FROM EMPLOYMENT RELATIONS TO CONSUMPTION RELATIONS:
BALANCING LABOR GOVERNANCE IN GLOBAL SUPPLY CHAINS

ABSTRACT
Global supply chains are part of the corporate strategy of many multinational companies, with often adverse effects on labor conditions. While employment relations scholars focus on a production-oriented paradigm, revolving around interactions between employers, workers, and government, much of the activism motivating the development of private labor standards is based around companies’ relations with their consumers. This paper proposes an analytical framework conceptualizing the interface of employment relations and consumption relations within global supply chains, identifying four regimes of labor governance: governance gaps, collective bargaining, standards markets, and complementary regimes. Finally, we suggest a research agenda for examining the role of consumption relations in the changing nature of global labor governance.

Keywords: consumer, employment relations, global supply chains, labor governance, private regulation, transnational governance

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Introduction

“We’ve known about labor abuses in some factories for four years, and they’re still going on [...] Why? Because the system works for us. Suppliers would change everything tomorrow if Apple told them they didn’t have another choice [...] If half of iPhones were malfunctioning, do you think Apple would let it go on for four years?” (former Apple executive quoted in The New York Times, 25.01.2012)

This quote, referring to reports of abusive labor conditions and suicides at the Taiwanese company Foxconn, the world’s largest consumer electronics maker and contract manufacturer for the US-based electronics firm Apple Inc., illustrates the problem of labor governance in global supply chains. But it also reflects an important shift in balancing labor governance in the 21st century. While Apple has long seemed untouched by the controversy over labor rights’ violations, it has recently come under pressure from customers who have joined with media and advocacy groups to protest against abusive working conditions of its Chinese workforce. How can decent labor conditions in global supply chains be ensured? As companies have moved production offshore, their supply chains have become supranational, with complex ownership structures and chains of control, development that has been accompanied by questions related to the ability and desire of the state to regulate labor across borders. This tension is exposing the failure of the traditional tripartite model of labor governance in relation to global supply chains, where labor, state, and employers collectively produce labor governance (Dunlop, 1958). The result is a lack of meaningful labor regulation across the globe, which is creating a global governance gap.

The challenges related to managing labor distributed over geographical distances in global supply chains have attracted attention from human resource management (HRM) scholars (MacDuffie, 2007; Fisher, Graham, Vachon, & Vereecke, 2010) but there is limited understanding of the importance of employment relationships as a factor in multi-national corporations’ (MNCs)
management of the multiple interfaces within and between organizations. Employment relations generally have been viewed within a production-oriented paradigm that considered the role of consumption as secondary to managing production. Moreover, the rise in the sovereignty of the consumer (du Gay & Salaman, 1992) is being seen as a threat to worker autonomy and work conditions (Bain & Taylor 2000; Knights & McCabe 2003; Taylor, Mulvey, Hyman & Bain 2002). However, increased consumer activism and purchasing relationships between firms has brought the role of consumers in the governance of labor standards to the fore (Heery, 1993; Riisgaard & Hammer, 2011). Rather than simply considering consumer pressure to be a one directional downward pressure on workers, this article draws attention to the symbiotic role of consumers in the creation of global labor governance.

Despite and because of the limited ability of nation states to address supra-national challenges, a growing range of voluntary private governance mechanisms has emerged to regulate labor conditions within global supply chains (Bernstein & Cashore, 2007; O'Rourke, 2006; Vogel, 2008). While private labor governance has attracted increasing scholarly attention (e.g. Bartley, 2007; Fransen, 2011), to date, little consideration has been given to the interface between employment relations and consumption relations in the production of private labor governance. Yet such an approach is precisely what is needed to grasp the dynamics of private labor governance across global supply chains and to address the institutional dimension of HRM (Williams, Heery, & Abbott, 2011). To address this shortcoming, an analytical framework is developed to help to understand the dynamics driving private labor governance.

We first contextualize the challenges of labor governance within global supply chains, before presenting the traditional production-oriented paradigm of employment relations. We argue for the
need to focus on the consumer who, despite being a post-production actor outside of the employment contract, has become an important driver of private labor governance. We review different types of private, market-based, forms of labor governance adopted by companies to manage consumption relations. The notions of labor power and consumer power are developed to propose an analytical framework that conceptualizes the interface between employment relations and consumption relations. In particular, we set out key dynamics that drive “standards markets”, and “complementarity” between labor and market-based regimes. Finally, we propose a research agenda and offer some concluding remarks.

**Labor Governance in Global Supply Chains**

Global sourcing has become an increasingly prominent purchasing strategy in recent decades (Monczka, Trent, & Petersen, 2008). Outsourcing, offshoring, and other forms of production such as modular production, are used by MNCs to seek competitive advantage based on cheaper labor, and to gain access to consumers in emerging markets. Consequently, both manufacturing and service production now often involve multiple organizations across a variety of institutional settings. Decreasing trade barriers, lower communication costs, lower per unit transportation costs (Glaeser & Kohlhase, 2004), and pursuit of market opportunities have also accentuated this shift.

Since the early 1990s, a number of concepts and analytical tools have been developed to capture the dynamics of global production and distribution, including global commodity chains (GCCs) (Gereffi, 1994), global value chains (GVCs) (cf. Gereffi et al., 2005), and global production networks (GPNs) (Dicken et al., 2001). Common to GCC, GVC, and GPN analyses is the centrality of power relations and its conceptualization which enables actors to predict change. This paper adopts the generic “supply chain,” terminology. Gereffi (1994; Gereffi et al., 2005) famously argued
that within supply chains not all firms are equal and those that exert more power are labeled “lead firms.” Lead firms - often large MNCs - retain the intellectual property rights, design capabilities, and marketing networks while outsourcing manufacturing to derive advantage from labor cost differentials in the region of 15% to 25% (Monczka et al., 2008).

Consider the example of Apple’s iPhone. Although designed and coordinated from Cupertino, California, an estimated 90% of its components are manufactured outside of the US. It is assembled in China using advanced semiconductors from Taiwan and Germany, memory from Korea and Japan, chipsets from the UK, display panels from Taiwan and Korea, and rare metals from China and Africa. The scale, speed, and flexibility offered by Chinese supply chains fueled by low-skilled workers, currently are unmatched. Managing labor in global supply chains is increasingly viewed as critical to companies’ success in coordinating the upstream and downstream flow of products, materials, finances, and information (Jin et al., 2010). However, within both the supply chain and human resource literatures, human resources typically are discussed in terms of increasing supply chain efficiency, downplaying labor issues (Fisher et al., 2010).

Yet, efficiency in global supply chains often can come at the expense of worker safety and working conditions, as illustrated by the controversies affecting the Apple and Foxconn relationship. The key question from a labor perspective is how working conditions (e.g. overtime, child labor, health and safety) can be maintained and/or improved when suppliers are facing increased pressure to reduce operating costs; and what can be done to maintain pay levels and prevent undercutting by organizations seeking to maximize profits through supply chains?
The Production-Oriented View of Employment Relations

The production-oriented view of the employment relationship saw employment governance being provided through two modes: state regulation and collective bargaining. States set both minimum procedures such as union recognition laws, dismissal procedures, and legal enforcement of contractual obligations, as well as substantive minimum standards such as levels of minimum wages and worker compensation levels, which employers within their jurisdiction are expected to meet (Traxler, 1999). Alongside the state, collective bargaining was the means through which workers democratically could exert influence over their terms and conditions of employment, providing a counterbalance to the economic power of employers (Webb & Webb, 1903; Commons, 1919).

While a comprehensive review of the effects of globalization on employment relations is beyond the scope of this article, we offer a brief discussion of the factors that have particular relevance for our framework. At the level of the state, national economies have developed distinctive labor regimes, which bring "comparative institutional advantage" (Hall & Soskice, 2001). However, international competitive pressures threaten distinct labor regimes. In developing economies, the commitment of states to maintaining standards is questioned, with accusations of corruption, and inability and lack of resources in rogue and/or failed states to enforce labor regulation and impose realistic fines (Brinkerhoff & Brinkerhoff, 2002). In developed nations, problems arise when cross-border trade and production involve asymmetries in the strictness of labor regimes. States lack the ability - some might argue the political will - to regulate transnational labor relations (Cerny, 1995).
Downward pressures on labor standards, so-called “social dumping,” generally takes one of two forms (Donaghey & Teague, 2006) that often work in conjunction. First, firms de-invest in economies with high labor standards and relocate to cheaper production regimes. Second, the state plays the role of a “competition state” (Cerny, 1995), actively engaged in regime building to enhance the competitive advantage of its system vis-à-vis other countries competing for foreign direct investment. Thus states, especially those that are offshoring destinations due to their low-cost labor advantages, have an incentive to avoid constraining labor rules in the pursuit of inward investment, often resisting labor regulation proposals from high-labor costs states at the an intergovernmental level. In principle, the International Labor Organization (ILO) provides intergovernmental labor governance mechanisms through states signing ILO conventions. However, despite their binding status, labor rights increasingly are being breached (Gibb, 2005), undermining the ILO’s claims of universal validity and application of labor standards (Senghass-Knobloch, 2004).

In turn, MNCs have greater ability to “regime shop” by choosing to locate production where constraining rules are lower (Rhodes, 1997). Evidence of actual impact is contested, though the threat of such practice is widely accepted. MNCs are thus in a position to bargain downwards the terms of both substantive and procedural rules, the so-called “race to the bottom.” Hauptmaeier and Greer (2012) highlight how the German car manufacturer Volkswagen played off production sites in Germany, Spain and the Czech Republic against each other to raise productivity while maintaining low costs.

Globalization is also posing many issues for the future of collective bargaining (Thelen, 2003; Standing, 1997). Wide-scale collective bargaining and joint regulation primarily are west European
phenomena and the industrialization of many developing countries is occurring under systems where state and/or managerial determinism dominate, leading to weak collective bargaining regimes. The ILO estimates that in about 60% of countries less than 20% of wage earners are covered by collective bargaining agreements, and also that less than 50% of workers in the world lives in a country that has ratified ILO collective bargaining conventions (ILO, 2012).

Within this constrained public space, International Framework Agreements (IFAs) have emerged as the main mechanisms in global supply chains for regulating labor through negotiated, collective agreements. Hammer (2005: 512) describes IFAs as, “agreements [negotiated by Global Union Federations] on fundamental labor rights with MNCs,” which democratize the labor standards-setting process. Agreements can take the form of either “bargaining” where substantive agreements are made, or “rights” where procedural agreements such as Freedom of Association and the right to collective bargaining are set. IFAs cover MNCs subsidiaries and often place requirements on independent suppliers. The first IFA was signed in 1988, by the French food multinational Danone, followed by the hotels’ chain, Accor, in 1995 (Wills, 2002). However, as of 2012, only 70 IFAs are in place. This limited emergence has been attributed to the lack of trade union strength across all units in many MNCs (Stevis, 2010).

**The Role of Consumption Relations in Labor Governance**

While consumption typically is considered a post-production issue, rising consumer awareness of ethical issues has resulted in actors outside the employment contract having an influence on employment relations. Traditionally, consumers and workers have been uneasy bedfellows (Compa, 2004) and consumers have been associated with greater market pressure, flexibility and
service quality (Heery, 1993; Kessler & Bach, 2011). Nevertheless the consumer is increasingly being seen as a fundamental post-production actor and driver of labor governance rather than an enemy of labor as a result of labor standards.

This change has been facilitated not least by the changing strategies of non-governmental organizations (NGOs), faith groups, student organizations, and human rights activists, whose arenas for political struggle have shifted from the state to the private sector (den Hond & de Bakker, 2007; King & Pearce, 2010; Soule, 1997). In the face of globalized industries where no single national body can ensure the enforcement of workers’ rights, activists have mobilized consumers to use their power, at the end point in the global supply chain, to put pressure on MNCs, and "harness the power and the influence of the only truly transnational institution in the global supply chain" (van Heerden, 2010). Campaigns such as the student-led anti-sweatshop protests against Nike, exposed the complicity of MNCs in human rights’ abuses, in industries from rug weaving in South East Asia to cocoa farming in Africa (Bartley, 2007; Vogel, 2008). A critical mass of consumers have started to include ethical issues in their evaluations of products and services, potentially making consumer power a counter-force to globalization’s race to the bottom (Barnett et al., 2005; Conroy, 2007).

The Concept of Private, Market-Based Labor Governance

The lack of a legal framework of global regulation and enforceability has led to the emergence of a global private regime of labor governance (Hassel, 2008; Vogel, 2008). Governance increasingly has migrated from government institutions to private and non-governmental actors, and collective decisions about transnational problems reached without government participation, although states may stimulate and support their development and promulgation (Bernstein & Cashore, 2007). Private, transnational governance, also labeled “soft” or “civil regulation” (Vogel, 2008), can be
defined as “a process in which non-state actors from more than one country generate behavioral prescriptions that are intended to apply across national borders” (Dingwerth & Pattberg, 2009: 711), thereby filling gaps in global regulation and substituting for the declining governance capability of nation-states (Djelic & Sahlin-Andersson, 2006; Tamm-Hallström & Boström, 2010). Rather than deriving policy-making ability from states’ sovereign authority, private governance uses the pressure of public opinion and consumer choice to move MNCs voluntarily to assume a political role in global society (Matten & Crane, 2005; Scherer & Palazzo, 2011). Public pressure may be exerted through direct campaigning by social movements and advocacy NGOs, or through more indirect exposure of firms to global institutional pressure which encourages adoption of corporate social responsibility (CSR) frameworks (Lim & Tsutsui, 2012). Private governance can thereby sidestep potential conflicts over state sovereignty that have restricted Western governments from using trade policies to promote domestic labor regulation in developing countries (Vogel, 2008).

The changing strategy of the ILO exemplifies the shift from governmental regulation to private governance (Hassel, 2008). Rather than seeking ratification by its member states of each of the 188 binding ILO conventions, which have the status of international treaties, in 1998 the “ILO Declaration on Fundamental Principles and Rights at Work” defined four fundamental rights. Yet, their implementation has shifted to private and more decentralized enforcement mechanisms that rely on consumer and civil society pressure rather than government ratification. Table 1 compares production-oriented and consumption-oriented regimes of labor governance.

**TABLE 1 HERE**
As public pressure has become a major influence on MNCs, consumers rather than governments have become the critical third party influencing the dynamics of labor governance. Even if initially MNCs did not feel responsible for violations of human rights within their supply chains, and indeed are not legally liable for independent suppliers’ production facilities, labor rights campaigns have established that a custodial duty of care is owed to ensure that products reaching the consumer are free from human rights’ abuses (Bartley, 2007). Private labor standards, defined as a set of “voluntary predefined rules, procedures, and methods to systematically assess, measure, audit and/or communicate the social and environmental behavior and/or performance of firms” (Gilbert et al., 2011: 24), have become a central instrument to manage the link between employment relations and consumption relations in global supply chains. They are sponsored by a variety of private actors from business and civil society actors often located in foreign target markets where labor issues are perceived as important. Despite lacking central enforcement authority, private standards can have law-like effects (Terlaak, 2007), becoming binding and enforceable rules through independent, third-party, certification systems and diffusing globally as a result of institutional pressure (Bansal & Roth, 2000; Lim & Tsutsui, 2012).

While IFAs are the outcome of political negotiations between labor representatives and employers, the authority for market-based standards emanates from the market’s supply chain (Bernstein & Cashore, 2007), with market actors signing voluntarily with little input from rank and file workers. Unlike IFAs, private labor standards typically either lack the voice of workers from production sites, or include it more or less symbolically (Elliot & Freeman, 2003). Moreover, private standards do not focus exclusively on labor practices and include other criteria that are useful for
companies, such as product traceability or quality control (Reinecke, Manning, & von Hagen, 2012). They also vary over whether and how compliance is verified, ranging from self-audited verification to independent, third party, certification. Table 2 distinguishes private standards according to the representation and control of various interest groups which shape their content and implementation (Fransen, 2011).

**TABLE 2 HERE**

*Unilateral Standards: Codes of Conduct*

With strong unitarist undertones, the pledges for corporations to be more socially responsible have resulted in the development of individual codes of conducts to promote good labor conditions. These single-firm standards help companies to protect their brand reputations from attacks by civil society activists and enhance product quality through improved supplier relations as well as being seen to benefit wider society (Hassel, 2008). In terms of their implementation, codes of conduct are based around the ability of organizations to control their subsidiary plants and contractually to bind independent suppliers to compliance with the requisite standards (O'Rourke, 2006; Locke et al., 2009). The threat of losing a contract with MNCs due to non-compliance may be a greater incentive for local suppliers than poorly enforced domestic labor regulation.

However, codes of conduct are considered the 'lightest' form of private regulation since they entail voluntary commitment which rarely is externally verified or certified by an independent third party. Therefore, a mere compliance-based approach has been associated with symbolic and superficial implementation (Boiral, 2007). Locke and colleagues (2009; Locke, Qin, & Brause, 2007) find that companies and factories that embrace a commitment-oriented approach are more
effective at improving labor conditions because they build relationships of mutual respect, trust, and even reciprocity between auditors and factory managers/owners. In sum, in the absence of collective bargaining or strong states willing to regulate, codes of conduct can provide meaningful routes to improving labor conditions, especially when companies embrace more collaborative models.

Civil Society-led Standards

In the absence of a democratic mandate for rule-making, representation of societal interest groups in standards governance has become a key indicator of their legitimacy (Dingwerth & Pattberg, 2009). MNCs increasingly are aligning themselves with, rather than fighting, social movement activists and NGOs, to promote bi- and multi-lateral partnerships and multi-stakeholder initiatives (Gilbert et al., 2011; O’Rourke, 2006). However, multi-stakeholder initiatives can differ depending on whether they are controlled primarily by civil society groups, transnational institutions, or industry actors.

Multi-stakeholder standards have often been pioneered by social movement-based NGOs (Bartley, 2007; Boström & Hallström, 2010) that have built regulatory infrastructures to address transnational issues (Cashore et al., 2007). The majority are “certification standards” which are seen as the most stringent because they reduce information asymmetries and provide buyers with information about their suppliers’ performance (Gilbert et al., 2011; King, Lenox, & Terlaak, 2005). SA 8000, developed by Social Accountability International (SAI) in 1998, was the first global, auditable standard aimed at reducing sweatshop labor practices. It is regarded as one of the most stringent certification standards in the area of labor governance (Bartley, 2007; O’Rourke, 2006).
Also certification standards can mobilize consumers through ethical product labeling, e.g. the Fairtrade label, and drive the adoption of standards by branded companies. However, their demanding nature, and their control by civil society groups, has limited their diffusion to a few industries.

*Transnational,* institution-led initiatives are generally sector-spanning and focus on incorporating private actors by creating ties between intergovernmental organizations, the business community, NGOs, and academia. Because of their broad scope, they are “principle-based standards,” typically integrating ILO core labor standards within broader guidelines for responsible behavior (Gilbert et al., 2011) but with less emphasis on monitoring and certification. While transnational institution-led initiatives have achieved widespread corporate uptake, lack of real enforcement mechanisms means this often remains at the level of signatory commitment as illustrated by the United Nations (UN) Global Compact. With over 6,000 business participants in 135 countries in 2012, the Global Compact, which was launched in 2000, is the world’s largest voluntary corporate citizenship initiative (Rasche & Kell, 2010). It was purposefully designed to commit businesses to complying with ten universal principles in the areas of human rights, labor standards, the environment, and anti-corruption, but deliberately refrains from monitoring participants. Similarly, signatories to the UN’s Principles for Responsible Investment which include more than 1,100 financial market participants and some of the world’s largest institutional investors, pledge to report on the ethics of their investment practices but yield no monitoring authority to third parties.

Industry-led standards represent industry-wide self-regulation programs (Christman & Taylor 2006; King & Lenox, 2000). They usually represent second or third generations of private
standards established as an industry reaction to the growing influence of civil society standards (Fransen, 2011). Key actors are business associations, mainly from industrialized countries, who focus on promoting better labor conditions in certain states, identified ‘risk countries’ defined as sites of frequent violations of workers’ rights, e.g. China, Bangladesh, India, Pakistan, Turkey, Vietnam. For example, the Business Social Compliance Initiative (BSCI) focuses explicitly on labor-intensive goods in typical offshoring destinations. Similarly, having shifted from standardization of “nuts and bolts” towards social issues, the International Standardization Organization (known as ISO), in 2010 released ISO 26000 to guide corporations towards CSR (Tamm-Hallström, 2008).

These “business-driven programs looking like stakeholder initiatives” often try to gain legitimacy by inviting civil society actors and producers to take part in their governance processes (Fransen, 2012: 172). Their governance, content, and communication may strongly resemble civil society standards but typically differ in important respects. Notably, they usually do not require certification but focus on gradual implementation, and a step-up to other more stringent certification systems. For example, the BSCI recommends SA 8000 certification to members who seek to go further. Although designed to be representative of multiple stakeholder groups, scholars note that the agenda, governance, and standards-setting procedures are often driven by a few, powerful stakeholder groups, with MNCs exerting significant influence (Bendell, 2005; Gilbert et al., 2007). For instance, the UK’s Ethical Trading Initiative (ETI), a voluntary program for improving labor standards in global production chains, describes itself as a coalition of UK-based companies, trade unions, and NGOs but is controlled primarily by business. Similarly, Tamm-Hallström (2008: 58) reports great differences in stakeholder representation in the context of the ISO 26000
standard, and describes how some stakeholders with more financial and other resources could shape the content of the standard.

**The Interface between Employment Relations and Consumption Relations**

Scholars have studied the role of “power relationships that determine how financial, material, and human resources are allocated and flow within a chain” (Gereffi, 1994: 97). We move the debate to the question of how the power relationship between a firm and two of its most important stakeholder groups, labor and consumers, shapes how labor is governed. Heery (1993) called for greater attention to the role of consumer-worker interactions and how convergence between customer-worker interests can affect the employment relationship. Thus, to better understand the interface between employment relations and consumer relations, we conceptualize power within production and/or consumption relations as drivers of particular labor governance regimes. We argue that greater labor power drives labor-based collective agreements regimes, and greater consumer power drives market-based forms of labor governance. While the nature of production and consumption labor governance regimes differs considerably, they may be complementary in the context of establishing labor standards. Before analyzing the interfaces, we outline the respective sources of labor and consumer power. In particular, we focus on Wright’s (2000) use of structural and associational power to conceptualize the power of labor. We use Hirschman’s “Exit, voice and loyalty” framework, developed originally to explain declining consumer loyalty in nationalized industries in Africa, to conceptualize the power of consumers in terms of their ability to pressurize “lead firms.”
**Bases of Labor Power: Structural Power**

The strength of labor primarily is drawn from the structural and associational power held by labor vis-à-vis employers (Wright, 2000). Structural power can be defined as “power that results simply from the location of workers within the economic system” (Wright, 2000: 962). Thus, structural power effectively refers to how labor is positioned vis-à-vis other actors and interests within the economic system, including institutions such as legal frameworks, employer structures, and the physical location of work. Within supply chains three factors shape labor’s structural power: The structural power of workers is high when workers are not easily substitutable; when they have effects on other parts of the economic system; and when knowledge of the structure of a supply chain enables workers to upset the flow of the chain to claim better wages and employment conditions. In sum, the greater the potential of labor to affect the production process the more power it exerts. For example, workers in logistics tend to have higher structural power compared to assembly line workers. Logistics workers possess valuable information about the flow of production, including transportation, supply chain consultants, and financiers as well as labor-friendly investors and shareholders (Quan, 2008). Second, labor gains leverage points in the supply chain when it is “highly driven,” that is, when a strong lead firm governs supply chains in a hands-on manner irrespective of whether the lead firm is situated at the consumption or production end of the chain (Riisgaard & Hammer, 2011), a situation described as buyer- or producer-driven chains (Gereffi, 1994).

**Bases of Labor Power: Associative Power**

The associative power of labor can be defined as “the various forms of power that result from the formation of collective organizations of workers” (Wright, 2000, p. 962), such as trade unions.
and, at the supranational level, Global Union Federations (GUF). GUFs are distinguished by
industrial sector and have a formal internal governance system comprising a worldwide network of
national affiliates (industry union federations) spanning more than 120 countries (Croucher &
Cotton, 2009).

High associative power depends on the co-existence of three factors: the relationships
between supplier-firm unions and lead firm unions, the degree of unity among unions, and the
ability of unions across a supply chain to coordinate solidaristic actions. While GUFs play an
important mediating role, affiliation of a local trade union to a GUF does not necessarily translate
into local compliance with core labor rights (Niforou, 2012). Differences in perceptions regarding
local strategies and international campaigns but also differences in political orientations, can result
in inter-union conflicts and therefore the absence of a shared collective identity among global and
the local labor representatives. Associative power is not independent of structural power.
Awareness of production details allows workers to identify potential allies to organize international
campaigns. Workers may leverage the lead firm’s unionized operations/suppliers in order to gain
solidarity and support (Quan, 2008).

**Bases of Consumer Power: Consumers’ Purchasing Power**

The consumer is the raison d’être for the existence of, and theoretically the most powerful actor in a
global supply chain. Ethical consumerism taps into the consumers’ purchasing power by
encouraging them to evaluate goods and products in terms of price and quality but also of labor
practices and environmental criteria. Consumers can articulate dissatisfaction with goods and
services by abstaining from their consumption, consistent with Hirschman’s (1970) notion of “exit.”
Consumer boycotts are one such form of negative purchasing behavior that expresses protest
against ethical issues ranging from animal testing, genetically modified food, unethical corporate behavior, to goods from objectionable political regimes such as Apartheid in South Africa (Soule, 1997). But instead of actual exit, the mere threat of exit may suffice to alert companies to avoid inflicting damage on the ethical reputation of their brands.

Instead of boycott of ethically questionable goods, consumer activism has moved from “morality of reaction” against socially offensive corporate behavior, to “buycott” or purchase of goods with explicitly positive ethical attributes (Schmelzer, 2010). The realization of consumer power requires the existence of substitute products with the desired ethical attributes along with access to information and the transparency which ethical labels provide (Hirschman, 1970). Fairtrade labeled goods, for instance, enable consumers in rich industrialized countries to use their buying power to improve the incomes and working conditions of producers in less developed countries (Nicholls & Opal, 2005). In sum, when consumers’ purchasing decisions are shaped by consideration of companies’ ethical reputations and “credence factors” (Dolan & Humphrey, 2004), conception of consumers’ ethical expectations may become an important driver shaping firm practices.

**Bases of Consumer Power: Consumers’ Voice Power**

The second form of consumer power can be described in terms of the strength of the consumers’ “voice,” defined as “any attempt at all to change rather than to escape from an objectionable state of affairs” (Hirschman, 1970: 30). The notion of ‘consumer voice’ resonates with Bendell’s (2005) argument that ethical consumerism contains a consumerist, as well as a “citizen” element, allowing consumers to gain political voice and hold MNCs responsible for their corporate conduct (Conroy, 2007; Schmelzer, 2010). Barnett and colleagues (2005: 50/45) argue that “the
The growth of ethical consumerism is not simply spontaneous changes in consumer demand met by more or less elastic market supply, but offers “important pathways to participation for ordinary people” in political issues.

However, corporate enthusiasm for ethical sourcing stems neither from firms' internal ethical commitments, nor commercial strategies to exploit a profitable market niche. Instead, the path to the adoption of ethical labeling has been paved by the laborious work of numerous “hard-hitting” social advocacy organizations which have pressured corporations into the adoption of private standards. Bartley’s (2007) study of voluntary standards initiatives in forestry and apparel demonstrates that their rise was driven by political struggles led by NGOs and activists, rather than actual changes in ethical purchasing behavior. The growing anti-sweatshop movement publicly exposed firms' behavior in a variety of “naming and shaming” campaigns targeting high-profile American companies (Bartley, 2007). As Conroy (2007) notes, the 2000 decision by Starbucks – the world's largest specialty coffee retailer – to offer Fairtrade coffee in all of its 2,700 US chains, was preceded by a country-wide campaign by human rights activists against the coffee house chain, enhanced by media reports of child labor practices in a coffee plantation in Guatemala that supplied Starbucks. Voice has been found to be effective in absence even of actual consumer demand for ethical products or the reality of consumer exit.

In sum, NGOs, media, and social movements are effective mechanisms enabling and amplifying consumer voice. The result is a civil society coalition consisting of NGOs, activist groups, and consumers that acts as societal watchdogs, scrutinizing corporate behavior and creating awareness of corporate abuses to exert pressure on MNCs to take action and enhance the livelihoods and working conditions of branded products. However, companies targeted by social movements, NGOs,
and the media are not necessarily those engaged in the most offensive and least responsible behavior but may be those most vulnerable to societal exposure. e.g. well-known firms enjoying high brand value selling to final consumers in Western markets that may have shifted their production offshore to benefit from lower labor costs (Bansal & Roth, 2000; Terlaak, 2007, Lange & Washburn, 2012).

**Regimes of Global Labor Governance**

We have identified four types of potential relationships between labor power and consumer power in global supply chains (see Figure 1). As outlined above, employees’ influence is rooted in structural and associational power whereas consumers’ influence is rooted in their purchasing power and their ability to exercise a voice.

**Figure 1 here**

**The Southwest Quadrant: Global Governance Gaps**

The southwest quadrant represents global governance gaps. Firms experience low levels of pressure from organized labor or societal actors to establish meaningful labor governance. As workers do not have the associational and structural power to organize across the chain, and consumers cannot exercise their purchasing power and voice to force lead firms to adopt private governance mechanism, firms operating across the supply chains are relatively free to drive a race-to-the-bottom. Lead firms essentially are able to select suppliers based solely on cost, quality, and flexibility; supplier firms are able to engage in ruthless practices towards labor in order to gain competitive advantage. Unfortunately, global governance gaps remain the norm rather than the exception. To illustrate, the ILO (2012) estimated that in 2010 2.3 million workers died as a result
of accidents and work-related diseases, many of which could have been prevented by better occupational health and safety standards. It is estimated also that, throughout the world, around 215 million children are in work, many full-time, and are receiving no or severely limited formal education.

The terrain of labor power is far from evenly spread across global supply chains. Labor’s structural power is highly contingent on the regulatory regime, the nature of the product/service, and even such factors as infrastructure. Through international outsourcing, corporations force numerous and usually rival firms to compete for a limited number of contracts, thereby lowering costs and weakening labor’s structural power (Anner, 2011; Quan, 2008). Labor’s associational power may be low because of weak governmental protection of union rights. Corporations based in developed European countries are generally bound by stronger regulation and trade unions to protect labor rights, than corporations based in developing countries, which explains why IFAs are European company-centric. There is also a considerable lack of stability and continuity of existing global union networks. Internal tensions and conflicts, and dominance of international agendas by (usually European) trade union ‘elites’ (Cumbers et al., 2008), make it difficult to accommodate different local, national, and global interests. Hence, global union networks may fail to generate a sense of collective identity. For example, De Neve (2008) suggests that differences in political trajectories and ideologies among local unions can have a negative impact on local union organization and recognition. In this case, Indian unions saw declining activism despite an internationally based IFA-campaign.

There are several reasons why firms may escape consumer power. If local suppliers do not have export contracts and/or local consumers do not scrutinize either them or their purchasing
companies, there is less pressure to adopt external (Western) labor standards. Moreover, consumer purchasing power is itself mediated by economic factors shaping selective consumer attention. Since economically disadvantaged consumers may place less importance on ethical purchasing considerations, the majority of developing country consumers are less likely to exert public pressure on companies. However, global governance gaps due to the non-exercise of consumer power are not limited to developing countries. Highly visible, global brands are more vulnerable to consumer campaigns via reputational risks or political pressure than those escaping the scrutiny of consumers (Lange & Washburn, 2012). Relatedly, some products, such as high-end consumer goods may capture consumer attention more easily while low-cost goods are generally less scrutinized. This might explain why ethical concerns over Apple’s iPhone achieved greater leverage on Western consumers. In a recent scandal involving the German textile discounter KIK, which operates more than 3,200 stores in eight European countries, 260 workers were reported as dying in a fire at a factory in Pakistan because of non-existent health and safety provisions. A trade unionist from Pakistan captured the lack of consumer attention: “Foreign buyers don’t care about the working conditions at the factories here” (CCC, 2012).

Despite these factors sustaining global governance gaps, firms may become subject to pressures from workers or consumers for collective bargaining or adoption of private labor standards, moving them into the Northwest, Southwest, or Southeast quadrants.

The Southeast Quadrant: Collective Bargaining

In the Southeast quadrant, labor exerts sufficiently strong associative and structural power, in a receptive regulatory context, to negotiate a global level IFA and see it implemented across the supply chain through local bargaining arrangements. Ideally, IFAs make clear reference to ILO
conventions on core labor standards, cover all the operations of the signatory MNC throughout the world, and include unequivocal commitment from the MNC for suppliers to adopt similar standards (IMF, 2006). Advocates of IFAs’ potential to improve labor conditions argue that the value of these agreements lies in their capacity to create space for local trade union organizing and recognition, and hence GUF affiliation is not a prerequisite for successful implementation. Trade union recognition is perceived as the most fundamental core labor right since it sets the grounds for achieving greater gains (Croucher & Cotton, 2009). Hence IFAs may complement—not replace—local or national collective bargaining practices (Riisgaard, 2005). For example, the IFA in the case of Accor hotels enabled effective union organizing in hostile environments, such as Indonesia, and also gave unions a key role in educational activities (Wills, 2002).

However, there is remarkable variety in the content as well as the implementation process and outcomes at supplier sites. Although the majority of IFAs apply to suppliers and subcontractors, they can range from plain statements of intent, and requirements to inform suppliers and subcontractors of the existence of IFAs, to substantive commitments by their signatories to guarantee that subcontractors will respect the spirit of the agreement (Schömann et al., 2008; Telljohan et al., 2009). In a small minority of IFAs, provisions dictate the termination of the business relationship with the sub-contracting company in cases of repeated violations of core labor rights, such as occurred in the French utility company, EDF. Due to the absence of sanctions in the case of supplier non-compliance, IFAs may lead to improvements in company-owned plants but may have little impact on supplier sites, as illustrated by the case of Chiquita (Riisgaard, 2005). Moreover, IFAs may be most successful where least needed. In the case of Telefonica, the agreement covered only unionized subsidiaries where local unions were already affiliated to the GUF (Niforou, 2012).
In the Northwest quadrant, the structural and associational power of labor is weak but there is sufficient consumer pressure to threaten corporate brand image, encouraging MNCs to adopt private standards. Yet, in the absence of an overarching regulatory body and as outlined earlier, numerous voluntary labor standards initiatives co-exist (Bernstein & Cashore, 2007; Fransen, 2011). This multiplicity of private governance schemes can be called “standards markets” (Reinecke et al., 2012). Multiple private governance organizations, more or less intentionally, co-create a competitive market space whose existence is largely accepted by participants, and which allows legitimate coexistence of alternative but partly complementary standards. Standards markets afford firms greater choice in how to demonstrate responsible labor governance.

Standards markets shows how interactions between civil society-led initiatives and corporate responses have increased standards diffusion but also produced a more diverse landscape of competing standards. To illustrate, in 2010 an estimated 16% of coffee production worldwide was certified or verified by at least one of seven available sustainability standards, and this percentage was projected to more than triple by 2020 (TTC, 2012). NGOs and social movement organizations often acted as first movers, pioneering multi-stakeholder standards which offered credible schemes to certify corporate compliance (Fransen, 2011; Tamm-Hallström & Boström, 2010). Over time, the growth of existing society-led standards may make standards adoption a socially expected and ‘normal’ business practice (Bansal & Roth, 2000). However differences between firms and societal groups may become more pronounced, especially when opportunities for product differentiation decrease as increasing numbers of competitor firms adopt similar standards (Bartley, 2007; Fransen, 2012). Some firms remain reluctant to cede authority over their operations to
independent NGOs, or to connect their brand names to labels over which they have no control, preferring to create their own standards (Sasser et al., 2006).

The textile industry provides an illuminating example of standards markets in the context of labor governance. There are several, largely overlapping, private governance schemes (O’Rourke, 2006; Fransen, 2011). While a number of corporations, such as Levi’s, Nike, and Reebok, responded to anti-sweatshop campaigns by introducing corporate codes of conduct in the 1990s, the trend in the textile industry is increasingly towards multi-stakeholder standards applicable across multiple firms (Bartley, 2007). The first generation of multi-stakeholder standards was designed in partnerships between activist groups and firms, including the Fair Wear Foundation (FWF, Netherlands, 1995), the Fair Labor Association (FLA, USA, 1995), Social Accountability International (SAI, American-European, 1996), and the ETI (UK, 1996). Frustrated with the influence of businesses in the governance process, student activists and American trade union representatives set up the Worker Rights Consortium (WRC, USA, 1999) with the specific aim of excluding firms from governance of standards and to amplify the voices of university representatives, labor experts, union representatives, and NGOs (Fransen, 2011; O’Rourke, 2006).

The parallel creation of industry-led governance initiatives can be attributed similarly to the division between firms and labor activist groups over governance and implementation procedures. Direct targeting of brand producers by activists creates a confrontational atmosphere between NGOs and firms, and can discourage some firms from adopting NGO-sponsored initiatives (Sasser et al., 2006). Rather than settling conflicts conclusively or yielding to demands from activists, firms often find it more beneficial to sponsor their own industry-controlled standards alongside activist standards (Fransen, 2011). Retailers’ frustration over attacks by the Clean Clothes Campaign
activists in negotiations over creation of the Fair Wear Foundation, led them to refocus their efforts on private regulatory solutions (Fransen, 2012). This not only encouraged firms to create their own standards but influenced the future willingness of firms to cooperate with NGO-sponsored standards. Many firms left existing initiatives to create industry-led, controlled initiatives, including the American retailers’ Worldwide Responsible Apparel Production program (USA, 2000), and the BSCI (pan-European, 2004).

However, firms have recognized that the multiplicity of different schemes can create so-called ‘audit fatigue’, inefficiency, confusion about requirements, lack of transparency, lack of accountability, and higher costs for companies and their suppliers (Fransen, 2011; Mutersbaugh, 2005). In response, industry-led standards may establish common platforms to harmonize the various, yet sometimes diverging codes of conduct and monitoring systems that individual companies create to improve their social compliance with basic labor standards. The BSCI, for example, presents itself as a harmonization effort to avoid duplicate audits within factories. Similarly, the Global Social Compliance Program, a cross-industry platform for global retail, is a business driven program created “by and for global buying companies wanting to work collaboratively on improving the sustainability (social and environmental) of their often shared supply base” (GSCP, 2012).

Despite increasing collaboration among certain actors, disagreement among private governance organizations prevails and impedes the establishment of unifying standards. As a result of differences between those at the opposite ends of the private regulatory spectrum, private governance organizations behave more and more like market players as they tailor their “regulatory service offerings” to a market fragmented in terms of sectors, geography, and ideology.
This indicates that, although a powerful mechanism to increase the reach of private labor regulation, standards markets on their own may remain targeted towards consumers rather than engaging local worker and communities in co-developing meaningful labor governance.

**The Northeast Quadrant: Complementary Regimes**

In the Northeast quadrant, both consumer power and labor power are sufficiently strong to create a symbiotic labor standards regime. The interactions between consumers and producers can be complementary in creating stronger workers’ rights when, one, private regulation mechanisms are strong enough to enforce standards and, two, democratic unions are sufficiently strong to conduct collective bargaining (Compa, 2004; 2008). Recently, some unions have started purposefully to incorporate customers into their campaigns. For example, Cutcher (2004) studied the Australian Finance Sector Union and how it formed temporary alliances with consumer and community groups by convincing them that branch closures and job losses were having a negative effect on service quality. While codes of conduct tend to avoid provisions that promote dialogue with employees and trade unions, most multi-stakeholder standards endorse the ILO’s core conventions which include what Barrientos and Smith (2007) call process rights: fundamental rights to freedom of association (ILO convention No. 87), collective bargaining (ILO convention No. 98), and other measures aimed at the incorporation of workers and their representative organizations in the negotiation of workers’ rights. Adoption of standards therefore may prompt MNCs to respect them. As another example of how private standards can engage worker participation, O’Rourke (2006) reports several cases of South American and Asian factories where external pressure brought by NGOs and student activists, and by monitoring procedures carried out by multi-stakeholder standards, was critical in assisting the formation of a local union. Such
alliances between unions and consumers highlight the potential role of consumers in advancing workers’ rights. As Heery (1993: 288) notes, such coalitions “demonstrate the complementarity of workers’ and customers’ interests.”

However, the success of complementary regimes is shaped by the degree to which the relationship between unions and NGOs is consensual or conflictual (Egels-Zandén & Hyllman, 2006). The union-NGO relationship may be highly antagonistic, especially at the global level (Senghass-Knobloch, 2004) since global unions focus more on creating and defending space for local union organizing than on NGO issues (Croucher & Cotton, 2009). Therefore union involvement in the governance of private labor standards may help align the interests of global unions and NGOs. Fransen (2011) describes the symbiotic relationship that has developed in the WRC in which governing power is shared between NGO and trade union representatives, with the latter able to conduct monitoring in a bottom-up manner by involving workers and communities and sharing information widely. Forms of co-governance may strengthen the otherwise often weak relationship between local trade union organizations and international labor activists (De Neve, 2008). In Fairtrade, the involvement of labor activists in the development of the Fairtrade standard has resulted in a strong focus on workers’ rights. Yet in 2012, and together with trade unions, labor rights activists, the workers themselves and especially the Workers’ Rights Advisory Council, Fairtrade launched a workers’ rights strategy to provide 170,000 workers employed on Fairtrade certified plantations with greater support to achieve freedom of association, a living wage, and decision power over Fairtrade premium monies. The strategy was aimed at a move from social compliance with standards to fostering the conditions that would equip workers with the tools and ability to negotiate their own wages and working terms.
With regard to the institutional design of private labor governance initiatives, complementarity may mitigate identified weaknesses in their substantial and procedural aspects. First, complementarity in labor-driven and consumption-driven initiatives may counter-balance the selectivity of labor rights and shift the focus bottom-up towards labor. Private standards, and unilateral codes of conduct in particular, are strongly associated with issues that capture the attention of Northern consumers such as child labor and forced labor (Khan, Munir, Willmott, 2007; Sobczak, 2006). Moreover, while the majority of consumption-based labor standards were developed in a Northern context, they were intended to be applied in the global South (i.e. Bremer, 2008; Stevis & Boswell, 2007; Wells, 2009), to enable local unions and workers to have a positive impact on North-South dynamics. Strengthening local unions should empower workers, giving them a greater input to the bottom-up development of compliance criteria, and ensuring that they are responsive to local needs and pragmatic ways of problem-solving.

Second, the involvement of local unions and workers in enforcing labor standards compliance on the ground, may be a crucial mechanism allowing improvements to procedural provisions for monitoring compliance. Compliance mechanisms are ‘soft’ mechanisms comprised largely of moral suasion and technical assistance, and there is no consensus on their effectiveness. The growing role of worker participation in compliance, often advocated by NGO-led standards such as the WRC and the Clean Clothes Campaign, shows that “multi-national firms can play a critical role in supporting, protecting, and even funding worker participation” and also that worker participation can promote substantive compliance with standards requirements (O’Rourke, 2006: 910). In sum, complementarity among labor- and consumer-based initiatives can contribute to a shift from
technocratic compliance towards a more bottom-up and commitment-oriented approach to labor governance (Barrientos & Smith, 2007; Locke et al., 2009).

**Discussion**

In this article, we have argued the need for greater attention to the role of the consumer in driving global labor governance. The growing complexity of global supply chain arrangements has major implications for the organization and regulation of work, with the competitive behavior of lead firms in supply chains often impacting on labor practices and employment relations in supplier firms. With campaigns aimed at mobilizing consumers against the adverse practices of lead firms that are emerging as a result of these developments, managing consumption relations in global supply chains - regardless of the span of ownership and control - has become central to managing employment relations. However, employment relations researchers so far have paid small attention to the end-user, and the role of the consumer in restructuring work relations within organizations has been regarded as rather negative (Bellemare, 2000; Kessler & Bach, 2011). The present article, however, identifies symbiosis between consumer-producer relations in the area of labor standards.

In developing a conceptual analysis of the power relations within supply chains from the consumer across to the lead firm and supplier firms to their workers, i.e., between consumption relations and employment relations, this paper informs scholarship at the intersection of supply chain management, employment relations, and HRM (e.g. Fisher et al., 2010). In particular, we conceptualized the interface between employment relations and consumption relations and identified four types of global labor governance regimes based on producers’ structural and associational power, and consumers’ exit and vocal power. Global governance gaps will persist if both producers and consumers have little power to promote workers’ rights. Where labor power is
high, collective bargaining agreements will be the main mechanism to promote better labor condition through IFAs and local union bargaining. Where consumer power exerts public pressure on corporate reputations, an array of various, partly overlapping private standards initiatives, or standards markets, will arise and afford choice to MNCs to express their responsibility for labor conditions. We envision a fourth regime in which governance through collective bargaining and consumer pressure (high producer power, high consumer power) works conjointly to produce a complementary regime, which may offer promising ways to promote global labor governance.

While consumption relations may be a powerful way of exerting influence to improve labor standards there are some limits to this effect. The exercise of consumer power as a mechanism to affect supply chain governance may be limited to what Gereffi (1994) calls "buyer-driven" supply chains, where suppliers and their workers are in a subordinate position relative to the lead firm and its consumers. In "producer-driven" supply chains (Gereffi, 1994), where firms at the consumer end have less power over their suppliers, consumer power does not trickle down the supply chain. Alternatively, in producer-driven supply chains, the exercise of labor power as a mechanism to affect labor governance may be more active (Gereffi, 1994). In both these circumstances, the power that consumers and workers can exert will be contingent on the sources of power outlined above. As producer-driven supply chains tend to be more technology- and capital-intensive requiring high skilled labor, structural labor power may be higher. However, the decline in trade union membership and coverage across the globe may constrain associational power.

Moreover, and attributable to the factors leading to global governance gaps outlined above, the role of consumption relations is subject to selective attention from consumers, and their subjective attributions to companies and to what counts as irresponsible behavior (Lange &
Washburn, 2012). This may further result in what scholars have labeled cultural imperialism, where Western consumer preferences become the yardstick for labor standards, even if what is ‘desirable’ for workers may differ substantially across cultural contexts (Khan et al., 2007; Sobczak, 2006). Labor standards then become top-down imposed tools to govern reputational risk in supply chains rather than mechanisms giving influence to those who are actually producing. Finally, the idea of a complementary regime relies on coincidence between the interests of dispersed and geographically distant producers and consumers. In effect, this entails circumstances where consumers set aside economic rationality in favor of global solidarity with workers (Heery, 1993). However, in practice neither producers nor consumers are homogeneous social groups and their interests may be conflicting.

These limitations call for a better understanding of the emerging form of tripartism incorporating the role of consumers. Whilst social movement scholars have proclaimed a new tripartite between corporations, civil society, and governments (Bartley, 2007; King & Pearce, 2010), this largely ignores the role of organized labor. We argue that in order fully to understand the dynamics of labor standards across supply chains, it is necessary to examine producer relations, consumption relations, and the interface between them since there are important shifts in the way power is distributed over the spheres of production and consumption (Riisgaard & Hammer, 2011). Research in this area should attract employment relations and HRM scholars to follow an agenda based on tripartite analysis of labor standards in global supply chains.

HRM and employment relations scholars increasingly are in agreement that both successful chain management and chain flexibility require investment in and nurturing of human capital (Fisher et al., 2010; Jin et al., 2010). A better understanding of labor governance may thus aid in
understanding firm performance in a competitive supply chain context. Production is increasingly fragmented, pressure is being experienced to increase regulation, and new actors are becoming involved in setting and monitoring the implementation of labor standards. While this area is open to examination across a number of contexts, we focus on three directions for further research. First, examining new forms of interactions between firms, labor, and consumers across supply chains would encourage more nuanced understanding of the hitherto largely ignored consumption-production frontier. As Compa (2008) argues, labor cooperating with NGOs can produce synergies that raise labor standards. However, there is no empirical evidence on the relations between unions and NGOs especially with regard to the (contextual) factors influencing their various forms (Egels-Zandén & Hyllman, 2006). We need to investigate the possibility for firms, civil society actors, and labor actors to cooperate to promote changes to labor standards across supply chains. How do labor standards percolate through production networks composed of firms involved in the new tripartite relationship compared to those that are not? What are the conditions in which a combined consumption-production approach might be reinforced, co-exist with or be hindered?

Second, our new perspective could be applied to organizations within Gereffi et al.’s (2005) continuum of supply chain forms, ranging from purely market-based relationships to tight knit hierarchies. Our framework focuses more on Gereffi’s (1994) conceptualization of buyer and supplier led supply chains. However, empirical differences can be expected with Gereffi et al.’s (2005) categorization. For example, if there is growing consumer pressure in a hierarchically arranged organization, intuitively we could expect to see the emergence of a code of conduct. On the other hand, a highly fragmented market based regime would result in either governance gaps or emergence of standards markets. Thus, our framework should enable researchers to be more
discerning about whether organizational form, consumption markets, and worker organizations lead to the emergence of increasingly diversified standards, or, as the standards market model would suggest, to convergence.

Thirdly, public procurement and the role of the state have attracted remarkably little attention from employment relations scholars. While the focus has been on the role of the state as rule maker and employer (Traxler, 1999), we suggest a multiple role as employer, regulator, and consumer. Even if governments are unwilling or unable to intervene through regulation, they can play an important role in promoting standards adoption, and we need a better understanding of how the role of public procurement affects labor governance. Many EU governments, including Austria, Germany, France, Sweden and the UK, have adopted responsible procurement practices that emphasize the environmental and social qualities of products and services. Governments are among the largest consumers of goods and services in many countries, and hence there is enormous scope to understand how they—as consumers themselves—can exert their consumption power to influence markets towards meaningful self-regulation. In the twentieth century, much of the focus was on the role of the “model employer,” in the twenty-first century the focus should be on the role of the state as the “model buyer”.

Conclusion

Supply chains are a key element in the strategy of MNCs to achieve cost reductions and other operational objectives. While MNCs consciously seek out lower labor cost regimes, this does not preclude the establishment of “decent” level of labor standards. Nevertheless, in this area employment scholars and practitioners must engage more substantively with consumption-based initiatives. Our argument is designed to initiate a substantive debate on the validity of the
traditional tripartite view of labor regulation in the context of global production regimes. As the consumer emerges as a relevant actor in labor governance, scholars need to rethink the interdependence between consumption and employment relations and how this link could produce real labor governance. With the decline in collective bargaining, with the increased mobility of capital, and conditions of tighter competition, the relationship between labor, consumers, and multinationals inevitably will become more important. This paper is a first step towards theoretically informed engagement to understand the dynamics of labor standards regulation across global supply chains.
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**TABLES AND FIGURES**

Table 1: Comparison of production-oriented regime of labor governance and consumption-oriented regime of labor governance

<table>
<thead>
<tr>
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<th>Production-oriented regime of labor governance</th>
<th>Consumption-oriented regime of labor governance</th>
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<tbody>
<tr>
<td><strong>Means of governance</strong></td>
<td>Recent state regulation and collective bargaining: Global scale IFAs</td>
<td>Private standards (ranging from generic principles to tight certification standards)</td>
</tr>
<tr>
<td><strong>Actors</strong></td>
<td>States and parties to the employment contract: Employers, employees, and their union representatives</td>
<td>Multi-stakeholder governance composed of MNCs and parties outside the employment contract: consumers, social movements, civil society actors, NGOs, transnational institutions</td>
</tr>
<tr>
<td><strong>Enforcement mechanism</strong></td>
<td>Authority-based: Regulatory framework with hard sanctions Negotiated agreements</td>
<td>Market-based: Public pressure creates incentives for compliance by lead firms and enforced compliance of captive suppliers</td>
</tr>
<tr>
<td><strong>Advantage</strong></td>
<td>Binding regulation and enforceable compliance by all actors within a jurisdiction</td>
<td>Transnational and cross-border reach Participatory governance</td>
</tr>
<tr>
<td><strong>Challenges</strong></td>
<td>Lack of authority for cross-border regulation, downward pressures on labor standards due to global competition</td>
<td>Public pressure may be highly selective; Existence of global governance gaps</td>
</tr>
<tr>
<td>Type</td>
<td>Sponsor</td>
<td>Implementation</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>----------------------------------------</td>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>International Framework agreement</td>
<td>Global Union Federations; Multi-national Corporations</td>
<td>National/local employment relations institutions</td>
</tr>
<tr>
<td>Societal-led, multi-stakeholder standard</td>
<td>Societal groups, NGOs, religious organizations, unions, and multi-industry</td>
<td>Mostly 3rd party certification of specific production facilities; Some communicated through a recognizable consumer label</td>
</tr>
<tr>
<td>Transnational institution-led, multi-stakeholder standard</td>
<td>Intergovernmental institutions, NGOs, Multi-industry</td>
<td>Voluntary self-obligation to ethical principles, or non-financial reporting practices</td>
</tr>
<tr>
<td>Corporate Code of Conduct</td>
<td>Lead Company</td>
<td>1st or 2nd party self-monitoring of MNCs at the firm and supplier level</td>
</tr>
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</table>
These form the basis of ILO’s eight “core labor standards” which all member states should respect and promote, irrespective of whether they have formally ratified them. CLS include (1) freedom of association and the effective recognition of the right to collective bargaining; (2) the elimination of all forms of forced or compulsory labor; (3) the effective abolition of child labor; and (4) the elimination of discrimination regarding employment and occupation.