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**Concept vs. Content:  
The Institutionalization of Labor Self-Regulation in the Global Apparel Industry**

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## I. INTRODUCTION

Since the early 1990s, global apparel firms have been repeatedly criticized for the treatment of workers in the production of their goods. Over the course of a decade of consumer pressure, voluntary labor standards in the form of codes of conduct and monitoring arrangements were gradually adopted by many large, branded clothing firms that had been directly targeted for their treatment of workers. It is not clear, however, whether such self-regulation has spread to other segments of the global apparel industry. It is unlikely that smaller or unbranded firms are ignorant of the changes in labor practices by brand-name firms. Further, the anti-sweatshop movement has affected a change in the discourse on the treatment of low-wage workers in the apparel industry. The debate is no longer “*whether* but *how* to strengthen enforcement of core labor standards” (Elliot and Freeman 2001, p. 29).

Existing models fail to explain the effects of this discursive shift. According to the “activist consumer-based model” (Elliot and Freeman 2001), adoption of self-regulation depends on labor activists identifying abuses and motivating consumers to demand that multinational apparel firms address working conditions in developing countries. The most vulnerable firms for future campaigns are those with a carefully crafted brand image that can be damaged by negative press. This model can account for the changes in labor standards by firms that have been direct targets in the past, as they seek to repair the negative impact of activist campaigns. It also anticipates continued targeting of such organizations, but fails to explain what course any corporation beyond these biggest brand names has chosen. Organizational theory, however, explains that firms have incomplete understandings of their environments and are unable to accurately assess risks

(Simon 1962). In response to uncertainty and in search of legitimacy, organizations mimic structures and practices adopted by others in the same industry (DiMaggio and Powell 1983; Meyer and Rowan 1977). Self-regulation could thus have spread to smaller and untargeted firms due to institutional factors.

At a minimum, self-regulation entails the adoption of a code of conduct that spells out the specific worker rights a firm commits to protecting in the production of its apparel. There is, however, great variation in the exact content of self-regulation. In addition to a listing of workers rights, it may also involve monitoring of those rights and other elements related to code implementation, such as training for suppliers and workers, complaints mechanisms, engagement with local labor groups, and participation in multi-stakeholder initiatives (MSI) that monitor members' implementation of a standard code. Some firms also attempt to address the root causes of worker abuses by analyzing their own sourcing practices, local labor law, etc.

Below, I assess the extent to which self-regulation has become institutionalized, both as an idea and as a set of practices to protect workers, and explore factors beyond targeting that may drive firms' adoption of labor standards. While acknowledging that targeting has been critical to spurring change in industry labor practices, I point to other forces, such as field position and national political cultures that could also explain the spread of self-regulation in the global apparel industry. If such institutional factors contribute to the spread of self-regulation, even in the absence of direct targeting, the anti-sweatshop movement's strategy of concentrating on large, brand-name firms will have been quite effective, as these campaigns have had ramifications beyond their direct targets. Further, institutionalization of self-regulation would provide indications that the plight of workers will continue to be an issue of concern, and that more uniform and

formalized governance models for corporate labor standards could be developed, even in a neo-liberal environment. The patterns emerging for the spread of self-regulation in the apparel industry also have implications for our understanding of the diffusion of ideas and behavioral norms more generally. In this paper, I will show that self-regulation has indeed become institutionalized in the global apparel industry, identify drivers behind the spread of voluntary labor standards, and distinguish between the adoption of the concept of self-regulation and incorporation of more elaborate content of codes and monitoring practices.

## **II. HYPOTHESES**

The below analysis relies on an original data set (see section III for an elaboration of data and methodology) to test the following hypotheses.

***Hypothesis 1: Self-regulation has become institutionalized in the global apparel industry.***

In his article clarifying the multiple versions and uses of institutional theory, Jepperson distinguishes institutionalization from reproduction of social practices through other kinds of processes (1991, p. 148-149). This distinction helps to specify how we will know if self-regulation has become institutionalized in the global apparel industry. Patterns of behavior may be sustained over time by means of repeated mobilization and intervention. These are important social processes, but are weaker mechanisms for sustaining a practice than institutionalization, as such actions have to overcome barriers to collective action before they can reproduce a particular practice. Institutionalized practices, in contrast, are sustained by actors enacting them. As Jepperson points out, for a highly institutionalized social pattern, one takes action by departing from it, rather than participating in it. In terms of the case at hand, we will have evidence that self-regulation is institutionalized in the global apparel industry if firms *other* than those that have been

direct targets by labor advocates have adopted at least a minimum level of self-regulation. If only firms that have been attacked have incorporated self-regulation, attention to treatment of workers in the industry is a result of processes other than institutionalization.

***Hypothesis 2: Field position affects adoption of self-regulation, with mimetic and coercive isomorphism driving challenger firms to self-regulate, even in the absence of targeting.***

While the anti-sweatshop movement and efforts at ensuring corporate social responsibility could be seen as addressing the industry as a whole, the structure of the industry acted as a filter through which these forces were strained. The position of a firm relative to other companies affected the kinds of pressures it faced to adapt to these trends. As DiMaggio and Powell (1983) explain, it is useful to think of the industry as an “organizational field”, or a set of firms that are mutually aware of each other as involved in a common enterprise. This field is structured through domination by certain firms and coalitions between members of the field. In Fligstein’s (1996) terms, the field is made up of incumbents and challengers; the former are large, established firms that dominate the field by determining the terms on which competition and cooperation will be carried out, while the latter are smaller firms that take these terms as given. Where in the field a firm is located determines the impact of industry-level developments, such as the anti-sweatshop and corporate social responsibility (CSR) movements, on its practices. Early adopters of a particular practice generally justify changes on grounds of improved performance, but the spread of such innovations are increasingly fueled by concerns about legitimacy – later adopters therefore may not be acting for “efficiency reasons”, but rather because certain practices are taken-for-granted in the field (Biggart and Guillen 1999; DiMaggio and Powell 1983).

DiMaggio and Powell (p. 69-70) outline three forces driving actors in a field to adopt similar practices and structures. Coercive isomorphism is the result of regulation and is likely in fields where actors are closely tied to the state. In contrast, mimetic isomorphism is driven by an uncertain environment in which it is unclear what actions will lead to successful outcomes; innovations are thus often adopted because they are seen as a legitimate way to operate, rather than being linked to improved performance. Finally, normative isomorphism is driven by professionals who seek to establish a uniform approach to solving perceived problems, as a means of gaining legitimacy for the profession.

Forces of mimetic isomorphism are likely to have been at work in the global apparel industry. While incumbent firms adopted self-regulation for “rational” efficiency reasons (i.e. to improve economic performance, or at least prevent losses associated with negative press), challenger firms incorporated such practices for other reasons, such as legitimacy. Smaller and un-targeted firms faced an uncertain environment – it was unclear which companies would become targets for anti-sweatshop protestors (both because protestors were a new, unfamiliar force for firms to contend with and because information on how workers in contractor factories were actually faring was difficult to come by). Further, general calls for CSR implied that financial success achieved without regard for labor standards was increasingly seen as illegitimate. Because of the murkiness of the environment, and the limited ability of firms to assess their realistic chances of becoming anti-sweatshop targets (Simon 1961), challengers are likely to have adopted self-regulation as a means of assuring other firms and the public that they were socially responsible actors, trying to make improvements in their conduct, i.e., to demonstrate their legitimacy in the changed normative environment of the field.

A form of coercive isomorphism may also have pushed challengers to self-regulate. Given the high degree of sub-contracting in the industry, challenger firms that act as suppliers to incumbents are often required to abide by buyers' codes of conduct and submit to audits of working conditions in their factories. Although there is no government agent involved, this type of isomorphism clearly has a coercive element as it is a requirement for doing business with many incumbent firms.<sup>1</sup> Certain segments of the industry have also developed more formal private regulatory regimes to address labor standards. In particular, a large number of American universities have joined the Workers Rights Consortium (WRC) which requires all firms producing their licensed apparel to conform to the WRC's labor standards, disclose production sites, and agree to the terms of WRC monitoring.

***Hypothesis 3: National origins help explain patterns of self-regulation as both firms and activists draw on locally accepted norms for worker treatment.***

In addition to industry-level factors, such as firm position in the field, I expect a firm's country of origin to help explain levels of self-regulation practices. Here, I draw on the work of Frank Dobbin, who explains variation in industrial developments in different countries as driven not only by what is organizationally available, but also by what is culturally conceivable, within a particular political tradition (1994, p. 228). I extend the idea of an institutional culture driving the kind of policy that is developed in a particular state to practices adopted by firms originating from that nation. The socially constructed logics that direct state action extend beyond the government to other organizations that interact with it.

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<sup>1</sup> Although forces of normative isomorphism through professionals are also likely to have played a role in underwriting the legitimacy of self-regulation, space restrictions limit their discussion in this paper.



Attention to the treatment of workers is not a new task with which companies are charged only when they participate in the global economy. When domestic production was the norm, national legal frameworks presented firms with specific labor standards and sets of workers' rights that had to be respected. The details of the labor policy regime varied across states because each country had a unique political culture. In Dobbin's terms, political cultures are organized around ideas and practices that are perceived as preserving social order; conversely, other practices that are seen as threatening social stability are repressed and excluded from possible set of state strategies. Variations in political cultures will have affected the degree to which different states have addressed workers' rights as a legitimate area of government action and the specific policies that have been enacted to protect labor standards.

I do not intend to argue that firms are automatically adopting policies wholesale from governments, without substantially modifying content and practices. The scope of possible adaptations and directions of change are likely to be limited, however, by the particular policy framework with which they are familiar. Activists, government agents, and firm representatives involved in developing codes of conduct all use their national policies as a commonly understood approach to worker rights. Different national starting points and perceived bounds of policy are likely to influence the scope of possible mechanisms a firm adopts to address labor standards and the specific worker rights it takes for granted.<sup>2</sup>

There are several mechanisms through which the effects of national origin on firm behavior could be channeled. First, forces internal to the firm are likely to facilitate

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<sup>2</sup> Given the transnational nature of the apparel industry, what to consider a firm's home country is confounding. I treat the nation where a firm is headquartered as its home country, drawing on Wade's (1996) assertion that headquarter country policies continue to provide resources and structure operations for firms doing business transnationally.

adoption of self-regulation that is consistent with the home state's political culture. In the framework developed by H.A. Simon (1961), actors are "boundedly rational" – because it is impossible for humans to consider the full range of alternative behaviors and possible consequences when making decisions, we seek to limit the cognitive complexity of choices by narrowing our focus on a sub-set of possible alternatives and channeling attention in directions similar to ones which appeared to be successful in past decision-making episodes. National labor standards will have compelled firms to adopt certain organizational routines and structures.<sup>3</sup> These existing features of the firm will be utilized as a response to similar stimuli, this time in the form of demands that labor standards be addressed in a more global context.

Second, external pressures for self-regulation are also likely to reflect the national political culture. Home-country labor activists are arguably most fervent in organizing campaigns against a firm – these actors will be steeped in the same cultural conceptions of how labor standards should be addressed as firm and state actors. Activists will press for protections in line with what they have come to see as the appropriate level of standards in their home country.

***Hypothesis 4: The drivers behind the adoption of self-regulation differ from those driving its contents.***

There is a critical distinction to be made between the *idea* of self-regulation and its *contents*. There is considerable concern over codes of conduct as mere window-dressing – a public relations statement that signals concern for workers' rights to

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<sup>3</sup> Dobbin and Sutton (1998) illustrate how, in the U.S., organizational practices that were originally adopted for legal reasons (coercive isomorphism) came to be seen as "efficient" (i.e., legitimate in a view of the firm in which actions are measured against the stated goal of efficiency) over time. Such practices are therefore likely to persist for legitimacy reasons, even in environments where national regulatory pressures no longer apply.

consumers but means nothing in practice (O'Rourke 2003). While it is not possible for my project to assess the effectiveness of self-regulation (i.e., whether codes and monitoring have improved actual working conditions), more elaborate forms of self-regulation that detail how codes will be monitored, provide for independent verification of monitoring results, and engage with external stakeholders do have greater credibility than those that simply decree a number of workers' rights to be respected. Importantly, the adoption of a code and commitments to its credible implementation allow for an increasing opportunity to hold a firm accountable for its labor practices (Bartley 2005; Reich 2005; Rodriguez-Garavito 2005). More elaborate commitments allow activists greater opportunity to expose shortcomings in firm practices (Abbott and Snidal 2000; Keck and Sikkink 1998). Whether only the idea of a code has become institutionalized or whether more credible versions of self-regulations are widely accepted is thus an important distinction. Different drivers may be at work for the adoption of these two processes, with institutional variables driving the adoption of self-regulation as a concept and collective action figuring more heavily in the adoption of more credible content.

### **III. DATA AND METHODS**

To construct a dataset of firms representative of the global apparel industry I selected all firms from the apparel manufacturing and apparel retail categories from the OneSource Database (a compilation of firm information from 34 business registers from around the world). Before drawing a random sample from these data, I excluded all firms with less than 150 employees after exploratory data searches revealed little on these companies. Firms from the Australasia region were also dropped, as these represented a

very small proportion of the OneSource data, as were duplicate listings. A random draw of 25% of companies in this population resulted in 540 firms.<sup>4</sup>

To identify which firms had adopted self-regulation and which had been targeted for their treatment of workers, I conducted four basic searches for each firm in the database: (1) Hoover's business database; (2) LexisNexis Academic media database<sup>5</sup>; (3) firm website (when available); and (4) general Google search. When available, I also reviewed annual reports and other relevant firm documents (CSR reports, codes, SEC filings, etc.). In addition, I conducted searches in the Workers Rights Consortium factory disclosure database and the Fair Labor Association's archives when it was clear that a firm was supplying American universities. After completing these firm-by-firm searches, I gathered data on anti-sweatshop campaigns and shareholder proxies by socially responsible investment groups to ensure that all public targeting efforts against firms were captured in my database. Further, I collected information on relevant variables by country to test the effects of national origin on the adoption of self-regulation. For firms with self-regulation, I contacted firm representatives with follow-up questions about self-regulation content and coded each on the self-regulation index described below.

Based on the data collected, I coded a series of variables for each firm. The following are analyzed below:

1. *self-regulation adoption*: A firm is coded as having adopted self-regulation if it has made a public commitment to protecting certain workers' rights in the production of its goods. Without such a public statement a company is coded zero on this variable.

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<sup>4</sup> After excluding firms whose continued existence could not be confirmed during data gathering, as well as companies that were mistakenly included (from other industries, or subsidiaries of other firms in the dataset), the total number of organizations in the below analysis is 417.

<sup>5</sup> Within LexisNexis, I conducted two searches for each firm. Within the Business News category for the past five years (2000-present), I searched both the "business & finance" and "industry news" news source sub-categories.

Note that both this and the subsequent measure of self-regulation indicate only patterns of adoption of voluntary labor policies. Neither is an indicator of the effectiveness of such policies or a measure of changes in working conditions.

2. *self-regulation index*: Codes vary greatly in scope and detail, from a mention of commitment to protecting workers' rights to lists of explicit requirements with which sub-contractors have to comply. Similarly, monitoring arrangements range from open-ended statements that sub-contractors must allow inspections by firm representatives to formal association with established monitoring schemes by independent actors (such as Social Accountability International, the Fair Labor Association, etc.) An additive index with 63 components in seven general categories (code content, monitoring, remediation, multi-stakeholder initiatives, transparency, root causes, governance) indicates the level of development of self-regulation.<sup>6</sup> The scores for sample firms vary from zero for firms with no public commitments to protecting workers' rights to 42 for the company with the most elaborate self-regulation. The mean score among self-regulating firms was 23.<sup>7</sup>

3. *targeted*: A firm is coded as targeted if there has been one or more incidents of public criticism for its treatment of workers. Such incidents may take multiple forms, such as demonstrations, letter-writing campaigns, shareholder proxies, press reports, and information campaigns.

4. *brand orientation*: Brand status is an indicator of field position. Organizations with brands are considered incumbent firms as they set brand premiums and therefore structure prices and terms of competition in the industry. Non-branded companies act as

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<sup>6</sup> A listing of the components of the self-regulation index is available upon request. The components were drawn from a review of analyses of corporate labor codes, and included all categories recommended in those sources.

<sup>7</sup> Eighteen firms had some form of self-regulation but no information was found on its content during follow-up data collection. These firms were assigned the mean score (23) on the self-regulation index.

challengers, as they have little power to distinguish themselves to consumers on anything other than price, the level of which will be determined by what branded firms are charging for their apparel. During the firm-by firm searches, I collected information on whether companies (1) manufactured and/or retailed their own brand or (2) produced and/or sold brands owned by other organizations. Companies fitting into the former category were coded as branded, while those that fit into the latter were considered non-branded. Branded firms were further broken down into the following categories, based on both brand status and market scope:

- A. *global*: brand appears on Financial Times BRANDZ Top 100 (2006) or Business Week 100 Top Brands (2001-2006), indicating that it is recognized globally;
  - B. *transnational*: brand is marketed in more than one national market;
  - C. *local*: brand sells only in one national market.
5. *brand connection*: This variable indicates that a firm has a direct business connection to branded apparel, either through production, licensing, retailing, or past ownership.
6. *university connection*: Firms listed in the WRC's factory disclosure database, either as a supplier or a university licensee, were coded as having a university connection.
7. *welfare regime*: This national level variable represents social security contributions by employers and workers as a percent of gross domestic product. It is compiled from social security records and national accounts, and is included in the database of cross-country labor market indicators developed by Martín Rama and Raquel

Artecona (2002).<sup>8</sup> I use this variable to proxy for the degree to which labor is de-commodified in a specific nation.

For this and the other national-level variables (relevant ILO conventions, other ILO conventions, press rank), each firm in my database is linked to the indicators relevant to its headquarters country.

8. *relevant ILO conventions ratified*: Codes of conduct are starting to converge around a subset of labor standards (O'Rourke 2003; World Bank Group 2003). These are: forced labor; child labor; freedom of association and collective bargaining; discrimination; health and safety; working hours; wages and benefits; and harassment and abuse. The first four of these were designated by the International Labor Organization (ILO) in 1998 as vital to social and economic life, which initiated a concerted effort for their ratification, and a general call for governments, employers' and workers' organizations to uphold these basic human values (ILO 2006b). In addition, there is an ILO convention covering health and safety.<sup>9</sup> The variable used in the analysis is the sum of relevant conventions (maximum 9)<sup>10</sup> ratified by a specific country, used as an indicator of the nation's rhetorical commitment to those international labor rights included in codes of conduct.

9. *other ILO conventions ratified*: This variable is the sum of ILO conventions ratified, other than the nine included in the previous variable (ILO 2006a). Ratified

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<sup>8</sup> For comparability purposes, Rama and Artecona provide these data for five-year periods. The latest period (1995-1999) was used for this analysis.

<sup>9</sup> There are also weaker ILO recommendations for wages and benefits and for hours of work. ILO conventions are binding if ratified and are supposed to be incorporated into national law, while recommendations are non-binding guidelines (ILO 2005). I used the language in these conventions and recommendations in evaluating the contents of firms' codes of conduct for the self-regulation index. For harassment and abuse I used the United Nations Global Compact as there is no corresponding ILO standard.

<sup>10</sup> Conventions 138 and 182 (child labor), 29 and 105 (forced labor), 87 and 98 (freedom of association and collective bargaining), 100 and 111 (discrimination), and 155 (health and safety).

conventions specific to industries other than apparel (seafarers, mines, nursing, etc.) are excluded, as are any that have been subsequently denounced. The variable is a measure of the country's overall commitment to international labor standards.

10. *press rank*: Countries are rated annually in Freedom House's Global Press Freedom Rankings (Freedom House 2005), where a lower rank (corresponding to a larger number) indicates a more restricted press. It is an indicator of the political openness of the society, and the possibility of a firm's labor practices being publicized through the media.

11. *private*: Dummy variable for firms that are not publicly listed.

12. *retailer*: Dummy variable for firms that retail their own or other firm's brands.

13. *production dispersion*: When production was based in a firm's headquarter country, domestic labor law covered the rights of workers involved in production. It is primarily when production goes off-shore, and particularly as it starts up in countries where labor regulations and their enforcement are perceived as inadequate that activists push apparel companies to adopt self-regulation. I therefore include a measure of production dispersion that indicates the number of regions (Africa, Asia, Australia, Central America, Europe, Middle East, North America, South America) in which a company produces, to gauge the scope of a firm's off-shore production.

#### **IV. RESULTS AND DISCUSSION**

Using the definition set forth by Jepperson (1991), self-regulation can be considered institutionalized in the industry if it exists in the absence of targeting. Thus, if firms that have not been targeted for their treatment of workers have adopted self-regulation, this process is driven by forces other than collective action by labor activists and socially responsible investors, and the practice can be considered institutionalized.



As Table 1 shows, self-regulation is relatively widespread, with 22% of firms adopting some form. Further, self-regulation appears to be institutionalized, at least at a subset of firms. Among companies adopting codes and monitoring arrangements, about half (48%) have not been directly criticized for their labor practices. Targeting is thus not necessary for adoption of self-regulation by apparel firms.

[TABLE 1]

Notably, targeting alone is not sufficient to explain adoption even amongst those firms that have had campaigns waged against them. Among targeted firms, less than half (45%) have some form of self-regulation, while the remainder do not. While targeting is no doubt an important consideration for leaders of companies that have been the focus of campaigns, it is not the only force driving the adoption of labor standards by actors in the industry.

To explore the drivers behind adoption of self-regulation, I use logistic regression (Table 2, Model 1). The dependent variable in this regression is adoption, so a firm is coded 1 if it has publicly committed to any self-regulation, regardless of content. The results confirm the observation that the concept of self-regulation is indeed institutionalized in the global apparel industry. In fact, self-regulation has been institutionalized to the point that collective action is no longer a factor in its adoption. Using adoption of self-regulation as the dependent variable, the targeting variable is not significant. Although anti-sweatshop activism was surely instrumental in initiating the move towards voluntary labor standards in the global apparel industry, self-regulation has become a part of doing business in this field and adoption is now driven solely by other factors (Hypothesis 1).

[TABLE 2]

Being a globally recognized brand is one of these drivers. The variable indicating global brands is statistically significant and positive. Of the handful of firms that enjoy this status<sup>11</sup> all but two have some form of self-regulation. Aside from these top incumbents, however, brand status does not appear to affect adoption of self-regulation, as neither the transnational nor local brand variables are statistically significant. This result supports the hypothesis that challengers are adopting self-regulation, in spite of not being targets of labor activists. Unbranded challenger firms have imitated the behavior of incumbents and are currently as likely as (transnational and local) branded incumbents to adopt codes and monitoring.

For the adoption of self-regulation, neither connections to a brand nor to the American college apparel market matter. Both the brand and university connection variables are statistically insignificant. Hypothesis 2 is not fully supported by the data: while mimetic isomorphism does play a role in the spread of self-regulation, coercive isomorphic pressures do not seem to drive such adoption by apparel firms.

In terms of the national political variables (Hypothesis 3), there are some mixed results. The welfare regime variable, intended to measure the decommodification of labor in the headquarters country, is not significant. However, the two indicators based on ratifications of ILO conventions are. Surprisingly, their coefficients have opposite signs. While the logged odds of adopting self-regulation increase with each relevant ILO convention ratified, they decrease (by a smaller magnitude) for each additional other convention ratified. Depending on a country's exact constellation of ratifications, then, these variables may increase or decrease the likelihood of a firm headquarter in that

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<sup>11</sup> Ten companies in the sample were categorized as global brands (Levi's, Target, Benetton, Disney, Giorgio Armani, LG Home Shopping, Louis Vuitton Moet Hennessy, Polo Ralph Lauren, The Gap, adidas-Solomon). Notably, the two most luxurious (Giorgio Armani and LVMH) are those without self-regulation.

nation adopting self-regulation. Firms from countries that have ratified a number of the relevant ILO conventions, but few of the other conventions, have an increased likelihood of adopting self-regulation. When the number of ratifications of other ILO conventions rises, however, their negative impact counteracts the positive effect of the relevant ILO conventions on adopting self-regulation. As ILO conventions are not effectively enforced, it is possible that governments with little regard for labor standards ratify them with abandon to feign concern to an international community focused on human rights, without having to commit resources to their domestic enforcement. This disregard for working conditions may carry over to a lack of interest in self-regulation by firms from such nations.<sup>12</sup>

In terms of firm characteristics, private firms are less prone to adopt self-regulation as their practices are not as open to scrutiny as those of publicly held companies. Shareholder activism on labor standards has been an important element of the anti-sweatshop movement, which is reflected in the negative coefficient for the private variable.

Finally, the degree to which a company's production is spread across the globe is highly statistically significant and positive. Firms producing in a greater number of regions are more likely to be adopting self-regulation on labor standards. As production occurs in an increasing number of locations and in varying political environments, companies have decreasing control over what happens in each factory. The response to this lack of information and uncertainty is to adopt self-regulation.

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<sup>12</sup> At the mean, the net effect is positive, as the positive effect of the relevant ratifications (mean=5) outweighs the negative impact of the other ratifications (mean=15).

Model 1 has illustrated that the concept of self-regulation is institutionalized. Targeting is no longer a driver of self-regulation adoption. Aside from the most well-recognized brands, incumbents and challengers are equally likely to adopt self-regulation, even in the absence of targeting and especially as their production becomes more global. Headquarter country political regimes seem to play a role in a firm's decision to self-regulate. These results are encouraging, in that they indicate a broad acceptance of voluntary labor standards across firms in the apparel industry, with an accompanying increase in corporate accountability for labor practices. They do not, however, illuminate the factors driving the *content* of the adopted self-regulation. To better understand what determines the development of more credible codes and monitoring arrangements, we turn to Model 2 (Table 2) which uses ordered logistic regression with the self-regulation index as the dependent variable (Hypothesis 4).

Model 2 confirms a number of the findings from the previous model. We again find that self-regulation is institutionalized, as variables other than targeting are statistically significant. Further, while global brand status is important in the adoption of more elaborate self-regulation, the other brand variables are not significant, indicating that incumbents other than those globally recognized are not more susceptible to self-regulation. The results for the ILO conventions ratified, private firm status, and production dispersion are also the same.

In contrast to Model 1, however, targeting does appear to drive the adoption of more credible self-regulation arrangements, as this variable is positive and statistically significant. Collective action continues to drive the elaboration of labor standards, as anti-sweatshop activists push firms to go beyond a simple code and commit to greater accountability. This result fits well with the historical development of the anti-sweatshop

activists' demands, which initially pushed for codes, then monitoring, then independent verification, continuously upgrading demands for more elaborate mechanisms as it became evident that existing arrangements were inadequate.

Coercive isomorphism also plays a role in the diffusion of more credible self-regulation. The university connection variable is positive and statistically significant, indicating that those firms that produce for the American college apparel market are more likely to have credible self-regulation.

Finally, in terms of the national political culture variables, a free press increases the likelihood of firms adopting self-regulation (the press rank coefficient is negative and statistically significant). In such environments firms are accustomed to demands for greater transparency and likely to recognize the possibility of being held to account for their labor practices, either by activists who may use the open media to publicize any abuses, or by their own workers who may act as whistleblowers. Taken together, the national political culture variables show that such factors do affect the content of self-regulation.

## **V. CONCLUSION**

These findings have implications on three different levels. First, and most concretely, the above results suggest prospects for further diffusion of self-regulation and the development of more elaborate voluntary standards in the industry. The anti-sweatshop movement has had an impressive impact; although labor activists protesting the practices of global apparel firms introduced the idea of self-regulation, its spread has now been de-coupled from such collective action, and gone beyond the firms directly criticized. Challenger firms mimic incumbents and signal their legitimacy by adopting

self-regulation. Voluntary labor standards are now truly a form of *self*-regulation, in the sense that their adoption is unrelated to the collective action that sparked them.

Such diffusion is likely to continue, as long as the outsourcing trend persists. Dispersed production was a strong driver of both adoption and contents in the regressions presented above. Supply chains spread over multiple regions has become increasingly common in recent years, in part driven by the Multi-Fibre Arrangement (MFA), which limited imports from any single country to the major European and North American apparel markets. The phase-out of the MFA in January 2005 has led to some consolidation of supply chains, although it has not produced the immediate wholesale shift of production to China and India that some feared (Heron 2006). Less dispersion in the future may mean that self-regulation will not spread to additional firms and that firms with self-regulation stop elaborating their standards as their supply chains become more concentrated.

Activism continues to play a role in the elaboration of self-regulation. A continued push for innovation by the anti-sweatshop movement is likely to result in more credible corporate self-regulation. In particular, models using the leverage of institutional buyers through an independent body, such as the Workers Rights Consortium, lead to more thoughtful standards. Contrary to expectations, however, brands are not pushing their labor policies down the supply chain. Requirements that business partners follow branded buyers' self-regulation are not linked to the adoption or elaboration of voluntary labor standards. Activists should thus continue to criticize firms directly for their labor practices, but efforts are also needed to expand formal models based on institutional buyers (such as local governments, hospitals, police forces, the

military, etc.) that control access to niches within the global apparel market to encourage the elaboration of more credible standards even at untargeted firms.

Second, the above results have implications for the development of a regime that goes beyond self-regulation to a more consistent, enforceable labor standard. The demands for protection of labor standards over the past decade, and the subsequent rise of self-regulation, could be interpreted as a Polanyian countermovement against the neo-liberal ideology. On one hand, self-regulation itself fits well into the neo-liberal ideology, as it is “voluntary” and avoids state involvement in firm affairs. On the other hand, the institutionalization of self-regulation on labor standards implies that there is room for priorities other than efficiency and profit maximization within the neo-liberal framework. With the incorporation of labor standards, room is made for de-commodification of labor within the dominant ideology. Assessing the extent to which such self-regulatory practices have become institutionalized provides a gauge on the extent to which this countermovement constitutes a true “swing of the pendulum” away from the utopia of self-regulating markets and towards a greater emphasis on social concerns (Evans 1997).

Even though self-regulation is an admittedly weak form of governance, its institutionalization indicates that a more stringent labor rights regime may be possible. The finding that adoption of self-regulation is driven neither by targeting, nor by brand status for firms other than the top global brands, shows that such standards are being broadly adopted and have become part of doing business for a wide range of firms, rather than just an elite few. With the widespread acceptance of the concept of labor standards across the industry, the groundwork is laid for the introduction of a model that relies on more uniform rules and enforcement procedures. The institutionalization of the idea of

self-regulation may allow for the kind of “ratcheting up” that Fung, O’Rourke, and Sabel (2001) propose, where minimum labor standard requirements are regularly raised, particularly if coupled with the leverage of institutional buyers. Current efforts to strengthen self-regulation through joint monitoring initiatives by companies, governments, and labor groups<sup>13</sup> mean that there is hope for more uniform and effective enforcement of codes of conduct. Adoption of such innovations could ultimately lead to more consistent and better enforcement of labor standards in the global apparel industry.

The results also suggest, however, that such a process may not occur evenly across the industry. The importance of the national-level variables indicate that firms from countries with a free press and a state emphasis on the ILO’s fundamental rights are both more likely to adopt self-regulation and to elaborate their standards. Further, niches within the field, particularly where institutional buyers intervene between consumers and firm (such as the U.S. college licensing market), are likely to take self-regulation further. These cross-cutting factors suggest that even if more uniform labor regimes develop, there are likely to be several of them, varying across countries or regions and industry niches. A hybrid system of governance may emerge, with those regimes underpinned by positive national factors or supportive market niches evolving into “hard law” (Abbott and Snidal 2000), with clearer, binding instruments for enforcement and adjudication, while other segments of the market continue on with self-regulation similar to the “soft law” that currently dominates (Sobczak 2006).

Finally, the results presented above could be interpreted within a more general theoretical framework to flesh out our understanding of how ideas and practices spread.

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<sup>13</sup> See, for example, the Joint Initiative on Corporate Accountability and Workers Rights ([www.jo-in.org](http://www.jo-in.org)) and Suppliers Ethical Data Exchange ([www.sedex.org.uk](http://www.sedex.org.uk)), among others.



These findings fit with many of the elements of norm dynamics traced out by Finnemore and Sikkink (1998). In particular, the idea of self-regulation, after being promoted by *norm entrepreneurs* (anti-sweatshop activists) and adopted by *norm leaders* (targeted brands) has passed a *tipping point* and spread widely through a *norm cascade* throughout the global apparel industry. The adoption of self-regulation is now in the final stage of *internalization*, in which “norms may become so widely accepted that they are internalized by actors and achieve a ‘taken-for-granted’ quality that makes conformance with the norm almost automatic” (p. 904). The elaboration of self-regulation content could similarly be seen as following this process, but without having reached the critical internalization stage.<sup>14</sup>

The results presented here point to the importance of distinguishing between the diffusion of ideational norms and the behavioral norms that follow from that idea. An idea may have already become internalized, but the practices associated with living up to that norm may take longer to (or may never) institutionalize. In the global apparel industry, the spread of behavioral norms that embody respect for labor standards has not yet passed a tipping point at which some “appropriate” content of self-regulation will be determined. Whether a more elaborate and credible model of self-regulation becomes the norm thus remains to be seen. In contrast to Finnemore and Sikkink’s model, then, norms related to ideas and those underpinning behaviors may move through different processes, with discrepancies in timings and outcomes. My findings point to the need for

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<sup>14</sup> Further research on this project will expand on Finnemore and Sikkink’s model by tracing tipping points in patterns of adoption qualitatively through interviews with early/late adopters and quantitatively through event history analysis. I will also explore the application of ideas (particularly the distinctions between true believers/disbelievers and true/false enforcement) laid out by Centola, Willer, and Macy (Centola, Willer and Macy 2005) regarding the spread of unpopular norms.

a revised understanding of norm adoption that distinguishes between the spread of an idea and the practices that support it.

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TABLE 1: Frequency of self-regulation by targeting

Targeted for labor practices	Adopted self-regulation				total
	no		yes		
	frequency	percent	frequency	percent	
no.....	269	82%	43	48%	312
yes.....	58	18%	47	52%	105
total	327	100%	90	100%	417

TABLE 2: Estimated logit and ordered logit coefficients

model		1	2
type of regression:		logistic	ordered logistic
dependent variable: self-regulation		adoption	index
<i>Variable</i>			
targeted		0.512 (0.419)	0.761 * (0.379)
Brand status:	global	4.602 ** (1.742)	3.078 ** (1.059)
	transnational	1.371 (0.844)	1.262 (0.817)
	local	0.581 (0.770)	0.240 (0.758)
Connections:	brand	0.381 (0.447)	0.126 (0.395)
	university	0.506 (0.530)	1.142 * (0.453)
Country variables:	welfare regime	0.120 (0.088)	0.085 (0.078)
	relevant ILO conv. ratified	0.486 * (0.207)	0.406 * (0.185)
	other ILO conv. ratified	-0.132 ** (0.047)	-0.112 ** (0.041)
	press rank	-0.023 (0.013)	-0.026 * (0.012)
Firm characteristics:	private	-1.236 * (0.525)	-1.354 ** (0.436)
	retailer	0.315 (0.492)	-0.073 (0.419)
	production dispersion	0.782 *** (0.219)	0.739 *** (0.152)
constant		-3.638 * (1.475)	
N		182	182
LR X2 (13)		74.41 ***	91.27 ***

Note: numbers in parentheses are standard errors

\* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$  (two-tailed tests)