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Global Production Networks and Variegated Capitalism: (Self-)Regulating Labour in Cambodian Garment Factories

Martin Hess

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**GLOBAL PRODUCTION NETWORKS AND VARIEGATED CAPITALISM:
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Martin Hess

University of Manchester

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Abstract

The global garment industry has long been known for poor working conditions and the endemic violation of labor rights, especially in low wage countries of the Global South. This paper draws on the global production networks (GPN) approach and the varieties of capitalism literature to discuss new forms of governance and regulation to improve labor standards in garment factories. Using the case study of the Better Factories Programme, an initiative by the International Labour Organization to improve working conditions and labor rights in the Cambodian garment industry, the level of compliance with labor standards and its variation is analyzed using a unique firm-level dataset. The results show that compliance differs significantly depending on firm ownership and also demonstrate the changes in compliance levels over time. The forms in which public and private governance develop and influence each other is also not a simple replacement of government regulation by private sector self-governance. They both combine in unique ways, thus transcending the public-private divide that is characteristic of parts of the governance literature identifying 'regulatory gaps' and 'governance deficits'. GPNs are embedded multi-actor structures that link different institutional regimes and are shot through with multiple power relations which determine the outcome for securing livelihoods in the places they connect. The paper concludes by reflecting on implications for Better Work and possible avenues for future research.

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INTRODUCTION

Today's economy is characterized by increasingly complex and fragmented global production networks (GPNs) and value chains that have emerged within a particular global political-economic context, which has been dominated over recent decades by neoliberal globalisation. One of the key processes associated with neoliberalisation has been the gradual weakening, or 'hollowing out' (Jessop 1995, 1997) of the nation-state, with a re-framing of its role as an 'enabler' or 'facilitator' of business as opposed to the main arbiter of rules and regulations. The 'retreat' of the nation-state has arguably created a regulatory vacuum (O'Rourke 2003) leaving many global industries to be 're-regulated' by a host of non-state actors (Freidberg 2004a). This viewpoint envisages state regulation being actively 'rolled-back' and replaced by a 'roll-out' of private regulation (Tickell and Peck 2003).

The 'roll-out' of private regulation is influenced by a wide range of actors operating on various geographical scales, from corporations and business alliances to NGOs, Trade Unions (Braun and Gearhart 2004) and global institutions such as the International Labour Organisation (ILO), World Bank including the International Finance Corporation (IFC) and World Trade Organisation (WTO), either supporting or challenging it. But the inroads that have been made with regards to the re-regulation of GPNs would not have been possible without concerted pressure from both grassroots movements and global institutions concerned with the wellbeing of workers and the protection of the environment. Transnational companies (TNCs) are acutely aware of the negative financial implications of damage to their brand names if they associated with poor labour conditions in their factories and supply chains, i.e. they are sensitive regarding their reputation (Oka 2010b). Through utilising developments in the media and information technology, these disparate coalitions of workers, consumers and professionals have exploited the increasing reputation-sensitivity of many globally operating firms to improve labour standards, either through their own corporate social responsibility (CSR) initiatives or by allowing second- (industry-level) or third-party (independent) scrutiny of their production sites. CSR, and the development of an 'ethical complex' (Freidberg 2004b) in the collective corporate psyche, can be seen as a defensive response from business to the growing suspicion and activism from consumers concerned with the origins of the commodities they purchase and the

conditions under which they have been produced (Sadler 2004; Kolk 2005). However, in addition to the strategic opportunities CSR presents for commercially competitive, reputation-sensitive firms, it also represents a concrete attempt to improve working conditions and labour rights.

In this context, the global garment industry is an important example of the changing relations between public and private regulation and governance. Being a labour-intensive sector, global garment manufacturing shifted to least developed economies like Cambodia, Haiti or Bangladesh early on, to take advantage of low wages and an abundance of workers. The downward pressure on labour standards has been very high, and continues to be a serious matter of concern. Because of the large variety of actors involved in attempts to mitigate the negative consequences for workers, a complex landscape of (self-)regulation has emerged, with differences in the substantive emphasis of 'competing' initiatives and codes of conduct (Nadvi and Wältring 2002). Furthermore, there is also a wide range of different methods and techniques employed in the implementation of standards, and even different ways of communicating compliance to the consumer. From a pro-worker standpoint, the challenge today is to identify the labour standard initiatives that produce the best results for workers while simultaneously enhancing efficiency for firms engaged in the global garment production network, which like other industries has seen an increasingly fragmented, geographically diverse and changing division of labour. However, despite being subject to the same global capitalist imperative (Storper and Walker 1989) and in the face of a potential 'race to the bottom' (Kaplinsky 2005) there is no single response, no identical way to describe how garment GPNs are configured or governed and therefore the implications for socio-economic outcomes along the value chain also differ to a considerable degree. This is captured by the notions of variegated capitalism (Peck and Theodore 2007), varieties of capitalism (Hall and Soskice 2001) and national business systems (Whitley 1999; 2007), which emphasise the institutional structuring of economic processes and organisations and the continued importance of difference with regard to production and consumption networks. Recently, Lane and Probert (2009) have successfully applied such concepts to the study of garment GPNs and demonstrated how firms, states and international organisations shape these GPNs at various scales. Their study concludes that GPNs 'remain substantially shaped by both national institutional ensembles and domestic

markets' (Lane and Probert 2009: 292) and that the country of origin matters with regard to how lead firms organise their GPNs. What is not dealt with in great detail, however, is the variation of socio-economic impacts such diversity generates in production countries and regions of the Global South, and to date there is only a relatively small amount of academic work investigating this with regard to labour conditions. Yet I argue that variety has important implications for changing cultures of competitiveness and changing cultures of compliance with labour standards in different places.

In light of the above discussion, the aim of this paper is twofold: First, it attempts to make a contribution to current theoretical debates about governance and labour in GPNs (cf. Coe et al. 2008; Coe 2012). To this end, the paper will draw on and bring together the theoretical literature on variegated capitalism, embeddedness and governance/governmentality, thus providing a comprehensive conceptual framing for the analysis of labour regulation in GPNs. Second, the paper will use the example of the garment industry in Cambodia to investigate (self-)regulation and the impact of GPN governance and variegated capitalism on compliance with international labour standards and enhanced social dialogue/improved working conditions. More specifically, it will analyse Cambodian garment factories that are part of Better Factories Cambodia (BFC), which in turn is part of the ILO/IFC Better Work programme. Methodologically, the study draws on existing literature and secondary data regarding Cambodia's garment industry and also uses unique firm level data on exporting factories' compliance with labour standards. The Cambodia case provides a unique combination of public and private regulation, as all garment exporting firms are required by law to take part in the Better Factories Cambodia programme of implementing labour standards. The results show that compliance rates in many areas do indeed vary significantly according to firm ownership nationality. The consistently highest compliance rates are achieved by companies from coordinated market economies (in this case Korean firms) while firms from liberal, networked and hierarchical market economies tend to lag behind. Korean firms also showed lower factory closure rates over the last few years. In conclusion, I make the point that it is indeed useful to move beyond government-CSR or public-private regulation dichotomies and rather understand GPNs as complex systems of governance or – to use Foucault's term- *dispositif*, shaped by different practices, strategies and power relations, with contingent outcomes for labour rights and working conditions.

VARIEGATED CAPITALISM, EMBEDDED GPNS

“Twenty-first century capitalism continues to exhibit considerable differences between dominant systems of economic coordination and control at the same time as international economic interdependence is increasing.” (Whitley 2007: v) Indeed, while new international divisions of labour through transnational intra- and inter-firm production networks have become defining features of an ever more integrated world economy, and after the collapse of state socialism at the end of the 1980s, capitalism has become globally hegemonic, the nature and institutional fabric of capitalism continues to differ substantially across different geographical contexts. One of the best known and most influential taxonomies stems from Hall and Soskice’s 2001 work where they distinguish two main types of capitalist systems, namely liberal market economies (LMEs) as developed especially in the Anglo-American context of the United States and the UK, and coordinated market economies (CMEs), in particular the German variant of the social market economy (Peck and Theodore 2007; Herrigel and Zeitlin 2010). Lane and Probert (2009: 16) consider this parsimonious typology of two varieties to be sufficient for the analysis of global garment production networks; however, the recent rise of China and other emerging economies with their distinct political-economic and institutional characteristics casts some doubt on the continued use of such a bipolar taxonomy. Consequently, Dicken (2011: 177) argues for a more differentiated view and emphasises the need to further unpack the category of CME, suggesting four types of capitalism: neo-liberal market capitalism, social-market capitalism, developmental capitalism and authoritarian capitalism. A similar four-fold taxonomy has been developed by Schneider (2008).

Rather than being based on an inductive grouping of countries into distinct varieties, Schneider aims at producing a typology that is arrived at deductively and grounded in the idea that there is a limited number of alternative mechanisms to allocate resources in an economy. These mechanisms he identifies as markets, negotiation, trust and hierarchy (Schneider 2008: 3). Such a differentiation also better includes developing economies in the Global South which in the case of garment production networks play an increasingly important role not only as manufacturing bases or countries of origin for multinational enterprises and foreign direct investment, but also as rapidly growing markets (cf. Knorringa

2010). In addition to LME and CME, therefore, there are also the varieties of networked market economies (NME) and hierarchical market economies (HME). Apart from different main allocative principles, these four types also differ with regard to the institutional foundations and characteristics of stakeholder interaction, firm relationships within industrial sectors, industrial relations and labour regimes, and length of relationships between buyers, suppliers, competitors, creditors and employees (see Table 1). The analysis in the remainder of this article will mobilise Schneider's typology rather than other possible categorisations, for two reasons. First, it explicitly acknowledges the possibility of intra-country variegation and hybridity as well as isomorphism of business systems, for instance between governance mechanisms in different sectors. While still providing a tool for systematic comparison, it does not assume that the characteristics of a particular variety of capitalism are necessarily the same for all industries or regions within a country. For instance, service sector firms in a given country may have different lengths of relationships with stakeholders and divergent forms of industrial relations compared to manufacturing sectors. Second, and as mentioned earlier, it allows an integration of developing economies into the analysis in a distinct rather than derivative way, through the conceptual category of HME. In other words, "there are good reasons to think that capitalism in many [...] countries may have settled into institutional foundations of its own, and therefore requires analysis on its own terms rather than as some form of capitalism manqué or in formation. In short, it may be that capitalism in many developing countries is what it is, rather than on its way to becoming something else" (Schneider 2008: 4-5).

Table 1: Basic relations in four ideal types of capitalism

	Liberal Market Economies (LME)	Coordinated Market Economies (CME)	Network Market Economies (NME)	Hierarchical Market Economies (HME)
Allocative principle	Markets	Negotiation	Trust	Hierarchy
Characteristic interaction among stakeholders	Spot exchange	Institutionalised meeting	Reiterated exchange	Order or directive
Firm relations within sectors	Competitive	Sectoral associations	Associations and informal ties	Oligopolistic
Length of relationships	Short	Long	Long	Variable
Industrial relations	Few unions	Strong, encompassing unions	Company unions	Few unions
Examples (relevant for this study)	USA, UK, Australia, Hong Kong SAR	South Korea	Taiwan, China	South East Asian Economies

Source: modified after Schneider 2008; Peck and Theodore 2007: 746

The varieties of capitalism literature has arguably enhanced our understanding of the spatial and temporal dynamics of capitalist development and thus provides a powerful counter-perspective to the lingering ‘flat world’ ideas found especially in orthodox economics. But it has not been without its critics, either, and has come under fire for the methodological nationalism it entails by focusing if not exclusively then predominantly at the national level of spatial aggregation (Pries 2005; Peck and Theodore 2007). This is surprising insofar as at the centre of analysis in most of the work in this tradition the firm is regarded as crucial actor in the political economy of capitalist development.

“The varieties of capitalism approach to the political economy is actor-centered, which is to say we see the political economy as a terrain populated by multiple actors, each of whom seeks to advance his interests in a rational way in strategic interaction with others [...] The relevant actors may be individuals, firms, producer groups, or governments. However, this is a firm-centered political economy that regards companies as the crucial actors in a capitalist

economy. They are the key agents of adjustment in the face of technological change or international competition whose activities aggregate into overall levels of economic performance” (Hall and Soskice: 6).

Given that transnational corporations (TNCs) have been major shapers of the global economy, operating across and linking multiple national and regional economies, it is important to more explicitly reflect on the links between territorial political-economic systems, variegated capitalism and transnational firms providing a substantial part of the connective tissue in systems of global production and exchange (cf. Wilkins 2010; Dicken 2011). Any research on varieties of capitalism therefore needs to be complemented by also considering ‘varieties of capitalists’, as Mosley (2006, 2011) put it. This has been recognized for some time now, not least within economic geography and cognate disciplines (cf. Hamilton and Feenstra, 1998; Dicken 2000, 2011; Yeung 2000, 2004; Yang 2007), but little attention has been paid to how variegation in TNC organisation and activity within a global industry may impact on labour conditions and labour rights in the host economies they operate in. This is particularly pertinent in the global garment industry, which is labour-intensive with comparatively low skills and technology requirements. It is an often referred-to example of a sector driven by efficiency-seeking – i.e., labour cost minimizing – strategies and investments and increasing supply chain fragmentation, leading to ‘sweatshop’ conditions in developing countries which are the favoured host economies for global garment production. While this has been widely observed and documented in the literature (cf. Abernathy et al. 1999; Klein 2000; Gereffi and Memedovic 2004; Hale and Wills 2005; Barrientos et al. 2010; Staritz 2011) the question still remains if there are discernible differences in the ways garment manufacturing TNCs emanating from different varieties of capitalism treat labour in their overseas factories. As a growing share of foreign direct investment in garment manufacturing originates from developing economies – which themselves have played and still play host to substantial global apparel production, unlike North American or Western European countries – this may have implications for the nature and degree of compliance with labour standards (cf. Gallagher 2005).

A concept that helps bring together the academic work on variegated capitalism and TNCs as ‘boundary spanners’ between different economies is the global production network

approach. GPNs describe the “the nexus of interconnected functions and operations through which goods and services are produced, distributed and consumed [...]. Such networks not only integrate firms (and parts of firms) into structures which blur traditional organizational boundaries – through the development of diverse forms of equity and non-equity relationships – but also integrate national economies (or parts of such economies) in ways which have enormous implications for their well-being.” (Henderson et al. 2002: 445). GPNs are however not only manifestations of economic relations but are also deeply embedded in social relations and - to varying degrees – in place and across space. This has been captured and analytically developed through three intersecting notions of embeddedness (cf. Henderson et al. 2002; Hess 2004):

- Network embeddedness can be regarded as the product of a process of trust building between network agents, which is important for successful and stable relationships. It refers not only to business agents involved in the production of a particular good or service, but also takes the broader institutional networks including non-business agents (e.g. government and non-government organizations) into account. In global garment production systems, the level of subcontracting and the continuing fragmentation of production tasks through outsourcing and subcontracting are usually seen as indicator for the dis-embedded nature of apparel GPNs.
- Societal embeddedness emphasises the history of social networks and the cultural imprint or heritage of actors that influence their economic behaviour ‘at home’ as well as ‘abroad’. It is in this realm that varieties of capitalism and of capitalists become important analytical tools without falling prey to methodological nationalism. “Network actors, be they individuals or collectives, have a history that shapes their perception, strategies and actions, which therefore are path-dependent” (Hess 2004: 180).
- Territorial embeddedness considers the extent to which an actor is ‘anchored’ in particular territories or places. Economic actors become embedded there in the sense that they absorb, and in some cases become constrained by, the economic activities and social dynamics that already exist in those places.

The degree to which a garment TNC becomes embedded in different host territories and production networks varies depending on TNC ownership nationality, as Staritz and Morris (2011) powerfully demonstrate with regard to garment manufacturing in Lesotho. They show that this not only has implications for the level of economic upgrading in factories owned by foreign capital, but also for skills development, investment in human resources and ultimately labour conditions in these factories. A similar case is made in research on the Vietnamese garment industry (cf. Thomsen 2007, 2009). We will return to the conceptual ideas presented in this section when investigating labour standards compliance of manufacturers in the Cambodian garment industry later in this article.

GOVERNANCE AND GOVERNMENTALITY IN GPNs: STATE-CSR RELATIONSHIPS

In the previous section, the conceptual focus has been on highlighting the variegation of capitalism both within and across nations, through GPNs that become embedded in different social, institutional and economic contexts. The argument at the core of the discussion so far has been that such variegation and differential embeddedness has implications for working conditions and labour rights in garment factories. Of course, embedded GPNs are not void of asymmetric power relations between the constituent stakeholders, be they firms or non-firm actors like governments, labour organisations or workers (Hess 2008). It is therefore essential to consider the governance structures of GPNs in their temporal and geographical context. Under conditions of globalisation and neoliberalisation, some authors argue that a 'global governance deficit' has emerged as markets and market actors like firms attempt to disembed themselves from social control while states and societies try to fill this gap with new governance capacities (Gereffi and Mayer 2006; Mayer and Pickles 2010). At the core of this assumption is a clear distinction between public and private governance, with the former being the domain of state regulation and the latter the realm of non-state institutions self-governing the social conditions of production. The rise of private governance mechanisms, especially corporate social responsibility (CSR), therefore can be seen as a response to the retreat of the state in regulating national and global economies and the lack of state capacities in emerging economies that have been rapidly integrated into GPNs. As Bulut and Lane (2011: 42)

observe, “[t]he management of GPNs – networks stretching across national borders – therefore has raised dilemmas of governance. Companies are able to operate in global spaces where a lack of regulation by either national states or international institutions constitutes an important incentive for building such networks”.

To some extent, however, such an assessment on the global governance deficit is in danger of following a conventional view of CSR as being outside or even the opposite of government influence. Gond et al. (2011) discuss two assumptions related to a conventional view on CSR. First, and from a critical point of view, CSR is seen as a ‘smokescreen’ used to call for and justify deregulation by the state. Rather than being an emancipatory social project, CSR is an effort to portray morality in markets, thus deflecting from the inherent problems of capitalist production in relation to labour. Ultimately, the “development and diffusion of CSR would achieve a ‘silent takeover’ by corporations of political and social spheres” (Gond et al. 2011: 644). Second, CSR represents voluntary activities by the private sector, beyond legal requirements. It represents a form of self-government alongside state regulation and the public system of governance. Such a neat separation of public and private governance is difficult to maintain conceptually. As the previous section has tried to show, varieties of capitalism are embedded structures, and this includes both state and market actors and the policies, strategies and governance mechanisms they deploy. CSR and state regulation therefore cannot be seen as independent but are related in various ways and in different varieties of capitalism (Thomsen 2007; Kang and Moon 2012). Removing the strict boundaries between public and private mechanisms still recognises the differences in terms of government capacities and capabilities to regulate, but does so in a more nuanced way, reflecting different balances between the state and the firm.

Thus, rather than a global governance deficit in garment GPNs it may be more useful and accurate to understand the current situation with regard to labour rights and working conditions in the light of evolving combinations of market governance and state regulation at various scales, a tendency that has come into being through rapid globalisation beyond national borders, and a discourse that promotes the notion of competitive capitalist logic as the best route to growth and development. This, however, depends on a broader definition of governance that goes beyond those institutions seen to ‘constrain’ or ‘enable’ the market

as defined by Mayer and Pickles (2011) to encompass a more contested fields made up of a struggle between discourses and material resources of market and state.

The global garment industry to date has been driven by powerful buyers from North America and Europe. Not least under pressure from NGOs and consumers in the Global North, they have developed CSR strategies to safeguard their reputational capital as much as actively trying to enhance social welfare in the GPNs they orchestrate. In that sense, the CSR strategy developed in the home economies of international buyers (and, by extension, also large international manufacturers, see Appelbaum 2008) 'travels' through the GPN to locations with very different institutional and regulatory settings, and creating transnational spaces of CSR (Amaeshi and Amao 2009; Witt and Redding 2012). How global buyers and manufacturers engage with labour through codes of conduct varies greatly (Lane and Probert 2009; Chen and Bouvain 2009). Therefore, "[t]here is [...] a clear need for comparative research into the compatibility, convergence, difference or divergence of government policies for CSR. This is important for businesses whose activities straddle national boundaries as well as for policy-makers to better understand the effectiveness of their policies. This is especially important at the international level in which global, regional, national and sectoral policies co-exist." (Gond et al. 2011: 662)

Power relations play a central role in the analysis of GPNs and compliance with labour standards, with the problem of governance of economic activities through multiple actors – firms, states, non-governmental organisations and civil society - being the crucial mechanism that determines social welfare in different locales (cf. Aguilera et al. 2007; see also Hess, under review, for the following argument). In order to analyse governance structures, the GPN literature has in the past mostly drawn on realist and networked conceptualisations of power where it is either seen as a capacity which actors, for instance lead firms in GPNs or the state, possess by virtue of social relations or as a collective resource which actors mobilize to achieve common goals .Only recently has there been a conceptual reorientation towards a more Foucauldian interpretation of power as governmentality and which sees economic governance in terms of invoked models of practice or 'government programmes' (Gibbon and Ponte 2008; Hess 2008). Arguably, this is an important step forward as it opens up the path to integrate the role of discourse and how it shapes social and material relations. The global expansion of garment GPNs and the

exposure of sweatshop conditions created a new – counter-hegemonic – discourse around human rights in global production networks emerging in the 1970s and 1980s (Scheper 2010). At the international political level an explicit human rights focus with regard to corporate conduct has been institutionalised in the form of the United Nations nominating in 2005 a ‘Special Representative of the Secretary General on the issue of human rights and transnational corporations and other business enterprises’, John Ruggie. Second, at the level of transnational firms corporate social responsibility (CSR) became increasingly integral to companies especially in GPNs. What is important here, however, is not only the fact that CSR has become a new component of governance in GPNs but that human rights are increasingly re-translated, more and more becoming part of business knowledge and management techniques. By reframing CSR as a mechanism to protect reputational capital and enhance productivity, it now has entered the ‘toolbox’ of supply chain management as a new rationale of a corporations programme of government (Gibbon and Ponte 2008).

“[...] an integration of the GPN approach with the Foucauldian notion of the dispositif allows for an interpretation of global production relations that is more sensitive to social contradictions on a local level and the actual ways in which power is exerted through practices within production networks. In this sense, the emerging discourse on human rights has powerful effects as part of the global production dispositif. Without knowing if companies comply or not, it becomes a potential source of business risks, where firms are being accused of violating rights and as a consequence are seen as either illegitimate or at least as unpreferred part of a production network by other businesses. Moreover, it may lead to new possibilities of articulating resistance, especially for marginalised groups of workers or communities.” (Scheper 2010: 14)

Understanding GPNs and regions as a *dispositif*, that is an ensemble of effects of power and knowledge, i.e. of discourses and practices, institutions, artefacts, and subjects (Foucault 1978: 123-4) enables us to take a different look at governance structures in the global economy and its impacts regarding labour and working conditions. In the context of the CSR narrative, it is important to pay attention to governance structures that operate at the interface of state regulation (or in many cases lack thereof) and private sector initiatives of ethical responsibility. Unlike the UN approach exemplified by Ruggie’s identification of a regulatory ‘gap’ where corporations are made ‘responsible’ in the absence of the state and

which often leads to regulatory enclaves (Posthuma 2010) a governmentality approach understands human rights norms in GPNs (and their violation) as effects of power relations within the production system instead of them being the result of a gap within the governance apparatus (Scheper 2010: 18).

DATA AND METHODOLOGY

The subsequent two sections present the research findings on (self-)regulation of labour through the BFC programme and the comparison of labour standards compliance depending on factory ownership nationality and varieties of capitalism. The research is grounded in a literature review of emerging trends in the global garment industry which are likely to have a major impact on working conditions and labour rights in garment GPNs. Following this, a document analysis of BFC and ILO/IFC Better Work materials and publications was carried out, and supplemented by information gained through conversation with Better Work staff in Geneva, Cambodia, Vietnam and Indonesia during a three-month visit at the ILO head office to gain a more in-depth understanding of how the BFC programme works. To establish the impact of factory ownership on compliance levels, an analysis of variance (one-way ANOVA, comparing means of compliance rates) was conducted. The basis for this statistical analysis of ownership nationality and compliance was provided by the Better Factories dataset on Cambodia. This unique set of comparable and consistent compliance data was available for the period 2005-2011 and includes detailed information on a range of company data including ownership, factory size, employment figures and types as well as binary data on more than 400 individual compliance points, subsequently grouped into eight compliance categories. Prior to 2005, a different tool for compliance assessment was used and hence the initial period from the programme start in 2001 up to 2005 could not be included.

Given the nature and difficulties of data collection in the field, the figures for compliance rates need to be interpreted carefully. Discussions with BFC and Better Work staff have shown that factories often do not reveal the true extent of (non-)compliance, for instance by limiting access to particular information or sites and problematic practices such as double-booking, an issue especially pertinent with regard to working hours and overtime.

These problems however are likely to affect the whole sample of factories and the assumption in this analysis is therefore that there is no specific bias with regard to the typologies of LME, CME, NME and HME capitalisms used in this research for the purpose of comparison. By the same token, correlating factory size and ownership nationality did not produce any significant links, hence it can be assumed that the latter is not just a proxy for the former. Focusing on a single country, in this case Cambodia, has the advantage of holding a range of parameters constant that otherwise might influence the outcomes of comparing compliance rates. For all exporting garment factories it is mandatory to take part in the BFC monitoring, training and advice programme. All manufacturers operate under the same national labour law and the same host economy institutional context. In addition, most of the factories analysed in this study are located in the Phnom Penh metropolitan area and to a much lesser extent in neighbouring districts. Finally, the available information pointed towards factories producing for multiple buyers from different countries and with varying degrees of reputation sensitivity. This is important as global buyers through their CSR and code of conduct requirements exert a strong influence on vendors and hence the findings could be distorted by the buyer impact on the data.

(SELF-)REGULATING LABOUR: BETTER FACTORIES CAMBODIA

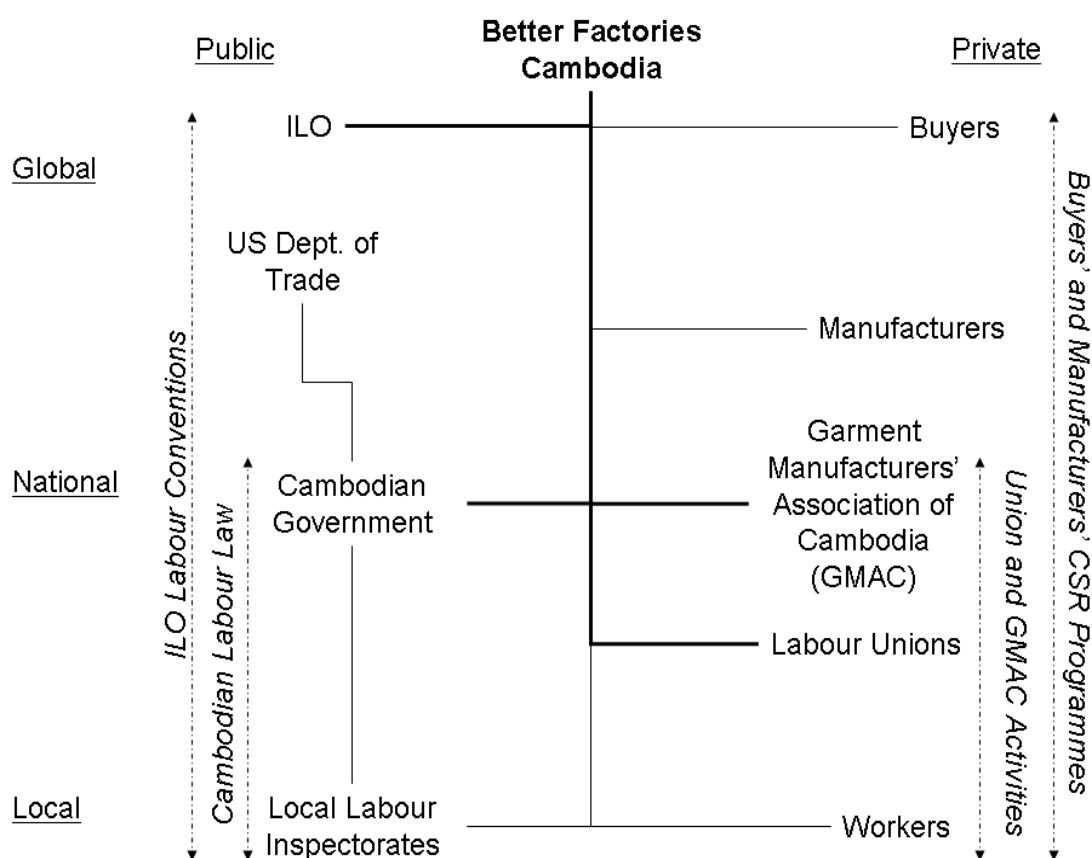
For a long time, the Kingdom of Cambodia has been ravaged by war and civil war, a process which ended only with a peace settlement reached in 1991. Consequently, the country started to engage in international trade and production through garment GPNs from the early 1990s onwards. The first foreign manufacturers started operations in the country from 1994 onwards, and both production and exports accelerated rather quickly in the subsequent years. At the time, the country became attractive for apparel manufacturing because its late development meant that Cambodia was not part of the quota system under the Multi-Fibre Arrangement and therefore there were no limits for exports to the US and Europe (Arnold and Shih 2010). This of course made it an attractive location for international manufacturers to expand their networks into, despite the problems related to little developed infrastructures, and a still politically and socially volatile business environment. For international buyers from the Global North, Cambodia represented a new

opportunity to diversify sourcing and thus circumvent the restrictions of other countries where purchasing was restricted by the MFA quota (Polaski 2009). The growth of the garment industry in Cambodia, however, also meant that it would not be able to stay outside a quota system for long as importing nations could limit access to their markets at will in the absence of any binding trade agreements. In the US, in particular, there was growing pressure from domestic textile industry bodies and labour unions not only to introduce safeguards and regulate apparel trade with Cambodia but also link them to improvements in labour rights and working conditions in Cambodian factories, where widespread worker abuse had been reported. Ultimately, the US and Cambodia signed a preferential trade agreement (cf. Wells 2006) that stipulated increasing quota if Cambodian factories complied with both national labour law and international labour standards as set by the ILO. This was the genesis of a multi-scalar governance experiment that would become a unique example of (self-)regulation beyond the public-private divide and was institutionalised in 2001 through the Better Factories Cambodia (BFC) programme (cf. Mayer and Pickles 2010; see also Ear 2009). Figure 1 provides a simplified visual representation of its governance structure in which the links between the organisations that are immediate constituents of BFC have been highlighted through thicker connecting lines.

At the global scale, BFC is anchored within the ILO, a specialised and tripartite agency of the United Nations. It therefore operates within an organisation that combines the voices and interests of governments, employers and labour unions which in turn is reflected in its own structure. With this setup comes the challenge of combining different and potentially conflicting interests and views on (self-)governing labour. This can be captured by what Mayer and Pickles (2010) term regulatory governance and facilitative governance. “*Facilitative governance* enables markets to form, creates jobs, attracts investment, and otherwise promotes economic activity. *Regulatory governance* constrains the behaviour of profit-seeking firms that might otherwise tend to exploit workers, leading to poor working conditions, lack of job security, constraints on worker organization, and general downgrading of industrial relations systems and practices” (Mayer and Pickles 2010: 2, emphasis in original). At the national scale, the main public and private actors are the Kingdom of Cambodia’s government, the Garment Manufacturers’ Association of Cambodia (GMAC), and the Labour Unions. This configuration resembles the ILO’s tripartite structure

on the international level. However, whereas the employers have organised in a comprehensive way through GMAC, labour unionism in Cambodia and its relation to the state is problematic and highly fragmented, with hundreds of different unions competing and on average more than one union operating in each of the garment exporting factories. It therefore is difficult to establish a strong workers' voice in terms of power relations at the national as well as local level, although this is not to say that workers therefore are 'powerless' or that there is no labour agency at the local scale.

Figure 1: Governing labour in Cambodia's garment industry



Source: author

Within the BFC-centred governance system of public and private actors, as outlined above, there are several mechanisms into which the discourse of human rights and labour conditions as well as the discourse of economic development and competitiveness has been 'translated' and which together produce specific and evolving forms of governmentality. First, in terms of state-state power relations, BFC continues to provide a crucial node in bringing together Cambodian and international policy initiatives on economic development

(trade policy, investment policy) with labour protection policies (international and national labour law) that have been maintained despite the MFA expiry in 2005 which was assumed to lead to a greatly diminished role of state governance compared to the private sector. Second, BFC provides an independent way of monitoring working conditions and labour rights through unannounced factory visits. In addition, advice and training programmes for management, supervisors and workers have been developed with the aim of improve conditions by increasing compliance with national labour law and international labour standards. This mechanism operates independent of buyers' and manufacturers' own private 'management tools' of codes of conduct (which are often criticised as being ineffective or a 'fig leaf') and governments' activities to implement labour law (but not necessarily enforced). What is more, it aims and in many cases succeeds in replacing buyers' codes of conduct and their auditing procedures with the BFC system. The programme thus mediates state – private sector power relationships. Third, and in terms of private sector power relationships, BFC engages both international buyers and most recently also international manufacturers in the discourse on labour rights, working conditions and productivity through dedicated buyer and manufacturer fora, with the aim of providing a platform to exchange best practice and instigate social change. A technique used in this context has been the public disclosure of non-compliance by garment manufacturers, which while not directed at consumers nevertheless makes information available publicly to alert them of labour rights violations. That policy changed in 2006 when the BFC programme moved from paper-based questionnaires to a computer-based system of recording which made it impossible to publicly report in time. BFC has since continued to experiment with various and new forms of engagement that emphasise collaboration and cooperation between buyers and suppliers to solve problems rather than have buyers withdraw except when there are violations of zero tolerance issues like child labour (for a discussion of this strategy, see Locke et al. 2009).

The evolution of BFC from a state-led trade and labour rights initiative to a multi-stakeholder, multi-scalar regime of (self-)regulation has illustrated that garment GPNs should be seen as assemblages of multiple power relations, human rights discourses and governance techniques in which binaries such as public vs. private regulation and buyer vs. producer driven value chains become increasingly blurred. BFC – and by extension all other

programmes operated by ILO/IFC Better Work in Asia, Africa and Central America and the Caribbean- also represents a transition from 'old' to 'new' labour internationalism (Webster et al. 2008). BFC still retains a 'traditional', tripartite setup involving governments, employers and labour unions, with a focus on the workplace and labour unionism to improve working conditions and enabling rights like collective bargaining. But it is also integrating a number of 'new' elements of labour internationalism with a much stronger focus on coalition building, open debate and networks rather than hierarchy. To be clear, there is still some way to go if the programme is to have sustained success in protecting labour and improve social wellbeing. Given the continued fragmentation of GPNs and the prevalence of subcontracting, new links and networks need to be developed that reach beyond the exporting factories and become embedded in the wider communities where garment GPNs are located.

FACTORY OWNERSHIP AND COMPLIANCE WITH LABOUR STANDARDS

As of 2011, Cambodia's garment exporting sector employed about 300,000 workers directly and many more indirectly through subcontracting networks. It consists of more than 250 factories, the vast majority of which is foreign owned, with more than 90% of capital held by investors from abroad. Taiwan RC, PR China, Hong Kong SAR and South Korea are the major players in this field, while there is a very small amount of production sites owned by Western companies. About two thirds of garment exports are destined for the US, and about 20% for the European market, which is why the US Department of Trade had such considerable influence on linking labour standards to trade privileges, as discussed earlier. In Table 3, the overall compliance rates, established during factory visits for various years, are summarised. As can be seen, CME factories consistently show the highest rates of compliance up until 2009-10. While for 2005-06 the difference between the ownership types is statistically significant at the 10% level only, it is nevertheless remarkable. The fact that CME factories show higher figures for overall compliance than LME- or NME-owned sites remains constant for the analysis of later visits in 2009 and 2011. During both periods, the level of compliance has improved overall for every type of market economy, which indicates that the Better Factories monitoring and training programmes indeed produce

results. As of 2011, the differences between types have become highly significant statistically, at a level of 1%, which means the probability of the differences being a random effect rather than systematic is negligible. In addition, the gap between CME and HME (investors from South East Asia, mostly Singapore and Thailand but also including Cambodian-owned firms) has substantially narrowed down, and in one period even HME-owned factories even slightly outperformed CME-owned ones, with both types now showing almost identical compliance rates. This might be an indication of a demonstration effect and would underline the success of the programme in improving working conditions and labour rights especially among this type of factories.

Table 2: Overall compliance with labour standards in %, 2006-2011

	LME			NME			CME			HME			Sig.
	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max	
2005-06	86.88	64.16	97.29	86.17	67.47	97.29	88.95	73.80	97.89	86.77	61.75	97.29	.095
2007-08	89.73	77.11	97.89	88.47	69.28	97.59	91.12	78.61	98.19	89.70	68.37	98.49	.067
2009-10	90.61	80.12	99.40	90.99	80.42	97.89	91.97	80.12	97.89	92.70	77.11	98.80	.157
2011	90.25	76.20	99.10	89.77	76.51	98.49	92.02	80.12	98.49	92.05	77.11	98.80	.011

Source: ILO/IFC database, author's calculations

In the observed period from 2007-08 to 2009-10, the increase in compliance rates has been slowing down, and subsequently it stagnated or even reversed. As compliance overall already has reached a very high level, this slowdown could be expected. What is more, some retrogression in labour standards compliance has also been detected in earlier years of the BFC programme and then could be link to some extent to the changing policy regarding public disclosure of non-compliance, as discussed earlier (see also Brown et al. 2012). However, the lack of progress at this later stage is linked to the changing international market conditions and the onset of the global financial crisis. This has clearly shown a negative impact on Cambodian garment exports and put additional pressure on the manufacturers, handed down from the international buyers through the supply chain (cf. Hughes 2012) and which Cambodia tries to get out of (cf. Dasgupta et al. 2011). Similar

pressures on labour standards have been reported for other garment exporting countries that have gained a reputation as ethically responsible manufacturing locations, like Sri Lanka (cf. Ruwanpura and Wrigley 2011). The aggregate level of overall compliance does not reveal the whole picture and there is considerable variation in the different labour standards and working conditions categories.

Table 4 depicts the results for eight different compliance clusters relating to issues of contracts, wages, working hours, leave regulations, worker welfare, labour relations, OSH, and fundamental rights. They provide a more nuanced account of compliance and show that in one category there is no statistically significant correlation between ownership and compliance rate: working hours. Compliance with regulations regarding working hours including overtime regulations is poor across the board, a serious problem that is endemic in the global garment industry (cf. Seo 2011) and also has been highlighted in the latest synthesis report from BFC (International Labour Office et al. 2012). Factories from all types of capitalism have succumbed to breaking the rules more often in this area as they seek to deal with volatile demand. Yet for most other categories there remain discernible differences in compliance. Table 4 shows that the differences are highly significant (probability of random effect below 5%) with regard to contracts, leave regulations, labour relations and fundamental rights. For the latter, the compliance rates are very high overall and thus the absolute differences – while statistically highly significant – rather negligible in absolute terms. Having said that, violations in the category of fundamental rights are attracting the highest attention with the public, policy makers and other stakeholders and therefore even small numbers of violations have considerable consequences with regard to a firm's reputation. Other significant differences (probability that differences are random below 10%) exist for the categories of wages, welfare, and occupational safety and health.

Table 3: Compliance with labour standards by category in %, 2010-11

	LME			NME			CME			HME			Sig.
	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max	Mean	Min	Max	
Fundamental rights	99.84	96.97	100	99.57	96.97	100	99.96	98.48	100	99.65	96.97	100	.006
Contracts	92.78	72.09	100	92.54	76.74	100	94.45	83.72	100	94.57	86.05	100	.049
Wages	94.78	85.51	100	94.35	72.46	100	95.99	86.96	100	95.39	86.96	100	.092
Hours	87.38	63.64	100	87.92	68.18	100	88.58	77.27	95.45	89.51	63.64	100	.439
Leave	93.21	72.73	100	92.50	63.64	100	96.35	78.79	100	95.49	69.70	100	.009
Welfare	86.71	62.5	100	86.91	66.67	100	89.74	75.00	100	90.06	66.67	100	.066
Labour relations	92.42	81.40	100	91.39	76.74	100	93.86	83.72	100	92.67	79.07	100	.030
Occupational safety and health	85.50	63.27	97.96	84.81	62.24	97.96	87.23	63.27	97.96	88.20	70.41	97.98	.094

Source: ILO/IFC database, author's calculations

What this analysis has underlined is that ownership nationality and the types of capitalisms garment manufacturing firms originate from does matter. Buyers still have a strong influence in shaping labour standards compliance of their suppliers (Oka 2010a, 2010b), but focusing just on them driving garment GPNs obscures the fact that vendors produce their own strategies based on the allocative principles and institutional configurations in both the host and home economies. They are powerful players in their own right, and become embedded in and disembedded from networks and territories to varying degrees. Table 5 presents the closure rates of garment factories in Cambodia between 2001 and 2010, listed by country of ownership. For some countries the absolute numbers of factories are very low and thus difficult to interpret in a meaningful way, but comparing countries with a higher number of factories shows that manufacturers from South Korea, a coordinated market economy, have a quite low closure rate compared to other factories from different capitalisms, especially when comparing to Hong Kong, a liberal type of capitalism. This

would indicate a stronger territorial embeddedness in Cambodia by CME firms, even after the expiry of the MFA which led many producers to relocate globally in search of cheap labour once any trade- and quota-related benefits of particular countries evaporated.

Table 4: Closure Rates of Cambodian garment factories by ownership, 2001-2010

Operating Status by Country of Ownership				
<u>Ownership</u>	Status		<u>Total</u>	<u>Close Rate</u>
	<u>Open</u>	<u>Closed</u>		
American Samoa	0	1	1	100.00%
Australia	3	1	4	25.00%
Bangladesh	1	0	1	0.00%
Cambodia (HME)	11	15	26	57.69%
Canada	0	1	1	100.00%
China (NME)	41	26	67	38.81%
Hong Kong SAR (LME)	37	40	77	51.95%
Indonesia	0	2	2	100.00%
Korea (CME)	29	12	41	29.27%
Macau SAR	0	1	1	100.00%
Malaysia	11	8	19	42.11%
Philippines	1	0	1	0.00%
Singapore	10	5	15	33.33%
Taiwan (NME)	61	28	89	31.46%
Thailand	1	0	1	0.00%
United Kingdom	1	1	2	50.00%
United States	3	1	4	25.00%
Viet Nam	0	1	1	100.00%
Total	213	149	362	41.2%

Notes: SAR denotes Special Administrative Region. Pursuant to an agreement signed by China and the UK on 19 December 1984, Hong Kong became the Hong Kong Special Administrative Region (SAR) of the People's Republic of China on 1 July 1997. Macau became Macau SAR 20 December 1999. There are 9 factories (3 open, 6 closed) of unknown ownership that are not included in the table.

Source: adapted from Robertson et al. 2011

In a recent study on garment factory survival in Cambodia, Robertson et al. (2011: 30) conclude that their “results suggest that support networks may matter in the sense that having more factories of the same nationality may increase the chance of survival. These results may also alternatively suggest that the number of factories with the same ownership reflects better market opportunities (such as stronger value chain links)” (Robertson et al.

2011: 30). Similar observations have been made for Korean companies operating in Indonesia, where the Better Work programme recently has been established (Chang 2012). Basic characteristics of coordinated market economies like long-term orientation, negotiation as allocative principle, and sectoral associations (cf. Lee 2011) are therefore likely to produce more deeply embedded GPNs, influencing their strategies and investments in human resources which in turn impacts on working conditions and labour rights (see also Staritz and Morris 2011 on the example of Lesotho). Comparing the results from Cambodia with other countries in which Better Work operates is very difficult, as the compliance assessment tools vary, and – more importantly – participation in the Better Work programme is so far not compulsory in Asian countries other than Cambodia. Therefore a bias is to be expected in terms of which companies join the programme and a process of self-selection is likely. Looking at the case of Vietnam, for example, reveals that ownership patterns differ when compared to Cambodia, with Korean firms making up a much higher percentage of the overall sample. This is true not only for Better Work factories but also for the Vietnamese garment industry in general. Nearly half of the sample firms are domestically owned, and there is only a small number of Hong Kong invested firms and none from PR China participating at this point in time (2010-11). Having said that, an analysis of data based on the first factory visit in Vietnamese factories produced results similar to those found for early factory visits at Cambodian factories, with Korean companies performing better than firms from other varieties of capitalism.

CONCLUSIONS

The geographical shift and increasing fragmentation of garment production GPNs over the last few decades have posed a serious challenge for labour standards and the welfare of millions of workers around the world. Intense competition under neo-liberal economic globalisation seems to have left labour with little if any room for improvement and existing forms of global governance and regulation are often inadequate to tackle the issues of labour exploitation in GPNs. However, as this paper has aimed to show, capitalist modes of global production are by no means a homogenous set of activities, but are rooted in different institutional settings in different places, leading to variegated capitalism and also variegated neoliberalisation (Brenner et al. 2010). Consequently, the forms in which public

and private governance develop and influence each other is also not a simple replacement of government regulation by private sector self-governance. They both influence each other and combine in unique ways, thus transcending the public-private divide that is characteristic of parts of the governance literature identifying 'regulatory gaps' and 'governance deficits'. GPNs are embedded multi-actor structures that link different institutional regimes and are shot through with multiple power relations that determine the outcome for securing livelihoods in the places they connect (Hess 2009). A GPN approach to investigating variegated capitalism across space and (self-)regulation of labour within these provides a useful heuristic as it considers both embeddedness and power as the crucial dimensions of socio-economic development.

The analysis in this paper has aimed to illustrate that ownership indeed matters when it comes to multinational production and labour rights, and to provide insight into the governance structures underpinning the garment GPN in Cambodia. Drawing on Schneider's (2008) typology, it has been shown that in Cambodia multinational garment manufacturers originating from coordinated market economies have consistently high compliance rates with labour standards compared to other TNCs from different varieties of capitalism. This can be explained by the global strategies these CME firms follow, and which are grounded in and influenced by their home country institutional context, leading to stronger forms of embeddedness and more durable and stable network relationships, with more positive consequences for the level of compliance in many categories. Over time, producers from HME which initially had some of the worst compliance rates improved considerably, to the extent that HME-owned factories matched the compliance rates of their CME competitors. This can be seen as a consequence of demonstration effects through the Better Work programme, as well as a stronger long-term commitment to production in Cambodia. However, more research is called for in the future to further substantiate these factors. Garment GPNs are to a large extent labour-intensive, buyer-driven systems, as existing literature over the last decades clearly has shown (for the case of Cambodia, cf. Oka 2010a, 2010b, 2011).

However, this does not mean that producers don't wield power in their own right, nor that GPN development is driven only by international buyers. Changing market conditions and industrial restructuring have led not only to increasing garment GPN fragmentation but also

to a noticeable shift of boundaries between buyers and suppliers through the emergence of large and increasingly powerful agents and intermediaries (cf. Appelbaum 2008). Agents like Li&Fung from Hong Kong, probably the best known firm in this sector, orchestrate production and distribution networks of textiles and garments for growing numbers of customers, thus distancing the brand name holders further from the production process. The nature and duration of contracts and order flow stability can be changing as well when direct sourcing is replaced by intermediaries. Recent research (Oka 2010a; Oka 2010b) using the dataset for Better Factories Cambodia has shown that compliance levels are worse when the buyer-supplier relationship is mediated through agents as compared to direct sourcing. Global agents like Li&Fung have also begun to buy out the sourcing and logistics operations of both brand and mass retailers. For instance, Li&Fung now owns the Fishman&Tobin brand, had recently announced a deal with WalMart worth US\$ 2 Billion and now operates all global sourcing and US distribution activities for Liz Claiborne. The hitherto assumed power asymmetry between buyers and suppliers – where the chain is said to exclusively be buyer-driven – is clearly affected by such developments which arguably necessitates a stronger focus on both small and large suppliers as well as this new creed of agents and intermediaries.

This article, using BFC as an example, has shown that viewing power as practice and GPNs as assemblages of power relations (or, in Foucault's terms, *dispositif*) is useful in unpacking the roles that various state and non-state actors play in the struggle for decent work. It explored the idea that variegation in host and home economies of global garment vendors and the consequent differential embeddedness of garment GPNs has an impact on labour conditions. To substantiate this further, and reflect the changing nature of global garment production and governance, in-depth qualitative analysis will be necessary to better understand the strategies of multinational vendors and how they orchestrate their global network. Following from the results of this study, it seems useful to start by conducting interviews with the headquarters of Korean companies, given their geographical reach and importance in the sector. This was beyond the scope of the research presented here but could provide valuable information not only with regard to identifying the mechanisms that lead to different compliance rates but also to consider how garment manufacturing multinationals can be effectively engaged in multi-stakeholder dialogue. Pike and Godfrey (2012) in their

assessment of the Better Work programme in Lesotho garment factories praise the technique of engaging all key stakeholders, arguing that the formation of alliances fosters trust, thus reducing the chances of non-compliance on standards. The same argument holds for the Better Work / BFC programme in Cambodia. However, Utting and Marques (2010: 11) are a little more cautious: “Although they may play a constructive role, partnership and dialogue are not panaceas. Their effectiveness depends upon specific conditions that control for power asymmetries, respect core precepts and institutions of democracy, promote genuine participation, and guard against the risk of transferring regulatory authority to unaccountable actors”. Looking ahead, then, there is still work to be done in the face of ongoing challenges to labour standards in GPNs, and not only in the garment sector.

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