

Focusing Events and Changes in the Regulation of Labour Standards in Australian and German Garment Supply Chains

Stephen J. Frenkel (University of New South Wales), Elke Schuessler (Freie Universität Berlin), Chris F. Wright (University of Sydney)

Submission to Track 3: “Markt, Macht und Globalisierung”, Momentum 16, 13.-16.10.16

Exploitation of workers in developing economies is a major concern where intense global competition encourages lead firms in advanced economies to pressure suppliers to continually improve productivity (Raworth & Kidder, 2009). Withstanding such pressure in industries like garments is difficult because suppliers’ profit margins are thin, lead firms’ switching costs are low, and many developing country governments fail to implement labour legislation (Davies & Vadlamannati, 2013). Furthermore, international public regulation comprising international conventions and social clauses in trade agreements are not accompanied by meaningful sanctions (Nolan & van Heerden, 2013; Fransen, 2011). Hence a strong tendency for labour standards to drift downwards with power tending to accrue to the lead firms who control the upstream retail, design or marketing functions and who determine buyer-supplier relationships. Apart from a few large, brand-conscious firms that maintain relatively high labour standards on account of NGO vigilance, labour standards are under constant threat of erosion, especially in the light of recent consumer market trends and trade liberalization.

The Rana Plaza factory collapse in April 2013, which left nearly 1,130 mainly female Bangladeshi garment workers dead and over 2,000 injured, is a particularly harrowing example of the consequences of such pressure. Although primarily a building safety problem, this shocking, highly publicized incident drew attention to the lack of labour standards including the absence of worker voice which might have prevented this tragedy from taking place. New initiatives primarily targeting building safety standards but including strategies for improving labour standards have been agreed, most importantly the bilateral ‘Accord’ (for Fire and Building Safety in Bangladesh) favoured mainly by European firms and global and local unions and the unilateral ‘Alliance’ (The Bangladesh Worker Safety Initiative) supported by a smaller number of major US firms. Additionally, some Western governments responded directly to the incident, either on a national level (e.g. the German ‘Textile Partnership’) or transnationally (e.g. the ‘EU Sustainability Compact’). To date, however, the effects of the Rana Plaza disaster on lead firm’ labour standards’ policies and practices are unclear. Not all lead firms sourcing from Bangladesh joined the Accord or the Alliance, for instance. Yet, these firms and clothing brands and retailers that source from developing economies other than Bangladesh may have improved their labour standards policies and practices in other ways given a heightened attention to labour standards’ issues.

The main purpose of our paper is to ascertain whether the Rana Plaza building collapse triggered a widespread effort to improve labour standards or whether lead firms varied in their responses, and if so, how this can be understood and explained. We engage with theories of firms’ corporate social responsibility (CSR) activities where stakeholder pressure, firm-level

characteristics and national embeddedness have been shown to account for variations in lead firms' labour standards (Bartley & Child, 2014; Fransen & Burgoon, 2012; Marx, 2008). These studies have identified important explanatory variables but have been unable to examine the dynamics that contribute to firms' decisions. We emphasize this dynamic aspect by employing a 'focusing event' perspective (Birkland, 1998; Kingdon, 2003) to examine, in the two years following the Rana Plaza disaster, whether and how garment lead firms in two countries, Germany and Australia, changed their policies and practices relating to labour standards.

Our empirical analysis comprises 10 lead garment retail firms in each of the two countries. In seeking to interview managers who were most knowledgeable about supply chain practices we contacted purchasing or CSR managers, resulting in 14 manager interviews in Australia and 12 in Germany. Interviews were also conducted with field experts from NGOs (10), unions (4), investors (4), industry associations (5), politicians (1) and consultants (4). In addition, we draw on firm-level and industry-level archival data and insights from participation in several industry events. Our outcome variable of interest is the extent of change in labour standards policies and practices where we distinguish the following possibilities: a) no change, b) signing the Accord/Alliance, c) changing labour standards' policies and practices on a firm level and d) changing the number of suppliers and/or relationships with suppliers. We analyse patterns across types of firms and countries and pay attention to stakeholder pressure, firm size, firm type, sourcing proximity to Rana Plaza and national institutional embeddedness as possible explanatory factors for variations.

Our findings indicate strong cross-national differences in response patterns which can be explained by diverging patterns of stakeholder activism (cf. Bair and Palpacuer, 2012). Whereas only those German firms sourcing directly from the Rana Plaza building were targeted by the media and NGOs after the disaster, no Australian firm was found to be sourcing directly from the Rana Plaza building, which led to a much broader targeting campaign. As a result, Australian firms responded comparatively more strongly to the Rana Plaza disaster – even if they did not source from Bangladesh at all. Conversely, the majority of German firms did not respond or responded very narrowly by signing the Accord, and only if Bangladesh was an important sourcing location. We discuss these findings in the light of recent debates about the private regulation of global supply chains.

References

- Bair, J. and F. Palpacuer. 2012. "From Varieties of Capitalism to Varieties of Activism: The Antisweatshop Movement in Comparative Perspective." *Social Problems* 59 (4): in press
- Bartley, T. and Child, C. (2014). Shaming the corporation the social production of targets and the anti-sweatshop movement. *American Sociological Review*, 79(4): 653-679.
- Davies, R.B. and Vadlamannati, K.C. (2013). A race to the bottom in labor standards? An empirical investigation. *Journal of Development Economics*, 103: 1-14.
- Fransen, L. (2011). Why do private governance organizations not converge? A political-institutional analysis of transnational labour standards regulation. *Governance*, 24(2): 359-387.

Fransen, L. and Burgoon, B. (2012). A market for worker rights: Explaining business support for international private labour regulation. *Review of International Political Economy*, 19(2): 236-266.

Kingdon, J. W. (2003). *Agendas, Alternatives, and Public Policies*. 2nd ed. New York: Longman.

Marx, A. (2008). Limits to non-state market regulation: A qualitative comparative analysis of the international sport footwear industry and the Fair Labor Association. *Regulation & Governance*, 2(2): 253-273.

Nolan, J. and van Heerden, A. (2013). Engaging business in the business of human rights. In M. Pedersen and D. Kinley (eds.), *Principled Engagement: Negotiating Human Rights in Grossly Repressive States*. London: Ashgate, pp. 153-170.

Raworth, K. and Kidder, T. (2009). Mimicking 'lean' in global value chains: It's the workers who get leaned on. In J. Bair (ed). *Frontiers of Commodity Chain Research*. Stanford: Stanford University Press, pp. 165-189.