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Minding their own business? Firms and activists in the making of private labour regulation

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English summary

Corporate Social Responsibility (CSR) has become the term that describes the efforts of firms to deal with human rights, labour and environmental problems. Nowadays most of us probably expect companies to mind their profits and share prices, so why then the focus on these ethical issues? And what may we expect from these voluntary activities of firms?

Both are vital questions. Academic literature has a satisfactory answer to the first question. CSR owes its popularity, first, to globalization, more specifically: the organization of production across borders, connecting developed and developing economies. Second, CSR is a response to what is called a *global neo-liberal framework*. This entails the failure or unwillingness of developing country governments to deal with labour, human rights and environmental standards (because their primary concern is with boosting exports); and the current weakness of efforts by international organizations and governments of developed countries to repair this (because they are focused on increasing global economic trade and see the mentioned standards as a barrier to this cause). Third, CSR comes into existence because of social pressure on firms, exercised by labour, environmental, human rights and gender activist networks, national trade unions, developmental NGOs, and consumer and/or shareholder movements in Northern America and Western Europe. A response to the critical demands of these groups leads to corporate efforts at being Socially Responsible.

The second question (What to expect from CSR?) for now remains open and has therefore invited this study. This dissertation seeks to deliver more insight into the potential of a particular type of Corporate Social Responsibility, namely the private and voluntary rules that companies adopt to improve working conditions in transnational production chains.

Specifically, this study seeks to describe and explain the developments within the clothing industry to organize private rules for improvement of labour conditions. It focuses in particular on answering the following three questions: first, how and why do private regulatory organizations focused on improving labour conditions develop more or less stringent policies to improve labour conditions in supplier factories?; second, how and why do businesses come to support specific approaches to private regulation of labour conditions?; and third, how, why and to what effect do competition, cooperation and convergence emerge between the existing regulatory organizations focused on labour standards in the clothing industry?

By asking these questions, the study focuses on a crucial dynamic in the politics of CSR, between the qualities of rule (how credible are different approaches to private regulation to improve labour, environmental, and human rights standards?), and actor support (specifically business support) for private regulation (how widely are different types of rule adopted voluntarily by

companies?). *Can CSR be significantly addressing ethical issues and be widely popular with firms at the same time?*

This study argues that answering all of these questions requires attention to evolving relationships between political actors that shape the policies of private regulatory organizations and their business membership. It shows how private regulation can be more or less stringent on a range of dimensions, including the degree to which interest groups are involved in implementation and review of rules. It explains the difference in approaches emerging from private regulatory organizations by showing how fluid, unpredictable group dynamics matter more in earlier phases of negotiation, while actor positions and agendas matter more in later stages. It shows how managers of firms choose to support specific forms of private regulation mainly as a response to societal pressure, which itself is affected by the position of these managers in national environments and towards other industrial actors. And it explains competition, cooperation and convergence between private regulatory organizations by showing how past events, evolving rivalries, vested interests and organizational differences within the industry and activist realms encourage splits in the regulatory effort. These findings add up to the study's general conclusion that the approach to private labour regulation for clothing production is diverging in more and less stringent forms of regulation -- the former supported by firms and activists whose organizational concern is relatively closer to the point of production (brands, designers, labour advocates), and the latter by firms and activists more directed towards the point of consumption (retail firms, consumer action groups).

The study therefore provides five contributions to the current academic debate on CSR and private regulation.

First, it advances a particular understanding of the qualities of private labour regulation. Focusing on differences in the stringency of private regulatory organizations, it uses common tools of policy analysis such as the measurement of degrees of standards and specificity of implementation procedures to show how labour conditions are an essentially *political* issue, determined by power relations between business and societal groups. Analysis shows that stringent forms of private regulation exist alongside less stringent approaches. Moreover, the development of different types of private regulation and the evolving character of regulatory organizations show that the emergence of more stringent private labour regulation, and the harmonious set-up of multi-stakeholder governed regulation allowing equal input for business and societal voices, may very well have been a short historical circumstance that will not recur. Increasingly, recent developments in the regulatory fields are following the direction of either business groups or activist groups going it alone, or businesses pursuing new multi-stakeholder set-ups that decrease the actual influence of societal interest groups on regulation.

Second, this study shows that activists have a crucial role in initiating stringent private regulatory organizations and pushing firms to participate in them. At the same time, it shows that there are limits to what activism may achieve given the private and voluntary nature of regulatory arrangements, which opens up space for corporations to reject, compete with, or transform efforts at stringent private regulation. Moreover, a divide within the movement for private labour regulation is identified that may affect the impact of future activist efforts in general.

Third, the results demonstrate the significance of both an *industrial* and, in the case of business preferences for existing regulation, a *national environment* in understanding the interaction between firms and activists. In particular, this study emphasizes the importance of *the position of both business and activist groups in the transnational production chain*. The distance of these groups from both the point of consumption and the point of production, in terms of market strategy or political constituency, is crucial for strategic action with regard to private labour regulation. Closer engagement with the point of production is then an indicator of a preference for higher stringency. Since the buying firms that fall in this category increasingly form a minority, both in the industry and within the field of private labour regulation, a general preference for less stringent forms of regulation is coming about.

Fourth, notwithstanding the previous point, the importance of persons and organizational dynamics are testament to the fact that the developments in the politics of private labour regulation are affected by *agency*. This study in particular argues that within certain social and temporal settings, political interaction is characterized by substantial ambiguity. It is then that the actions of persons within profit and not-for-profit organizations are influential for events evolving in the political field.

Fifth, the research reveals that private regulatory competition is a process that on the whole may stimulate persistent heterogeneity and divergence in the policy approaches of regulatory organizations, despite political efforts to induce a shared understanding of what constitutes legitimate private regulation among parties. Economic and social interaction may work differently to expectations about progressive convergence between regulators, also because the limited convergence that does take place does not lead a majority of organizations and firms towards a *ratcheted up* version of private labour regulation.

The study concludes with some observations on how future changes in the global political economy may affect the evolution of private labour regulation. By looking in particular at the rise of China and India, relations between companies in the clothing and wider retail sector, developments in public regulation and trends in consumer behaviour, it establishes new research avenues that contribute to the question of whether global clothing production in the future will adhere to fair labour standards.