





# Focusing Events and the Regulation of Labour Standards in Australian and German Garment Supply Chains: Towards Convergence?

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#### Rana Plaza (RP) as a focusing event?



Source: Wikipedia

- A focusing event is a major, harmful occurrence that may unpredictably reoccur thereby encouraging stakeholders to organise institutional reform aimed at preventing repetition (Birkland, 1998)
- "Accord" as innovative regulatory tool indicating institutional reforms

But what is the impact on garment lead firms' supply chain governance (SCG) structures, including the regulation of labour standards (LSs)?

Is the impact mediated by national "Varieties of Capitalism" (VoC)?

## Factors influencing SCG structures and the regulation of LSs

- Global convergence or national divergence of lead firms' LSs?
  - Tendencies towards 'relational' supply chain practices in CMEs and 'market' arrangements in LMEs (Hall & Soskice, 2001; Lane, 2008; Lane & Probert, 2009)
  - Recent moves towards relational contracting should encourage improved LSs (Gereffi et al., 2005; Dicken, 2011)
- Firm-level factors such as pressure from labour activitists, shareholders, consumers, media (Bartley & Child, 2014; Fransen & Burgoon, 2012; Marx, 2008) influence adoption of stronger, multilateral regulation
- Aim to compare responses of Australian (LME) and German (CME) garment retailers and brands to RP to understand sources of convergence or divergence

#### **Propositions**

- Leads firms in Germany will be more structurally powerful and culturally vulnerable than in Australia and hence will be more likely to adopt multilateral regulation in response to a focusing event
- Australian firms will respond more substantively (cf symbolically) than German firms to a focusing event ('late mover' hypothesis)





























#### How are we undertaking this research?

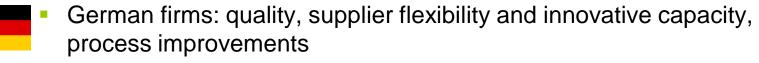
- Appropriate case selection
  - Australia as LME; Germany CME with variation in the structural features of garment lead firms
  - Bangladesh is an emerging, low cost production centre with weak labour rights
  - Selecting firms in each country according to 3 main firm types: retailers (giant/specialized), brand marketers, brand manufacturers
- Data collection
  - 20 lead firms: 10 in Australia, 10 in Germany
  - Manager interviews: 14 in Australia, 10 in Germany
  - Expert interviews (NGOs, unions, industry associations, financial institutions, consultants): 15 in Australia, 12 in Germany
  - Secondary: lead firms' websites, annual reports, CSR reports, NGO/media analyses, labour standards' rankings, industry data, industry events
- Analysis of within and across-country similarities and differences pre and post RP

#### Findings I: Prior to RP – Supplier relations

Cross-national comparison



- Australian firms split equally between market and relational ties
- All German firms had relational ties, sometimes complemented by market-based arrangements
- Comparison between firm types
  - Market ties more common among general retailers in both countries
  - Relational ties favoured by brand marketers and manufacturers
- Reasons cited for relational arrangements





- Australian firms: supply continuity, greater oversight of supplier practices
- Both countries: reputational risk especially regarding social compliance
- Lead firm-supplier relationships converging towards a mix of market-based and relational sourcing in both countries, albeit from different directions

#### Findings II: Prior to RP – Lead firm LSs



- Limited understanding of LSs; unilateral
- Restricted pressure on lead firms' LSs from shareholders, politicians, NGOs
- CSR units in 6/10 garment lead firms; strategic influence typically weak
- Membership in multilateral initiatives 2/10 lead firms
- Moderate level of LSs but substantial between firm variance



LSs on business agenda for some time due to offshoring legacy;
 BSCI as a collective, but unilateral norm



- Selective pressure on lead firms in the past
- CSR specialist units in 9/10 garment lead firms; variable strategic influence
- Membership of multilateral initiatives 4/10 lead firms
- Average moderate level of LSs with little variance between firms

### Findings III: Impact of Rana Plaza



- Large share price decline of 6/7 public firms within 1 month of RP
- 3/10 firms signed the Accord (though very few sourced from Bangladesh)
- 7/10 firms made changes to supplier relationships and/or LSs
- NGO pressure a significant influence on firms' responses



- Share price increase of 2/3 public firms within 1 month of RP
- 5/10 firms signed the Accord
- 3/10 firms made changes to supplier relationships and/or LSs
- Variety of factors influenced firm responses to RP; NGO pressure selective
- Australian firms responded more substantively to Rana Plaza
- Firm responses in both countries varied depending on firms' existing LSs, main sourcing locations, and structural power/cultural vulnerability

#### Issues for discussion

- Signs of convergence towards a mix of market/relational ties in both countries: what does this mean for VoC and for LSs regulation?
  - LSs more strongly institutionalised in Germany but firms in both countries unilaterally uphold baseline standards, reflecting common economic pressures
  - But firms go about standards in different ways: coordinated responses in Germany, individual responses in Australia, reflecting VoC
- Australian firms responded more substantively to RP
  - 'Latermover' hypothesis: Australian firms came late to offshoring and received little public scrutiny prior to RP but 'shocked' into action thereafter
  - However, features of Germany's political economy esp role of the State and EU may eventually produce a more substantive response by its lead firms

 National-historical differences influence supplier relations and LSs regulation, but do not lead to higher vs. lower standards but rather to convergence on baseline level reinforced by focusing events

#### **Open questions**

- What explains cross-national variation and change over time in NGO and other groups (e.g. investment analysts) influence on lead firms' LSs?
- How much do lead firm LSs policies and practices matter? Role of suppliers and local institutional influences (Lakhani et al. 2013).
- Need to examine process of convergence/divergence on LSs more closely. E.g. German firms targeted heavily 15 years ago now active in promoting the Accord and other forms of multilateral regulation unresolved struggle around form and level of LSs regulation to date.
- Next steps
  - Study broader sample of firms
  - Include more countries







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