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[Review of the Book *The Promise and Limits of Private Power: Promoting Labor Standards in the Global Economy*]

**Abstract**

[Excerpt] In *The Promise and Limits of Private Power*, Richard Locke analyzes and evaluates private sector corporate social responsibility (CSR) initiatives on working conditions in global supply chain factories. The book synthesizes findings from a multi-year project that has already generated several important articles on various aspects of supply chain labor dynamics.

The book is structured around a strong central theme. Corporate codes of conduct and other private, voluntary steps indeed can have some positive effects on working conditions in supply chain factories, but results are mixed. They are not sufficient for sustained improvements. Public regulation through effectively enforced legal standards must be part of the equation. In sum, "private voluntary regulation can best succeed when 'layered' on and interacting with public (state) regulation."

**Keywords**

corporate social responsibility, CSR, global supply chain factories, labor dynamics, working conditions

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**Comments**

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## BOOK REVIEW

*The Promise and Limits of Private Power: Promoting Labor Standards in the Global Economy*, Richard M. Locke (Ithaca, NY, Cornell University Press, 2013, 208 pp.)

reviewed by Lance Compa†

In *The Promise and Limits of Private Power*, Richard Locke analyzes and evaluates private sector corporate social responsibility (CSR) initiatives on working conditions in global supply chain factories. The book synthesizes findings from a multi-year project that has already generated several important articles on various aspects of supply chain labor dynamics.

The book is structured around a strong central theme. Corporate codes of conduct and other private, voluntary steps indeed can have some positive effects on working conditions in supply chain factories, but results are mixed. They are not sufficient for sustained improvements. Public regulation through effectively enforced legal standards must be part of the equation. In sum, “private voluntary regulation can best succeed when ‘layered’ on and interacting with public (state) regulation.”

Chapter 1 reviews the emergence of corporate codes of conduct and related CSR programs in the past quarter-century. Revelations in newspapers and on television in the 1990s put supply chain labor standards into public consciousness. The best-known moment came when TV and fashion personality Kathie Lee Gifford, on the national TV show she co-hosted with Regis Philbin, broke into tears about allegations of child labor in factories producing goods under her label. Nike was also a particular target of media exposés, becoming the “poster child” of purportedly abusive labor conditions.

Claiming to act on the merits rather than in response to criticism, other companies such as Levi Strauss and Reebok developed and promoted codes of conduct for their suppliers. By the end of the 1990s, the snowball was rolling. Many apparel, footwear, toys and other brand-name companies dependent on consumer good will adopted supply-chain standards variously called codes of conduct, global sourcing guidelines, human rights

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production standards, terms of engagement and other tags for labor norms that supply chain factories were expected to fulfill.

Electronics firms were slower off the mark, but most big brands also had CSR programs in place for their supply chain factories by the mid-2000s. By then, individual firms' codes of conduct were supplemented by "stakeholder" organizations and codes created by companies, consumer groups, labor unions, NGOs, religious and human rights organizations such as the Fair Labor Association, Social Accountability International, Ethical Trading Initiative, and Worker Rights Consortium. Adding to the mix were labeling and certification plans meant to pre-assign "good" ratings to companies and factories that met their standards, including RugMark (now called GoodWeave), Fair Trade International, Sweat-Free Communities, ISO 2600, and others.

Chapter 2 examines two features of the private, voluntary initiatives contained in corporate codes of conduct. First is the "promise" that socially responsible brands can compel higher labor standards in supply chain factories by canceling suppliers' contracts if they fail to comply with codes of conduct. Second is the "peril" of relying on inspection and auditing by private monitors to determine compliance or noncompliance.

Setting standards, investigating factories, and applying sanctions against violators replicated government enforcement action. But it soon became apparent that one- or two-day monitoring visits by private auditors could not delve deeply enough into factory life to uncover all but the most clear-cut violations such as obviously underage children or visible health and safety hazards. Local factory managers had many ways to create Potemkin Village-factories. Often they coached and pressured employees to give rosy assessments to monitors for fear of losing their jobs.

Anticorporate activists argued that codes of conduct were simply public relations moves to deflect media criticism, not sincere efforts to improve working conditions. They predicted that factories would revert to sweatshop standards once the media spotlight receded. But rather than trying to sort out motivation, *Promise and Limits* looks at results.

Chapter 3 provides an extensive case study of Nike's supply chain operations around the world. Richard Locke and his team had an advantage not available to other researchers in the field, who mostly rely on accumulated anecdotal evidence and single-facility case studies. Nike "opened the books" (with confidentiality safeguards), allowing access to intimate details of the companies' internal monitoring and auditing results. This created a large database for Locke and his research team to analyze and make significant findings.

Findings were varied. Some factories showed improvements under Nike's code of conduct and its application, usually slight. Other factories

slipped backward. Professor Locke teases out multiple factors that weigh on progress, regress, and stagnation. They include factory size, length, and nature of the supplier's relationship with Nike, interaction between Nike staff and factory management, political and economic factors in the country or region, monitors' methodology and competence, role (or non-role) of government labor inspectors, and more. Ambiguous and rich at the same time, the findings confirm that codes of conduct are no magic bullet, but they provide space and mechanisms that can contribute to improving labor standards.

Flaws in the standards/auditing/sanctions model inspired another approach under the rubrics of "root cause analysis" and "capacity-building" (Professor Locke more accurately calls it "capability-building"). Chapter 3 discusses root causes of labor abuses and the argument that identifying and solving them in advance, rather than finding and punishing code violations, is a better approach.

Unforeseen changes in fashion market demand often require rush orders, leading to excessive overtime. Supplier factories squeeze workers and cut safety to compete on price when they are dependent on short contract-hopping brands rather than long-term relationships. Factory managers and supervisors with no clue about labor relations think that yelling louder at workers will boost production. For these and other "root causes," the expectation of capability-building advocates is that improving managerial organization and skills will help remedy them.

*Promise and Limits* looks closely at root cause analysis and capability-building initiatives in case studies in Honduras, the Dominican Republic, India, Sri Lanka, Vietnam, and China. Again, results were mixed. Sometimes they led to improvements; sometimes they had no effect. The key difference—and this is a valuable insight that runs throughout the book—appears to be the nature and quality of personal relationships between brand representatives and factory managers, rather than the technical content of root cause analysis and management training programs.

Chapter 5 takes up alternative approaches to capability building with case studies of two Nike suppliers in Mexico. Both plants on paper were in compliance with Nike's code of conduct, but reality in each plant was different. This chapter offers nuanced, insightful analysis of varying factors affecting labor conditions: ownership structure (one factory was Mexican-owned, the other Taiwanese); management personnel (one had all Mexican managers and supervisors, the other had Taiwanese managers and supervisors), location (one factory was in the Mexico City metropolitan area surrounded by other garment factories near Nike's main regional office, the other was hundreds of miles away, the only factory in the rural countryside), the percentage of factory production devoted to Nike (10% in

one, 50% in the other); production methods (one used relatively autonomous group “cell” production, the other used repetitive motion assembly lines); product lines (one with more and one with less product complexity); and other variables.

The recurring problem of sudden style changes and other “upstream” practices in the overall supply chain system is the subject of Chapter 6, driving home the point that the individual factory is not the only place where labor abuses are generated. The global electronics industry is the focus here, with data on 275 Hewlett-Packard suppliers around the world and a detailed look at seven Asian factories. As with Nike, HP gave Professor Locke and his team intimate proprietary information on audit reports for these factories. Once again, the evidence shows that a firm’s best efforts at implementing a code of conduct do not necessarily result in better labor conditions, as problems persisted in areas such as excessive working hours, hazardous materials, wages, nondiscrimination, and occupational safety.

Chapter 7 shifts focus to the interplay of private corporate initiatives, government regulation, and actions of non-governmental organizations as they affect workers supplied by third-party labor agencies to Hewlett-Packard suppliers in Mexico and in the Czech Republic. In the Mexican case, HP, the supplier factory, local business associations, and a labor rights NGO developed a unique consensual procedure for taking up workers’ grievances in ways that substituted for ineffective government regulation and enforcement. In the Czech context, HP’s monitoring brought problems to the attention of factory managers and government labor inspectors to improve compliance with wage requirements for contract workers. Other examples of “complementary” private and public regulation in Cambodia, Brazil, and the Dominican Republic suggest that such “positive synergy” can improve labor conditions in supply chain factories.

*Promise and Limits*’ conclusion effectively summarizes evidence supporting the view that private, voluntary initiatives cannot bring sustained improvements in supply chain labor standards. The inherent limitations of factory auditing and a focus on root-cause analysis and capability building at the plant level, rather than tackling hard-wired upstream business practices, means that “government regulation is required because only the state has the authority and legitimacy to enforce labor legislation and promote/protect citizenship rights.” Professor Locke concludes that private and public strategies must “complement one another in an integrated system for improving working conditions and labor standards in global supply chains.”

*The Promise and Limits of Private Power* was written before the tragic events of the November 2012 Tazreen fire and the even more horrific April

2013 Rana Plaza building collapse in Bangladesh, but it anticipates reasons why these workplaces somehow “passed” private monitoring schemes endorsed by major brands. It belongs on the bookshelf of everyone working on or interested in bringing justice to the global economy, alongside Ted Moran’s *Beyond Sweatshops* (2002), Kimberly Elliott and Richard Freeman’s *Can Labor Standards Improve Under Globalization?* (2003), Jill Esbenschade’s *Monitoring Sweatshops* (2004), Ivanka Mamovic’s *Implementing Codes of Conduct* (2004), David Vogel’s *The Market for Virtue* (2005), Gay Seidman’s *Beyond the Boycott* (2009), Layna Moseley’s *Labor Rights and Multinational Production* (2011), and other contributions to a growing literature on international labor standards.

I did find one area that could have been more fully developed to round out understanding of promise and limits in the labor standards arena. In his conclusion, Professor Locke signals a problem that he only touched on, but did not elaborate earlier in the book: “Many of these capability-building initiatives eschew particular issues like ‘enabling rights’ for workers to organize freely and collectively.”

Trade unions are largely absent from the book, which focuses more on quantifiable standards such as working hours, minimum wages, sanitation, safety hazards, age limits, food quality, dormitory conditions and other measurable conditions than on qualitative assessment of organizing and bargaining rights. *Promise and Limits* identifies four key actors in the labor standards field whose interests at the same time coincide, diverge, and conflict: global brands and buyers, supplier factories, developing country governments, and workers. But this leaves out unions, whose relationships with each of the others can also be important factors in the analysis.

*Promise and Limits* recommends complementary action between employers applying code-of-conduct initiatives and government authorities enforcing labor legislation as the best way forward, without examining experience and prospect of a third leg to support improved labor standards: union organization, collective bargaining, and enforcement by vigilant trade union representatives of labor standards embodied in strong contracts. It is no surprise that Hewlett-Packard and its Mexican supplier management and their business association are content to let a small local NGO raise a handful of workers’ grievances each year, rather than deal with a strong, independent, democratic union.

This does not mean that trade unions’ roles were ignored. For example, Professor Locke discusses the role of trade unions in the two Mexican factories supplying Nike. He pointed out that they were affiliates of the mainstream “official” labor federation. But this prompts further questioning about the role of Mexico’s official labor federation and the phenomenon of “protection” contracts that contain only minimum standards

required by law. These corporatist unions, often imposed on employees by employers (it would be interesting to know the genesis of the unions in these two factories) “protect” the employer against the emergence of a genuine, independent union. Switching venues, this may well explain why the local NGO’s role at the Hewlett-Packard supplier plant is workers’ only real option, but it can only be understood in the context of Mexico’s peculiar and perverted labor relations system.

This is not to say that *Promise and Limits* had to go down this avenue of analysis, which would take another book altogether. In most of the countries giving rise to case studies in the book, not just in Mexico, the role of trade unions is not easily summarized. The presence of a union and the existence of a collective agreement are no guarantee that workers’ freedom of association is respected. Some countries prohibit independent unions altogether in export processing zone enclaves (Malaysia). Even where unions exist, problems of government control (China), employer domination (Mexico, Sri Lanka), and inter-union factionalism (India, Bangladesh, Central America), further complicate matters.

*Promise and Limits* is too rich with findings and insights to complain about other topics such as trade unions’ role that do not get the same thorough treatment. It is a significant contribution to understanding the dynamics of supply chain labor standards and the interplay of private and public efforts to ensure decency in employment for millions of workers around the world. It provides a solid foundation for other scholars in our field to move forward on trade union issues and other concerns about workers’ rights and labor standards in the global supply chain system. From now on, no one should venture into the field without *The Promise and Limits of Private Power* in her or his pocket.