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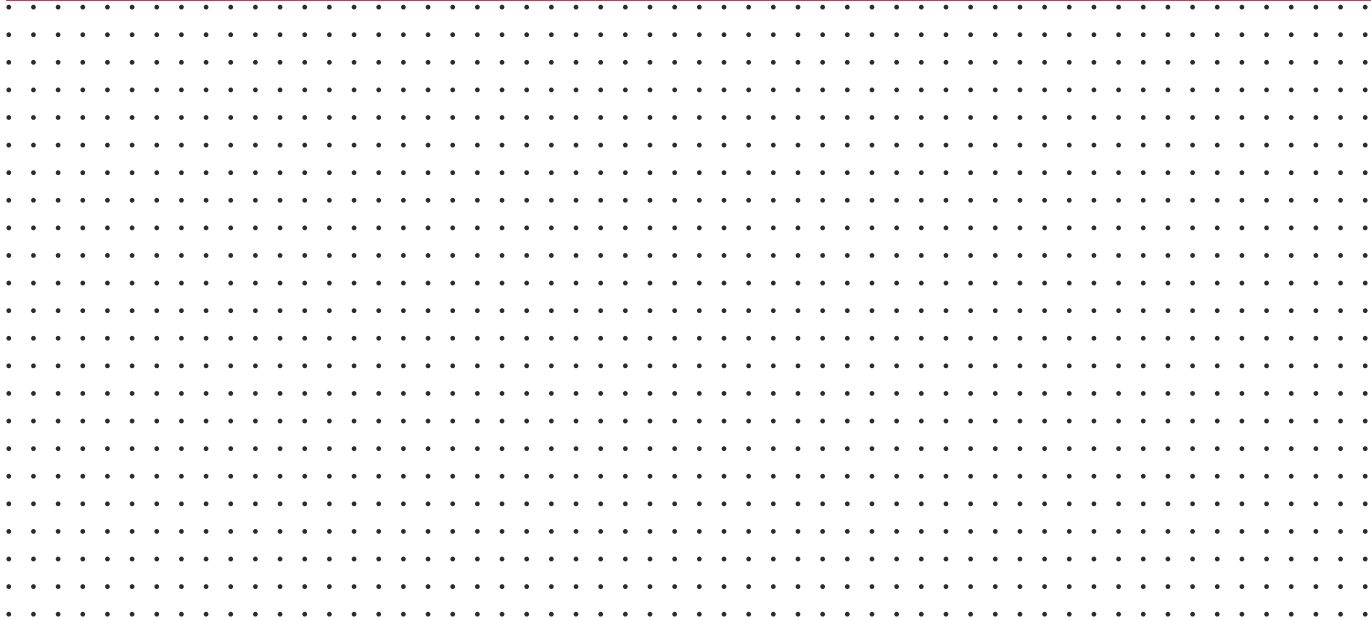
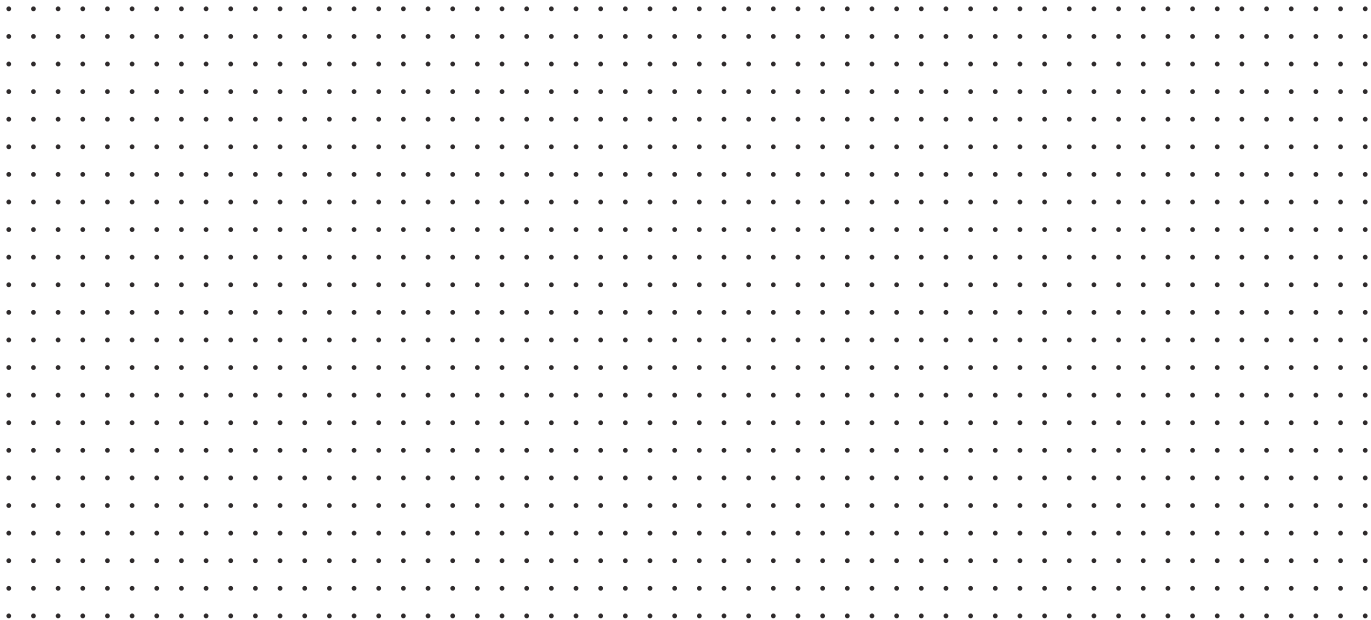


Berlin



# GARMENT SUPPLY CHAINS SINCE RANA PLAZA: Governance & Worker Outcomes

**AUGUST 2019**



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# EXECUTIVE SUMMARY

The April 2013 Rana Plaza disaster in Bangladesh, which killed over 1,000 garment workers and injured many more, shocked the world. Since then, lead firms, supplier factories, governments and multiple other stakeholders have sought to improve building safety in Bangladesh and to strengthen the governance of labour standards in garment supply chains. This report summarizes the results of the Garment Supply Chain Governance Project,<sup>1</sup> which provides the most thorough analysis of lead firms' current practices and their impact on garment factories and workers in the context of various public and private labour governance initiatives to date.

Since the Rana Plaza disaster, buyer-supplier relations, lead firm labour governance approaches and worker outcomes in Bangladeshi garment factories have changed. These changes can be attributed to an intensified climate for compliance regarding primarily building safety, but also other aspects of working conditions. While it is difficult to tease out precisely the causal impact of each initiative implemented in Bangladesh since Rana Plaza, our data indicate that this climate of compliance and the resulting changes can be strongly associated to lead firms' engagement in the Bangladesh Accord on Fire and Building Safety (Accord).<sup>2</sup> We summarize these changes as follows:

- Lead firms' engagement in the Accord has had a dual effect on **buyer-supplier relations** in Bangladesh: on the one hand, it intensified the sourcing squeeze<sup>3</sup> exerted by lead firms on suppliers and increased power asymmetries between lead firms and suppliers; on the other hand, it fostered longer-term relations, mutual understanding, trust and continuity of orders. We see this sourcing model as reflecting a form of **asymmetrical cooperation**.
- Seeking to go beyond firm-level compliance initiatives, many lead firms have expanded their involvement in collective and more inclusive initiatives such as the Accord. They are also increasingly engaging in capacity building and political advocacy to enact systemic changes in the industry. However, **the labour governance portfolios** of lead firms vary across firms and countries. **Yet, we observe a convergence around revised auditing approaches that ensure basic safety and labour standards.**
- Improvements in **workers' outcome standards** (mainly better health and safety conditions, relative job security and improved social benefits) **and**

**process rights** (mainly representation in worker participation committees) can be tied to factories affiliated with the Accord and the Alliance. With remaining problems regarding wages, working hours, abuse and management rejection of unions and collective bargaining, factories in our sample can be characterised as **hardship workplaces**, but not sweatshops. Worker Participation Committees (WPCs) were found to be effective in giving workers increased voice in some situations.

While these changes are complementary to each other, they might be unstable. With the Accord facing resistance by the Bangladeshi government and employer associations, little improvements in workers' collective representation beyond statutory (WPCs), fading public attention to labour rights violations in garment supply chains six years after the Rana Plaza disaster and little ambition by Western governments to regulate labour standards in global supply chains, lead firms and suppliers, pressed by low profit margins and a highly price-competitive market, may shift attention away from further improvements. In this light, our main policy recommendations are as follows:

- Increasing public regulation to level the playing field in production countries and regions and in consumption countries and regions.
- Increasing mechanisms that allow for independent worker voice and representation while recognizing the short-term improvements brought about by locally developed forms of representation such as WPCs.
- Designing and mobilizing for interventions with long-term goals for how garment production and consumption could be organised more sustainably, drawing on research and experiences of how such interventions can be successful.

Considering the main stakeholder groups, we recommend:

**For lead firms**

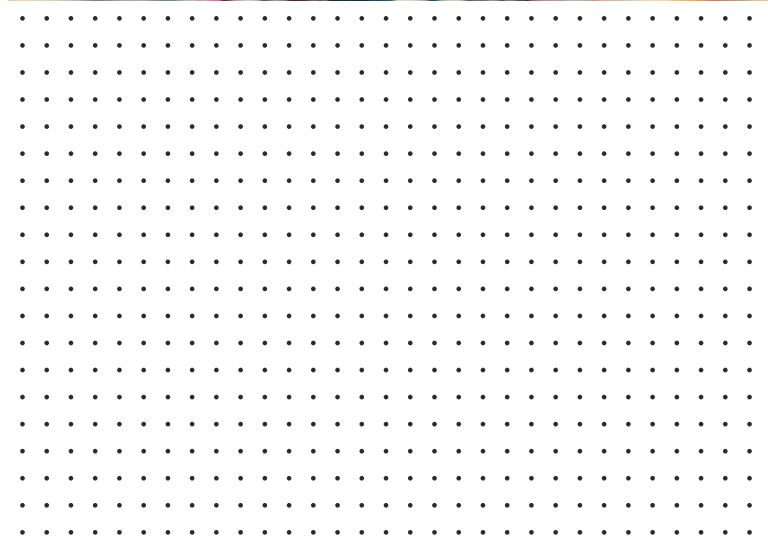
- to continue to act collectively and put pressure on governments to level the playing field by supportive public regulation
- to continue to collaborate with unions and other stakeholders in building collective private regulatory institutions

**For suppliers**

- to overhaul the BGMEA to become a more progressive force
- to engage in training of middle management and supervisors regarding core labour rights

**For lead firm home country governments**

- to develop internationally harmonised public regulation that holds lead firms accountable for labour standards and a change in lead firm business models
- to use trade policy as political instrument to impose tariffs on some countries and reward others



**For the Bangladeshi government**

- to uphold labour laws, recognize independent trade unions, strengthen labour inspectorates and support the continuation of independent governance initiatives such as the Accord or to foster the establishment of equivalent institutions
- to engage in government-to-government dialogue about buyer purchasing practices

**For other stakeholders:**

- to continue to exert pressure on lead firms and raise public awareness about the unsustainability of current fashion business models and related consumer behaviours
- to push governments and intergovernmental organisations to create strong and effective regulations

# KEY TERMS

<b>Accord</b>	The Bangladesh Accord on Fire and Building Safety
<b>ACT</b>	Action, Collaboration, Transformation
<b>Alliance</b>	Alliance for Bangladesh Worker Safety
<b>BGMEA</b>	Bangladesh Garment Manufacturers and Exporters Association
<b>BKMEA</b>	Bangladesh Knitwear Manufacturers & Exporters Association
<b>BSCI</b>	Business Social Compliance Initiative
<b>CEO</b>	Chief executive officer
<b>CME</b>	Coordinated market economy
<b>CSR</b>	Corporate social responsibility
<b>ETI</b>	Ethical Trading Initiative
<b>EU</b>	European Union
<b>FLA</b>	Fair Labour Association
<b>FWF</b>	Fair Wear Foundation
<b>GFA</b>	Global framework agreement
<b>ILO</b>	International Labour Organisation
<b>Lead firm</b>	A brand or retailer that contracts supplier factories to produce garments
<b>LME</b>	Liberal market economy
<b>MFA</b>	Multi Fibre Arrangement
<b>MNC</b>	Multinational company
<b>MSI</b>	Multi-stakeholder initiative
<b>NGO</b>	Nongovernmental organisation
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>RMG</b>	Ready-made garment
<b>Supplier</b>	A factory that produces garments sold under the brand names of lead firms
<b>TIRA</b>	Transnational industrial relations agreement
<b>WTO</b>	World Trade Organisation
<b>WPCs</b>	Worker Participation Committees

# ACKNOWLEDGEMENTS

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We would also like to acknowledge the many people who generously gave their time to share their experiences in the global garment industry thereby assisting us to develop and express multiple perspectives regarding labour standards in global garment production.

The cover photo was taken by Safia Azim, Photographer and Psychologist, Dhaka, Bangladesh.





# INTRODUCTION

Since the Rana Plaza building collapse in Bangladesh in April 2013, there has been anxiety about the adequacy of worker health and safety and labour standards in the garment industry. Lead firms sourcing from Bangladesh have come under the public spotlight. Firms, governments, NGOs and researchers alike have sought to advance various solutions. Two multi-stakeholder initiatives (MSIs) have received particular attention as potentially “game changing” new governance instruments: the Accord on Fire and Building Safety in Bangladesh (‘Accord’), chaired by the ILO and signed by over 200 garment brands, retailers and importers along with two global unions, IndustriALL and UNI;<sup>4</sup> and the Alliance for Bangladesh Worker Safety (‘Alliance’), a smaller initiative signed by almost 30 brands and retailers, mostly from the USA.<sup>5</sup>

Many reports have been published in recent years examining progress regarding worker safety and labour standards among Bangladeshi garment workers as a result of these and other initiatives. Oxfam Australia,<sup>6</sup> the Ethical Trading Initiative,<sup>7</sup> the International Labor Rights Forum,<sup>8</sup> the OECD,<sup>9</sup> the Penn State Center for Global Workers’ Rights<sup>10</sup> and the NYU Stern Center for Business and Human Rights<sup>11</sup> have been prominent in highlighting persistent problems and suggesting solutions for more sustainable garment supply chains. The reports tend to agree that building safety has improved since Rana Plaza, but other aspects of workers’ lives remain unchanged, while lead firms continue to reduce purchasing prices, reflecting a highly competitive market that facilitates labour exploitation in garment supply chains. Recent reports, including the OECD Due Diligence Guidelines, recommend that lead firms change their purchasing practices, increase supply chain transparency, support industrial relations institutions and worker rights, and act collectively – together with suppliers, governments, labour representatives and other institutions – to address systemic supply chain problems.



Taking these findings and recommendations as a starting point, our report provides the most comprehensive data to date about current lead firm and supplier policies and practices and related worker outcomes. Data are derived from an interdisciplinary research project conducted between 2016-2019. The project aimed to understand the impact of Rana Plaza on labour standards in the global garment industry with a particular focus on Bangladesh. In doing so we use data collected from lead firms, factory managers, workers and stakeholders. As discussed previously,<sup>12</sup> the most important changes enacted by lead firms were signing the Accord,<sup>13</sup> revising buyer-supplier relations, and revising firms' labour governance policies and practices. Drawing on our comprehensive dataset, we suggest that the most important post-Rana Plaza changes have been as follows:



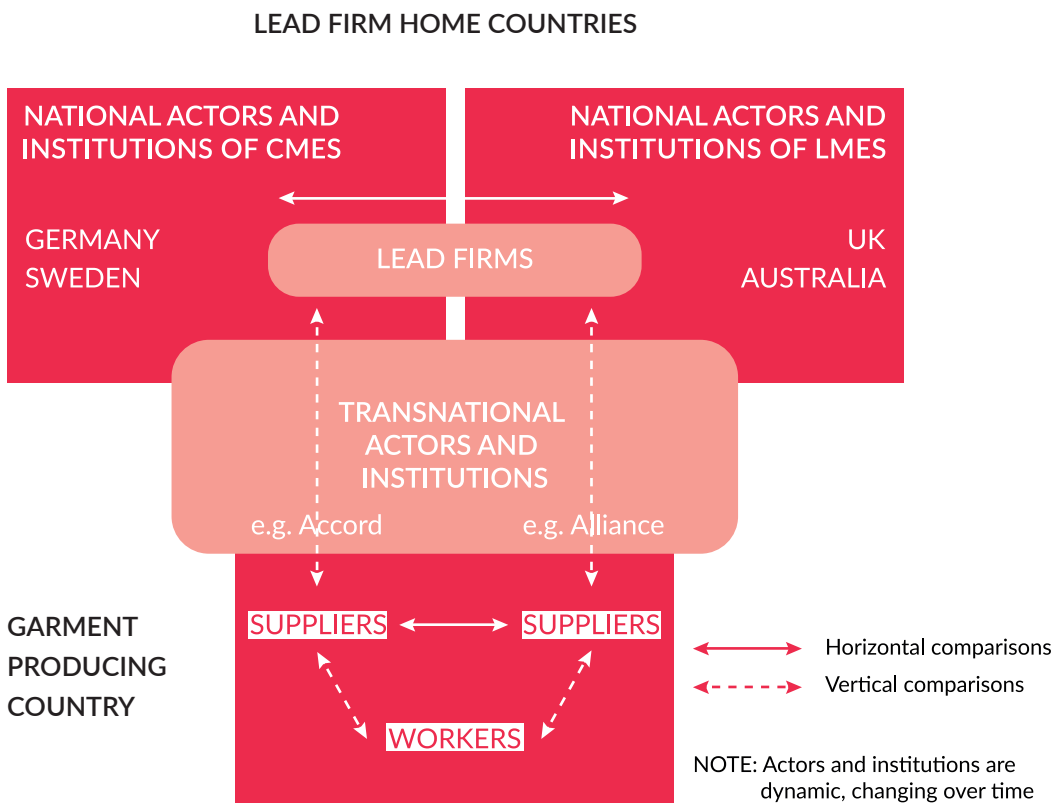
- **Changes in buyer-supplier relations:** Engagement in the Accord has intensified the sourcing squeeze exerted by lead firms on suppliers in Bangladesh and increased power asymmetries between lead firms and suppliers. Yet, lead firms today tend to seek longer-term relationships with their core suppliers reflecting a desire to minimize switching costs and ensure compliance with core labour standards. These relations have enabled increased employment stability in export factories and rapid revenue growth for many suppliers based, however, on thin profit margins. **This form of asymmetrical cooperation differs from earlier highly flexible, market-based sourcing relationships.**
- **Changes in lead firms' labour governance approaches:** Lead firms can be seen as being in an experimental phase after years of using a compliance model that has not produced the desired results. Some of these firms are working with approaches that go beyond compliance and have developed portfolios of approaches that are envisioned to improve worker outcomes. **However, the main area of convergence can be seen in intensified auditing procedures, including the Accord as a form of collective auditing, to ensure basic safety and labour standards.**
- **Changes in worker outcomes:** Outcome standards include better health and safety conditions, relative job security and improved social benefits. The main process rights improvement has been in the perceived effectiveness of worker participation committees (WPCs). Problems regarding substandard workplace conditions remain regarding wages, hours of work, abuse at work, and management rejection of unions and collective bargaining. **We found mostly hardship workplaces and few factories that could be considered as sweatshops.**

These changes are complementary to each other: longer-term, yet asymmetrical sourcing relationships go hand in hand with intensified auditing procedures, which imply the investment of resources on both the buyers' and the suppliers' end. These procedures and the intensified climate for compliance resulted in better health and safety standards as well as an elevation of the role of WPCs, whereas stability of orders tended to improve job security. **However, the improvements may not persist as the Accord and Alliance initiatives are withdrawing from Bangladesh and it is unclear what regulatory initiatives will follow in their footsteps.**

# THEORETICAL FRAMEWORK AND METHODOLOGY

Our interdisciplinary approach views supplier factory standards as nested in supply chains dominated by lead firms and influenced by social, political and economic institutions and networks.<sup>14</sup> A comparative case design enables us to organize our data at four interrelated levels of analysis: national, transnational, firms and individual workers (see Figure 1).

Figure 1: Comparative case design<sup>15</sup>

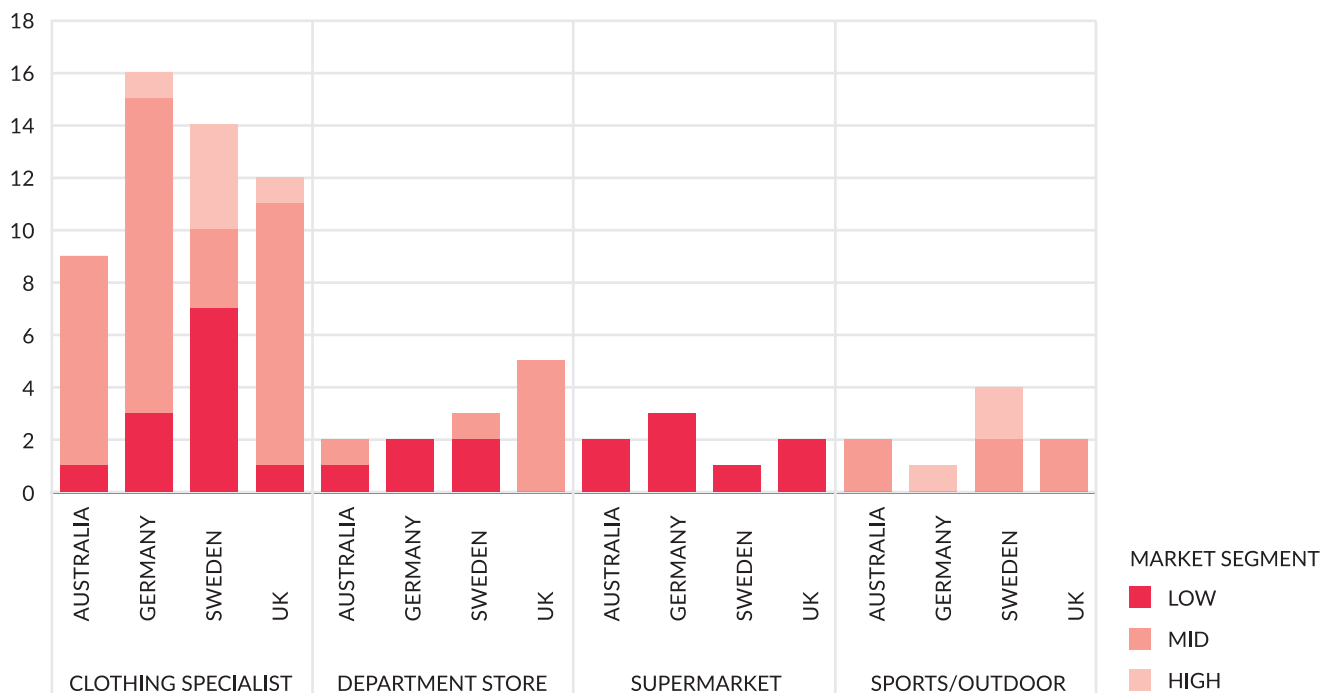


We sampled firms from four Western lead firm home countries – Australia, Germany, Sweden and the UK – and an important garment producing country, Bangladesh. The lead firms included large brands and retailers that are major garment sellers in their home countries. In Bangladesh, we studied export supplier firms and individual workers employed in the export sector – but not in export processing zones. We also spoke to various stakeholders active at national and transnational levels, such as unions and global union federations.

➤ Our sample of 79 **lead firms** includes many of the largest garment brands and retailers in Australia (15 firms from the top 30), Germany (22 firms from the top 70), Sweden (21 firms from the top 30) and the United Kingdom (21 firms from the top 100). These firms include garment specialists, department stores, supermarkets, fast fashion firms, upmarket/luxury brands as well as sports/outdoors specialists and low-priced firms. We have sought to match company characteristics across countries. All companies in our sample had annual turnovers of over 50<sup>16</sup> million Euros in 2015/2016. Figure 2 indicates that most (89%) lead firms in our sample serve either a medium or low-cost market as represented by the most common high-street brands.<sup>17</sup> Most of these firms are affected by the trend towards fast fashion,<sup>18</sup> but only few firms in our sample can be clearly identified as having a fast fashion business model. Several (11%) lead firms catering to a high-end market are associated with quality production models. Our sample comprises clothing specialists (65%), department stores<sup>19</sup> (15%), supermarkets (10%)

and sports/outdoor retailers (10%). This distribution approximates the general market distribution of different types of retailers in lead firms' home countries, although online/mail-order only firms are underrepresented in our sample (5%).<sup>20</sup> Table 1 and Figure 3<sup>21</sup> show that more than half the firms in our sample have an annual turnover of 500 million € or more. About a quarter (24%) of our lead firms have an annual turnover of more than 3,000 million €. All seven supermarkets are included in this category.<sup>22</sup> Slightly more than half (56%) of the firms are members of the Accord.<sup>23</sup> We sought to interview firms that covered a large proportion of each countries' market share, and as Germany and the UK have more very large and giant firms, these countries have higher numbers of such larger firms in their sample. We conducted between one and five interviews with representatives (CSR managers, procurement managers and strategy mangers/CEOs) of each firm. Questions were both forced-choice and open permitting us to report so-called survey findings (quantitative data) and interview quotations (qualitative data).

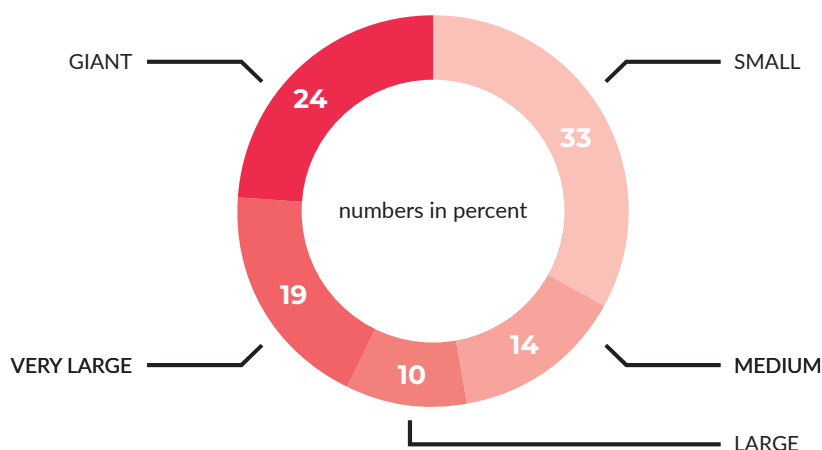
**Figure 2: Firm types by home country in lead firm sample**



**Table 1: Size distribution of lead firm sample**

SIZE MEASURED IN ANNUAL TURNOVER FOR 2015/2016	AUSTRALIA	GERMANY	SWEDEN	UK	% OF OVERALL SAMPLE*
SMALL (30-249 MILL. €)	4	4	13	5	33%
MEDIUM (250-499 MILL. €)	3	3	3	2	14%
LARGE (500-999 MILL. €)	2	2	3	1	10%
VERY LARGE (1000-2999 MILL. €)	2	7	0	6	19%
GIANT (> 3000 MILL. €)	4	6	2	7	24%
<b>TOTAL</b>	<b>15</b>	<b>22</b>	<b>21</b>	<b>21</b>	<b>79 FIRMS</b>

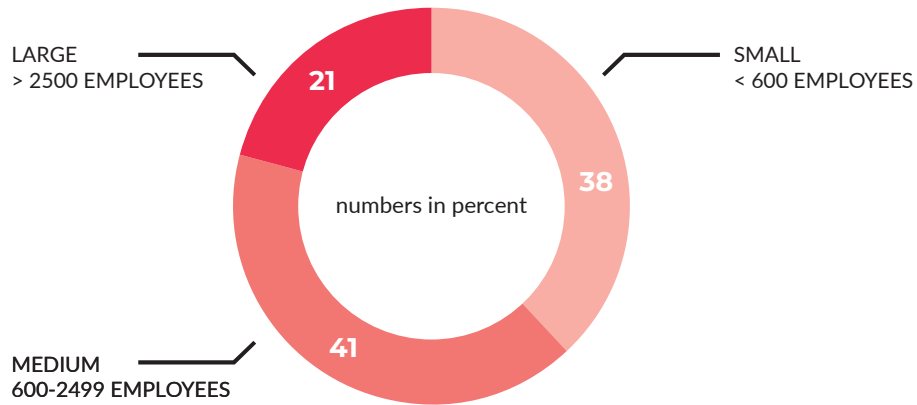
**Figure 3: Overall lead firm size breakdown**



➤ Our factory manager survey had a similar forced-choice and open question format as described above. It was conducted in 2016/2017 and included 152 senior managers (managing directors, directors, heads of human resources and chief accountants) of export-oriented garment factories in Bangladesh. Figure 4 shows the distribution according to workplace size. The factories are located in Dhaka, Narayangang, Gazipur, Savar and Chittagong, outside of export processing zones. Our convenience sample broadly reflected factory size, product complexity (mainly medium-low), and Accord/Alliance membership in the overall Bangladesh export garment sector.

Almost half (43%) of factories were Accord members and about one in five (18%) factories were associated with the Accord and Alliance with one in ten (10%) factories being Alliance members only. The remainder were mainly members of the government’s National Tripartite Plan of Action on Fire Safety and Structural Integrity in the Garment Sector of Bangladesh (the National Initiative). The majority (79%) of factories were medium or large, with over 600 employees; very few (4%) had less than 250 employees. We also conducted in-depth case studies with three larger factories in our sample.

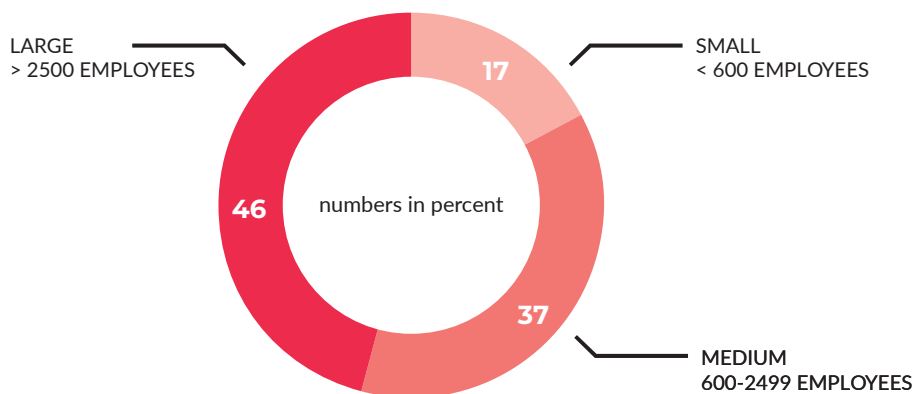
**Figure 4: Factory size breakdown management survey**



> The **worker survey** was conducted in 2017 and covered 1,500 workers (1,000 female and 500 male) employed in over 200 different factories. In order to avoid management influence, the data was collected in the form of individual interviews in workers' homes by trained local research assistants. The sample was randomly selected from all garment worker households listed in five locations in and around Dhaka, with locations chosen according to proximity to the factories included in the management survey. Although less than 10% of workers were employed in factories included in the factory management survey, the majority of

workers in our sample either worked for factories affiliated to the Accord (29%), or to both Accord and Alliance (53%). Very few (1.5%) workers were employed in factories associated solely with the Alliance. Overall, most (83%) of the workers covered in our survey worked in workplaces with 600 employees or more (see Figure 5). The remaining smaller factories (17%) were more likely to be unaffiliated to the Accord or the Alliance. Additionally, seven focus groups were conducted with garment factory workers from the survey locations with 4 sessions for male workers and 3 for female workers.

**Figure 5: Factory size breakdown worker survey**



> Globally, over 70 formal interviews and over 50 informal discussions were undertaken with **stakeholder representatives** from government agencies, international organisations, NGOs, unions

and other relevant informants in order to follow ongoing debates about labour governance in garment supply chains.



# LEAD FIRMS' SOURCING POLICIES AND PRACTICES AFTER RANA PLAZA

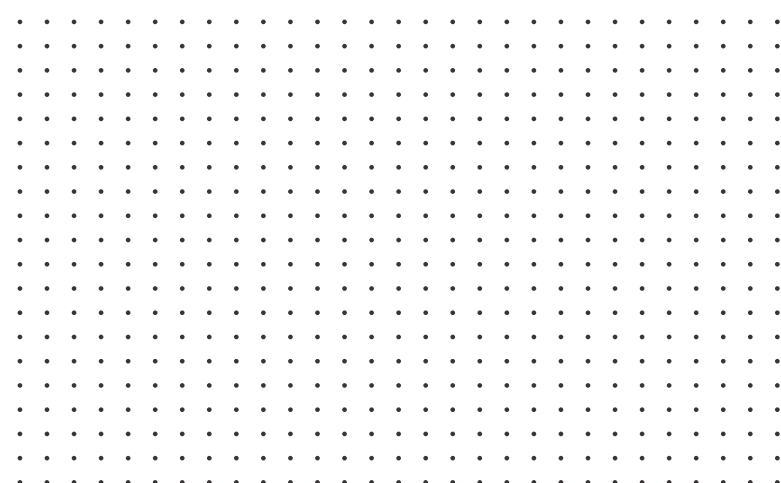
In this section we provide information about lead firm-supplier relations based mainly on our factory management and lead firm survey data. We argue that a hybrid model of contracting has emerged, which we term *asymmetrical cooperation*. This model enables a partial, unstable compromise between financial and product market pressure on the one hand, and garment worker protection on the other.

## Background: How Competitive Markets Affect Buyer-Supplier Relations

Global garment supply chains are usually characterized by lead firm domination of suppliers.<sup>24</sup> Different market developments have exacerbated this power asymmetry between lead firms and garment suppliers. On the one hand, since the phasing out of the Multi Fibre Agreement (MFA)<sup>25</sup> in 2005 and the entry of China and Vietnam into the World Trade Organization (WTO), the number of garment suppliers worldwide has increased.<sup>26</sup> **At the same time, lead firms have faced stronger competitive pressure from large, so-called fast-fashion retailers. Recently, online retailers with a “super-fast fashion”-model<sup>27</sup> have not only spurred market concentration, but have increased global competitive pressure based on low prices and speed to market.** Meanwhile, average retail profit margins have been relatively low at around 3-5%,<sup>28</sup> although some firms achieve higher margins. Public retailing companies have been under pressure from the stock market to improve their performance, and many firms continue to face bankruptcy.

As a result of hyper-competitive markets, most lead firms today continuously search for better deals on price, quality and delivery times. Some observers<sup>29</sup> have argued that this pressure results in purchasing practices such as shorter lead times on orders, last-minute changes in product design and rushes to meet product launches or replenishments that adversely affect workers. Mark Anner refers to such practices as a “sourcing squeeze” that undermines social compliance programs intended by lead firms to improve labour standards in supplier factories.<sup>3</sup> The consequence is labour exploitation which assumes the form of poverty-level pay, excessive work hours, weak safety and other labour standards relating to worker treatment and representation, unauthorized sub-contracting, unstable employment, and frequent use of non-standard employment.

**Rana Plaza has called lead firms' practices and business models into question but has not changed competitive market dynamics.** Lead firms transfer this competitive market pressure along with appeals for higher labour standards onto suppliers who are encouraged to increase efficiency and reduce costs, yet at the same time uphold minimum labour standards that enable lead firms to maintain their corporate and brand reputation. While we expect lead firm-supplier relations to have a powerful effect on labour relations,<sup>30</sup> little is known about the details and dynamics of these arrangements.



## Buyer-Supplier Relations in Bangladesh

A large majority (79%<sup>31</sup>) of lead firms in our sample sourced from Bangladesh (67% of Australian firms; 95% of German firms, 81% of Swedish firms, and 70% of UK firms). All these firms supplied low and midrange market segments. Our factory survey, which asked managers for their top two buyers, identified lead firms headquartered in 26 countries. Based on our estimate of the origins of the most prominent companies, most were European (30 UK, 33 German, 27 Swedish and 19 French), American (56), Turkish (15) and Australian (14).

Garment supply chains are complex, comprising a mix of short-term, market-based and longer-term, trust-based buyer-supplier relationships spread across many countries.<sup>32</sup> Some of these relationships are with intermediaries such as sourcing specialists, while others are direct between buyers and suppliers. In our sample, most (83%) of the lead firms used sourcing intermediaries, often based overseas (78%). However, sourcing from main suppliers is usually direct.

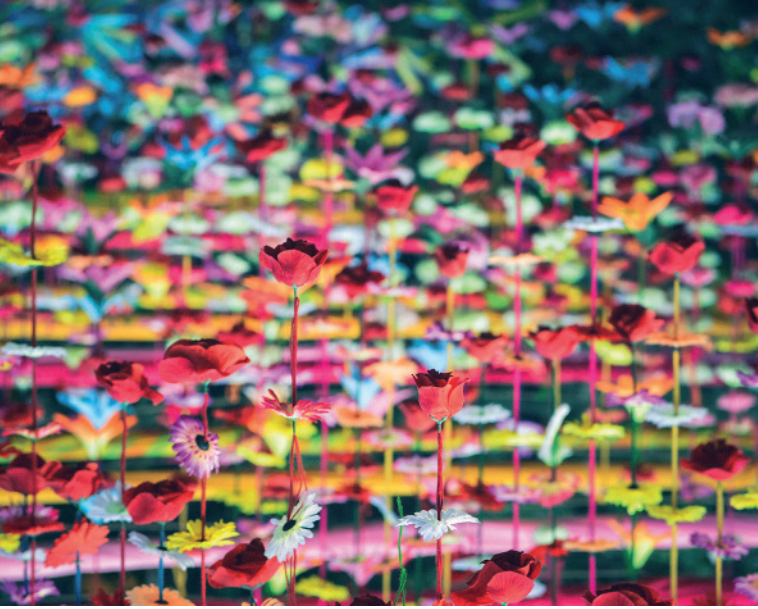
The majority (80%) of the lead firms in our sample engaged in direct sourcing through their head offices. Furthermore, about half (54%) of lead firms reported owning sourcing offices abroad. Nearly a third (31%) stated they had a sourcing office in Bangladesh. Using sourcing intermediaries based in production countries or having own staff based in these countries allows for monitoring to facilitate production according to agreed quality and delivery times. The predominance of direct sourcing from core suppliers is evident from our finding that two thirds (63%) of the supplier factories in our sample said they had direct relationships with their two main buyers.<sup>33</sup> Only one firm in our sample owned a factory in Bangladesh.

**Simplifying this complex picture, we can see a core set of main suppliers managed directly and a periphery of non-core suppliers that are more likely to be managed via an intermediary.** There are exceptions to this generalization, but it may go some way to explain variations in labour standards between suppliers regarded as core factories by Western buyers in contrast to factories where Western lead firms have weaker relationships.<sup>34</sup>

### KEY FIGURES 1

#### Sourcing Relationships in our Sample

- 79% of lead firms source from Bangladesh
- 83% of lead firms use sourcing intermediaries
- 80% of lead firms also engage in direct sourcing
- 54% of lead firms own sourcing offices close to areas where they buy garments'
- 31% of lead firms have a sourcing office in Bangladesh
- 63% of factories' relationships to two main buyers are direct



## The Sourcing Squeeze and the Importance of Lead Firm-Supplier Relations after Rana Plaza

Factory managers report that buyer relations have increased in importance since Rana Plaza. This also means that suppliers have tended to experience stronger scrutiny and control by lead firms. Presented with a list of potentially important changes in their factory operations since Rana Plaza, buyer relations and buyer compliance with lead firm labour standards' requirements were ranked 4th and 5th respectively (after building safety, technology, and management). More than half (57%) of managers considered buyer relations to be 'very important' or 'important' while a slightly lower number (52%) thought the same about buyer compliance requirements. Asked a similar question about changes in the immediate future, buyer issues continued to be important. Most (77%) of the managers suggested that buyer relations will be 'very important' or 'important' and most (80%) also indicated the same about buyer compliance requirements. A prevalent view articulated by a factory manager is as follows:

*Buyer relations have become very important after the Rana plaza incident. You can lose your buyers if you don't resolve building safety issues. We kept buyer confidence so our business continues. It is a buyer-driven market and you need to please your buyer. Since the price has fallen, you need to rely on the volume of orders. (Factory survey #19)*

This statement echoes Mark Anner's<sup>3</sup> view of a combined focus on compliance with social standards *and* pressure on prices and lead times. How does this tension manifest in lead firm-supplier relations?

We begin with suppliers' pre-contract views about a critical element of their relationship: the prices paid by lead firms. In essence, being highly dependent on lead firms for keeping their factories open, suppliers seek prices that cover costs and permit a reasonable return on capital. Factories claim that prices have not reflected the investments required in labour standards' compliance – some but not all related to the Accord or Alliance. Indeed, they report that the price paid for garments has continued to fall with adverse consequences for factory management and workers. Here are typical views expressed by two factory managers:

*We have built one of the most efficient effluent treatment plants in the country for dyeing and washing. But still the buyers are not willing to give a fair price by which we can recover this cost. Prices are being lowered everyday as it is a very competitive market. So, getting a fair price for our products becomes our most important ethical sourcing challenge. (Factory survey #99)*

*On buyers demand we are investing a lot on compliance but they [buyers] are not willing to give good price for our products which might give us a minimum profit. Now we are doing business for the sake of our factory and workers only [not for profit], because if the factory closed there will be a huge unemployment. (Factory survey #123)*

At the same time, lead firms emphasize compliance procedures. For instance, almost all (95%) of the lead firms in our sample commission external auditors to monitor labour standards. Additionally, many (73%) of lead firms also send their own staff to inspect (see more details on p. 23). As reported in our management survey, with an average of slightly more than 4 codes per factory and 9 audit visits a year by lead firms or third-party auditors, code-related surveillance is frequent, particularly if visits

by lead firm quality personnel – who are expected to keep an eye out for standards' infringements are included. As explained by the compliance manager of one of the large factories in our sample in an in-depth interview:

*We have 10 buyers currently, so on average we face an audit once in a month based on the current matrix of the buyers. There are some other requirements as well. Along with audits they have environmental requirements on ETPs [effluent treatment plants], on chemicals, SEDEX, BSCI etc. [lead firm labour compliance standard systems] (Factory Manager, Factory Case Study #1)*

As this compliance manager explained, the Higg Index, which is used by some lead firms as a basis for auditing, is clearly preferred to independently conducted audits, because a unified index not only eases the burden associated with audit procedures, but also provides a more objective set of expectations and requirements for factories:

*H&M follows the Higg Index which covers all aspects including social, environmental etc which are online. The H&M audit is broader, but it is at the same time easier for us too because we ourselves can answer the questions while providing supporting proof with*

*that. There is no need of something like hide and seek or any sort of game play. But for other buyers, it depends on the perception of the particular auditor. In that case audit results get filtered through personal belief of the auditor. Because of different auditors for the same buyer, the result varies every time. Because of human nature, the perception differs. But with Higg, the questionnaire is already on the platform; we just have to answer the questions and submit with proper documents to evaluate ourselves. (Factory Manager, Factory Case Study #1)*

This intensified focus on auditing has been accompanied in many cases by increased power for CSR staff to address non-compliance (48% of lead firm CSR managers in our sample said that their influence has increased), supported by the majority (68%) of lead firms' CSR managers claiming to having a veto right regarding new supplier selection.

Earlier we noted that factory managers identified building safety, technology and management as the most significant changes introduced since the Rana Plaza disaster. These changes are costly, particularly improvements to buildings required by lead firm members of the Accord and Alliance. However, cost sharing, as suggested by Mark Anner,<sup>3</sup> has been rare. This is confirmed by our finding that only 12% of lead

## Buyer-Supplier Relationships in our Sample

- The average buyer-supplier relationship lasts for 6 years
- 68% of CSR managers have a veto right regarding new supplier selection
- 48% of CSR managers say their influence in the company has increased
- 58% of CSR managers state that the importance of CSR for corporate strategy is high or very high in their firms
- 12% of CSR managers agree to paying higher prices to suppliers for compliance measures
- 25% of firms in our sample directly support supplier upgrading initiatives

## KEY FIGURES 2

firms' CSR managers stated that their company paid higher prices for garments specifically to support factory improvements. The reported reasons for this pattern are typically a mix of lead firms not acknowledging responsibility for factory upgrading and experiencing resource constraints themselves.

In short, while lead firms have been more vigilant in monitoring building safety and labour standards post Rana Plaza - in effect, creating a more intense climate for compliance – factory managers have had difficulty generating sufficient revenue to pay for additional compliance. To some extent this has been offset by large orders that enable increased factory capacity utilization and higher productivity, sometimes supported by changes in production systems, but overall many factories have found it difficult to maintain their target profit margins. Our factory manager survey showed that a third (33%) of factories earned between 0 and 2% annual profit; 38% between 2 and less than 5%; while only 24% of factories reported a profit of 5% or more. This is largely consistent with the profit margins of lead firms, which only in the case of the largest and most profitable players reach beyond 5%.

## Asymmetrical Cooperation: Longer-term Interest Accommodation in the Context of Power Inequality

There has been a tendency towards longer-term relationships between lead firms and suppliers. Our factory survey reveals that longer-term contracts between supplier factories and their top two buyers were far more common than shorter-term arrangements. For example, most (81%) factories reported such relationships were 5 or more years in duration with the remaining factories (19%) reporting relationships of 5 years or less. The median length of relationship was 6 years. In line with this and contrary to expectation, most (85%) of factory managers reported positive perceptions of this relationship evidenced by the responses of factory managers asked

to choose the best descriptor for their relationships with buyers as follows:

- “long term, reliable, trusting, committed and flexible” (50%)
- “formal, professional and business-like” (30%)
- “difficult, uncertain, other negative” (20%)

The following two manager quotations from the first two categories convey managers' views:

*We emphasize trust as the most important thing for keeping a good relationship with the buyer along with quality and price. Both of us [buyer and supplier] engage in discussion for producing the final product without any one of us having sole authority. (Factory survey #12)*

*We have a good relationship with the buyers as the orders are certain and both parties maintain a proper formal relationship. (Factory survey #23)*

These positive perceptions can be attributed to two interrelated dynamics. First, longer-term relationships foster mutual understanding and trust; over-time, buyers learn to “understand our problems and we understand their priority”, one factory manager argued. “It reduces complication in business and sometimes we adjust with the situation which is beneficial to both parties”. Second, buyers' orders increased significantly after Rana Plaza, allowing factories to grow – albeit with low profit margins.

Changes in orders are perceived as less problematic by suppliers than the literature on the rise of fast fashion might suggest. When presented with the list of operational problems shown in Table 2, two occurred relatively often and more frequent than others, albeit still relatively infrequently: “requests for shorter lead times” and “untimely increases in ordered quantity”.



**Table 2: How often did the following situations occur in your factory in the last 12 months?**

ANSWERS	% OFTEN	% SEVERAL TIMES A YEAR
BUYER CHANGED STYLE AFTER PLACING ORDER	10.5	0.7
BUYER MADE UNTIMELY INCREASE IN ORDERED QUANTITY	17.1	9.9
BUYER REQUESTED SHORTER LEAD TIMES	15.8	27.0
FACTORY ACCEPTS ORDERS THAT EXCEED FACTORY'S PRODUCTION CAPACITY	7.9	0
BRAND SOURCING AND SOCIAL COMPLIANCE STAFF COMMUNICATED CONTRADICTORY INFORMATION TO FACTORY	11.8	2.6
FACTORY FAILS TO REACH PLANNED PRODUCTION LEVELS	2.6	0.7
PROBLEMS WITH PRODUCTION EQUIPMENT (E.G. NEEDLES BREAK)	1.3	3.9
LIMITED ABILITY TO ADAPT CAPACITY TO FLUCTUATING ORDERS	4.6	3.3

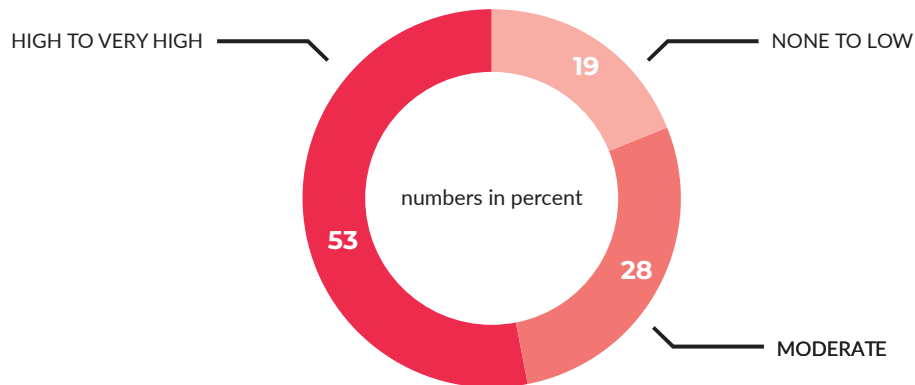
Note: factory manager survey; four-point scale: never, once or twice a year, several times a year, often.

It might be expected that longer term, more accommodative relations would encourage partnership initiatives between lead firms and suppliers aimed at factory upgrading that benefits both parties. To investigate this proposition, we posed the following question to factory managers: "Do you work together on issues such as product development, logistics, quality and the like?" Only a third (34%) of managers agreed, and when CSR managers were asked a similar question regarding assistance to suppliers in establishing or maintaining workplace committees, about a third (35%) answered affirmatively. Asked whether their firm directly assists suppliers in paying for factory initiatives regarding workplace or building safety, a minority (25%) of lead firms' CSR managers answered affirmatively, often referring to extant market pressures:

*Thank God none of our factories had been in a situation where massive changes would have been necessary, which would have required a high level of investment in order to ultimately achieve the agreed standards. (CSR Manager, German Lead Firm 06, Interview 06 June, 2016)*

Furthermore, our analysis suggests that there has been a tendency for power asymmetry between lead firms and suppliers to increase after Rana Plaza. We asked factory managers to choose between various alternative statements indicating their capacity to influence their main lead firms. A majority (57%) of factory managers agreed that "I have very little influence" while a further 25 percent agreed that "I must do what the foreign buyers want if I am to succeed in business". Both statements imply that suppliers have very limited leverage over lead firms. This is echoed by data on lead firms' CSR managers' perceptions of lead firm influence over practices used by their main suppliers in Bangladesh. Over half (53%) of CSR managers reported this being 'high' or 'very high' with a further 28 percent reporting moderate influence (see Figure 6).

**Figure 6: Perceived influence of lead firms over main supplier in Bangladesh**



Lead firms have been able to increase their influence on suppliers by sharing information with one another, a tendency strengthened by the dynamics of the Accord and Alliance.<sup>35</sup> Most (80%) CSR managers of lead firms with suppliers in Bangladesh claimed to share information with other buyers and most of the largest EU, US and Australian firms formally collaborated on safety regulation via the Accord and Alliance. In contrast, the collective power of suppliers was weakened by their representative organizations, the BGMEA and BKMEA being formally excluded from Accord and Alliance decision-making, although they were consulted from time to time.

## Limits to Lead Firm Influence over Suppliers

Lead firm power over suppliers is, however, limited by several factors. First, suppliers usually have relationships with several lead firms. Initiatives such as the Accord have created collective pressure in areas relating to health and safety that is hard to evade, but on other topics a ‘divide and conquer’ approach is still possible. **Few lead firms reported exceeding more than 40% of factory output.** In a few cases, firms had specific rules limiting the level of output they would buy from any one factory with the levels reported in these rules ranging from 55% to 70%. A representative from an Australian firm commented:

*“In theory, we would be conscious of the risk of too much with one [factory], we would study capacity; how many sewing lines, workers etc; but relationships [with factory managers] would carry a bigger weight, in my experience. So often the matter of too much [dependence] would be overlooked. It was not*

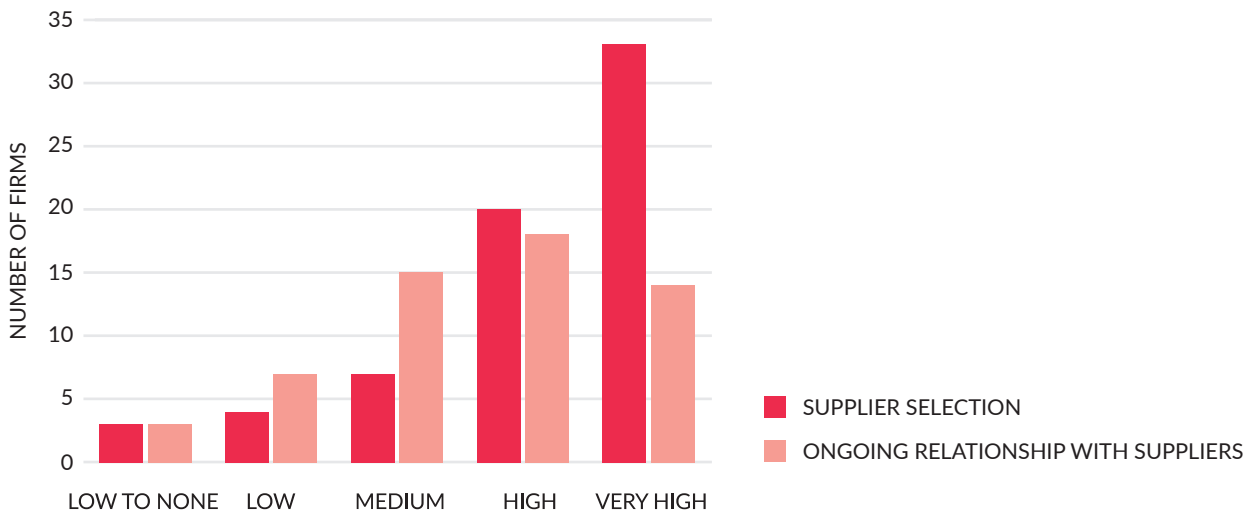
*really anything to do with worker risks, it is all about whether they can make and ship on time. (CSR Manager, Australian Lead Firm 1, 25 May, 2019)*

Second, purchasing and compliance functions within lead firms are often not effectively integrated. There can be conflicting priorities and co-ordination problems. For example, if procurement staff’s key performance indicators exclude CSR criteria there will be tension between these departments. We found that some (40%) of the lead firms in our sample integrated CSR objectives in their key performance indicators for purchasing staff. Responses to our lead firm survey of CSR managers indicate some influence over aspects of procurement departments behaviour, particularly the selection of new suppliers (79% of CSR managers state they have ‘strong influence’) and ongoing engagement of suppliers (over 60% of CSR managers state they have ‘strong influence’) as

shown in Figure 7. Furthermore, a large proportion (68%) of lead firms said that the CSR department has a veto right regarding new supplier selection. These figures indicate that lead firms are in the process of embedding responsibility for labour stand-

ards in company-wide policies and practices as recommended by the OECD Due Diligence Guidelines.<sup>36</sup> However, the focus to date seems to be on strict procedures for supplier selection.

**Figure 7: Self-reported leverage of CSR staff**



There are no notable cross-country differences regarding the general trend towards embedding responsible business conduct, although lead firms based in different home countries vary in their preference for certain measures.

While most (80%) of the lead firms in our sample have suspended a supplier in the past owing to labour standards' violations, these incidents are few and far between. Other evidence – the small percentage of firms compensating factories with higher prices for improved labour standards performance and the limited financial support for supplier upgrading in Bangladesh tend to confirm the contention by Matthew Amengual and colleagues<sup>37</sup> that purchasing practices provide few incentives for suppliers to improve labour standards performance. However, stronger integration between the CSR and purchasing functions, together with collective pledges

to change purchasing practices, as currently being attempted within the context of the German “Textile Partnership” (see Key Figures 3, p. 27) and the ACT initiative (see below on p. 24), may lead to future improvements.

In sum, the procedures associated with the Accord and Alliance and closer attention to labour standards by lead firms facing reputational pressures have led to a more vigilant climate for compliance following Rana Plaza. This climate is partly reflected in longer-term, accommodative, yet highly asymmetric buyer-supplier relationships. While factory managers express satisfaction with the increased stability in relationships and order continuity, they face problems in financing extensive remediation activities associated with the Accord and the Alliance in the light of low profit margins.

# LEAD FIRMS' PORTFOLIO OF APPROACHES TO LABOUR GOVERNANCE

## Portfolio of Lead Firm Approaches

The set of private governance activities that lead firms engage in, which can involve the simultaneous use of multiple approaches.

## KEY TERMS

Rana Plaza revealed fatal gaps and deficiencies in the traditional auditing approach based on codes of conduct. The event catalysed the formation of two major new initiatives – the Accord and the Alliance – and also gave additional impetus for the search for approaches that move “beyond compliance.” Our lead firm interview data shows a clear trajectory from focusing on a traditional auditing model to firms adopting a portfolio of approaches<sup>38</sup>. In other words, lead firms attempt to improve labour conditions by extending their auditing activities, while exploring additional activities in the areas of capacity building and political advocacy. Some of these activities are undertaken individually and others in collaboration. Diverse groups have been involved in collaborations, which range from industry-led initiatives, multi-stakeholder initiative, MSIs and increasingly initiatives based on agreements between lead firms and unions. Targets of initiatives also vary, with some focussed on lead firms' direct suppliers while others are at the industry level; some extend throughout lead firms' supplier base while others comprise experiments at key suppliers. However, our findings also indicate a clear difference between firms using limited activities related to labour standards in their supply chains, such as having a code of conduct, and those seeking further industry-wide changes through carrying out more ambitious initiatives like being a member of ACT or conducting other forms of political advocacy. Hence, in addition to focusing on the worker-related outcomes of individual initiatives, our data suggests that we need to understand the impact created by the set of private governance activities that lead firms engage in, which can involve the simultaneous use of multiple approaches. This requires developing a better understanding of these portfolios.

## Lead Firms' Main Engagement Activities

Assessments have shown that the traditional auditing model based on codes of conduct and auditing has had limited impact on factory labour conditions.<sup>39</sup> This is so even for the more rigorous multi-stakeholder initiatives,<sup>40</sup> although a few recent studies have identified some positive impacts in selected instances.<sup>41</sup> Despite being heavily criticised, **auditing** activities remain by far the most common form of lead firm engagement in supply chains with close to all lead firms in our sample auditing their suppliers either based on individual codes of conduct (59%) or via common codes of conduct (such as BSCI and FWF) (39%). The majority of firms use third party auditors (95%). However, some (23%) rely on own staff conducting audits as their main source of information with most (74%) of this small group also double checking with third party audits. About half (49%) of the lead firms in our sample reported using third party inspections as their main information source while supplementing these results through non-systematic observation by members of their CSR teams. Finally, about a quarter (27%) relied purely on third party audits.

A second form of activity is **capacity building**, which can range from awareness-raising about laws and standards (supporting the auditing approach) to beyond-compliance initiatives on particular issues such as worker empowerment. These initiatives can include in-house capacity building with lead firm's own staff providing training or working with external organisations, such as BSR's HERhealth and Impactt's Benefits for Business and Workers. Beyond-compliance initiatives tend to lack strong auditing components and emphasize continuous improvement. The change mechanism is more clearly anchored in training, empowerment and a business case for participating factories. It is important to stress that while some the firms in our lead firm sample engage in capacity building initiatives, often these are directly tied to supporting an auditing approach. Exemplifying the growth of new experimental approaches to capacity building, some (41%) lead firms worked with external

partners to deliver small scale training programmes. Beyond-compliance initiatives are rare. In other words, few firms are willing to invest in beyond-compliance initiatives and, when they do, they often target their strategic suppliers in selected countries, limiting the reach and impact of their capacity building initiatives. Still, given the limitations of the auditing approach, some firms in our sample have expressed a desire to expand these programmes in coming years.

*I think the next big step forward is to stop this [auditing] being a negative, policing activity. Because we're not going to get partnership through that way... I would say this [capacity building programme] kind of falls into our beyond compliance work... we'll be looking at it in a much more strategic and detailed way going forward. (CSR Manager, UK Lead Firm 14, Interview 11 October 2017)*

Finally, there are also signs that lead firms are becoming increasingly involved in **political advocacy**, calling for improved labour rights and conditions at the point of production.<sup>42</sup> Advocacy can be institutionalized or ad-hoc, which can take the form of boycotts, letter writing, and tête-à-tête meetings with government officials. For instance, in February 2017 a group of lead firms threatened to boycott the Dhaka Apparel summit, a flagship event organized by the BGMEA in response to the violent crackdown of striking workers in Ashulia. C&A, Gap, H&M, Inditex, Next, Tchibo, and VF Corporation announced their intention of not participating in the summit, expressing concerns of how the government handled the labour unrest.<sup>43</sup> This threat of boycott led to the immediate release of detained activists. It is also increasingly common to hear brands publicly support higher wages in the run-up to minimum wage negotiations in key garment producing countries including Bangladesh. Under pressure by activist campaigns, global brands have urged the Bangladeshi government to raise the minimum wage on several occasions, the latest of which was the wage talk in the summer 2018.<sup>44</sup> One Swedish brand which signed letters to the Bangladeshi government asking for higher minimum wages in the past recounts as follows.



*We have been part of a group writing letters to the government in Dhaka about raising the minimum wage and that we will continue to source from Bangladesh. Hopefully, this was one of the things that led to the recent wage increase. (CSR Manager, Swedish Firm Lead Firm 04, Interview 16 December 2016)*

Many of our interviewed brands engaged in some kind of advocacy. For example, most (78%) are members of organisations which have advocacy components. Other common actions include often signing letters to governments expressing concerns or demanding changes concerning labour rights, laws, or wages.

## Increased Collective Action and Industry-Wide Change

A key element in the portfolio of approaches brands are engaging in is a trend towards the development of new collective approaches. While there has been a growth in MSIs focusing on labour issues in global supply chains in the last two decades, ranging from industry-led initiatives such as BSCI (38% of the lead firms in our sample are members) to more inclusive MSIs such as FWF (4% of lead firms in sample are members) and ETI (29% of lead firms in sample are members),<sup>45</sup> our study indicates that more firms are

now willing to engage in more inclusive MSIs, particularly those involving unions.<sup>46</sup> For instance, since the first garment sector global framework agreement (GFA) between H&M and the UNI global union federation in 2004, four additional garment retailers proceeded to sign such agreements to engage in joint regulation of labour standards, while H&M signed an additional one with IndustriALL.

The Accord (56% of lead firms in sample are members) is an example of an auditing approach (with some elements of capacity building) that strongly benefits from collaboration between brands and unions. A key feature of the Accord lies in its provision of common standards through a process which involved lead firm-union negotiation. This initiative benefits from its common auditing system and, most importantly, collective enforcement. While previous common standards and auditing systems have reduced auditing duplication and helped factories' focus on remediation, the potential for collective response by over 200 buyers in the Accord has enhanced buyer leverage, encouraging suppliers to take the issue of compliance more seriously. As shown below in relation to worker outcomes, this collective initia-

### KEY TERMS

#### Auditing

An approach that generally involves setting standards, auditing and setting corrective action plans. Auditing can be done based on standards set by individual lead firms or be based on a set of common standards. Audits can be conducted by suppliers themselves, lead firms or third parties. Auditing data can be considered proprietary or shared by multiple parties.

#### Capacity Building

Capacity building is an approach that involves lead firms supporting the development of factories. This can include informal ad-hoc support or formal capacity building programs.

#### (Political) Advocacy

Advocacy involves lead firms seeking to change the governance systems affecting the industry. This can include pressuring buyer or producer countries' governments. This activity can be formal and institutionalised through organised activities or occur on an ad-hoc basis as a reaction to emerging circumstances.

tive – together with the Alliance, which is collective, but not inclusive of unions – shows promising results that may have more potential than individual firm-driven auditing initiatives.

Another form of engagement that involves strong lead firm-union cooperation is the ACT initiative, founded by a group of 15 lead firms in 2015 together with the IndustriALL global union federation. ACT, which as of July 2019 includes 19 garment brands and retailers, is aimed at achieving living wages in the global garment industry by establishing industry collective bargaining in selected garment and textile producing countries<sup>47</sup> The idea is to leverage brands' sourcing power and co-ordinate stakeholders (i.e. employer association, unions, government) in order to negotiate a higher wage that would be applicable industry-wide. In return, brands would commit to continued sourcing from the target country. What is special about ACT is that it is the only union-inclusive, collective initiative in the garment industry to date that has been formed in the absence of a clear focusing event such as Rana Plaza.<sup>46</sup> **Particularly proactive brands are keen to stimulate broader industry-wide initiatives to level the playing field and to bring about change beyond their own supply chains, but face limited support.**

A key feature of many new initiatives lead firms are engaging in is a move from seeking to promote standardized working conditions among their own suppliers to the development of initiatives designed to create industry wide change. ACT is an example of such an initiative. Other examples of an industry-level activity would be a buyer financing a vocational school for future garment workers or engaging in political advocacy vis-à-vis government. These activities recognize the limits of trying to improve one factory at a time and instead try to change the broader context in which the factories operate. Political advocacy is also gaining in popularity both by MSIs (such as ETI and BSCI) and by groups of firms joining forces specifically to exert pressure on governments to achieve change.

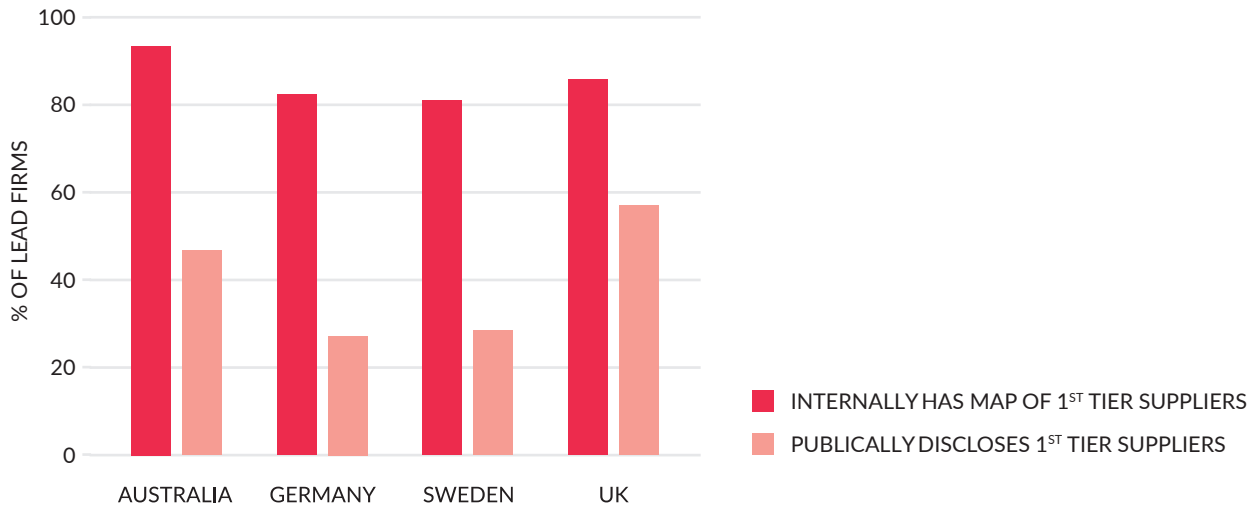


## Increased Transparency

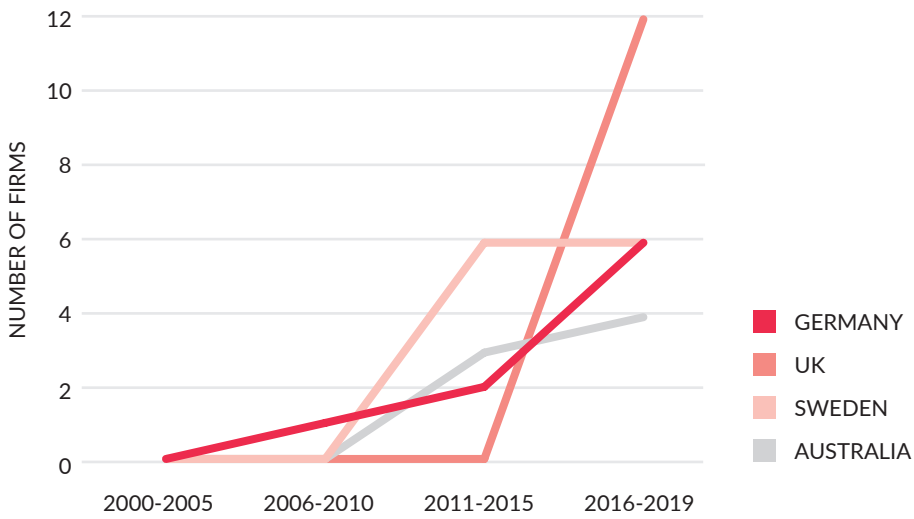
Lead firms in our sample increasingly strive to provide transparency on labour-related data. This includes transparency to the public in the form of publicizing supplier names (39% of the lead firms in our sample), results from auditing or capacity building initiatives for named factories, and detailed purchasing price breakdowns (none of our studied firms).

Uptake of transparency behaviour has varied between the firms based in different countries in our study. Some examples can be seen in the reported knowledge firms have about their first-tier suppliers and their choice to publish this information (Figure 8). Another interesting difference between the countries is the time frames of new developments. Figure 9 shows when different companies published lists of their first-tier suppliers. A notable element is that the UK firms in our study were the latest to begin publishing this sort of data, but it is now becoming quite popular among large UK firms. Further research is needed to better understand the drivers behind these cross-national differences.

**Figure 8: Lead firm knowledge and public disclosure of first-tier suppliers**



**Figure 9: Lead firm publication of first tier suppliers by home country and year**



Another important form of transparency that we find to be increasing is the inter-firm sharing of auditing data, which we referred to earlier. Such sharing is being institutionalised through electronic systems incorporated within voluntary initiatives that firms are joining including the Accord, the Alliance and SEDEX.

While increased public transparency is frequently presented as a means of increasing external pressure on brands and forcing them to assume more responsibility, few empirical studies have provided evidence for this effect. Niklas Egels-Zandén and Niklas Hansson<sup>48</sup> have previously argued on the basis of a thorough case study that transparency can act as an ethical label increasing customer purchasing while having limited effects on public scrutiny. As demands for transparency expand, it will be important to consider the effectiveness of this instrument for labour standards.

## Trajectories of Lead Firm Portfolios in Different Countries and Firm-Level Differences

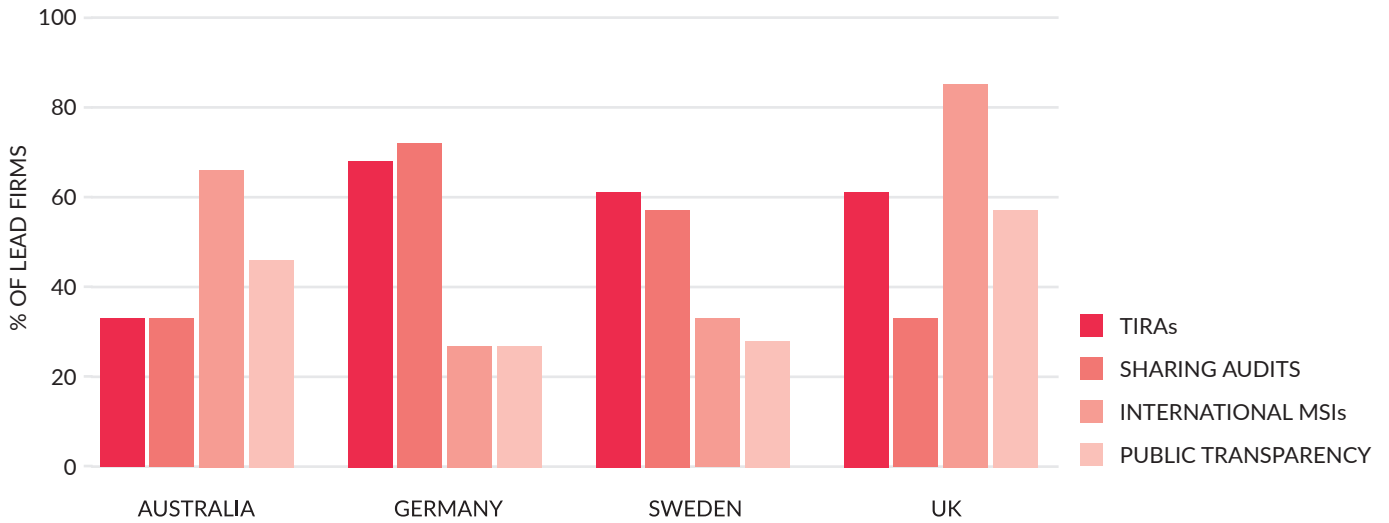
As stressed above, it is important to think about firms' actions as involving diverse portfolios. Figure 10 shows an example of how the portfolio approach can be applied based on the data available to us. This figure considers a selection of the most common initiatives the lead firms in our sample engage in. Based on previous work by ourselves and others,<sup>49</sup> we distinguish international MSIs from agreements co-signed between unions and lead firms, which we call transnational industrial relations initiatives (TIRAs). Although these categories can overlap in practice,<sup>50</sup> for the purpose of analysis we consider membership in the ETI, the FLA and the FWF as "international MSI" and membership in the Accord and ACT as well as having a GFA as "TIRA". As indicative for "shared audits", we consider membership in the BSCI and SEDEX. For "Transparency" we consider whether firms have published a list of their first-tier suppliers. Firms have varying adoption of each of these initiatives across the four countries. One driver is regional embeddedness. For instance, BSCI membership is common in Germany and Sweden but not in Australia or the UK, while the ETI is popular for UK lead firms.<sup>51</sup> Cross-national differences are also evident regarding national legislation. Notably, the UK and Australia have national legislation mandating public reporting on supply chain monitoring (the UK's Modern Slavery Act 2015 and Australia's Modern Slavery Act 2018) and Sweden has sustainability reporting requirements for all large businesses. In the absence of public regulation, in 2014 Germany founded a national MSI, the German Textile Partnership (see Key Terms adjacent).

### The German Partnership for Sustainable Textiles

The Partnership for Sustainable Textiles was launched in October 2014 by the German Development Minister Gerd Müller. It is an MSI with about 120 (as of August 2019) voluntary members from industry, politics and civil society striving to improve social and environmental conditions in global textile and garment production. The initiative aims to strengthen firms' individual responsibility by having created a roadmap which prescribes certain questions that members have to answer about their purchasing and CSR practices. The Partnership has also developed a "purchasing practices self assessment tool" that enables members to analyse and benchmark the extent of social responsibility manifested in their purchasing practices. The roadmaps submitted by firms are checked by an external expert for plausibility and will be published from 2019 onwards. The initiative also supports collective capacity building (e.g. regarding a joint training program on sustainable chemicals and environmental management for workers and stakeholders in China and Bangladesh) and political advocacy.

## KEY TERMS

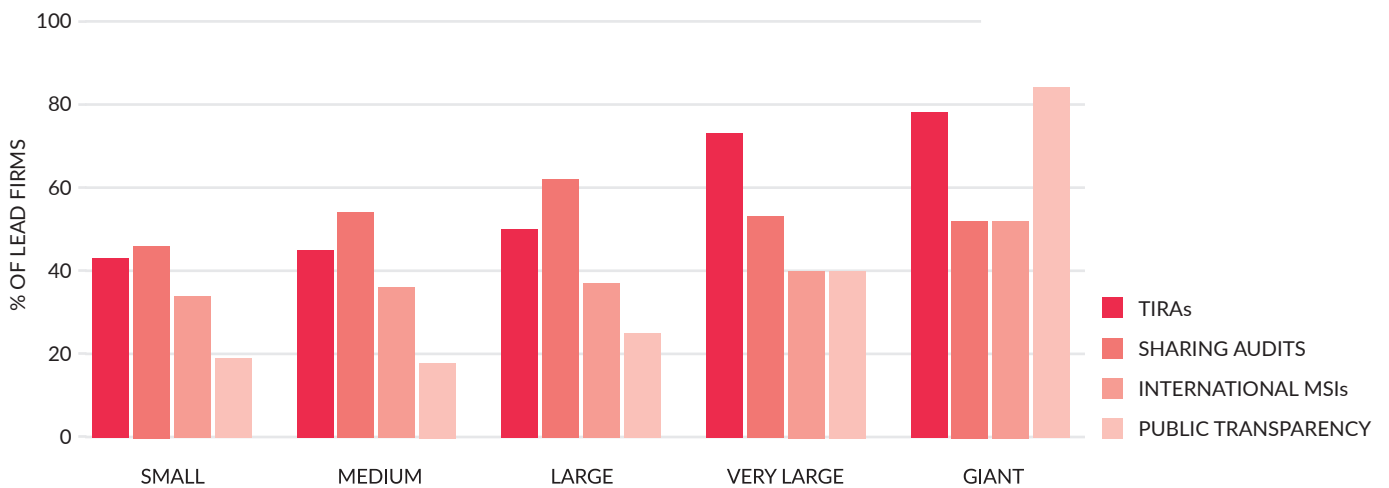
**Figure 10: Example of variation in national portfolios**



In terms of a trajectory, auditing activities are typically the initial basic initiatives that almost all firms of a certain size engage in. Looking at patterns in firms' adoption of new initiatives can help to understand how portfolios develop. Notably, we found that firms with prior exposure to union-inclusive arrangements such as the Accord and GFAs and union-inclusive MSIs (e.g. the ETI) are more likely to form or join another union-inclusive initiative, thus indicating positive rather than negative spillover effects across such governance approaches.<sup>46</sup> While some firms expand their portfolios by adding capacity building,

advocacy or various multi-stakeholder initiatives to their auditing practices as they mature (see Key Figures 3 for the example of Sweden, p. 29), others indicate that the resources they have for expanding their labour governance initiatives are limited. Thus, lead firms' portfolios also vary on the firm level, with size being a possible driver since larger firms tend to have more CSR staff which allows them to participate in more initiatives (Figure 11). Also, larger firms tend to be the more likely targets of NGO campaigns,<sup>52</sup> resulting, for instance, in greater public transparency.

**Figure 11: Example of variation in portfolios according to firm size**





German firms in particular feel stretched between their engagement in the Accord, the German Textile Partnership, and other initiatives, indicating a need to shift resources between initiatives rather than continuously expanding their portfolios. The following quote by a German retailer indicates a discrepancy between expectations on what they should do and what they perceive they can do:

*It's important to check what we can and cannot realise. NGOs can say 'But you have to do this and that'. But then I say: 'You need to get to know the market. We want to do a lot, but I cannot hire 20 people just for travelling around and checking what's happening in tier 2 factories.' (...) I have Lidl sitting on my neck with calculations that we simply cannot achieve. (Procurement Manager, German Firm Lead Firm 02, Interview 20 April 2016)*

It is important to stress, however, that having more diverse portfolios does not necessarily imply having a greater impact on factory labour standards. While size is certainly one factor influencing variations in lead firms' labour governance approaches, even the larger,

leading brands and retailers highlight important limits in what they can achieve in the absence of public regulatory support; they will remain a small group and risk losing their competitive advantage if other firms are not incentivized to change their practices.

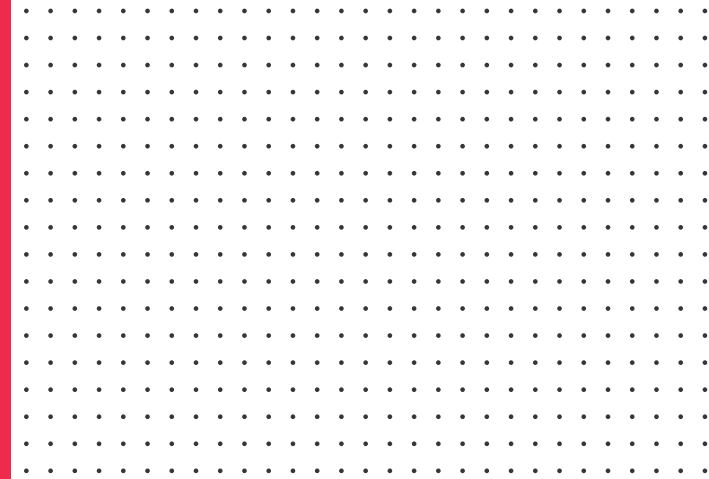
In sum, lead firms, especially proactive ones, are using a portfolio of approaches to improve labour conditions. A single factory could, thus, be exposed to several activities at once. For example, individual auditing by H&M, third-party auditing via BSCI, a capacity building initiative related to wages, another initiative related to women's health, newly recruited workers being trained in worker rights at a vocational school sponsored by brands, and increased legal minimum wages partly influenced by brand advocacy. It is important to take this portfolio of approaches into consideration when discussing the impact, responsibility and power of lead firms in shaping labour conditions in garment supply chains. It is also crucial to consider portfolios as supplier managers raise complaints of auditing fatigue and even fatigue regarding capacity building initiatives (see above on p. 25).

## KEY FIGURES 3

### Lead Firm Trajectories - The Case of Sweden

There is a trajectory in how firms' engagement develops over time, which we here illustrate with the studied Swedish firms. Not doing anything is no longer an option for studied firms with very few (5%) of the Swedish firms engaging in neither auditing, capacity nor advocacy and those firms planning to start auditing in the near future. Auditing activities are typically the initial basic initiatives that almost all (95%) of the Swedish firms engage in (10% engaging only in auditing based on individual codes of conduct, 10% engaging in only auditing related to common codes of conduct and 75% engaging in auditing for both individual and common codes of conduct). Interestingly, all firms engaged in capacity building initiatives (50%) were also engaged in auditing for both individual and common codes of conduct. Similarly, all firms (25%) engaged in firm specific political advocacy (i.e. not through their respective MSI memberships) were also engaged in capacity building. Hence, Swedish firms have expanded their portfolio in a predictable pattern starting with auditing, then adding capacity building and finally adding political advocacy.

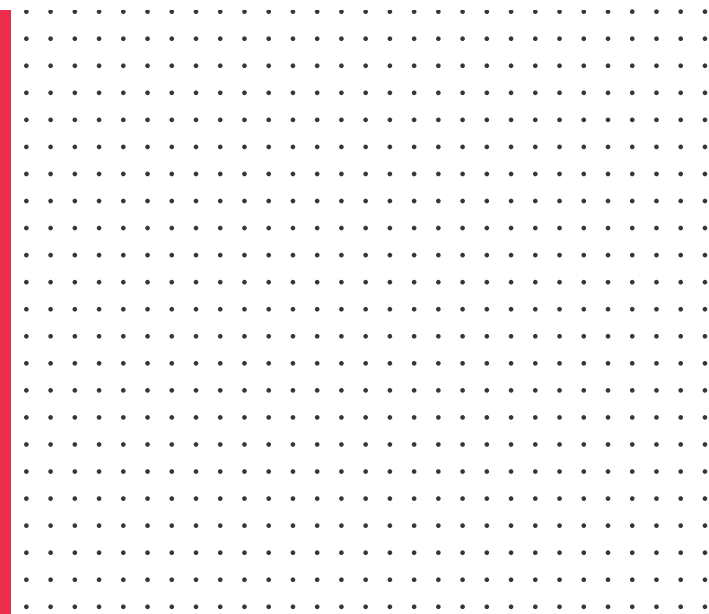
# CHANGING CONDITIONS IN THE WORKPLACE: MOVING BEYOND SWEATSHOPS?



**Sweatshop workplaces** refer to the presence of employment and work standards that are uniformly below international standards.

**Hardship workplaces** have a pattern that includes a mix of standards above and below international standards.

## KEY TERMS



As argued above, the so-called “race to the bottom” dynamic in search of lower prices (the price squeeze) and higher factory performance (the sourcing squeeze) has occurred simultaneously with a focus on core labour standards’ compliance in recent years. Our data indicate that this combination of pressures has led to workplace conditions that do not consistently meet standards widely included in codes of conduct, most importantly the ILO core labour standards. These standards can be split into outcome standards and ‘process’ rights.<sup>53</sup> Outcome standards refer to employment conditions such as pay, job security and hours of work while ‘process’ or procedural rights relate to workers’ capacity for voice and representation in relation to their wages and conditions of work.

Unlike sweatshops, which rarely meet any of these standards, the factories covered in our sample show some improved outcome standards, particularly regarding job security, health and safety, social benefits (such as paid and maternity leave), and some positive process rights, which are facilitated by the presence of WPCs. However, with continued long working hours, wages below the living wage level and evidence of verbal and physical abuse, we view these workplaces as factories characterised by hardship rather than sweatshop conditions, where some working conditions meet international standards while others do not.

In order to explore wages and working conditions we rely mainly on data drawn from our worker survey, complemented by our factory management survey. Thus, we draw on both factory-level and worker-level data. There have been several surveys of workers and working conditions since Rana Plaza. Oxfam,<sup>6</sup> for instance, surveyed 384 workers employed in



## Changes in Outcome Standards: Progress on Some, Less on Others

This section reports on changes, or lack thereof, in substantive worker outcomes. Regarding wages, the workers' survey suggests that, overall, workers received an average basic salary of 7,200 takas per month. This salary is higher than the prevailing minimum wage (5,300 Taka was set in 2016). However, it is 53% of the 'living wage' estimated by the Global Living Wage Coalition (13,620 Takas) and just 20% of the 36,385 takas estimated by the Asia Floor Wage.<sup>56</sup> Less than half (45%) of the workers believed that they received a 'fair wage'. Including overtime and other payments, the weighted monthly average pay across skill levels reported by our factory survey was 10,366 Taka.

48 factories that supplied to Australia but do not provide information on factory size, an extremely important variable in distinguishing between working conditions and one controlled for by our study. A survey of 2,123 workers from 252 factories, carried out by the Centre for Policy Dialogue (CPD)<sup>54</sup> does distinguish workers by factory size and thus provides both a larger sample size and a more nuanced picture of factory conditions. However, neither of these surveys concern themselves with the impact of the Accord and Alliance.

Our workers' survey aimed to compare different aspects of wages and working conditions in factories affiliated to Accord/Alliance with unaffiliated factories, controlling for size and other relevant factors (see Multi-stakeholder perspectives in Bangladesh after Rana Plaza: Global norms and workers' perspectives by Naila Kabeer and coauthors<sup>55</sup> for a more complete report). On questions of causality, as suggested above, multiple initiatives have been implemented in Bangladesh since Rana Plaza, in addition to the Accord and Alliance. Particularly, Accord and Alliance factories sell to a group of buyers that often simultaneously use multiple governance approaches. As a result, it is difficult to precisely tease out the causal impact of each initiative. Furthermore, given the substantial presence of affiliated factories in our sample and geographical concentration, we cannot claim that our findings represent all garment workers in Bangladesh. However, we provide an important preliminary set of insights into possible impacts associated with Accord and Alliance affiliation.

Workers reported an average working day of 8 hours, as stipulated by the law, but overtime averaged 3.3 hours per day when work pressure was high, although we do not know how often this occurred. This number exceeds the legal limit of 2 hours overtime per day. Most (83%) of the workers maintained that overtime was compulsory. The management survey asked about average overtime per week in the past 12 months. The results are relatively consistent: 11.5 overtime hours were worked per week or 2.3 hours per day by workers in the average factory. This is in addition to the standard working week of 48 hours which indicates a long working week, although within the law. Around a third (35%) of the workers declared themselves dissatisfied with their working hours. Where there were signs of progress reported by the workers' survey, these related to work status and benefits: most workers had written contracts (62%), permanent status (97%) and spoke of entitlement to paid (91%) and maternity leave (90%).

There was also very clear progress on health and safety conditions: most workers reported training on health and safety and the establishment of Health and Safety Committees (90%<sup>57</sup>). Most (95%) also said they believed their factories to be safe and asserted

that they would not enter a factory building if they believed it to be unsafe (90%). According to factory managers, structural safety measures as prescribed in Accord and Alliance corrective action plans have, on average, been nearly completed (score of 1.57 on a scale of 1 = behind schedule; 2 = nearly completed; 3 = completed).

As far as job tenure was concerned, estimates from the workers' survey suggest an average of 3.6 years in their current factory while estimates from the managers' survey suggest 4.3. The discrepancy once again may reflect the wider range of factories included in the workers' survey.

Regression analysis of worker survey data showed the association between these various indicators of wages and working conditions and factory affiliation to the Accord and Alliance (A&A), after controlling for factory size (widely found to be an important direct determinant of factory conditions), interaction between A&A affiliation and factory size (to establish whether the effects of A&A varied by factory size) and several worker characteristics (gender, educa-

tion and years of experience in the industry). Taking account of these controls, workers from factories associated with the Accord and Alliance reported similar basic salaries and working hours to workers from unaffiliated factories but higher bonuses and overtime pay, and hence larger overall salaries. They relied somewhat less on compulsory overtime. They performed better on social benefits and job security. They also reported more positively on the health and safety issues noted above, including the belief that their factories were safe.

However, not all outcomes were so positive. On questions of dignity and respect in the workplace, a high percentage of workers (73% of workers from A&A-affiliated and 80% from unaffiliated factories) reported having experienced abuse and mistreatment at their current factory. This included mainly verbal, but also some reports of physical abuse. Reported abuses were mainly linked to failure to meet production quotas, with most (80%) workers identifying supervisors as the main perpetrators. However, many workers (57%) reported some improvement in supervisor behaviour since Rana Plaza.

## KEY FIGURES 4

### Worker' Outcome Standards

- Workers reported average basic salary of 7,200 takas per month
- Workers reported an average working day of 8 hours
- Workers reported busy period overtime levels involving over 3.3 hours per day
- 62% of workers have written contracts
- 97% of workers have permanent status
- 91% of workers reported entitlement to paid leave
- 90% of workers reported entitlement to maternity leave
- 90% of workers reported that their factories had Health and Safety Committees
- 95% of workers believed their factories to be safe
- 90% of workers asserted that they would not enter a factory building if they believed it to be unsafe
- Workers report average job tenure of 3.6 years
- >73% of workers from A&A-affiliated factories and 80% of workers from unaffiliated factories reported experiencing abuse and mistreatment at their current factory
- >57% of workers reported improvements in supervisor behaviour since Rana Plaza



Since health and safety were the main focus on the Accord and Alliance agreement, impacts relating to these aspects were not surprising. Progress on other aspects suggest direct spill-over effects associated with A&A (related for instance to workers' voice and representation, discussed below) or else that association with these agreements made these other changes possible.

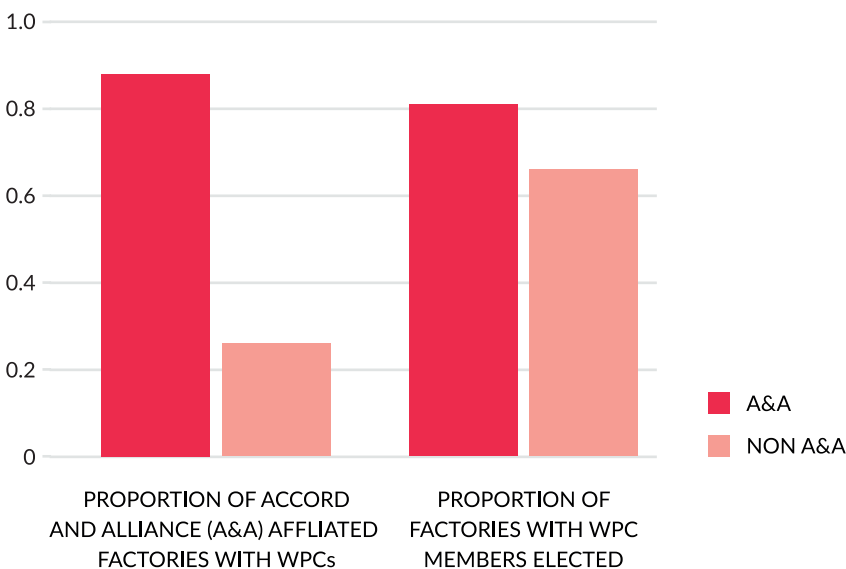
## Changes in Process Rights: Progress on a Limited Form of Worker Participation

Process rights includes knowledge about worker rights to representation and participation in decision-making that affects their work including general treatment by management. On the question of knowledge, many more workers (71%) knew about company codes of conduct than about national labour laws (40%). One interesting indicator of the discrepancy between how managers viewed their

relationships with their workers and how workers viewed them can be found in how each described these relationships. According to the managers' survey, most (70%) of the managers believed that 'management treated workers like family'. Very few (14%) of the workers in the workers' survey subscribed to this view.

Responses to questions about trade unions revealed widespread lack of knowledge about their presence and functions with very few (5%) of workers reporting a union in their factory. There was much more positive evidence on the existence and roles of WPCs. These had been set up by the 2006 Labour Law but it was only in 2013 that the law was amended to allow for election to these committees rather than selection by management. Many more workers at A&A factories reported the existence of WPCs as well as election to the WPCs compared to workers at unaffiliated factories (Figure 12).

Figure 12: WPCs at A&A Factories

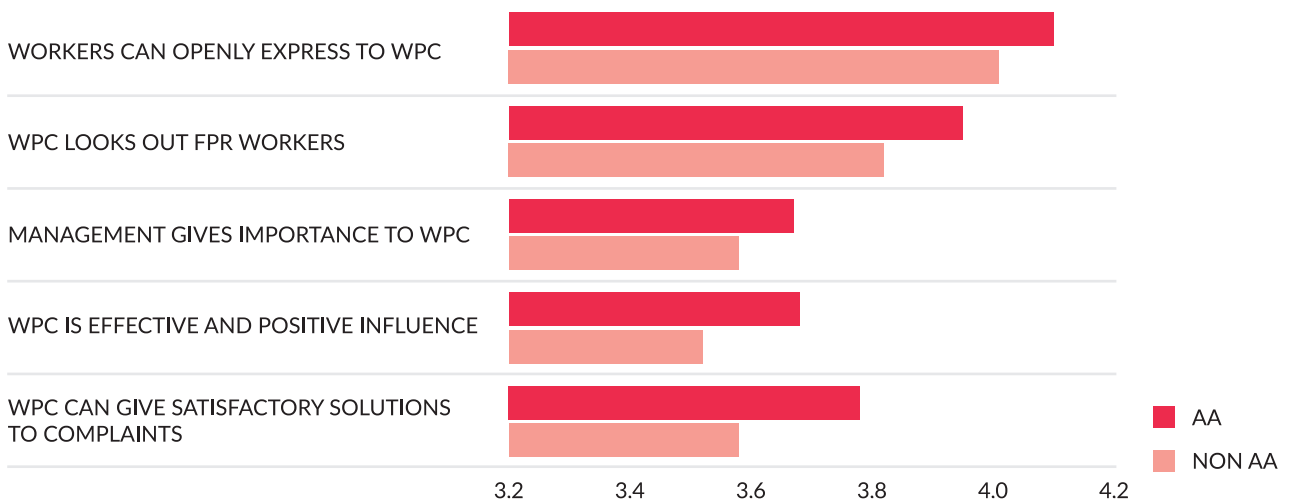




We sought to develop an index of workers' views of the effectiveness of the WPCs, based on five related questions (see Figure 13). Workers were asked to rate each element on a scale from 0 (no effectiveness) to 5 (complete effectiveness). Providing more detail on the high levels of openness of the WPCs found in the survey, the focus group discussions suggested that most committees were generally approached about more routine complaints: fresh soap in the toilets, replacing water filters, reprimanding abusive supervisors and so on. There were some examples of WPCs taking on more significant issues such as salary raises

or unfair dismissal. While the worker survey found that the most effective WPCs (index equal to 4 or 5, based on the average results for the five relevant questions) were to be found in Accord and Alliance factories, the focus group discussions suggested that these were more likely to have links with the unions that signed the Accord agreements. The introduction of control variables did not change the results showing positive difference between the process rights considered at A&A and non-A&A factories. **Workers in A&A affiliated factories overall reported greater knowledge, voice and representation.**

**Figure 13: Worker reported effectiveness of WPCs**



The survey findings draw attention to the issue of discrimination. Controls for education and years of experience in factories generally showed the expected positive results, meaning workers with more education and work experience experienced less discrimination. The controls for gender, on the other hand, generally showed negative results. Women received lower salaries than men, without overtime and were more likely to report compulsory overtime. Such discrimination may be indirect rather than direct: data from the management survey show that most (92%) managers, supervisors and line-men are male. By contrast, most (64%) operators are female. Differences in salary thus partly reflects differences in how

men and women were placed in the factory hierarchy. Primarily because of maternity benefits, women were more likely to report benefits than men. There was very little gender difference in terms of reports of health and safety, but while women were more likely than men to believe that their factories were safe, they also said they were less likely to refuse to enter an unsafe factory. They did not vary in terms of voice and representation and, interestingly, did not report significantly higher levels of mistreatment.

There was some evidence to suggest that these findings did not simply reflect the fact that factories with better conditions were more likely to initially become



affiliates of the Accord/Alliance agreements. When asked about changes since Rana Plaza, workers in affiliated factories were more likely than the rest to believe that improvements in health and safety conditions as well as in opportunities for training and promotion and complaint mechanisms had taken place since Rana Plaza. Since the latter aspects were not part of the Accord/Alliance agreements, they may have reflected positive spillover effects associated with these agreements, that the management in the factories that signed up to the agreements were more amenable to making a broader set of changes or be a result of the layering of initiatives that many A&A factories have experienced since Rana Plaza (see p. 22). The workers themselves attributed the changes to a combination of buyer pressure, the

Accord and Alliance agreements and the role of government – the presence of a stronger climate for compliance mentioned earlier.

However, on the issue of improvements in general working conditions over time, one noteworthy finding based on our WPC effectiveness index is that workers reporting high WPC effectiveness were also most likely to report improvements on all the various indicators of change since Rana Plaza. This suggests that effective WPCs complemented A&A affiliation in improving working conditions over time. This may reflect more enlightened management and/or more engaged buyers. Further research is needed to explore these questions.

### Workers' Process Rights

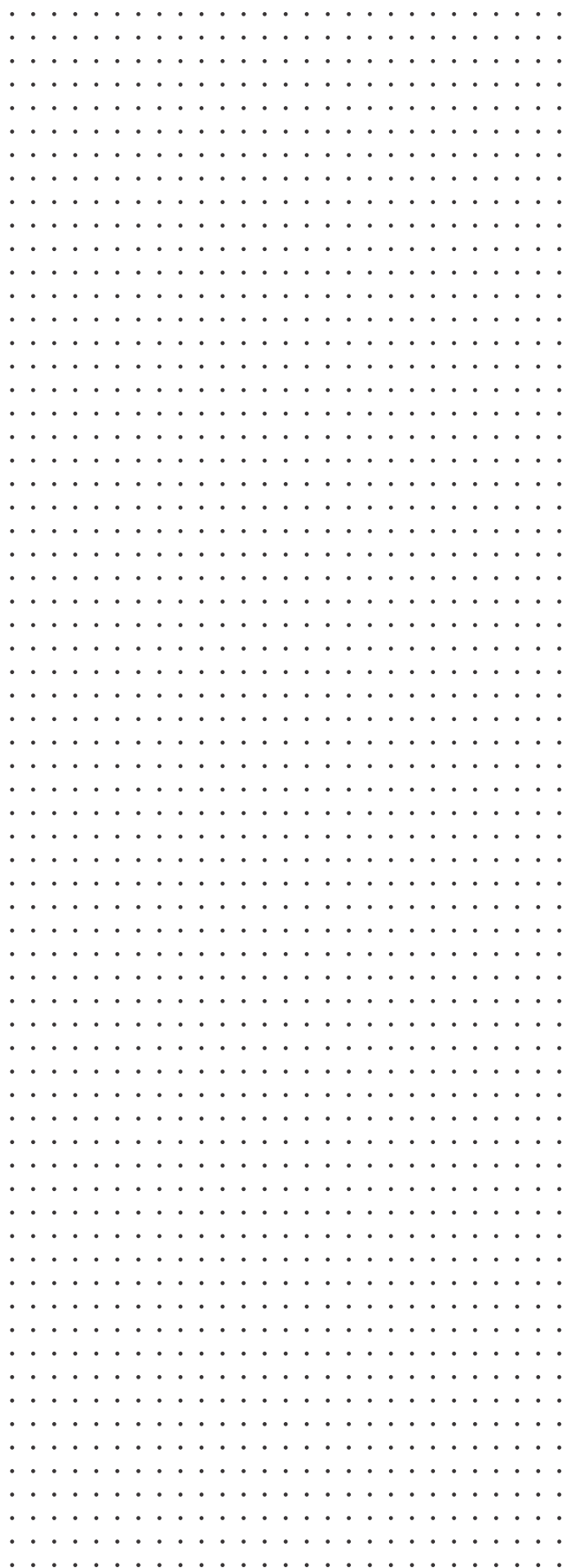
- More workers (71%) knew about company codes of conduct than labour laws (40%)
- 5% of workers reported the existence of a union in their factory
- 81% of workers reported elected WPCs in A&A factories vs 66% in non-A&A factories

## KEY FIGURES 5

## Why the Hardship Workplace is Unstable

While other studies vary in their conclusions regarding labour standards – the Oxfam study for instance is relentlessly negative, while the CPD study is less so – there seems to be general convergence regarding the areas that have shown little progress.<sup>58</sup> Findings from our workers’ survey suggest that considerable progress has been made on some aspects of outcome standards – overtime pay, bonuses, job security and social benefits, health and safety – but less on basic salaries, hours of work and use of compulsory overtime. Mistreatment of workers by supervisors continued, primarily in response to meeting deadlines and completing production quotas – a manifestation of the pressures experienced by managers in response to lead firms sourcing squeeze. Some progress has also been made on process rights, primarily relating to the operation of WPCs. However, trade unions and collective bargaining were largely absent.

Thus, worker outcomes in the average factory in our study are better described as hardship rather than sweatshop conditions. To characterise these workplaces as sweatshops would effectively deny progress on some important aspects that workers, mostly in A&A-affiliated factories, benefitted from including higher overtime and bonus payments, health and safety procedures, job security and benefits, and worker representation via WPCs. However, as we have shown above, purchasing practices continue to limit factory profitability, which might preclude improvements in other labour standards. Furthermore, while the positive impact of the Accord, Alliance and related initiatives suggests the need to reconsider the ‘race to the bottom’ argument for the time being, the improvements we observed seem unstable, since competitive market pressures on lead firms continue while the Accord is transferred into the nationally-based RMG Sustainability Council and the Alliance ceased its operation in December 2018.



# CONCLUSIONS AND POLICY RECOMMENDATIONS

The unique set of data generated by our project enable us to shed light on the current state of buyer-supplier relations, lead firms' labour governance approaches, and worker outcomes in Bangladeshi garment factories since the Rana Plaza disaster in 2013. Our findings – which apply mainly to large, Western garment retailers and brands and their corresponding larger, export-oriented factories in Bangladesh – indicate changes in three main areas and resulting challenges for labour governance:

**Buyer-supplier relations** tend to be longer-term and cooperative, reflecting buyers' desire to reduce switching costs and ensure compliance with basic building safety and labour standards and resulting in continuity of orders and stability for suppliers. At the same time, suppliers' profit margins have declined, reflecting continued pressure on purchasing prices and cost incurred by remediation and compliance activities. The main challenge resulting from this sourcing model of asymmetric cooperation is that the power of buyers over suppliers has tended to increase, leaving little leeway for suppliers to improve labour standards substantively beyond minimum compliance levels. Multiple audits and ineffective auditing exacerbate these challenges. At the same time, buyers' profit margins remain low in the light of intense global price competition and pressure from stock market fund managers. This means that purchasing prices and buyers' financial contribution to remediation activities are unlikely to rise in the near future.

**Lead firms labour governance portfolios** now all tend to include provisions for the implementation of minimal labour standards in the form of supplier audit procedures, with many firms in our sample signing the Accord in addition to firm-level initiatives in order to improve building safety in Bangladesh. In addition, some firms have expanded their portfolios into other initiatives such as capacity building, industry-wide collective action and political advocacy, reflecting a desire to enact systemic changes in the industry. However, these proactive firms are working in an environment without widespread support for ambitious initiatives. This puts them at a competitive disadvantage. Absent regulatory or market incentives for all firms to engage in continuous improvement in labour governance regulation, firms will tend to opt for minimal action. Without further public regulation, industry wide changes are likely to stall.

These developments converge on a set of **worker outcomes** that we summarize as hardship workplaces, i.e. workplaces that show improvement in some substantive and procedural worker outcomes, particularly job security, health and safety, social benefits, and worker representation in WPCs, but not in others, including working hours, wages, and mistreatment of workers. Better outcomes were found in factories affiliated to the Accord and Alliance initiatives. These improvements might be temporary, since the Alliance closed its operations in December, 2018 and the Accord has only a few months to run before it is replaced by a representative body, the RMG Sustainability Council. Although some factories have adapted by benefiting from additional



governance initiatives created by their buyers' diverse portfolios and domestic governance pressures, competitive pressures on lead firms and the resulting sourcing squeeze on suppliers persist.

In sum, these results point towards a fairly straight-forward conclusion bearing in mind the nature of our lead firm, factory and worker samples: Rana Plaza and the resulting public attention to building safety and worker standards in global garment supply chains has led to an enhanced climate for compliance, manifested in a range of new governance models – most importantly the Accord and Alliance initiatives and more longer-term, stable buyer-supplier relationships that have contributed to improved worker outcomes in some respects. These developments are direct responses to an unprecedented human disaster in the global garment industry which has triggered a positive collective response but not a systemic change towards more sustainable garment production. In fact, our results indicate the fragility of these gains, shedding light on the continued systemic challenges to sustainable labour standards faced by lead firms and suppliers alike.

With lead firms locked into unsustainable business models and shareholder regimes,<sup>59</sup> unsupported by public regulatory incentives for improving labour standards<sup>3</sup> lead firms and suppliers continue to weigh costs and low profit margins against improvements in labour standards. Thus, while our findings support the view that lead firms have the power to shape labour standards in supplier factories through various individual and collective measures,<sup>60</sup> our evidence suggests that the majority of lead firms face weak long-term incentives to act responsibly towards their supply chain partners on account of inadequate public regulation and the absence of a crisis that might galvanize public attention and encourage stakeholder pressure,<sup>61</sup> such as the Rana Plaza disaster. With both buyers and suppliers 'squeezed' by competitive market pressures, collective action by firms and other stakeholders from the bottom up and supportive public regulation from the top down seem necessary to change the rules of the game to better protect garment workers.

Regarding **private regulation**, our findings indicate that collective initiatives such as the Accord, which is a binding agreement that systematically involves worker representatives, has significant potential to trigger improvements if a sufficiently large number of major lead firms participate. This governance model could be extended to issues beyond building safety and to other countries. However, resistance against the Accord by the Bangladeshi government and factory employer organizations and opposition to extending the scope of the agreement to include labour relations more generally indicates a need to rethink some aspects of the Accord's governance model.<sup>62</sup> The RMG Sustainability Council may provide such an opportunity.

At the same time, complementary **national and regional public legislation in lead firm home countries is necessary**. We have in mind the strengthening and expansion of relevant national laws regulating lead firm behaviour, for example, the UK Modern Slavery Act, the Australian Modern Slavery Act, the Swedish sustainability reporting requirements and the French Corporate Duty of Vigilance Law, all of which require large lead firms to report on aspects of their behaviour related to labour standards. However, the French law goes further requiring French firms to be responsible for preventing adverse human rights and environmental impacts created by their subcontractors and suppliers. EU legislation should encourage support for pre-competitive lead firm co-operation to limit competition on labour standards and encourage uniformity in national legislation and policy towards supplier countries according to agreed guidelines that promote realistic transparency (i.e. about the first two tiers of the supply chain) and effective due diligence (monitoring involving local workers and unions). OECD member countries in particular should look to the OECD Due Diligence Guidance for Responsible Business Conduct when seeking to strengthen national regulations.

Political incentives could be set to encourage the Bangladeshi government to implement extant legislation and to initiate changes that promote labour



regulation based on interest group negotiation and compromise. This will require new laws promoting employer organization and union restructuring so that employers and workers can be more effectively represented by financially viable, professional organizations. While trade agreements can be an incentive, so is financial and technical assistance via grants and loans by national governments and international agencies. Such assistance can contribute towards improving garment industry safety and productivity and can be used to strengthen mechanisms for workers' voice through trade unions and other civil society organisations.

Meanwhile, public policy should reinforce the tendency towards long-term and trusting relations between suppliers and lead firms. A shared responsibility task force, as suggested by Paul Barrett and coauthors<sup>63</sup>, would focus on improving funding and safety remediation for smaller suppliers. A multi-disciplinary consultancy within the Bangladesh Ministry of Commerce or under the guidance of the ILO, could extend the work of the ILO's Better Work program. Academics could participate in this program by examining the effects of intervention, suggesting ways in which organizational change can facilitate sustainable progress that benefits some or all stakeholders without causing harm to others. With globally fragmented production involving multiple countries and actors working together, finding solutions to labour challenges requires innovative thinking, coordination and flexibility by organizational leaders.

In short, three broad key recommendations emerge from our study.

➤ First, **public regulation** is needed to level the playing field that lead firms and suppliers compete in. Low labour standards should not be an option to reduce costs. The rules of the game need to be changed to move the global garment industry away from having the pressures that are now faced by lead firms and suppliers alike. In the current system, lead firms and suppliers who voluntarily act in more responsible ways can face increased costs compared to their competitors who do not. While

stronger norms regarding business responsibility are emerging, further action needs to be taken by regulators to translate these norms into binding obligations. Continued pressure by NGOs and other stakeholders is needed to highlight weaknesses and gaps in existing regulations.

➤ Second, mechanisms need to be introduced which facilitate increased **worker voice**. In the long run, these would ideally be in the form of legally recognised independent trade unions. Locally developed forms of representation such as WPCs can be helpful in the short term, but they cannot serve as a substitute for independent unions.

➤ Third, a better understanding of processes of **systemic organisational and societal change** needs to be developed by actors designing interventions that are intended to result in long-term change to how factories are managed and to how garments are produced and consumed. Long-term change models need to be explored to tackle the difficult challenge of changing sometimes longstanding behaviours that perpetuate poor labour standards. Particularly, change interventions need to take the multi-level, systemic nature of the problem of poor labour standards into account: firm-level changes in factories and lead firms to improve productivity and to systematically integrate fair working conditions need to be complemented by industry and societal-level changes in business models and production and consumption behaviours. Academics and consultants could play a stronger role in designing such models which should work towards harmonizing and integrating initiatives, ensuring that they are affordable for firms.

As Rana Plaza starkly revealed, the safety and wellbeing of millions of workers and their families depend on the development of effective governance solutions on multiple levels. Our research indicates that despite the progress made in recent years, further efforts will be necessary to help the millions of workers who depend on the garment industry for their livelihoods.

# ENDNOTES

- 1 <https://www.wiwiss.fu-berlin.de/forschung/Garments>
- 2 The Alliance for Bangladesh Worker Safety (Alliance) arguably had similar effects on building safety (see Donaghey, J. & Reinecke, J. (2018) When industrial democracy meets corporate social responsibility—A comparison of the Bangladesh Accord and Alliance as responses to the Rana Plaza Disaster. *British Journal of Industrial Relations*, 56(1), 14-42), but was not relevant for the lead firms in our sample. The two initiatives often co-occurred in the same factories.
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- 14 Yeung, H. W.-C. & Coe, N. M. (2015) Toward a dynamic theory of global production networks. *Economic Geography*, 91(1), 29-58.
- 15 'CMEs' refers to coordinated market economies and 'LMEs' refers to liberal market economies. See 'An Introduction to Varieties of Capitalism' by Peter A. Hall and David Soskice (2009) for more information.
- 16 With the exception of one German firm with ~30 and one Australian firm with ~35 million euros turnover.
- 17 We assessed the market segment in 2018 by searching for the price of a man's shirt with the classification of low-end (under 10€ for t-shirt / under 20€ button-up), mid-range (10-50€ for t-shirt / 20-100€ for button-up) and high-end (over 50€ for t-shirt / over 100€ for button-up).
- 18 Taplin, I. (2014) Who is to blame? A re-examination of fast fashion after the 2013 factory disaster in Bangladesh. *Critical Perspectives on International Business*, 10(1/2), 72-83.
- 19 Department stores were only included if they produced their own private label products.
- 20 See IBIS World Reports: IBIS World. (2019) *Clothing Retailing - Australia Market Research Report*. No. #G4251. New York: IBIS World; IBIS World. (2019) *Einzelhandel mit Bekleidung: Marktforschungsbericht*. No.#G47.71DE. New York: IBIS World; IBIS World. (2018) *Clothing Retailing - UK Market Research Report*. No. # G47.710. New York: IBIS World and Marketline reports: Marketline (2018) 'Apparel Retail in Germany'. Reference Code: 0165-2005. Manchester, London; Sydney; New York: Marketline; Marketline (2018) 'Apparel Retail in Sweden'. Reference Code: 0181-2005. Manchester, London; Sydney; New York: Marketline; Marketline (2018) 'Apparel Retail in the United Kingdom'. Reference Code: 0183-2005. Manchester, London; Sydney; New York: Marketline.; Marketline (2018) 'Apparel Retail in Australia'. Reference Code: 0125-2005. Manchester, London; Sydney; New York: Marketline.
- 21 Size categories are based on those used by Lane, C. (2007) National capitalisms and global production networks: an analysis of their interaction in two global industries. *Socio-Economic Review*, 6(2), 227-260.
- 22 Supermarkets' garment turnover is smaller than their overall turnover.
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- 30 Lakhani, T., Kuruvilla, S. & Avgar, A. (2013) From the firm to the network: Global value chains and employment relations theory. *British Journal of Industrial Relations*, 51(3), 440-472.
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## Project website

[www.wiwiss.fu-berlin.de/forschung/garments](http://www.wiwiss.fu-berlin.de/forschung/garments)

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