is coordinated by public actors. This suggests, that the political agenda for the promotion of economic growth and trade-liberalization are not limited to a choice for or against social protection. It in turn highlights how labour standards can be shielded from the potentially negative impacts of global market pressures, if deregulation is organized in a controlled and coordinated environment and coincides with the public protection of specific social requirements.

The uncontrolled growth of competitive and market-oriented pressures on the other hand, while possibly having positive side-effects for wages and safety, can have a strongly deteriorating impact especially on vulnerable rights, such as enabling standards and hours of work. This suggests, that intangible labour standards are upheld only for so long, as the pressure on the market allows it. In situations where for example the supply-demand exceeds a factory's capacity, the protection of these standards may fade from the management's list of priorities. This in turn stands in sharp contrast to the likelihood of positive effects of economic competitive dynamics on less vulnerable standards, such as compensation, work environment and safety. It highlights, that the economic benefits, such as the growth of a sector's global

comparative advantage, may be positively linked only to those labour standards, which can be addressed through economic or financial input (such as compensation and safety), but do not require profound changes in organization (freedom of association) or behaviour (non-discrimination).

## **7. Conclusion**

The findings of this study contribute to both literature and policy discussion in several ways. First, they support the claim, that the relationship between economic and social upgrading in global value chains is limited to specific circumstances (Rossi, 2011). The study highlights for example how high regulation on the labour market and lean trade-institutions can be positive environments for increasing labour compliance. Furthermore, positive spill-overs of big economic growth in developing countries may be limited to the benefit of only a specific set of “purchasable” labour standards, whereas less tangible rights, such as freedom of association, may suffer negative consequences.

Second, our findings complement previous studies which highlight the importance of strong institutions (Toffel, et al 2015; Short, et al. 2016; Bartley and Egels-Zandén, 2016) with the insight that not only higher regulation, but also coordinated deregulation can provide stability, if accompanied by relevant social provisions. Lean and efficient trade and economic institutions might thus be more supportive of labour standards than an overly bureaucratic and highly regulative apparatus, which potentially provokes problems such as corruption.

Third, for policy makers this suggests that the growth of markets should be accompanied by processes of social provision, such as increased inspection of especially vulnerable rights of work and the legal and social empowerment of trade unions and collective bargaining systems. This also highlights, that it is not only the level of public regulation but also the implementation of this regulation, which is decisive for the outcome of labour compliance. The specific circumstances of the Better Work data may thus play a significant role for the outcomes of our

study, as here implementation is based on a public-private effort. In countries where this is not the case, results may look differently.

Finally, considering the public environment of production through different state-roles is helpful to disentangle the different complementarities between public and private governance. We find that public regulation can support global standards especially of labour where improvements are less tangible and cannot be acquired through simple, financial investment. It however also suggests, that this complementarity is limited to specific arenas in which national public regulation can be efficient, such as the labour market and the industrial relations system. This supports previous studies with similar findings (Anner, 2012; Locke, et al., 2013).

For future analyses, the findings encourage to expand the study with further qualitative insights on specific national systems of social protection and social investment and how they may be related to labour standards. Furthermore, as the study is based only on a small set of countries, an analysis of this kind of larger scope might reveal different relations, which are hidden due to the limited variation in our sample. Additionally, the insights should be verified with the data from another source of compliance data, to understand the specific effects of the strong governance influence of programs, such as Better Work.

## CHAPTER VIII.

### CONCLUSIONS

The final chapter of this DPhil dissertation will summarize the main findings of my research, outline its main contributions and finally discuss their relevance and implications for both policy makers and future research.

#### 1. Summary of Findings and Contributions

The research conducted in this dissertation presents the first study to combine insights on both the internal and external factors of the conditions faced by labour governance programs in global value chains (GVCs). The two chosen cases, the FLA and the ILO's Better Work Program, are used to study the relevance of these conditions for the quality, effectiveness, and ultimately the success of global labour regulation. Although the study's findings face limitations in terms of their generalizability and the quality of data, it nevertheless offers relevant contributions by highlighting how specific internal (i.e. leadership and collaboration) and external (i.e. corporate and institutional surroundings) conditions of governance relate to the effectiveness and impact of labour-related multi-stakeholder initiatives (MSIs).

To accomplish these contributions, two trajectories of research – one qualitative and one quantitative – were pursued, which regarded the following questions:

Trajectory A. Which stakeholders and organizational structures of MSIs are decisive for the quality and outcome of labour governance? In particular, which factors of scope, membership and function can be used to comprehensibly classify these initiatives? And can we find evidence that higher collaborativeness in MSIs leads to more quality of global labour governance?

Trajectory B. Which external conditions of global labour governance support or obstruct the successful implementation of varied labour standards in GVCs? Specifically, which characteristics of the value chain, companies and the institutional environment are important for social compliance? Moreover, can we identify specific roles of the state and related institutional environments as favourable or unfavourable for the implementation of specific global labour standards?

To offer a theoretical frame for these research-trajectories, a thorough literature review and two theoretical sections outline a) the context and b) the conditions of global labour governance. To set the context, chapter 4 outlines a complete map of global labour governance, tracing the actors involved, contemplating their accountability and reason for involvement and finally describing the tools they use and the challenges they face. The following chapter 5 outlines the concepts of governance effectiveness and impact, and describes a series of factors and circumstances by which these outcomes are likely to be affected. Here, the internal and external factors of governance are once more highlighted, leading into the empirical part of this dissertation.

In the first empirical chapter, following the research trajectory A, I first develop and then apply a new, comprehensive classification of labour-related MSIs, categorizing 29 initiatives according to scope, membership and function (see Annex 1.1). Both the classification and the findings on labour-related MSIs contribute to the literature on multi-stakeholder governance by offering further insights about internal conditions of governance. Specific patterns of internal conditions of governance are first conceptualized and then operationalized with the help of a selected group of labour-related initiatives. This effort generated several insights into how internal organization and coordination in MSIs can be strong indicators for their ability to commit stakeholders and their scope of goals. The following main findings can be summarized:

- **The leadership of MSIs can be a decisive indicator for the scope, inclusiveness and goal of governance.** In our sample in chapter 6, different MSI leadership models – privately-,

societally- or publicly-led – displayed distinct features concerning the initiatives' targeted actors, core-issues and inclusiveness of governance processes. Leadership is thus a strong indicator of its potential reach and of the degree to which an initiative involves its members. The displayed differences also suggest, that the characteristics of a leading party of MSIs may influence the goal of governance: private actors seek to manage reputational risks and thus target specific corporate issues; societal actors aim to increase awareness alongside change, thus targeting wide issues with big audiences; public actors often use MSIs as a form of controlled discussion about the wider implications of labour issues, for instance, on economic and social development.

- **An MSI's governance-function determines the strength of commitments and the ability of enforcement.** Governance-MSIs and best-practice sharing initiatives are the two ends of the continuum of functions. According to our sample, governance initiatives always require a high level of commitment from their members to implement regulation for very specific issues. Here, companies are almost always targets and members, to enable and drive enforcement through global value chains or internal management structures. In contrast, best-practice sharing MSIs are merely platforms for discussion and exchange, which require low or no levels of commitment and include no enforcement mechanisms. Certification initiatives lie between these extremes, with rather specific issues to target but often weak forms of commitment and enforcement.
- **Specificity and complexity of production processes reduce the scope of governance.** Our sample suggests, that initiatives with a GVC focus usually have a narrow product scope for two reasons: a.) because they pursue a governance-function, which seeks to not only define but enforce standards, requiring a certain specificity of targeted issues to enable explicit and appropriate implementation mechanisms, and b) because the complexity of production is high, and procedures are so specific, that it would be difficult to embed a wider range of issues into governance and discussion. This may be the case e.g. for specific

agricultural products and highlights how the specificities and complexities of production can influence the scope of global labour governance.

- **Unions and governments contribute to MSI-legitimacy.** The findings from the categorization of labour-related MSI generally suggests that a higher number of stakeholders and a higher involvement of specific actors, particularly unions and the state, play an important role for the legitimacy of private governance. This could be explained with a spill-over/ diffusion of democratic legitimacy from these actors to the initiative, in which they chose to be involved.

The first part of the research trajectory A allows us to draw several, but superficial links between internal factors of MSIs and their outcomes. To deepen this insight, the second empirical step focusses on one specific internal condition: the level of multi-stakeholder collaboration and its links to the quality of governance. Both concepts (collaborativeness and quality) are defined using the same stakeholder strategies which helped to build the MSI classification. By outlining the history and organizational development of two specific MSIs, the FLA and Better Work, I can isolate and compare key decisions and characteristics of each case, which helps to identify specific relationships between levels of collaboration and quality of governance. With this, the analysis contributes to the literature by empirically examining the common assumption that collaboration always leads to better, more successful governance. Instead of confirming this claim, the research rather reveals **patterns of mutual reinforcement between collaboration and quality of governance**. As such, it is wrong to assume that the involvement of more diverse actors unilaterally leads to a higher quality of governance, as collaboration in turn needs qualitatively high governance structures to remain sustainable. The following findings elaborate on this insight:

- **Higher diversity among members increases quality through legitimacy gains.** Our cases show, that MSIs with a representation of more diverse actors in their membership benefit from higher levels of legitimacy. Especially NGOs and social groups are inclined to

perceive a program as more trustworthy, if it involves a higher diversity of actors, by assuming that membership-diversity increases mechanisms of control amongst different actors. Due to its tripartite structures, especially the Better Work initiative benefits from a positive reputation amongst social actors. The FLA on the other hand has suffered immense reputational loss due to allegations of unilateralism in governance and the insufficient inclusion of third actors, such as trade unions and NGOs.

- **Public leadership induces quality through legitimacy gains.** MSIs under public leadership can appear as the more trustworthy options for entering collaborative labour governance than their privately-led counterparts. They are thus more likely to display a high diversity of members and reap the associated legitimacy gains. In our cases, Better Work's image as an agent of the ILO rewards it with sizeable advantages in terms of access and credibility. The image of the FLA as corporate association, on the other hand, often raises scepticism about the objectivity of its mechanisms. Both the enrolment of diverse members as well as the acquisition of legitimacy is therefore more challenging in this case.
- **Higher governance quality stabilizes and sustains higher collaboration through formalization.** Collaborativeness relies on formalization and fixed arenas of exchange, which establish and sustain the dialogue between stakeholders and their engagement. Due to formalization, the responsibilities of stakeholders are clarified, thereby strengthening the commitment and the sense of purpose of the involved stakeholders. Purpose, belonging and commitment sustain collaboration for longer. A sustained collaboration in turn creates growing levels of trust between actors, which speaks for the mutual reinforcement of collaboration and quality of governance and supports the finding of Amengual and Fine (2016), who find that collaboration is undermined if processes of communication and interaction are not coordinated.
- **Low levels of governance quality can weaken collaboration.** If coordinated arenas of multi-stakeholder collaboration are not offered, the stakeholders may not be assigned

specific responsibilities and their potential influence on labour standards may remain unutilized. The commitment of stakeholders to an MSI are in this case weak, potentially short-lived and of little benefit. Lower quality of governance, for example due to lack of formal structures, can therefore have a negative effect on the level and the sustainability of collaboration in multi-stakeholder governance.

- **If formalization is high but collaboration low, the expected positive effects of a high quality of governance may be undermined.** High levels of collaboration affect the quality of governance not only by reinforcing it, but the absence of collaboration can also be an obstacle for the expected achievement of goals with high-quality governance. In other words, even under ideal conditions of governance, governance outcome will be sup-optimal if collaboration is low.
- **For implementation, less collaboration can produce governance outcomes of higher, not lower quality.** If implementation is carried out unilaterally it can guarantee higher levels of standardization and quality in auditing than if implementation is carried out by various actors. This is however only true, if implementation is led by a party which is entirely independent of the actors which are targeted by regulation (i.e. mostly companies). Better Work is an example of this. If the targets of regulation are however responsible for unilateral implementation themselves, there is no impartiality and thus governance quality is lower. This can be found in the example of the FLA. In this case, higher levels of collaboration in implementation are preferred.

Since the findings of chapter 6 focusses strongly on governance structures, but are rather modest in their ability to make predictions about the outcomes of governance, the analyses in research trajectory B focusses more on our interest in governance outcomes, specifically on compliance in MSIs. To follow this trajectory, I examine the social compliance audits of the FLA and Better Work in two separate, quantitative analyses.

In the first analysis, a simple OLS regression tested the susceptibility of FLA compliance scores to a set of independent variables that capture specific characteristics of the corporate/ value chain and institutional environment in which governance takes place. The analysis thereby revealed how diverse sets of labour standards develop under distinct public and private external conditions. The findings thereby contribute to the literature on the conditions and effectiveness of labour governance, by highlighting that different sets of rights have different institutional tangibility. The main insights of this analysis are listed in the following:

- **Private governance cannot effectively address enabling standards.** In our analysis, company and value chain indicators are not significant for the prediction of violations in the area of process/enabling standards, such as freedom of association, discrimination and abuse. This confirms the findings of former studies (Anner, 2012; Bartley and Egels-Zandén, 2015), suggesting that these standards are less tangible for private governance and thus more difficult to address through corporate action. It also suggests that process rights are not only unsuccessfully, but rather inadequately addressed through private governance.
- **In turn, these are highly susceptible to the institutional environment of private governance.** Since many of these standards are directly or indirectly related to public systems, such as industrial relations and minimum wages, their development is highly dependent on the level and enforcement of public regulation.
- **Private governance is more effective in addressing observable standards.** The FLA-analysis shows, that company and value chain indicators are significant predictors for violation of observable rights, whereas institutional variables are not. Due to this, private governance mechanisms appear specifically important for the governance of the other group of standards: the observable rights (such as health and safety, compensation and working time). This reveals that the management of direct changes in the corporate environment – such as providing safety-measures and fire-extinguishers – continues to be most effectively addressed on the corporate level, i.e. by factory management.

- **In turn, these standards are less manageable through public systems of regulation,** such as labour inspection. This insight contributes to the literature by highlighting not only the limitations of private governance, but also those of public regulation.
- **Local institutions are important for the effectiveness of governance, irrespective of the quality of governance.** In our model, we see that the variables of public governance moderate the impact of company and supply chain indicators significantly. This demonstrates that even the best corporate and supply-chain conditions of private governance are not sufficient to improve compliance in countries where the institutional environment is hostile to worker's rights.
- **The economic pressures leading to contract-termination in supply chains can cause a deterioration of labour standards.** In our model, the positive impact of discontinuation indicates that the audits recorded higher levels of labour standard violations before the contract termination with the supplier. It indicates that economic pressures in the wake of contract termination (due to issues other than labour standards) and corporate decision-making beyond labour standards, concerning e.g. quality and cost, may counteract efforts to improve labour standards. This is in line with findings in the literature, which highlight lead-firms' struggle to manage the opposing interests of economic versus social concerns in GVCs (Locke, 2013; Bartley and Egels-Zànden, 2015).
- The findings contribute to the discussion on the complementarity of different governance-levels, suggesting **that private governance does not substitute but rather complement public regulation** (Mosley, 2011; Locke, Rissing and Pal, 2013; Gereffi and Lee, 2014).

In the second analysis of trajectory B, compliance data from the Better Work program is analysed to test the impact of the roles of the state on compliance through a set of panel-regressions. Since the public governance component in the FLA-analysis is only broadly defined, the analysis of Better Work aims at further untangling the institutional component by making use of the following set of state roles (Horner, 2017; Mayer and Phillips, 2017) and

related institutional factors: the state as institutional environment, the state as facilitator of trade, the state as regulator on the labour market and the state as social provider.

By doing so, the findings of this study highlight which dimensions of suppliers' local public environment may support or inhibit labour compliance with global standards and contribute to the literature by further untangling the importance of diverse institutional settings. The analysis thereby offers insights for policy makers and researchers, by adding to the discussion on the complementarities between specific sets of national public regulation and standards of global labour governance. The main findings of this analysis are the following.

- **A stable and strong state-institutional environment** increases labour standards. This refers to growing levels of labour productivity, control of corruption and less bureaucracy (and thus lower transaction costs for the creation of businesses), which all have positive effects on labour standards.
- **Trade promotion has mostly positive effects for observable rights.** Even enabling standards can be positively affected by processes of trade liberalization, however only by those measures which are associated with publicly coordinated trade promotion, such as free trade agreements or the controlled reduction of non-trade barriers (such as bureaucratic procedures and charges). Increasing trade levels which are based on market pressures (e.g. global competitiveness) can have negative impacts on enabling standards.
- **Labour market regulation has positive effects for labour compliance.** Specifically, the existence of trade unions and the complete ratification of ILO core conventions support the improvement of labour standards. Growing rates of labour market participation, as outcome of this regulation, are equally strongly associated with increases in compliance. This suggests, that the implementation of global labour governance is more effective in countries where labour market regulation is potent and implementation efficient.
- High and rising levels of **public health expenditure and public health care coverage are positively affecting compliance** with global labour standards. Our analysis therefore

suggests that a strong public health-care system is able to support companies in their effort to protect worker's rights. This is especially plausible for standards of health and safety, if for example the overall health of workers is better, or the existence of more qualified medical staff helps factories to uphold global standards. However, positive effects can also be found in the area of non-discrimination and freedom of association.

- Overall, **positive effects of public institutions are not only associated with higher levels of regulation, but can also relate to publicly coordinated processes of deregulation.** The following dimensions contribute to the literature by outlining specific circumstances under which the relationship between economic and social upgrading in global value chains can be relevant:
  - a) **High and increasing levels of regulation** have a positive impact on labour standards if specifically directed at the labour market (such as the legal empowerment of trade unions or the incorporation of stricter global norms in local law).
  - b) **Over-bureaucratic procedures** which hinder trade and business-creation can in turn lead to negative outcomes, such as increased corruption, and inhibit labour compliance.
  - c) **Lean and liberalizing institutions** positively influence labour standards under certain conditions: deregulation must target the promotion of trade and business, must be coordinated through public actors and accompanied by social provisions (as for example commonly used in free trade agreements).
  - d) If trade liberalization is however **driven by the uncoordinated growth of competitive and market-oriented pressures**, positive effects are only visible for “purchasable” labour standards, such as compensation and safety, whereas more vulnerable standards, such as enabling rights and hours of work, are negatively affected.
- The **economic benefits** of a sector's growth in global competitive advantage are positively linked only to those labour standards, **which can be addressed through financial input**

(such as compensation and safety), but do not require profound changes in organization (freedom of association) or behaviour (non-discrimination). However, they display also some negative links to for standards of non-discrimination and working hours.

- **Public regulation can support global labour standards especially where improvements are less tangible.** This finding suggests, that the complementarity between public governance and global standards are stronger in those areas which are directly linked to national public regulation, such as the labour market and the IR system. Here, stronger local and national legislation can be an efficient measure for raising the minimum standards, which are applied in a factory. For example, the legal empowerment of unions is an important provision of their influence on workers' rights and without this empowerment, unions struggle to support workers' rights efficiently.

## 2. Final Remarks:

### **The Interaction of Internal and External Conditions of Governance**

One of the key assumptions which this study departed from, points to the high importance of both internal and external conditions of global governance for the successful and effective implementation of labour standards in global supply chains. The research design was consequently adapted to this assumption by splitting the analysis into a first set of research-questions focussing on internal conditions, specifically collaboration and quality of governance (chapter 6), and a second set of analyses emphasising external conditions, especially the local institutional environment (chapter 7). However, even though I work under the assumption that internal factors of governance are important factors for the impact of external conditions on governance outcomes and vice versa, the study includes no explicit effort to study combined effects of internal and external elements. To close this circle and conclude on our findings, let me therefore make some short and final reflections on the patterns of mutual impact we find between internal and external conditions of governance.

To combine the findings on internal and external factors, a simple comparison of results would unfortunately not suffice. Even though we expect that high and reinforcing levels of collaboration and governance quality lead to better outcomes, especially in terms of appropriateness and effectiveness of a program's implementation, these findings cannot simply be met with compliance scores. Precisely due to these internal differences, reflected by diverse systems of implementation and assessment in each MSI, we expect substantial variation of data quality. In other words, a higher compliance score in one program, does not automatically indicate a higher level of quality in its governance, nor does it indicate comparatively higher impact and effectiveness. Our defined measures of compliance are therefore firmly restricted to the observation of within-initiative developments and are very difficult to use for inter-organizational comparisons.

Still, beyond the mere consideration of governance success, each chapter offered reflections about the relationship and complementarities between the actors and/ or forms of governance involved in MSIs. It is here, where we find that the interaction between internal and external conditions of governance emerge, as illustrated by the following four examples.

First, our findings suggest that the potential of complementarity between local public and global forms of governance can be significantly influenced by the level of collaboration within an MSI. Especially the involvement of government actors and local trade unions from production countries can impact how global standards and local legislation relate to each other. In Better Work for example, local public and social actors are given the mandate to interpret global standards according to national law, thus adjusting global standards to a nationally relevant setting. In turn, we find that the involved local agents find reason and motivation to adapt local legislation and implementation to the (mostly higher) global standards. MSIs can thus fulfil important advisory and lobby functions within production countries, leveraging for stronger local regulation and its greater appropriateness in terms of international labour law. In this dimension, Better Work is a particularly fascinating example as the implementation of its global

standards has in some cases even been incorporated into national law, by making participation for garment-exporting factories mandatory.

Certainly, the inclusion of local actors in MSIs will only have a positive influence on governance complementarities if these actors are appropriately involved in processes of rule-making and implementation. If this is the case, collaboration in MSIs represents an important catalyst for complementarity between local and global forms of governance. If inclusiveness of local actors is low, on the other hand, high levels of collaboration may not activate complementarity. These considerations somewhat contextualize De Santos' (2006) thoughts on the reciprocity and the mutual exchange between global and local standard-making, suggesting that these dynamics are dependent on and in some way limited to specific internal conditions of global governance.

Second, we find that the internal condition of formality in MSIs may enhance the possibility of global governance programs to interact with its local environment, not only by establishing formal arenas of exchange, but also by allowing for pipelines of informal communication. In the traditional IR-literature, scholars highlight the importance of informal relationship between the actors involved in social dialogue (Rogers and Streeck, 1995; Regalia, 1995). However, our findings also support Amengual and Fine (2016), who show that without formal arrangements of communication and coordination, potential co-enforcement between stakeholders is easily undermined (Ibid: p. 26). Taking this into consideration, I suggest that the successful co-enforcement of global standards through local or public social actors needs formal structures, to enable the informal dialogue between actors. As shown in our findings, without these structures cooperation around global standards will often be short-lived and little productive. According to this, the informal relations between stakeholders in MSIs thus depend on a formal environment. In other words, informality needs formality in global systems of labour governance.

Third and related to this, the findings highlight that certain internal conditions of MSIs may incapacitate their governance mechanisms to effectively regulate certain standards. This can

especially be found in the area of enabling rights. If this is the case, a global governance initiative is more reliant on strong and functional external conditions, such as a strong public labour market regulation, to regulate what is intangible for the initiative itself. This scenario was exemplified by the FLA in our case. In turn, where internal conditions of global governance are of high collaboration and quality, the dependence on external factors to address the full range of standards, may not be as high. I expect however that a certain dependency of MSIs' effectiveness on external conditions of governance remains, even if the program's internal conditions are optimal.

Finally, I find that the accountabilities which global governance programs face, are both connected to the internal and the external conditions of governance. In most MSIs, I thus find administrative forms of accountability, which are directed at sustained commitment and collaboration to guarantee high levels of governance quality within global initiatives of labour governance. Public forms of accountability on the other hand are directed at the external conditions of governance. Firstly, companies' decision to join a program may be based on considerations of public accountability, driven by pressure through NGOs, consumers and others. Secondly, the importance which local public actors are willing to give to a program, by either supporting or opposing an MSIs, can significantly impact on the level of the initiative's public accountability. The success of programs to address both administrative and public accountability will ultimately have a strong impact on its reputation and success.

Overall, I find that internal and external conditions of governance can interact strongly, affecting the potential impact which each has on the effectiveness and outcome of global governance. However, since this dissertation did not dedicate any specific analyses to the interaction of internal and external factors of global governance, further research is needed to unravel this relationship.

## 1. Implications of this Research

### *i. Policy Implications*

While it was not the main goal of this dissertation's research to deliver policy recommendations, several topics that emerged while addressing the research questions provided interesting insights about the role which different policy actors may play in the improvement of effectiveness and impact of global labour governance.

Since the findings have underlined the importance of internal as well as external conditions, the following list of implications will be directed at both levels. First, I summarize some insights on how key-stakeholders of global labour governance, in particular multinational buyers and local suppliers, may contribute to the effectiveness of labour governance. Thereafter, I will derive some indication for national policy-making.

In global labour governance, the involvement of multinational companies is especially important, partly due to their access to factories with relevant challenges and partly due to their capacity of putting economic pressure on their suppliers. However, to ensure that the enforcement mechanisms of governance initiatives are indeed effective, the simple involvement of multinational buyers does not suffice. Our example of the FLA shows, how a global initiative with involvement of powerful firms can still grope in the dark on their quest to enhance global labour standards. To address this challenge, the following points summarize specific actions, which can be taken by brands to support the effective implementation of global standards through MSIs.

- Brands who seek to get involved in initiatives, should look for MSIs which offer strong organizational structures, fixed mechanisms of implementation and a big platform of stakeholder involvement. Rather than creating their own, corporately-led initiative, they should dare to get involved in programs under public or social leadership, which will most likely offer more diverse tools of implementation and offer a higher variety of enforcement mechanisms.

- If brands are already engaged in MSIs which are privately-led or rather non-inclusive, they should push for the establishment of better channels of communication with local actors, allowing for a higher chance of formal and informal collaboration not only on the organizational level of the MSI, but also on the local level of implementation in factories.
- If the responsibility of implementation and enforcement in MSIs is given mainly to lead-firms, these can make a self-driven effort to engage a variety of third-party actors in the assessment and implementation processes. Using NGOs instead of paid agencies for assessment, engaging trade unions in the renegotiation and openly publishing monitoring results are only some possible ways, which could achieve higher credibility and effectiveness.
- Instead of negatively sanctioning the non-compliance with global standards, brands can signal positive encouragement of factory-participation by e.g. increasing orders at compliant factories or establish other reward-systems. Such actions would strengthen the business model of global labour governance and encourage suppliers to engage more pro-actively in the implementation of better working conditions.

In many studies, suppliers are merely seen as the receiving end of global governance. But factories are certainly much more, and the willingness of factory-management to recognize and implement global labour standards can thus be a key-factor for the effectiveness of global labour governance. If this willingness is present, suppliers can decide on the following actions to increase the effectiveness of global labour governance:

- To implement standards, the creation of communication platforms between top-management, supervisors and workers can be extremely helpful. If conflict is possible, a representative of the present global initiative or from trade unions can be invited to act as mediator between workers and management. If such communication platforms are established permanently, the factory may benefit from avoiding those conflicts, which arise due to misunderstandings or diverse expectations between management and workers.

- If involved in a global governance program, factories should be open not only to remediation, but also to the implementation knowledge which they can receive from such global initiatives. Often, MSIs will be able to provide examples of best-practice as to how standards can be implemented in a cost-saving and efficient manner, which factories can immensely benefit from.
- When making successful efforts of implementation, factories should not shy away from pursuing higher levels of transparency. This may obtain them rewards from their buyers for positive developments and provide best-practice examples for other factories. If a factory's social reputation grows, even the establishment of relations with new buyers is possible.

Developing countries with a high density of export-oriented, manual production are often presented with not only one, but many global governance programs which are active within their country. In many cases, the national governments are therefore not able or staffed to actively engage with the governance of each of these initiatives. Still, as we saw in chapter 7, the national regulations which production countries provide can play a significant role in the effectiveness and success of those global governance initiatives. The following insights from our findings may thus be of relevance for national policy-makers.

- Public regulatory systems should focus specifically on the enforcement of those standards which are difficult to address through corporate governance and highly dependent on national regulation, such as freedom of association, harassment and abuse and non-discrimination. This can be achieved by a tightened process of labour-inspection of especially vulnerable rights of work and/or the legal and social empowerment of trade unions and collective bargaining systems. The effectiveness of labour inspection can be increased e.g. through collaboration with trade unions.
- Political agendas for the promotion of economic growth and trade-liberalization are not limited to a choice for or against social protection, they should however be executed in a controlled and coordinated environment and coincide with specific provisions for social and

labour protection. This could be in the form of social provisions in free trade agreements or specific reporting requirements for factories with export-oriented production.

- Not only the increase of public regulation but also the improvement of implementation of this regulation is decisive for the outcome of labour compliance. Governments can thus support global labour governance initiatives by securing collective bargaining systems, increasing the frequency of labour inspections and by offering platforms of engagement and communication to which global initiatives can turn with questions of specific relevance to local legislation.

*ii. Research Implications*

The main contribution of this study lies in the stringent analysis of diverse internal and external conditions of governance in MSIs and their potential impacts on their effectiveness. Through many diverse findings, several new research interests are opened, which offer the opportunity and necessity of further academic research. This final section outlines some of these future research trajectories.

In the first analytical chapter, the research contributes to the literature by creating a new classification for labour MSIs, which reveals patterns of internal organization and coordination regarding an initiative's reach, strength of commitments and goals. However, such classification is conceptualized and used only for the purpose of examining MSIs with a focus on labour-related issues. Since the universe of MSIs extends far beyond those with focus on global labour standards, it would be of interest to apply the classification to similar initiatives with other topical and organizational goals. Potential differences and similarities may reveal important insights into the particularities of global governance in specific issues.

In the continuation of chapter 6, where two cases of MSI are examined, the research depicts a new and interesting insight into the differences between a publicly-led and a privately-led global governance initiative. By revealing patterns of mutual reinforcement between collaboration and

quality of governance and by highlighting the importance of specific characteristics, such as inclusiveness, the research offers new insights about the impact of internal conditions of governance on the outcome of governance. Since this part of the study is however limited to two very particular case-studies, the findings have only limited generalizability. Therefore, to confirm these insights, similar studies on other cases, and in particular involving cases of socially-led MSIs which are missing from this study, may be useful.

With the first quantitative analysis, this dissertation supports findings on the fact that enabling standards may be more easily regulated by public institutions and contributes with the finding that observable standards, in turn, might be more effectively regulated on the corporate level. However, even though we find that local institutions remain important despite optimal conditions of global labour governance, only careful assumptions can be made about the concrete complementarities between public and private governance. This limitation is partly addressed by the second analysis in chapter 7, which unravels the dimensions of public governance and identifies the impact of relevant meso-level institutions on the effectiveness of global governance. Additionally, the role of social actors needs to be investigated more thoroughly and separately from broad forms of public regulation (Amengual and Fine, 2017). This task still remains to be accomplished.

As mentioned, the second part of chapter 7 offers a diversified insight into the specific institutional dependencies of global labour governance. On the one hand we find that high levels of regulation, especially for labour and social protection, are beneficial to labour standards. Additionally, we find that workers in developing states can benefit from trade-liberalization and market openness, as long as social provisions are in place. Since these findings are very broad, additional analyses are needed to strengthen their implications. It thus calls for a thorough analysis of the interaction between social systems, such as health and education, and the development of labour standards. Qualitative deep dives into specific national systems of labour market regulation or public trade and investment strategies may reveal further insights into how they relate to overall levels of labour standards.

Furthermore, as both compliance datasets are based only on a limited set of factories (in the case of FLA) and countries (in the case of Better Work), further analyses with a broader scope might reveal different relations, which are hidden due to the limited variation in our sample. Additionally, all insights should be verified with data from other sources of data on compliance, to understand the specific effects of the strong governance influence of programs, such as Better Work. Ideally, studies should also test these effects by comparing countries with and without the presence of Better Work (or any other global governance program), which might have a significant impact on the development of national labour standards within each country programs.

Finally, since this dissertation does not offer a dedicated analysis of the interactions between internal and external factors of global governance, further research is necessary to unravel this relationship. Studying the conditions as a joined and not a separate set of factors, may expose additional factors to those revealed through my research.

## ANNEX I – RESULTS OF ANALYSES

**1.1. Table A: List of current Multi-Stakeholder Initiatives concerned with Labour Standard Governance**

Multi-Stakeholder Initiative	Creation Date	Issue / Objectives	Rule-Targets	Labour issues	Product / Industries	Funding	Function	Stakeholders in Governance					
								MNCs	IOs	Govs (a)	NGO	Unions (b)	Academia
(3) Clean Clothes Campaign	1989	Labour conditions	C	core	Garment	public and private funding	Best practice Sharing MSI				√	√	
(8) Forest Stewardship Council	1993	Sustainable Wood supply	C	& c/e	Wood	Donors, licence, accreditation & fees	Certification MSI	√			√	√	
(1) Social Accountability Internat. (SA8000)	1997	Labour conditions	C	core	Multi-sector	Donors, certification, member fees, govern.	Certification MSI	√		√	√	√	
(2) Global Reporting Initiative	1997	HR, Climate and Corruption	C / G / NGO	Included	Multi-sector	Government, service fees	Best practice Sharing MSI			√	√		√
(1) Ethical Trading Initiative	1998	Fair trade	C	core	Multi-sector	Member fees, government	Self-assessment	√			√	√	
(1) WRAP: Worldwide Responsible Apparel Production Initiative	1998	Labour conditions	C	& e	Garment	Donors, service fees	Certification MSI	√			√		√
(1) AccountAbility (AA1000)	1999	Stakeholder engagement	C / G / NGO	& c	Multi-sector	Licensing and services	Certification MSI	√			√		√
(1) Fair Labor Association	1999	Labour conditions	C	core	Multi-sector	Member fees, licensing, services	Governance MSI	√			√		√
(1) UN Global Compact	1999	Global sustainability	C	& c/e	Multi-sector	Government	Best practice Sharing MSI	√	√	√	√	√	
(1) ISEAL Alliance	1999	Standardization	MSI	& c/e	Multi-sector	Government, member fees, services	Best practice Sharing MSI				√		
(5) Fair Wear Foundation	1999	Labour conditions	C	core	Garment	Donors, member fees, government.	Governance MSI	√			√	√	
(1) Voluntary Principles on Security and HR	2000	Human rights	C / G	included	Single Issue	Government, member fees, services	Best practice Sharing MSI	√		√	√		
(4) OECD Guidelines for MNCs	2000	Labour conditions	C	core	Multi-sector	mostly public funds	Best practice Sharing MSI	√	√	√			
(3) Worker Rights Consortium	2000	Labour conditions	C	core	Garment	Member fees	Governance MSI				√	√	√
(7) Kimberley Process Certification Scheme	2000	Legal diamond extraction	C / G	included	Diamonds	public and private funding	Public-Priv. Partnership	√		√	√		

ANNEX I – Results of Analyses

	<b>Multi-Stakeholder Initiative</b>	<b>Creation Date</b>	<b>Issue / Objectives</b>	<b>Rule-Targets</b>	<b>Labour issues</b>	<b>Product / Industries</b>	<b>Funding</b>	<b>Function</b>	<b>MNCs</b>	<b>IOs</b>	<b>Govs (a)</b>	<b>NGO</b>	<b>Unions (b)</b>	<b>Academia</b>
(8)	Global Organic Textile Standards	2002	Organic garment prod.	C	& e	Garment	service fees	Certification MSI	√			√		
(1)	Global Coffee Platform	2003	Sustainability in coffee sector	C	& e	Coffee	Government, member fees, services	Certification MSI	√		√	√		
(1)	Roundtable on Sustainable Palm Oil	2004	Sustainable palm oil GVCs	C	& c/ e	Palm Oil	Member fees, donors, sponsorships	Certification MSI	√			√		
(1)	Better Cotton Initiative	2005	Sustainable cotton GVCs	C	& c/ e	Cotton	Donors, member fees, government	Self-assessment	√		√	√	√	
(7)	Joint Initiative on CSR and Workers' Rights	2005	Effectiveness of codes	MSI	included	Multi-sector	public funding	Best practice Sharing MSI				√		
(8)	Fair Flowers Fair Plants	2005	Sustainable cut-flower GVC	C	& e	Flowers	Member fees	Certification MSI	√					
(1)	4C Association	2006	Sustainable coffee GVCs	C	& c/ e	Coffee	Donors, member fees, government	Governance MSI	√			√	(√)	
(1)	Roundtable on Responsible Soy	2006	Sustainable soya GVCs	C	included	Soya	funding, member & certification fees	Certification MSI	√		(√)	√		(√)
(1)	Better Work	2007	Labour conditions	C	core	Garment	Government, member fees, services	Governance MSI	√	√	√		√	√
(2)	The Global Network Initiative	2008	Human Rights	C	included	ICT-industry	member fees, public support	Governance MSI	√			√		√
(8)	China Social Standard (CSC9000T)	2008	CSR system	C	& c/ e	Garment	public funding	Certification MSI	√		√	√		
(1)	Good Weave	2009	Child labour	C	core	Garment	Licensing, donors	Certification MSI	√		√	√		
(1)	World Banana Forum	2009	Sustainable banana GVC	C	& e	Bananas	Members, government	Best practice Sharing MSI	√		√	√	√	
(1)	ISO 26000	2010	Social responsibility	C / G	& c/ e	Multi-sector	Government	Certification MSI	√		√	√		

Sources: (1) Mena & Palazzo, 2012; (2) Bauman-Pauly, 2016; (3) Smith and Feldmann, 2005; (4) Baccaro and Mele, 2011; (5) Egels-Zandén and Lindholm, 2013; (7) Fransen and Kolk, 2006; (8) Newitt, 2013 / Standardsmap.org (ITC). All information from individual sources has been complemented with information from the organization's websites and annual reports in those dimensions, which were not of interest or not discussed in the particular paper or study, where the MSI was taken from. Presentation adapted from Mena & Palazzo, 2012.

## 1.2.FLA-Analysis

### MODEL I: OLS-Regression

Dependent Variable: All Labour Standard Violations

VARIABLES	(1) Model with Company Variables	(2) Model including Institutional Variables	(3) Full Model	(4) Full Model (Robust St. e.)
<b>Company Variables</b>				
Size of lead firm	-2.92e-05* (1.61e-05)	-1.70e-05 (1.59e-05)	-1.12e-05 (1.58e-05)	-1.12e-05 (1.38e-05)
Stock-listed	1.983* (1.169)	1.032 (1.153)	0.450 (1.178)	0.450 (1.068)
Other Brands	0.697 (0.811)	0.334 (0.795)	0.485 (0.808)	0.485 (0.817)
Discontinuation	4.238*** (0.954)	3.297*** (0.939)	3.635*** (0.935)	3.635*** (1.009)
Workers at factory	-0.000246 (0.000211)	-0.000401* (0.000211)	-0.000481** -1.12e-05	-0.000481** (0.000194)
<b>Institutional Variables</b>				
Rule of Law		0.0834 (0.905)	-1.398 (0.917)	-1.398 (0.926)
GDP (log)		-2.338*** (0.476)	-1.263** (0.498)	-1.263** (0.494)
Press Freedom		0.528*** (0.193)	0.680*** (0.193)	0.680*** (0.249)
Press (quadratic term)		-0.00577*** (0.00176)	-0.00752*** (0.00177)	-0.00752*** (0.00224)
<b>Control Variables</b>				
HQ: Hong Kong	-5.687 (4.238)	-3.931 (4.138)	-1.434 (4.062)	-1.434 (2.874)
HQ: Japan	2.417 (1.816)	5.072*** (1.804)	4.790*** (1.793)	4.790** (2.204)
HQ: Sweden	-2.430 (1.944)	-1.583 (1.914)	-0.600 (1.912)	-0.600 (1.603)
HQ: UK	-4.072 (3.002)	-2.070 (2.947)	-3.453 (2.974)	-3.453 (2.921)
HQ: US	-4.514*** (0.954)	-4.469*** (0.931)	-3.839*** (0.937)	-3.839*** (1.015)
Ind.: Apparel			-3.804*** (1.180)	-3.804** (1.890)
Ind.: Footwear			-2.938** (1.462)	-2.938 (2.221)
Ind.: Sportswear			0.556 (1.695)	0.556 (2.123)
Monitoring agent			0.0901*** -1.434	0.0901*** (0.0257)
<b>Constant</b>	18.55*** (1.325)	27.64*** (7.071)	18.42** (7.291)	18.42** (8.358)
<b>Observations</b>	998	991	991	991
<b>R-squared</b>	0.075	0.130	0.197	0.197

Standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Yearly dummies not shown; Omitted categories: HQ -Germany; Industry (Ind.): Accessories;  
Year: 2014.

ANNEX I – Results of Analyses

1.3. FLA-Analysis

MODEL II: OLS-Regression

Dependent Variable: Process Rights Violations

VARIABLES	(5) Model with Company Variables	(6) Model including Institutional Variables	(7) Full Model	(8) Full Model (Robust St. e.)
<b>Company Variables</b>				
Size of lead firm	-6.51e-06 (5.15e-06)	-3.82e-06 (5.11e-06)	-3.28e-06 (5.16e-06)	-3.28e-06 (4.48e-06)
Stock-listed	0.214 (0.373)	0.0439 (0.371)	0.0930 (0.385)	0.0930 (0.369)
Other Brands	0.177 (0.259)	0.0762 (0.256)	0.193 (0.264)	0.193 (0.256)
Discontinuation	0.530* (0.305)	0.471 (0.302)	0.499 (0.306)	0.499 (0.318)
Workers at factory	-2.74e-05 (6.73e-05)	-8.93e-05 (6.79e-05)	-8.38e-05 (7.00e-05)	-8.38e-05 (5.84e-05)
<b>Institutional Variables</b>				
Rule of Law		-0.531* (0.291)	-0.704** (0.300)	-0.704** (0.309)
GDP (log)		-0.689*** (0.153)	-0.537*** (0.163)	-0.537*** (0.141)
Press Freedom		-0.211*** (0.0620)	-0.171*** (0.0631)	-0.171* (0.0917)
Press (quadratic term)		0.00174*** (0.000567)	0.00132** (0.000578)	0.00132 (0.000815)
<b>Control Variables</b>				
HQ: Hong Kong	-1.577 (1.353)	-1.029 (1.331)	-0.305 (1.327)	-0.305 (1.085)
HQ: Japan	-0.168 (0.580)	0.342 (0.581)	0.239 (0.586)	0.239 (0.668)
HQ: Sweden	-0.166 (0.621)	0.172 (0.616)	0.337 (0.625)	0.337 (0.507)
HQ: UK	-1.100 (0.959)	-0.639 (0.948)	-1.019 (0.972)	-1.019 (1.062)
HQ: US	-1.049*** (0.305)	-1.013*** (0.300)	-0.812*** (0.306)	-0.812*** (0.327)
Ind.: Apparel			-1.545*** (0.386)	-1.545** (0.653)
Ind.: Footwear			-0.921* (0.478)	-0.921 (0.748)
Ind.: Sportswear			-0.611 (0.554)	-0.611 (0.691)
Monitor			0.00305 (0.00885)	0.00305 (0.00743)
<b>Constant</b>	3.961*** (0.423)	15.14*** (2.275)	13.93*** (2.382)	13.93*** (2.674)
<b>Observations</b>	998	991	991	991
<b>R-squared</b>	0.024	0.070	0.114	0.114

Standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Yearly dummies not shown; Omitted categories: HQ -Germany; Industry (Ind.): Accessories;

Year: 2014

## ANNEX I – RESULTS OF ANALYSES

**2.1 Table B: Better Work Assessment Clusters and Compliance Points**

Cluster	Compliance Point	# of Findings, TOTAL	FINDING RATIO*	
			Com. Point	Cluster
Child Labour	Child Labourers	18	1%	6%
	Documentation and Protection of Young W	367	12%	
	Hazardous Work	192	10%	
	Hazardous Work and other Worst Forms	20	2%	
	Unconditional Worst Forms	-	0%	
Compensation	Method of Payment	306	9%	38%
	Minimum Wages/Piece Rate Wages	858	29%	
	Overtime Wages	2.830	69%	
	Paid Leave	1.779	42%	
	Premium Pay	176	15%	
	Social Security and Other Benefits	2.683	89%	
	Wage Information, Use and Deduction	1.886	27%	
Contracts and Human Resources	Contracting Procedures	1.502	48%	71%
	Dialogue, Discipline and Disputes	2.249	75%	
	Employment Contracts	3.057	102%	
	Other Grounds	20	3%	
	Termination	2.318	77%	
Discrimination	Contracting Procedures	57	2%	12%
	Gender	331	11%	
	Other Grounds	980	36%	
	Race and Origin	279	9%	
	Religion and Political Opinion	5	0%	
Forced Labour	Bonded Labour	34	1%	5%
	Coercion	10	0%	
	Forced Labour and Overtime	103	2%	
	Prison Labour	-	0%	
Freedom of Association and Collective Bargaining	Collective Bargaining	831	28%	30%
	Freedom to Associate	1.861	55%	
	Interference and Discrimination	371	12%	
	Strikes	8	0%	
	Union Operations	1.576	52%	
	Wage Information, Use and Deduction	-	0%	
Occupational Safety and Health	Chemicals and Hazardous Substances	6.710	223%	157%
	Emergency Preparedness	3.972	132%	
	Health Services and First Aid	6.041	161%	
	OSH Management Systems	4.897	163%	
	Welfare Facilities	1.311	72%	
	Worker Accommodation	5.669	188%	
	Worker Protection	7.999	266%	
	Working Environment	6.688	222%	
Working Time	Leave	1.466	49%	83%
	Overtime	4.094	136%	
	Regular Hours	1.895	63%	

Source: Better Work Compliance Data (2017), calculation by author. \*Ratio of total non-compliant over compliant findings in assessments. N=156.546 (# of compliant and non-compliant findings).

2.2 Figure 1: Quadratic fit of “Labour Productivity”

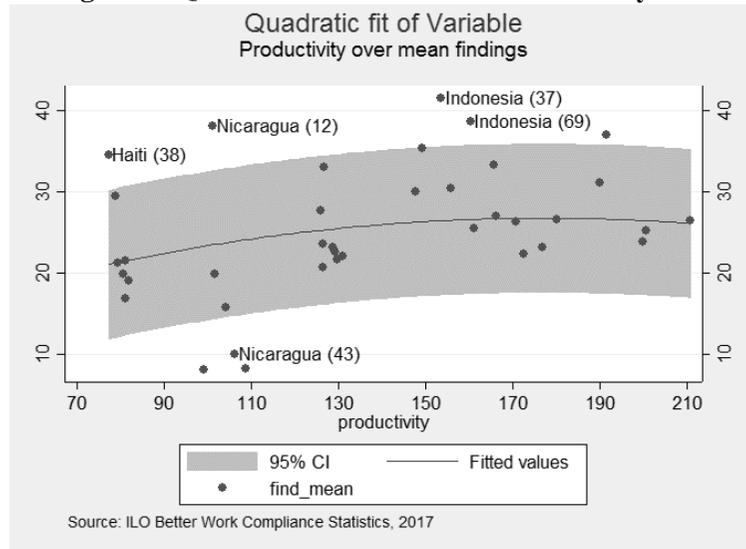


Figure 1: Quadratic fit of variable “labour productivity” over the average number of findings in the BW-data. The grey area represents the 95% confidence interval of the quadratic fit, about 7% of the observations fall out of the confidence interval to be a quadratic fit (~200 observations). N=3008.

2.3. Figure 2 / 3: Marginal Effects of Productivity, Model III

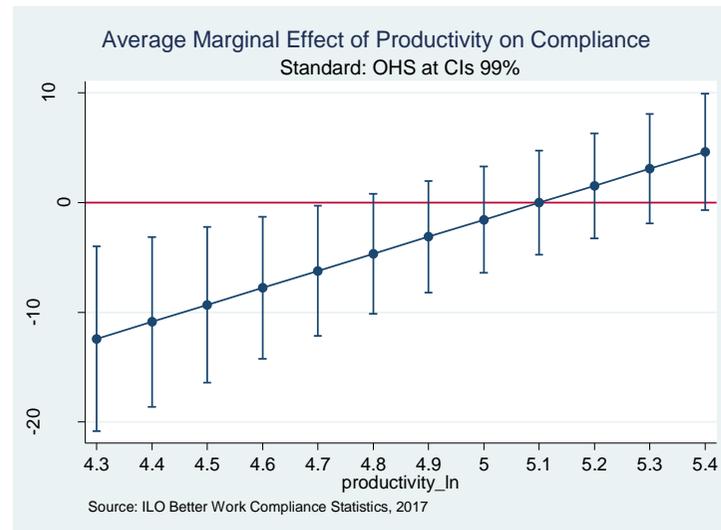
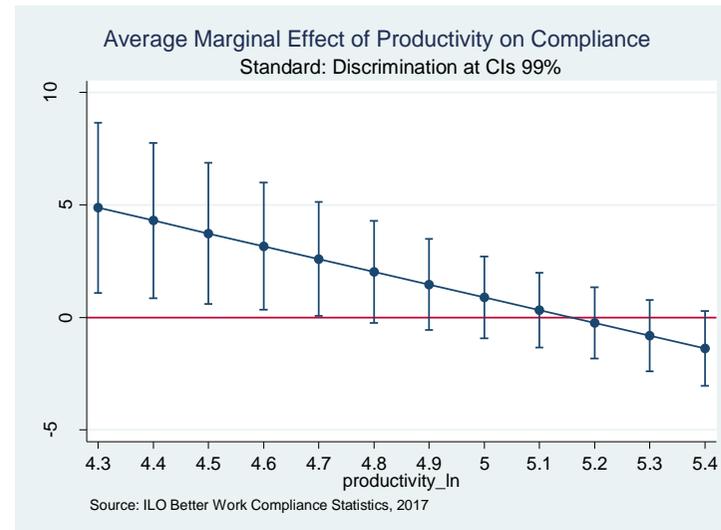


Figure 2 and 3: Marginal impact of “productivity” on the compliance rates in model III. Figure two corresponds to model 3.1 and figure three to model 3.5. The marginal impact in both figures includes is represented under consideration of the quadratic term of productivity. N=2684.

## ANNEX I – RESULTS OF ANALYSES

### 2.4. Better Work Analysis

#### MODEL I: POINT OF ENTRY (OLS-REGRESSION)

VARIABLES	(1)	(2)	(3)	(4)	(5)
	<b>Discrimination</b>	<b>FoA &amp; CB</b>	<b>Compensation</b>	<b>OHS</b>	<b>Working Time</b>
<b>INSTITUTIONAL ENVIRONMENT</b>					
Labour prod. (ln)	95.80*** (30.78)	-4.378 (58.41)	-629.7*** (214.6)	431.0 (422.3)	61.12 (125.3)
QT (Labour prod)	-9.218*** (3.072)	0.446 (5.807)	61.98*** (21.44)	-45.12 (42.24)	-6.192 (12.54)
Corruption control	-2.258** (1.019)	-6.037*** (1.699)	-4.411 (5.468)	2.992 (11.44)	-8.667** (3.415)
Ease of business creation	0.0321** (0.0156)	0.0777*** (0.0289)	0.0103 (0.110)	-0.247 (0.221)	-0.159** (0.0746)
<b>TRADE POLICY</b>					
FTA access (#)	-0.0373*** (0.0107)	-0.0444*** (0.0171)	-0.118** (0.0536)	-0.345** (0.146)	-0.0813* (0.0444)
RCA (Index)	-0.0952*** (0.0358)	-0.241*** (0.0580)	-0.0255 (0.123)	-0.513 (0.474)	-0.268** (0.134)
Export world (%)	-28.98 (30.43)	-90.63 (63.88)	-100.3 (214.0)	892.2** (439.5)	459.9*** (134.6)
Ease of trading across boarders	-0.00210 (0.00704)	-0.0508** (0.0207)	0.0963 (0.0598)	-0.117 (0.111)	-0.0963*** (0.0311)
<b>LABOUR MARKET STRUCTURE</b>					
Unions (bin)	-0.0782 (0.0477)	0.244*** (0.0815)	-0.644** (0.257)	-2.062*** (0.654)	-0.297* (0.170)
Youth unempl. (%)	0.136*** (0.0348)	-0.0668 (0.0666)	-0.264 (0.179)	-0.660 (0.454)	-0.442*** (0.127)
LM participation	-0.0937** (0.0430)	-0.0649 (0.104)	0.384 (0.307)	-0.759 (0.624)	-0.713*** (0.188)
ILO core ratification	-1.580 (1.007)	-13.70*** (2.286)	-0.529 (7.096)	22.67 (14.31)	0.756 (4.327)
<b>SOCIAL INVESTMENT</b>					
Health exp. (% of GDP)	-0.778*** (0.0968)	-1.353*** (0.212)	0.667 (0.620)	1.711 (1.299)	-0.429 (0.317)
Educational exp. (% of GDP)	0.804*** (0.124)	-1.019*** (0.285)	-0.0745 (0.763)	1.209 (1.456)	0.645 (0.472)
Social Health protection	-0.0929*** (0.0222)	-0.164*** (0.0470)	0.215* (0.128)	0.227 (0.306)	-0.0358 (0.0845)
<b>CONTROL VARIABLES</b>					
GDP p. cap. (ln)	-0.995 (1.202)	5.674** (2.334)	13.69* (7.721)	-7.092 (17.01)	3.004 (4.961)
Employees	-1.03e-06 (1.15e-05)	-4.49e-05 (3.63e-05)	-0.000454*** (8.77e-05)	-0.000822*** (0.000202)	-0.000174*** (4.81e-05)
Constant	-230.2*** (70.23)	-7.521 (133.8)	1,444*** (481.6)	-879.6 (966.5)	-106.1 (287.5)
Observations	953	953	953	953	953
R-squared	0.507	0.675	0.225	0.133	0.340

Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## 2.5. Better Work Analysis

**MODEL II: “WITHIN” CASE VARIATION  
(FIXED EFFECT MODEL)**

VARIABLES	(1) Discrimination	(2) FoA & CB	(3) Compensation	(4) OHS	(5) Working Time
<b>INSTITUTIONAL ENVIRONMENT</b>					
Labour prod. (ln)	53.24** (25.89)	83.08** (39.63)	-243.6** (122.2)	-602.4** (255.3)	-361.1*** (70.20)
QT (Labour prod)	-5.445** (2.477)	-7.699** (3.804)	23.76** (11.95)	57.65** (24.94)	34.53*** (6.818)
Corruption control	-1.822*** (0.546)	-2.484*** (0.753)	0.423 (2.021)	-8.213 (5.520)	-6.336*** (1.504)
Ease of business creation	0.0208*** (0.00506)	0.0430*** (0.00740)	0.0632*** (0.0199)	0.238*** (0.0584)	-0.00623 (0.0173)
<b>TRADE POLICY</b>					
FTA access (#)	-0.0309*** (0.00807)	-0.0206** (0.00916)	0.000193 (0.0221)	-0.290*** (0.0695)	-0.0236 (0.0190)
RCA (Index)	-0.0138 (0.0189)	0.0588*** (0.0200)	-0.147** (0.0740)	-0.343 (0.227)	-0.217*** (0.0645)
Export world (%)	46.22*** (10.29)	-82.24*** (18.00)	-135.7*** (49.62)	-61.96 (123.7)	76.73** (34.94)
Ease of trading across borders	-0.00990** (0.00407)	-0.00750 (0.00714)	0.0841*** (0.0206)	0.230*** (0.0438)	0.0369*** (0.0130)
<b>LABOUR MARKET STRUCTURE</b>					
Unions (bin)	-0.0141 (0.0696)	-0.0420 (0.104)	0.198 (0.214)	-0.0773 (0.541)	-0.252* (0.133)
Youth unempl. (%)	-0.0230 (0.0212)	-0.122*** (0.0324)	-0.0814 (0.0642)	-0.569*** (0.212)	-0.215*** (0.0528)
LM participation	-0.590*** (0.0619)	-0.352*** (0.0848)	0.404 (0.269)	0.870 (0.545)	-0.284** (0.120)
ILO core ratification	-	-	-	-	-
<b>SOCIAL INVESTMENT</b>					
Health exp. (% of GDP)	-0.389*** (0.0732)	-1.116*** (0.156)	-0.450 (0.332)	-3.920*** (0.695)	-0.926*** (0.192)
Educational exp. (% of GDP)	0.402*** (0.111)	-1.072*** (0.237)	0.973*** (0.375)	-3.209*** (1.017)	0.408* (0.242)
Social Health protection	-	-	-	-	-
<b>CONTROL VARIABLES</b>					
GDP p. cap. (ln)	0.691 (0.887)	0.785 (1.662)	11.18*** (3.429)	46.78*** (9.473)	15.40*** (2.669)
Cycle control	***	***	***	***	***
Constant	-94.98 (65.09)	-195.5** (98.64)	494.2 (303.3)	1,136* (624.7)	830.7*** (173.1)
Observations	2,686	2,686	2,686	2,686	2,686
R-squared	0.395	0.448	0.122	0.267	0.228
Number of factory_id	954	954	954	954	954

Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## ANNEX I – RESULTS OF ANALYSES

### 2.6. Better Work Analysis

#### MODEL III: “BETWEEN” CASE VARIATION (RANDOM EFFECT MODEL)

VARIABLES	(1)	(2)	(3)	(4)	(5)
	<b>Discrimination</b>	<b>FoA &amp; CB</b>	<b>Compensation</b>	<b>OHS</b>	<b>Working Time</b>
<b>INSTITUTIONAL ENVIRONMENT</b>					
Labour prod. (ln)	77.03*** (12.19)	-6.828 (20.80)	-333.6*** (46.30)	-443.7*** (116.8)	-164.3*** (31.08)
QT (Labour prod)	-7.489*** (1.196)	0.494 (2.051)	33.04*** (4.570)	42.95*** (11.57)	16.65*** (3.082)
Corruption control	-2.034*** (0.546)	-0.948 (0.753)	-0.266 (1.871)	-4.875 (4.774)	-6.486*** (1.187)
Ease of business creation	0.00864** (0.00367)	0.0524*** (0.00599)	0.0439*** (0.0157)	0.220*** (0.0469)	-0.0285** (0.0128)
<b>TRADE POLICY</b>					
FTA access (#)	-0.0211*** (0.00597)	0.0122* (0.00674)	-0.0197 (0.0165)	-0.272*** (0.0523)	-0.0526*** (0.0139)
RCA (Index)	-0.0477*** (0.0136)	0.0560*** (0.0191)	0.00230 (0.0508)	-0.0353 (0.149)	-0.191*** (0.0450)
Export world (%)	30.64*** (6.202)	-56.08*** (15.43)	-177.3*** (32.80)	-70.69 (83.42)	44.78** (22.84)
Ease of trading across borders	-0.00326 (0.00357)	-0.00789 (0.00638)	0.0971*** (0.0133)	0.161*** (0.0343)	0.0384*** (0.00849)
<b>LABOUR MARKET STRUCTURE</b>					
Unions (bin)	0.00316 (0.0329)	0.239*** (0.0437)	-0.146 (0.143)	-0.728* (0.396)	-0.230** (0.0922)
Youth unempl. (%)	0.00402 (0.0212)	-0.0412 (0.0262)	-0.0737 (0.0564)	-0.216 (0.168)	-0.192*** (0.0414)
LM participation	-0.183*** (0.0148)	-0.0372 (0.0276)	0.290*** (0.0640)	0.274* (0.160)	-0.224*** (0.0401)
ILO core ratification	-1.303*** (0.455)	-7.082*** (0.924)	-1.741 (1.765)	-11.91** (5.468)	-2.273* (1.272)
<b>SOCIAL INVESTMENT</b>					
Health exp. (% of GDP)	-0.732*** (0.0501)	-1.283*** (0.0968)	-0.0138 (0.204)	-1.590*** (0.478)	-0.379*** (0.121)
Educational exp. (% of GDP)	0.500*** (0.0762)	-0.239* (0.140)	-0.246 (0.222)	-1.120 (0.770)	0.249 (0.177)
Social Health protection	-0.0560*** (0.0110)	-0.0791*** (0.0178)	0.0867** (0.0380)	-0.132 (0.107)	0.00584 (0.0226)
<b>CONTROL VARIABLES</b>					
Cycle control	***	***	***	***	***
GDP p. cap. (ln)	-0.492 (0.593)	3.552*** (0.979)	6.005*** (1.993)	20.97*** (5.708)	3.639** (1.603)
Employees	1.55e-05** (7.38e-06)	-4.26e-05* (2.18e-05)	-2.18e-05 (5.25e-05)	6.36e-05 (0.000152)	2.15e-05 (3.45e-05)
Year of Entry Control	0.245*** (0.0221)	0.381*** (0.0273)	0.581*** (0.0261)	0.543*** (0.0267)	0.520*** (0.0234)
Constant	-177.3*** (28.16)	3.819 (45.93)	762.0*** (104.2)	960.0*** (264.5)	391.9*** (68.94)
Observations	2,684	2,684	2,684	2,684	2,684
Number of factory_id	953	953	953	953	953

Robust standard errors in parentheses; \*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## ANNEX II – FORMAT AND PREPARATION OF SOCIAL COMPLIANCE DATA

### 1.1. Fair Labor Association Tracking Sheet Example-Excerpt (Excel-Format)

FLA Audit Profile		Independent External Verification	
Country	Turkey	Country	Turkey
Factory name	07037655D	Factory name	07037655DV
IEM	SGS/Turkey	IEM	Aydin Oruc
Date(s) in facility	September 5-6, 2005	Date(s) in facility	November 24-25, 2011
PC(s)	Puma, Nike, Inc., adidas AG	PC(s)	Nike, Inc., adidas AG
Number of workers	1192	Number of workers	
Product(s)	Readymade Knitted Apparel	Product(s)	
Production processes	Cutting, Classification, Sewing, Embroidery, Pressing, Finishing, Washing, Warehousing		

FLA Code/Compliance Issue	Country Law/Legal Reference	FLA Benchmark	IEM Findings					Remediation				Updates		Verification, Third party	
			Non-compliance	Risk of NC	Evidence of Non-compliance (Uncorroborated)	If Not Corroborated, Explain Why	Sources/Documentation Used for Corroborating	Notable Features	PC Remediation Plan (Nov. 1, 2005)	Target Date	Company Follow Up (Feb. 14, 2006)	Docs	Company Follow Up (June 15, 2006)	Docs	External Verification (November 24-25, 2011)
<b>1. Code Awareness</b>															
<b>2. Forced Labor</b>															
There will not be any use of forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise.															
<b>3. Child Labor</b>															
No person will be employed at an age younger than 15 (or 14 where the law of the country of manufacture allows) or younger than the age for completing compulsory education in the country where such age is higher than 15 years of age.															
Legal Compliance for Juvenile Workers	Labor Law Clause 71: Regular working hours of young workers should not exceed 8 hrs/day and 40 hrs/week limitation.	Employers will comply with laws that apply to young workers, i.e., those between the minimum working age and the age of 18, including regulations such as hiring, working conditions, types of work.	41 juvenile workers under 18 years of age have been working 45 hours/week, like the other regular workers; this is in excess of the legal limit.	.	During worker and management interviews and control of working hours records, management was aware of this incorrect application and looking for how to arrange working hours, operation processes, and transportation services. There is a “line system” in the production, and removing someone from the line means cutting production. Therefore, the correct implementation was not observed.	The factory should develop systems to fulfil all legal requirements for juvenile workers. They should: a) work a maximum of 8 hrs/day and 40 hrs/week, b) have 2 annual health checks, and c) have at least 20 days of paid annual vacation. Also, the factory provides a) visual identificat., b) training for juvenile workers on their additional rights, and c) training to HR staff, middle management, and supervisors on juvenile worker rights.	Factory revised its hiring policy and included all the policies and procedures regarding juvenile workers. A training was given to the Human Resources staff, middle management, and supervisors about the revised hiring policy on Nov. 16, 2005, including juvenile workers.	Re-mediation was verified during the Nike audit on May 3, 2006.	Em- p- l- o- y- e- e l- i- s- t, w- a- l- k- - t- h- r- o- u- g- h	<b>Completed:</b> During the verification audit, no young workers were noted at the factory. The youngest worker noted was 18 years and 4 months.					

4. Harassment or Abuse											
Every employee will be treated with respect and dignity. No employee will be subject to any physical, sexual, psychological or verbal harassment or abuse.											
Sexual Harassment	Employers shall not offer preferential work assignments or other preferential treatment of any kind in actual or implied exchange for a sexual relationship, nor subject employees to prejudicial treatment of any kind in retaliation for refused sexual advances.	New Finding: 8 of the female workers interviewed reported that 3 or 4 service bus drivers verbally abuse workers as they get on and off the bus. Issue was reported through suggestion boxes and discussed in worker meetings. Although the drivers were warned by management, interviews revealed that issue continues.					Management has given a documented training to all drivers on harassment and abuse on November 28, 2011. The training included the company policies and procedures and the relevant articles of the local law regarding harassment and abuse, and reminded the participants about the enforcements in case of any noncompliance with these policies and procedures.	A meeting has been held between worker representatives, drivers and management about what proper communication with workers should be. Management has also assigned a room for the service car drivers to wait in while workers are getting on the buses in the evenings.	Drivers training attendee list, related photo sent to FLA for review		Completed.
5. Non-discrimination											
No person will be subject to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.											
6. Health and Safety											
Employers will provide a safe and healthy working environment to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employer facilities.											
Fire Safety: Health and Safety Legal Compliance	Labor Law, Workplace health team and responsibilities regulation, Article 31	Employer will comply with health/ safety regulations. Where law and codes are contradictory higher standard will apply.	There were 1192 employees at site. The second nurse or nursery staff was not there, as accorded by law.			visual inspection, management interview		It was observed that factory has already started searching for a second nurse through advertisements. A second nurse will be hired by end of November. To avoid future violations, the factory should have a system to track all the new laws in this area.	Second nurse hired as of December 30, 2005. Copy of advertisement and application on file; social security, time card records and certificate of nurse on file.	Remediation verified during the Nike audit on May 3, 2006.	social security of nurses, nurse certificates.
7. Freedom of Association and Collective Bargaining											
Employers will recognize and respect the right of employees to freedom of association and collective bargaining.											
8. Wages and Benefits											
Employers recognize that wages are essential to meeting employees' basic needs. Employers will pay employees, as a base, at least the minimum wage required by local law or the prevailing industry wage, whichever is higher, and will provide legally mandated benefits.											
9. Hours of Work											
Except in extraordinary business circumstances, employees will (i) not be required to work more than the lesser of (a) 48 hours per week and 12 hours overtime or (b) the limits on regular and overtime hours allowed by the law of the country of manufacture or, where the laws of such country will not limit the hours of work, the regular work week in such country plus 12 hrs overtime; and (ii) be entitled to at least one day off in every seven-day period.											
10. Overtime Compensation											
In addition to their compensation for regular hours of work, employees will be compensated for overtime hours at such premium rate as is legally required in the country of manufacture or, in those countries where such laws will not exist, at a rate at least equal to their regular hourly compensation rate.											

Source: FLA Online-archive for tracking charts. Adapted, supplemented and shortened tracking sheet of factory 07037655DV, downloaded 10.08.2017 (<http://www.fairlabor.org/transparency/workplace-monitoring-reports>, last accessed August 2017).

## Annex 2.2. BETTER WORK Example-Excerpt from Compliance Assessment Tool (CHILD LABOUR)

## ANNEX II – Format and Data-Preparation

### CHILD LABOUR

Overall Guidance: Child labour is work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally dangerous and harmful to children and interferes with their schooling by depriving them of the opportunity to attend school, by obliging them to leave school prematurely, or by requiring them to combine school attendance with excessively long and heavy work. In its most extreme forms, children are involved in illegal activities, or in work that exposes them to physical, sexual or psychological abuse. However, not all work done by children is classified as child labour that should be eliminated. Work that does not affect children's health and personal development or interfere with their schooling can be constructive. This includes activities such as helping parents around the home, helping in a family business or earning pocket money outside school time. Whether or not work being carried out by children constitutes child labour depends on the child's age, the type and hours of work performed, and the impact of the work on the child's health, development and access to education. In addition to determining whether there are child labourers working at the factory premises, the possibility of workers taking work home should be monitored. If work is performed outside the factory premises, determine whether it is being done by underage family members.

Core Conventions: C138 Minimum Age Convention, 1973 and C182 Worst Forms of Child Labour Convention, 1999

Other relevant ILO documents: R146 Minimum Age Recommendation, 1973; R190 Worst Forms of Child Labour Recommendation, 1999

Cluster	Compliance Point	Question	Child Question	Method	Finding	Reference
Child Labour	Child Labourers	Have you found any workers under the age of 15?		Y=NC	Workers under age 15 [public reporting issue]	C138
Child Labour	Hazardous Work and other Worst Forms	Does the employer subject any workers under age 18 to the worst forms of child labour (including hazardous work, work at night, or work for long hours)?			Workers under 18 doing hazardous work and/or other worst forms of child labour	C138, C182, R190
Child Labour	Hazardous Work and other Worst Forms		Option 1: Are all workers who are under age 18 and doing hazardous work (i) at least 16 years old; (ii) working in accordance with national laws, regulations, or authorization of the competent authority; (iii) working in such a way that their health, safety and morals are fully protected; and (iv) adequately trained to do the work safely?	N=NC	Workers under 18 doing hazardous work	C138, C182, R190
Child Labour	Hazardous Work and other Worst Forms		Option 2: Do workers who are under age 18 perform work that is hazardous by nature?	Y=NC	Workers under 18 doing hazardous work	C138, C182, R190
Child Labour	Hazardous Work and other Worst Forms		Do workers who are under age 18 work overtime, at night, or more hours than allowed by law?	Y=NC	Workers under age 18 working overtime, at night, or more hours than allowed by law	C90, C138, C171, C182, R190

Child Labour	Hazardous Work and other Worst Forms		Does the employer subject any workers under age 18 to the unconditional worst forms of child labour?	Y=NC	Workers under age 18 subjected to the unconditional worst forms of child labour	C182
Child Labour	Documentation and Protection of Young Workers	Does the employer have a reliable system in place to verify the age of workers prior to hiring?		N=NC	Age verification system	C138, R146
Child Labour	Documentation and Protection of Young Workers	Does the employer comply with age verification and documentation requirements for workers as specified in national law?		N=NC	Age verification and/or documentation	C138, R146
Child Labour	Documentation and Protection of Young Workers	Does the employer keep a register of workers under 18 years of age as specified in national law?		N=NC	Register of workers under age 18	C138, R146
Child Labour	Documentation and Protection of Young Workers	Does the employer comply with other legally required measures to protect workers under age 18?		N=NC	Measures to protect workers under age 18	

Source: Better Work assessment tool (2017). Full list of benchmarks and measurement-specifications available on: <https://betterwork.org/blog/portfolio/better-works-global-compliance-assessment-tool/>, last accessed 09.10.2017.

**Annex 2.3. Coding Report - Fair Labor Association (FLA)**

The reports used to create the dataset from FLA-Audits can be found online, on the associations website under <http://www.fairlabor.org/transparency/workplace-monitoring-reports>. Among these reports, all member FLA-companies and -suppliers with at least 10 tracking charts uploaded between the years 2004-2012 were selected for encoding. Audits from the following companies were included:

47 Brand	Gear for Sports	Nordstrom	SanMar Corp
Adidas	H&M	Patagonia	Top of the World
American Eagle Outfitters	Hanesbrands	Phillips-Van Heusen	Umbro
Ashworth	Liz-Claiborne	Puma	Under Armour
Asics	New Balance	Reebok	VF Corporation
Columbia Sportswear	New Era Cap	Russell Brands	Yee Tung Garment
Cutter & Buck	New Wave Group	S. Oliver	Zephyr Graf-X
Eddie Bauer	Nike	Salomon	

The tracking sheets from these firms were uploaded onto the FLA website either as Excel- and PDF-files. Depending on the format, the information in the reports was found in a different place. Even so, from both report-formats, a total of 23 variables could be extracted for encoding:

- Factory code: *a unique identifier for each factory under audit.*
- Company: *the FLA buyer- or supplier-company, who is buyer at the audited factory.*
- HQ: *the country of headquarter of the FLA buyer or supplier-member.*
- Companies, other: *other buyers, sourcing at the factory under audit.*
- Monitor: *Agency of monitoring who conducted audit.*
- Country: *Country of production, where factory under audit is located.*
- Workers: *Number of workers at the factory under audit.*
- Products: *list of products manufactured at the factory under audit.*
- Month: *month of audit.*
- Year: *year of audit.*
- Production process: *list of production processes conducted at the factory under audit.*
- Freedom of Association: *number of FoA violations, counted at the at the factory under audit.*
- Harassment and Abuse: *number of HA violations, counted at the at the factory under audit.*
- Non-Discrimination: *number of ND violations, counted at the at the factory under audit.*
- Health and Safety: *number of HS violations, counted at the at the factory under audit.*
- Compensation: *number of CO violations, counted at the at the factory under audit.*
- Employment Relations: *number of ER violations, counted at the at the factory under audit.*
- Hours of Work: *number of HW violations, counted at the at the factory under audit.*
- Child Labour: *number of CL violations, counted at the at the factory under audit.*
- Forced Labour: *number of FL violations, counted at the at the factory under audit.*
- Other: *number of Other violations, counted at the at the factory under audit.*
- Discontinuation: *dummy variable, indicating whether the contract was discontinued after audit.*
- Discontinuation, reason: *reason for discontinuation of contract.*

In both report-formats, the information about each labour standard was counted from the indicated assessment in each report. Hereby, each point of violation indicated under a specific standard was counted as one. If a violation had several sub-mentions, these were only counted as more than one violations if different sub-standards were specifically mentioned.

In the PDF reports the information about firms and audit was taken from the first page. In the Excel reports the information about firms and audit was taken from the top box in the excel-file.

## ANNEX II – Format and Data-Preparation

### Annex 2.4. Independent Variables used in the Analyses.

Variable	Description	Source	Used in Analysis
GDP p. Cap.	Yearly per capita income per country.	World Bank	FLA; Better Work
Size of lead firm	Number of employees in FLA-member company.	Individual company reports	FLA
Stock-listed	Dummy, indicating whether member-company is stock-listed (1) or not (0).	Individual company reports	FLA
Rule of Law	Rule of Law Index from World Justice Project using 44 indicators.	World Bank	FLA
Press Freedom	Index of World Press Freedom, using a questionnaire of 87 items.	World Bank	FLA
Labour productivity	Output per worker (GDP constant 2011 international \$ in PPP) (2000=100)	ILOSTAT	Better Work
Corruption control	Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.	World Governance Indicators, World Bank	Better Work
Ease of business creation	Number of procedures, time (days), cost, minimum capital needed.	World Bank Doing Business	Better Work
FTA access	Total number of countries under free trade agreement with country of production	WTO	Better Work
RCA-Index	National export rates / World export rates by product	IntraCen	Better Work
Export world (%)	World export by product	IntraCen	Better Work
Ease of trading across borders	Time and Cost to Export, Time and Cost to Import	World Bank Doing Business	Better Work
Unions	Number of Unions at the factory.	Better Work Compliance data	Better Work
Youth unemployment	Percentage of unemployed, aged 15-27.	ILOSTAT	Better Work
LM participation	Percentage of Population	ILOSTAT	Better Work
ILO core ratification	Ratification of all ILO core ratifications (1=yes, 0=no)	ILO	Better Work
Health expenditure	Percentage of GDP	WHO	Better Work
Educational expenditure	Percentage of GDP	World Bank	Better Work
Social Health protection	Percentage of Population covered	ILO	Better Work

## ANNEX III – CASE INFORMATION

### 3.1.a. Fair Labor Association Principles of Fair Labor and Responsible Sourcing.

<b>Principles of Fair Labor and Responsible Sourcing</b>	
<b>1) Workplace Standards:</b>	Company Affiliate establishes and commits to clear standards.
<b>2) Responsibility and Head Office/Regional Training:</b>	Company Affiliate identifies and trains specific staff responsible for implementing workplace standards, and provides training to all head office and regional staff.
<b>3) Supplier Training:</b>	Company Affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.
<b>4) Functioning Grievance Mechanisms:</b>	Company Affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.
<b>5) Monitoring:</b>	Company Affiliate conducts workplace standards compliance monitoring.
<b>6) Collection and Management of Compliance Information:</b>	Company Affiliate collects, manages, and analyses workplace standards compliance information.
<b>7) Timely and Preventative Remediation:</b>	Company Affiliate works with suppliers to remediate in a timely way and preventative manner.
<b>8) Responsible Purchasing Practices:</b>	Company Affiliate aligns planning and purchasing practices with commitment to workplace standards.
<b>9) Consultation with Civil Society:</b>	Company Affiliate identifies, researches, and engages with relevant labour non-governmental organizations, trade unions, and other civil society institutions.
<b>10) Verification Requirements:</b>	Company Affiliate meets FLA verification and program requirements.

Source: Fair Labor Association (2017). Full outline and tasks of Fair Labor Principles (pdf) online via: <http://www.fairlabor.org/our-work/principles> (last accessed, 16.07.2017).

## ANNEX II – FORMAT AND DATA-PREPARATION

### 3.1.b. Fair Labor Association Code of Conduct (Overview Version).

<b>Preamble</b>
<p>The FLA Workplace Code of Conduct defines labour standards that aim to achieve decent and humane working conditions. The Code’s standards are based on International Labour Organization standards and internationally accepted good labour practices.</p> <p>The FLA provides a model of collaboration, accountability, and transparency and serves as a catalyst for positive change in workplace conditions. As an organization that promotes continuous improvement, the FLA strives to be a global leader in establishing best practices for respectful and ethical treatment of workers, and in promoting sustainable conditions through which workers earn fair wages in safe and healthy workplaces.</p>
<b>Employment Relationship</b>
Employers shall adopt and adhere to rules and conditions of employment that respect workers and, at a minimum, safeguard their rights under national and international labour and social security laws and regulations.
<b>Non-Discrimination</b>
No person shall be subject to any discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, social group or ethnic origin.
<b>Harassment or Abuse</b>
Every employee shall be treated with respect and dignity. No employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse.
<b>Forced Labour</b>
There shall be no use of forced labour, including prison labour, indentured labour, bonded labour or other forms of forced labour.
<b>Child Labour</b>
No person shall be employed under the age of 15 or under the age for completion of compulsory education, whichever is higher.
<b>Freedom of Association and Collective Bargaining</b>
Employers shall recognize and respect the right of employees to freedom of association and collective bargaining.
<b>Health, Safety and Environment</b>
Employers shall provide a safe and healthy workplace setting to prevent accidents and injury to health arising out of, linked with, or occurring in the course of work or as a result of the operation of employers’ facilities. Employers shall adopt responsible measures to mitigate negative impacts that the workplace has on the environment.
<b>Hours of Work</b>
Employers shall not require workers to work more than the regular and overtime hours allowed by the law of the country where the workers are employed. The regular work week shall not exceed 48 hours. Employers shall allow workers at least 24 consecutive hours of rest in every seven-day period. All overtime work shall be consensual. Employers shall not request overtime on a regular basis and shall compensate all overtime work at a premium rate. Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours.
<b>Compensation</b>
Every worker has a right to compensation for a regular work week that is sufficient to meet the worker’s basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers’ basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.

Source: Fair Labor Association (2017). Full code of conduct with all benchmarks and documentation guidelines (pdf) can be found online under: <http://www.fairlabor.org/our-work/labor-standards> (last accessed, 16.07.2017).

ANNEX III – Case Information

**3.1.c. Fair Labor Association Memberships and related Obligations.**

<b>Membership Status</b>	<b>Start</b>	<b>Membership Description</b>	<b>Conditions of Participation</b>	<b>Dues and Fees</b>	<b>Membership Obligations</b>	<b>Number (2017)</b>
Participating Company (PC)	1999	Brands and Retailers. No revenue limit for application (typically above \$50 million in total annual revenues).	<ul style="list-style-type: none"> <li>• Board of Directors (BoD) approval required</li> <li>• Eligible for FLA-accreditation</li> <li>• Public factory disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• Undisclosed % of ann. gross income.</li> <li>• Average cost of assessment: \$4,000 for apparel factories and \$6,000 footwear.</li> <li>• Charges on actual costs of audits plus varying management fee (~\$2,000).</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfil all participation requirements, including all ten FLA Principles of FLRS (see Annex FLA.b).</li> <li>• Submit entire supply chain to FLA administered assessments (5% of factories)</li> <li>• Complete the baseline and annual self-assessments.</li> </ul>	44
Category B Licensee	2004	Producers of FLA-affiliated university products. Annual revenue above \$50 million.	<ul style="list-style-type: none"> <li>• BoD approval required</li> <li>• No accreditation</li> <li>• Public factory disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• If total ann. revenues from collegiate goods &lt;\$100 million: \$5,000.</li> <li>• If &gt;: \$5,000 + .00001x revenue above.</li> <li>• Assessment and management fee as PC</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfil all participation requirements, including all ten FLA Principles of FLRS</li> <li>• Only affiliated collegiate supply chain</li> <li>• Complete baseline and annual self-assessments.</li> </ul>	65
Participating Supplier (PS)	2006	Manufacturers, producers, farms, factories and factory groups. No revenue limits.	<ul style="list-style-type: none"> <li>• BoD approval required</li> <li>• Eligible for FLA-accreditation.</li> </ul>	<ul style="list-style-type: none"> <li>• Price-structure as PC</li> </ul>	<ul style="list-style-type: none"> <li>• Obligations as PC</li> </ul>	15
Category C Licensee	2008	Producers of FLA-affiliated university products. Annual revenues \$2,5 to \$50 million.	<ul style="list-style-type: none"> <li>• No BoD approval.</li> <li>• No accreditation</li> <li>• Public factory disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual fee: .0001 x total annual revenues, min. \$500.</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfil all participation requirements, starting with seven of the ten FLA Principles</li> <li>• Only affiliated collegiate supply chain</li> <li>• Complete annual self- assessments.</li> </ul>	~ 550
Category D Licensee	2008	Producers of FLA-affiliated university products. Annual revenues below \$2,5 million.	<ul style="list-style-type: none"> <li>• No BoD approval.</li> <li>• No accreditation</li> <li>• Public factory disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual fee: \$100.</li> </ul>	<ul style="list-style-type: none"> <li>• Fulfil all participation requirements, starting with five of the ten FLA Principles</li> <li>• Only affiliated collegiate supply chain</li> </ul>	~1.800
Civil Society Organizations	1999	Mix of human rights, labour rights, and consumer organizations.	n/a	n/a	<ul style="list-style-type: none"> <li>• Help shape programs and policies.</li> <li>• Partly represented on Board of Directors</li> <li>• Advisory / Expert-role</li> </ul>	7
Universities	2000	Colleges and Universities in US and Canada seeking governance over labour standards in supply chain of brand-products.	n/a	n/a	<ul style="list-style-type: none"> <li>• University Advisory Council (UAC): one representative of each university/ college.</li> <li>• UAC partly elects Board of Directors</li> <li>• UAC advises on policy questions and monitoring issues (advisory/ expert role).</li> </ul>	160

Source: All prices and currency in US\$. All membership-numbers state from last access to FLA website (16.07.2017). FLRS = Fair Labor and Responsible Sourcing. Table adapted from [http://www.fairlabor.org/sites/default/files/fla\\_categories\\_12-16-13.pdf](http://www.fairlabor.org/sites/default/files/fla_categories_12-16-13.pdf). Last accessed, 16.07.2017.

**3.2.a Better Work Compliance Assessment Criteria (Overall Guidance).**

<b>CHILD LABOUR</b>
<p><u>Overall Guidance:</u> Child labour is work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally dangerous and harmful to children and interferes with their schooling by depriving them of the opportunity to attend school, by obliging them to leave school prematurely, or by requiring them to combine school attendance with excessively long and heavy work. In its most extreme forms, children are involved in illegal activities, or in work that exposes them to physical, sexual or psychological abuse. However, not all work done by children is classified as child labour that should be eliminated. Work that does not affect children's health and personal development or interfere with their schooling can be constructive. This includes activities such as helping parents around the home, helping in a family business or earning pocket money outside school time. Whether or not work being carried out by children constitutes child labour depends on the child's age, the type and hours of work performed, and the impact of the work on the child's health, development and access to education. In addition to determining whether there are child labourers working at the factory premises, the possibility of workers taking work home should be monitored. If work is performed outside the factory premises, determine whether it is being done by underage family members.</p>
<b>DISCRIMINATION</b>
<p><u>Overall Guidance:</u> Discrimination includes any distinction based on race, color, sex, religion, political opinion, national extraction or social origin, that results in unequal treatment. Other grounds of discrimination may be included in national law, such as disability, HIV/AIDS status, age and sexual orientation. Discrimination may be direct or indirect and does not have to be intentional. Indirect discrimination refers to apparently neutral practices, which in fact result in unequal treatment of people with certain characteristics. Distinctions are permissible when they are necessary because of the inherent requirements of the particular job, although this exception is rare. Also, measures to protect certain categories of workers are acceptable when they are provided for under international labour Conventions and Recommendations, such as maternity protection. Distinctions also may be permissible under national laws designed to help groups who need special protection, for example, laws that offer preferential treatment to women in hiring in order to remedy the effects of past discrimination. The questions in this section apply to all workers, including those applying for work, nationals, non-nationals, migrant workers, and home-based workers.</p>
<b>CONTRACTS AND HUMAN RESOURCES</b>
<p><u>Overall Guidance:</u> Employment contracts define the relationship between a worker and the employer. Employment contracts should include the terms and conditions of employment, comply with legal requirements, and be understandable to workers. It is important to know what types of workers are employed in an enterprise (such as regular, probationary or casual), and to determine whether each type of worker is treated in accordance with the law. For example, contracting arrangements should not keep workers on probation or engaged as apprentices for longer than legally allowed. Employment security is central to workers' rights. International as well as national standards protect workers against unjustified termination and the financial hardship that often follows. For example, workers should be terminated only for valid reasons relating to their conduct, performance, or the needs of the enterprise. They should be given notice and have a chance to defend themselves before termination. In order for workers to know what is expected of them and the consequences for poor performance or conduct, disciplinary measures should be established and made known to all workers and supervisors. Grievance and dispute resolution procedures also are important, so that workers can raise concerns about their employment and have those concerns heard, and to ensure that disputes are dealt with in a consistent, fair, and effective manner.</p>
<b>OCCUPATIONAL SAFETY AND HEALTH</b>
<p><u>Overall Guidance:</u> Improvements in occupational safety and health enhance productivity by reducing the number of interruptions in the manufacturing process, by reducing absences, by decreasing the number of accidents and by improving work efficiency. Safety is preventative. The cooperation of workers and employers is essential. While the government has obligations outlined in the ILO Conventions, Protocols, and Recommendations, employers and workers also have responsibilities and rights to ensure occupational safety and health. The questions in this section are tailored to the requirements of national law.</p>
<b>FORCED LABOUR</b>
<p><u>Overall Guidance:</u> Forced labour is work exacted under the menace of penalty and for which the person has not offered him/herself voluntarily. Forced labour violates the basic human right to work in freedom and freely</p>

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<p>choose one’s work. Two elements must be present: 1) The first element is that the worker must be subject to threat of penalty. Look for coercion on the part of the employer (e.g., action taken to control, manipulate, deceive and/or override a person's will). However, bear in mind that for vulnerable workers, a relatively small amount of coercion may lead to forced labour. For example, workers who are migrants, pregnant or from ethnic minorities often are vulnerable and therefore may be more susceptible to forced labour. Some possible examples of penalties that could be imposed or threatened include • Beatings, torture or sexual assault; • Restrictions on freedom of movement, e.g., prohibiting workers from leaving the workplace or living accommodation; • Financial penalties, e.g., burdening workers with unmanageable debt or delaying wage payments to keep workers on the job; • Reporting workers to the authorities (police, immigration, etc.); • Deportation, for example in the case of migrants in irregular situations; • Denying workers access to their personal documents; • Termination or exclusion from future employment; • Exclusion from community and social life; • Refusal of food, shelter or other necessities; • Transfer to worse working conditions, and • Removal of rights or privileges. Coercion is an indicator of forced labour regardless of whether it occurs during regular hours or overtime. Subjecting workers to the coercive tactics listed below under the Coercion compliance point would be an indicator of forced labour, even if the tactics are used solely to force workers to work overtime. In a limited set of circumstances, forced labour also can arise when workers are forced to work overtime through economic coercion. The Forced Labour and Overtime compliance point addresses those situations. 2) The second element of forced labour is that the worker has not accepted the work voluntarily. Workers must freely consent to accept the work and they must be free to leave the job and the workplace at all times. Deciding whether work is performed voluntarily often involves looking at • the vulnerability of the worker and • external and indirect pressures that make it difficult for workers to choose not to work, for example, non-payment of wages, or denying workers access to their identity documents.</p>
<p><b>FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b></p>
<p><u>Overall Guidance:</u> Freedom of association means the right of workers to join together to create organizations (unions) that represent them. It also applies to employer organizations. Collective bargaining is the process of negotiation between unions and employers, usually on working conditions and terms of employment. Both are fundamental rights, and they are linked together. Without freedom of association, collective bargaining cannot work because the views of the workers cannot be properly represented. Workers themselves must be free to choose how they are to be represented, and employers must not interfere in this process.</p>
<p><b>COMPENSATION</b></p>
<p><u>Overall Guidance:</u> Wage payments are critical to workers' day-to-day lives. Minimum wages are set to ensure that workers can meet their own needs and those of their family. Minimum wages may be set by law or regulation, by wage boards, councils, courts or tribunals, or by collective agreement. Representative organizations of employers and workers should be involved in the process. Minimum wage rates may be different across groups of workers, sectors of economic activity, or by geographical location. In addition to workers receiving pay on time and in full for ordinary and overtime hours as well as for paid leave, it is important that they are paid in legal tender and that the employer does not restrict how wages can be used. Workers should be told about their wages as well as any wage deductions. Deductions should be made only on conditions and within the limits prescribed by law or collective agreement.</p>
<p><b>WORKING TIME</b></p>
<p><u>Overall Guidance:</u> Limits on hours of work help to ensure safety and health at work, provide enough rest between shifts, and enable workers to balance family and work responsibilities. For industrial enterprises, international standards limit regular (pre-overtime) working hours to 8 hours each day, 48 hours each week, subject to certain exceptions. They also say that workers must have at least one day off in seven. Regular and overtime hours and weekly rest may be regulated under national laws, regulations or agreements between worker(s) and employer(s), which may be more flexible. In exceptional cases, daily or weekly limits on hours can be averaged over longer periods of time to allow for fluctuations in hours of work. The questions below relate to compliance with the relevant ILO Conventions. Consult national law in order to accurately determine compliance with working time provisions.</p>

Source: Better Work assessment tool (2017). Full list of benchmarks and measurement-specifications available on: <https://betterwork.org/blog/portfolio/better-works-global-compliance-assessment-tool/>, last accessed 30.07.2017.

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