

Standards for Sweatshops:
The Power and Limits of Club Theory for Explaining
Voluntary Labor Standards Programs

Tim Bartley
Indiana University
bartleyt@indiana.edu

Aug. 2007

Chapter for *Voluntary Programs: A Club Theory Perspective*,
edited by Matthew Potoski and Aseem Prakash, under contract with MIT Press

Introduction

In the early 1990s, when activists first accused apparel and footwear companies like Nike, Wal-Mart, and the Gap of profiting from exploitation, child labor, and the suppression of labor rights in their supply chains, most companies responded by denying responsibility. Confronted in 1992 with images of child labor in a Bangladeshi factory, Wal-Mart's CEO famously dismissed them, telling Dateline NBC, "the pictures you showed me mean nothing to me" (qtd. in Ramey and Barrett 1996:10).

Less than two decades later, major consumer products firms are much more likely to portray themselves as upholders of labor rights around the world and to point to an array of codes of conduct, social audits, factory certifications, and "corporate social responsibility" professionals to back up their claims (Bartley 2005; Esbenshade 2004; Haufler 2001; O'Rourke 2003; Rodríguez-Garavito 2005; Schrage 2004). The 1990s witnessed the formation of organizations like the Fair Labor Association, Social Accountability International, and Ethical Trading Initiative, which set *collective* standards for participating companies and purport to verify compliance in factories around the world. These programs were designed for (and partially by) apparel, footwear, toy, and other consumer products firms selling in North American and

European markets but typically producing through global supply chains. Companies that participate in these labor standards “clubs” incur private costs to fund external monitoring and/or certification of factories—and potentially also face costs in rectifying problems that are identified (although portions of each of these costs remained with the supplying factories). The programs promised to generate positive externalities in the form of improved working conditions, more adequate wages, and reductions in worker abuse and harassment. In return, club members would reap the rewards of an improved reputation among consumers, investors, business partners, and government officials.

How did these systems emerge? And why would firms in labor intensive industries bind themselves to potentially costly voluntary standards? How strong are the existing programs, and what impact have they had?

Club theory, as developed in the first chapter of this volume, can help to answer these questions. I show that pressure from activists, labor unions, governments, and consumers led apparel and footwear firms to adopt voluntary “codes of conduct” as a way to protect their reputation and autonomy. Yet the particular power of club theory lies in explaining how these individual responses might translate into larger, collective sets of standards and rationalized systems of enforcement. I look closely at firms’ initial attempts to organize such systems, which largely failed, as well as the eventual role of companies in creating and designing the Fair Labor Association (FLA) and Social Accountability International (SAI). This analysis shows how the propositions of club theory can inform a processual analysis of institution-building.

This analysis also highlights some limitations and relative blind spots of club theory. I argue that the mobilization of firms as described by club theory cannot fully explain the rise of labor standards associations. To do so, club theory’s emphasis on solutions to firms’ collective action problems must be embedded in a broader analysis of political conflicts over regulation and standard-setting at the national and international levels. Labor standards associations represented not merely a solution for companies, but also an outcome of political battles over the legitimate means of regulating capitalism in a context of globalization and neoliberalism. Rather than just theorizing the potential for voluntary clubs to solve coordination, information, and trust problems, it is important to pay attention to the broader political conditions that have made this form so prominent. Doing so strengthens accounts of how voluntary programs emerge and focus attention on the relationship between private, voluntary initiatives and public policy.

Finally, I examine the factors that lead firms to participate in these clubs and their impacts to date. Although the leading programs can be described as having “medium swords,” participation rates have been low, and I argue that their impact has been quite limited, due to weaknesses in both design and implementation. The rise of voluntary labor standards has for the most part not disrupted the durable inequalities and price and speed pressures that lead to “sweating” the workforce. Overall, club theory provides some useful tools for understanding voluntary labor standards associations, but serious questions remain about their actual benefit and impact.

Before proceeding, it is important to put the content of labor standards in context. The distinction between standards “on the books” and standards “in practice” is central to understanding both labor law and voluntary labor standards. Some advocates for voluntary programs have argued that these programs are necessary precisely because governments are unwilling or incapable of enforcing their labor laws—even though these laws are quite strong in principle in some developing countries. The standards used by groups like the FLA and SAI are based in part on internationally negotiated conventions of the International Labor Organization on forced labor, child labor, discrimination, health and safety, and freedom of association (though with several loopholes added, especially on the latter topic). They do not stipulate specific wage rates but call for conformance with minimum wage laws, prevailing local industry wages, and in the case of SAI also for a wage “sufficient to meet basic needs” and “provide some discretionary income.” Although there are some shortcomings and contradictions to these standards, if vigorously implemented they would nevertheless represent a “step up” from labor practices and conditions in many apparel and footwear factories in developing countries (though not always a step up from the law on the books). But implementing labor standards is not a simple task, and the rise of “corporate social responsibility” has not erased fundamental conflicts between labor and capital, making this a difficult case for voluntary programs.

Labor Standards from a Club Theory Perspective

Why have some of the same firms that initially sought out cheap sources of labor in repressive political environments now adopted voluntary standards for labor conditions and worker rights in their supply chains? The answer lies largely in the pressures that have been brought to bear on companies by anti-sweatshop groups, labor unions, shareholder activists, and consumer groups. While many firms have invested heavily in “branding” and “reputational capital” (Fombrun 1996; Klein 1999) they have also found that high profile scandals and political pressures can tarnish that reputation. In the face of such pressure, it is not surprising that firms would adopt voluntary standards to try to deflect criticism, pre-empt regulation, and signal their social responsibility to consumers and investors. But one would expect firms to pursue low cost solutions that do not require any substantial loss of autonomy in production decisions, such as public relations campaigns and codes of conduct designed for and by the company. This has, in fact, been the most common response to anti-sweatshop pressure. But it is in explaining why firms might go beyond individual responses to create and join collective programs with at least some enforcement capacity that club theory becomes useful.

The keys to applying club theory to voluntary labor standards are (1) to consider the limited credibility of individual strategies and (2) to conceptualize reputation as a “good held in common.”

First, corporations’ claims about their social responsibility are subject to credibility problems. Reasonably savvy consumers and investors may discount companies’ own self-serving claims, especially if activists are able to expose “sham”

elements in them. In response, firms may search for ways of lending credibility to their claims, such as employing auditors to assess them. Still, even if a watchdog is employed, the question of “who watches the watchdog” remains, and the “spiral of mistrust” continues (Djelic and Sahlin-Andersson 2006; Shapiro 1987). Given substantial uncertainty about the credibility of firms’ claims, the market for information about production practices will fail (Akerloff 1970; Viscusi 1978). In this situation, firms may develop an interest in external, at least partially independent systems for monitoring, verifying, or certifying claims and upholding corporate reputations (Milgrom, North and Weingast 1990). In sum, spiraling debates about the credibility of “no sweat” claims may create the conditions for independent labor standards “clubs” to emerge.

Second, conceptualizing reputation as a “good held in common” (Prakash and Potoski 2007) means that individual firm-level strategies for protecting or improving reputations may be insufficient. When activists target specific firms, others in the industry may find themselves “tarred by the same brush,” such that one firm’s reputation is partially dependent on the actions of its competitors (King, Lenox and Barnett 2002). Firms thus face a collective action problem: Unilateral action may not be enough to improve their reputation, and firms that do take steps toward improving production practices are likely to be undercut by competitors (Spar 1998). Yet cooperative responses will likely be hampered by free-riding. For instance, industry-wide codes of ethics that lack sanctions may be undermined by some firms free-riding on the efforts of others, thus undermining the utility of the codes themselves (King and Lenox 2000). There may even be a problem of adverse selection, wherein the *worst* firms (in terms of their labor practices) are the *most attracted* to programs for improving the industry reputation.

Certification and monitoring associations represent a potential solution to this problem (Garcia-Johnson 2001; Spar and Yoffie 2000). By certifying or otherwise recognizing firms that are found to be in compliance, such systems seek to distinguish the good apples from the bad. In this way, reputation becomes an excludable club good rather than a non-excludable public good (Potoski and Prakash 2005). The benefits of an improved reputation can be limited to those firms that contribute to this effort, while free-riders can be excluded. On the other hand, as Prakash and Potoski (2007) point out, industry reputation need not be thought of as rivalrous, since many firms can conceivably join the club and enjoy reputational benefits without subtracting from the benefits accruing to other club members.

If this club theory of labor standards certification is correct, then it ought to provide not only an interpretation of outcomes, it ought to describe the actual *process* of innovation and institution-building. That is, one ought to find evidence of firms coping with the collective action dilemmas inherent in reputations held in common and developing innovative systems for certifying credible claims. Such evidence may be found through a “process tracing” analysis that pays attention both to how actors talk about their dilemmas and strategies and to the course of events through which some proposed solutions fail while others succeed. In the next section, I apply the theory in this way, examining how apparel and footwear firms responded to external pressures and reputational threats. The analysis draws on interviews (N=28) with a variety of

individuals involved in the formation or development of labor standards certification and monitoring programs, articles from the leading trade journals (*Bobbin* and *Women's Wear Daily*), and various secondary sources.

Reputation Threats and Firm Responses: Contention and Institution-Building in the U.S. Apparel and Footwear Industry¹

Concerns in the early 1990s over child labor, physical and verbal abuse, and violations of core labor rights in the production of toys, soccer balls, rugs, and garments marked the beginning of a wave of anti-sweat protests and media campaigns (Cavanagh 1997; Spielberg 1997; Varley 1998). Some of the earliest campaigns focused on production in China—for companies like Levi Strauss, Toys ‘R’ Us, and others—where the Tiananmen Square massacre in 1989 and U.S.-China trade negotiations drew special attention to human rights abuses. Other early sweatshop exposés highlighted child labor in the production of soccer balls in Pakistan, rugs in India, and garments in Bangladesh and Honduras; the suppression of labor rights in Indonesia, El Salvador, and elsewhere; and several shocking instances of physical abuse. Wal-Mart, Nike, the Gap, and Liz Claiborne were among the first major companies to be implicated in these international sweatshop scandals.

Yet one of the most dramatic early sweatshop scandals occurred in the U.S., in the Los Angeles, California suburb of El Monte. It was there, in 1995, that government inspectors discovered Thai immigrants working as indentured servants in an apartment complex, sewing garments to be sold by major retailers, including Montgomery Ward, Target, and Sears (Bonacich and Appelbaum 2000; Su 1997). The next year, labor rights activists brought sweatshops further into the American media spotlight, by exposing child labor in a Honduran factory producing Kathie Lee Gifford’s line of clothing for Wal-Mart, as well as a New York City sweatshop also producing Kathie Lee Gifford’s brand (Bonacich and Appelbaum 2000; Krupat 1997). As *Women's Wear Daily* noted, “allegations about the production of the Kathie Lee line follow other very public black eyes for the garment industry” (WWD 1996:1).

These “black eyes” were compounded by a growing anti-sweatshop movement, which was adding firms like Phillips-Van Heusen, Guess, JC Penney, Eddie Bauer, and many others to the list of companies hit with the sweatshop stigma. Government pressure had also mounted by the mid-1990s. The U.S. Department of Labor had begun stepping up its enforcement of wage and hour law in domestic garment factories in the early 1990s and had experimented with holding manufacturers and retailers responsible for the back-wages owed by their contractors and sub-contractors (Bonacich and Appelbaum 2000; Esbenshade 2004; interviews with Dept. of Labor officials 6/27/02, 7/19/02, 8/23/02). Congressional representatives were introducing a number of bills designed to restrict the import of products linked to child labor and human rights abuses (Barrett 1994; Ramey and Barrett 1996).

¹ This section draws in part on Bartley (2007).

In this context, companies displayed increasing concern about what a trade journal called the attempt to “publicly tarnish the reputation of the industry as a whole” (Nett 1997:38). Faced with threats to their images and autonomy, some began looking for ways to, as one industry advisor put it, “put a muzzle on these watchdog groups” (Rolnick 1997:72).

El Monte and the Earliest Club-Formation Attempts

The El Monte incident spurred one set of firms to begin to develop labor standards clubs to certify compliance. El Monte made the collective character of the industry reputation clear, especially for firms in California. It was explicitly described as such by a *Bobbin* editor in an article called “Bad Apples Need Not Apply:”

Unfortunately, the old saying about a bad apple spoiling the whole bunch can be true—at least on the surface. Perhaps no one knows this better than reputable contractors, who must bend over backwards to distance themselves from illegitimate businesses that tend to give the whole apparel industry a bad rap. . . . How do the ‘good’ contractors, manufacturers and retailers convince John Q. Public that the El Monte situation is not the norm? (Black 1995:2)

As California industry leader Ilse Metchek put it, “the Labor Department considered [El Monte] as the norm—that we’re a sweatshop industry. That isn’t the norm. It’s an aberration. Our job now is to show that [the El Monte sweatshop incident] isn’t the way things are. It’s the way *some* things are” (qtd. in Abend 1996:28).

Faced with direct threats to a reputation held in common, domestic manufacturers and contractors began to develop certification and labeling systems, since as Metchek put it, “certification is the answer” (qtd. in Abend 1996:29). One set of firms developed the Compliance Alliance in 1995, which promised to coordinate factory monitoring and develop a no-sweat labeling program (Bonacich and Appelbaum 2000; Marlow 1995; interview with Dept. of Labor official 8/23/02). The Coalition of Apparel Industries in California (CAIC) also developed a plan to certify contractors and manufacturers at this time, and by early 1997 it was setting up a separate non-profit organization to administer it, called the California Apparel Industry Certification Board (CAICB). This was designed as a “voluntary certification program [that] will allow manufacturers and contractors to be recognized for their efforts to curb labor law violations” (Bobbin 1997:44). Within the industry, the CAIC program was touted as an attractive, industry-based initiative, through which “companies meeting the standards would be ‘certified’ and retailers and manufacturers would be encouraged to use only those firms that are certified, driving out the sweatshop operations,” as one trade journal put it (Black 1997:1).

Yet the outcome of this moment of forward-looking collective action among firms was not the emergence of robust certification initiatives, but instead several *failed* labor standards clubs. Industry actors in California were somewhat divided over the two plans, which differed in the formalization of the certification procedure and the responsibilities assigned to brands and contractors (Bonacich and Appelbaum 2000:234; Marlow 1995). Neither initiative managed to take hold. The Compliance Alliance never introduced a

labeling program, and the CAIC initiative was pronounced definitively dead in 1998 (Black 1998).

Reconstructing this case of a “failed club” holds several broader lessons for scholars of voluntary regulation. First, while analysts typically focus only on clubs that have successfully emerged, digging through the historical record can reveal alternative paths that would otherwise be forgotten. In addition, this instance serves as a further reminder that cooperation is hard to secure, and even initial agreements can falter under the weight of setting up a new organization and promoting a novel set of practices. Such organizations did emerge—in the form of the FLA and SAI—but it took a different set of actors to accomplish this.

From Corporate Codes of Conduct to Monitoring and Certification Associations

Large, image-conscious firms also developed an interest in voluntary labor standards. Levi Strauss had developed the first code of conduct covering labor conditions in its suppliers’ factories in 1991, and by the mid 1990s these sorts of voluntary commitments were nearly ubiquitous in the apparel and footwear industry. A 1996 study by the U.S. Department of Labor identified 36 apparel manufacturers and retailers with labor codes of conduct for their supply chains. This included firms that had been at the center of highly visible sweatshop scandals, like Wal-Mart, Nike, The Gap, and Kellwood (the manufacturer of Kathie Lee Gifford’s line), as well as firms that had largely escaped activist attention, such as Fruit of the Loom, Jones Apparel, Talbots, and VF (maker of Lee, Wrangler, and many other brands) (United States Department of Labor 1996).

The rapid diffusion of codes of conduct stems from the low cost of this response to external pressures (actual or threatened) from activists, government, and consumers. Yet the mere existence of codes of conduct, absent evidence that they were actually being implemented, was a weak riposte to sweatshop allegations. Activists quickly challenged them as purely symbolic responses that were radically decoupled from conditions in factories (Campaign for Labor Rights 1997; Shaw 1999). Some companies attempted to verify compliance by sending internal auditors or hiring accounting firms, non-profit organizations, or firms from the growing industry of specialized labor standards auditors to inspect factories around the world. Activists quickly challenged the adequacy of this response as well. Ernst & Young’s factory monitoring for Nike became the focus of one exposé, which showed that auditors overlooked a variety of occupational health and safety hazards and failed to gather accurate information from workers (O’Rourke 1997). One specialized auditor, Cal Safety Compliance Corporation, turned out to have monitored the California manufacturer that was funneling some of its production to the El Monte slave shop, raising questions about the quality and integrity of this auditor (Esbenshade 2004). Overall, even as companies adopted codes of conduct and employed external auditors, activists kept the pressure up, and companies continued to struggle to make their “no sweat” claims credible.

As with the El Monte case, one might expect these large, high profile firms to cooperate to build collective programs—i.e., labor standards clubs—in order to fend off social movement pressure, pre-empt government intervention, and distinguish themselves from sweatshop operators. Although the major trade associations—the American Apparel Manufacturers Association and the National Retail Federation—did little at this point aside from developing fairly weak codes of conduct, several large brands did come together to support and help design groundbreaking programs like the Fair Labor Association (FLA) and Social Accountability International (SAI).

Initially, even large brand name corporations seem to have found direct cooperation on factory monitoring difficult. As one executive explained, “There was one effort in 95’ or 96’ where we attempted to reach out to our primary competitor and share, and we were rebuffed. And you know, there was a lot of sort of backroom competition between the companies in those days, so sharing was not easily possible” (interview with apparel executive 9/30/2005).² Yet these companies had begun to coordinate their actions in forums like Business for Social Responsibility (BSR), a non-profit organization formed in 1992 with leadership from companies like Levi Strauss and Stride Rite. By 1996, this group also had representatives of Reebok and Phillips Van Heusen on its board of directors and was serving as a “chamber of commerce” of sorts for companies interested in corporate social responsibility (Ramey and Barrett 1996; internet archive: www.bsr.org/bodlist.html as of 10/30/96; interview with CSR professional, 3/16/2004). The Council on Economic Priorities had also organized an informal “study group” of firms with codes of conduct, the Partnership for Responsible Global Sourcing, in which companies like Levi Strauss, Liz Claiborne, and L.L. Bean, and Eileen Fisher participated (Council on Economic Priorities 1994; Ramey and Barrett 1996; interview with SAI organizer 7/18/02).

These companies became some of the key players in the construction of labor standards monitoring and certification associations. In the summer of 1996, the Clinton administration brought together a group of companies, NGOs, and labor unions in what would soon become known as the Apparel Industry Partnership (AIP). The companies included Liz Claiborne, LL Bean, Nike, and Phillips Van Heusen, as well as BSR itself. This group soon began developing plans for the FLA, with representatives from Liz Claiborne, Reebok, and BSR playing especially prominent roles (Arnold & Porter 1996; interviews with NGO-based FLA organizers 8/22/02, 2/19/04; 8/8/02, apparel executive/FLA organizer 3/9/04, independent monitor 7/18/02). The value of the nascent FLA was, according to one corporate participant, that “companies will be better able to protect their reputations” (qtd. in Ramey 1997:14). While many of the largest apparel firms were working within the AIP, Toys R Us, Eileen Fisher, and several other

² This same executive framed this as a missed opportunity, suggesting that companies would have accomplished more in the area of labor standards “if we had understood the benefit—or to put it in a business term, the return on investment—in 1996. It’s pitiful progress if you look at it from that perspective. Much more can and should have been done earlier to bring the collective power of an industry to bear to address those 80% of the problems that we all agree on” (interview with apparel executive 9/30/2005).

companies had teamed up with the Council on Economic Priorities, which founded SAI (originally called the Council on Economic Priorities Accreditation Agency) in 1997.

In sum, a handful of large “branded” companies played an important role in organizing labor standards certification systems, much as club theory would expect. This was not their first strategy for responding to sweatshop criticism but rather one that evolved out of their earlier attempts to maintain their reputations and garner credibility for their claims of being the responsible “good apples” in the industry.

Politics, Neoliberalism, and the Limits of the Club Theory Narrative

The story about firms organizing to solve reputation and credibility problems, important as it is, captures only part of the impetus for the formation of the AIP/FLA and SAI. The AIP was, after all, a *government-led* initiative, while SAI was a project of the Council on Economic Priorities, a non-profit organization promoting socially responsible consumer and investor choices. When one looks more closely at how these initiatives were formed, their *political* roots become clearer.

The Clinton administration brought companies, NGOs, and labor unions together to convene the AIP after a long string of attempts by Secretary of Labor Robert Reich to use publicity to spur improvements in labor conditions both internationally and domestically. In many ways, the AIP/FLA was simply a more systematized version of Reich’s “Trendsetter List,” which named companies that were engaged in monitoring of their contract factories, but which came under fire from both companies and labor unions for its ambiguous standards for inclusion (Bonacich and Appelbaum 2000; Levy 1998; interviews with Dept. of Labor officials 6/27/02, 7/19/02, NGO-based FLA organizer 8/22/02). In addition, promoting voluntary labor standards was a way for the Clinton administration to appease its left/labor constituency while still forging ahead with a free-trade agenda. Clinton had reneged on earlier promises not to sign NAFTA without strong labor and environmental standards and had de-linked trade with China from human rights considerations (Tsogas 2001; Varley 1998). When the El Monte and Kathie Lee scandals hit, the Clinton administration stopped short of endorsing binding inter-governmental regulation (which unions and many labor rights advocates would have preferred) and instead convened the AIP. Although it was a nominally private sector program, several Labor Department and administration officials shepherded the project in its early stages (interview with FLA representative 6/27/2002; interview with NGO and FLA organizer 7/18/2002).

In the ensuing years, Clinton initiated a \$4 million per year grant program, administered through the State Department, to fund voluntary labor standards programs. This provided nearly half of the funding for the FLA and SAI as these programs grew in 2000 and 2001. In those years, government funding accounted for 48% of the FLA’s \$2.46 million in revenues and 46% of SAI’s \$3.92 million in revenues (analysis of IRS forms 990 accessed via Guidestar.org). So even though the Clinton administration did

not directly create SAI, as it created AIP/FLA, government funding was an important source of early support.³

In addition to companies and the U.S. government, a few NGOs played important roles in crafting the procedures and governance structure of the FLA—especially the Lawyers Committee for Human Rights and the International Labor Rights Fund. The latter group had previously called for labor standards in the form of a “social clause” to be added to the GATT (Collingsworth, Goold and Harvey 1994). But the campaign for the social clause fell to defeat in 1994 and again in 1996-97, in part due to charges that it amounted to protectionism and conflicted with GATT rules about non-tariff barriers to trade. It was in this context that the ILRF turned to the market and to the potential for consumer pressure to serve as “an additional weapon in the arsenal for human rights” (interview with NGO-based FLA organizer 8/22/02). Initially, organized labor and several other NGOs saw some promise in the AIP as well, but they eventually dropped out in protest over weaknesses in the workplace standards and monitoring provisions, generating a firestorm of controversy that continues to surround the FLA.

These observations cast labor standards systems in a different light. Whereas club theory puts the analytical focus squarely on the ways in which voluntary clubs “mitigate collective action dilemmas by inducing participating firms to incur private costs to produce positive externalities” (introductory chapter, p.4), the case of labor standards reveals several other factors that have facilitated the rise of voluntary clubs. Governments have actively supported voluntary systems and stimulated cooperation among private sector actors (potentially helping them overcome collective action problems). Governments have done this, in part, because voluntary programs are less likely than binding law and regulation to conflict with free trade agendas or with WTO rules against imposing “non-tariff barriers” to international trade (Bernstein and Cashore 2004; Ward 1996).⁴ The neoliberal project of encouraging free flows of capital and limiting government intervention must to some degree be credited with facilitating the ascendance of voluntary clubs. In addition to setting limits on how governments can regulate trade (through WTO rules) the rise of neoliberalism has legitimated arguments against “hard” government intervention and widely diffused scripts about the power of markets to solve a variety of social problems. Taking this broader political environment into account helps to explain the recent wave of club formation and may also open up new lines of argument how voluntary clubs, governments, and NGOs intersect. Comparing the failed institution-building projects led by firms in the wake of El Monte with the more successful projects that led to the FLA and SAI suggests that the involvement of government and NGOs may in fact be decisive for the formation of some types of clubs, although the contingencies of history get in the way of being able to make a firm conclusion on this point (since not all else was equal in these two moments). In any case, this analysis suggests that paying close attention to the intersections of private programs and public policy should improve our understanding of voluntary regulation.

³ In a previous article (Bartley 2003), I reported that government funding accounted for “most” of SAI’s funding, when the portion was actually substantial but less than 50%. I thank SAI officials for pointing out this error.

⁴ But also see DeSombre and Barkin (2002) for the nuances of these restrictions.

Why Do Companies Participate in Medium-Sword, Multi-Stakeholder Initiatives?

Both the FLA and SAI are “medium sword” programs that include some third-party monitoring along with limited forms of disclosure and sanctioning.⁵ Notwithstanding the well-documented shortcomings of these programs (Esbenshade 2004; Rodríguez-Garavito 2005), they do represent external bodies that participating companies do not fully control and that have at least some degree of enforcement capacity. Both include some representation by NGOs and other non-industry actors, making them “multi-stakeholder initiatives” (MSIs) of a sort, although they do not have the support of organized labor. Their standards and swords are stronger than their competitor on the industry side, the Worldwide Responsible Apparel Production (WRAP) program (O’Rourke 2006). The American Apparel Manufacturers Association created the WRAP factory certification program in response to the rise of the FLA and SAI. With a weaker sword, more lenient standards, and no involvement of credible labor rights or human rights NGOs, this program can be considered a “sham” club. On the other side of the aisle, activists and labor unions developed a more stringent alternative, the Worker Rights Consortium, which rejects the certification model in favor of a “fire alarm” approach to intervening in labor conflicts.

Given the existence of an industry-based “sham” program and corporations’ general reluctance to relinquish their autonomy, why have some companies signed onto multi-stakeholder initiatives (MSIs) like the FLA and SAI? Surprisingly, for all the debate about these programs, no research has tried to answer this question systematically. In this section, I present the results of some analyses of participation in MSIs (FLA, SAI, and the UK-based Ethical Trading Initiative) among the 50 largest U.S.-based corporations (measured by total sales in 2000) that make or sell apparel, footwear, or

⁵ The FLA requires that 5% of the factories producing for a participating company be audited by FLA accredited monitors during an “initial implementation period.” Doing this allows the participating company’s compliance program to gain the endorsement of the FLA itself, although the association stops short of providing any unambiguous “no sweat” guarantees. Summaries of these audits are released by the FLA, but the specific identity of the factories is not made public. The vast majority of audits reveal some areas of noncompliance and the company requires participating companies to take steps to rectify these. On the other hand, no companies have been expelled from the association for repeated noncompliance and companies have had their compliance programs “accredited” by the FLA even in the face of significant areas of noncompliance. SAI works on a slightly different model, in which individual factories are certified to the SA8000 standard by accredited certification bodies (auditors). Brand name companies may also participate in the “corporate involvement program,” which commits them to getting some portion of their suppliers certified. SAI discloses the list of certified facilities, although it does not provide the details of the audit. Nor does the association release information on how many facilities fail the certification audit or the renewal audit that occurs after three years. The auditors accredited by these two associations include large quality assurance firms (e.g., SGS, BVQI), specialized labor compliance auditors (e.g. Cal Safety Compliance Corp, ALGI, Global Standards, etc.), and for the FLA, also some non-profit auditing organizations (COVERCO, Grupo de Monitoreo Independiente de El Salvador). Many of the larger auditors are accredited by both associations.

textiles.⁶ I examine the impact of reputational capital, social movement pressure, and firm size on the likelihood of participating in an MSI.⁷

Data on companies, reputational capital, and social movement pressure

I utilize data on firm size and sector from the Compustat Industrial Annual database and draw on several other sources to measure reputational capital and social movement pressure. To generate a rough measure of whether firms have made major investments in consumer-oriented reputational capital, I utilize external evaluations of companies' advertising and branding efforts during the 1990s—namely, the “100 Leading National Advertisers” list and the “Marketing 100” list, each published yearly by *Advertising Age* magazine.⁸ The former simply ranks the top companies by advertising expenditures, while the latter results from the magazine's attempt to find “current brand success stories” each year and profile their creators (Edwards 2005:70). Together, they capture both traditional marketing efforts and the innovative “branding” strategies that came into fashion in the 1990s. 24 of the 50 large firms in our sample were included on at least one of these lists sometime between 1991 and 2000 and are therefore considered to have significant investments in consumer-oriented reputational capital.⁹

Since corporate reputations may be rooted in perceptions of investors and the rest of the business community, not just end consumers (Fombrun and Shanley 1990; Podolny 2005), I also measure whether companies were recognized for a positive reputation in the business community, using the *Fortune* magazine's lists of “Top 100 Most Admired Companies” (1991-2000).¹⁰ This measure captures a type of reputational capital valuable in (and recognized by) the business community.

⁶ To qualify for this sample, firms must have a primary SIC code pertaining to either textiles (SIC 22, except those pertaining to rugs/carpets or yarn/thread), apparel manufacturing (SIC 23), footwear and accessories (SIC 302 codes pertaining to rubber footwear, SIC 31 codes pertaining to leather footwear, gloves, or handbags), wholesale apparel or footwear (SIC 513), general/mass retailers (SIC 53), apparel retailers (SIC 56), and catalog and mail order houses (SIC 5961). We excluded several firms that were categorized in these SICs but which further research revealed to have only tangential connections to apparel, textiles, or footwear (e.g. Samsonite, mail order companies with no apparel products, etc.). We included one conglomerate firm (Sara Lee), which is a major player in the apparel industry (maker of Hanes, Playtex, and other brands) but is categorized in a different SIC.

⁷ Although looking at smaller, privately owned, and non-American firms might also be useful, data limitations preclude these analyses. Although the Ethical Trading Initiative is based in the UK, two American firms—Levi Strauss and the Gap have chosen to affiliate with this program, in addition to or instead of those based in the U.S. (SAI, and FLA).

⁸ While data on exact advertising expenditures might be preferable, companies are not required to report this information in their annual reports, and therefore Compustat has a great deal of missing data for this variable.

⁹ The “Marketing 100” was created in 1992, so no measurements for 1991 were available.

¹⁰ The *Fortune* reputation rankings are based on a survey in which executives, directors, and financial analysts rate companies on attributes like “quality of management,” “quality of products or services,” “wise use of corporate assets,” and others. In order to be counted as having been recognized for a positive reputation, a company had to achieve a rating above the average for its industry segment in that year. For other uses of this ranking, see Fombrun and Shanley (1990), McGuire, Sundgren, and Schneeweis (1988), and Roberts and Dowling (2002).

To measure social movement pressure, I draw on an intensive coding of a rich source of data on the politics of the apparel industry—the two major trade journals, *Bobbin* and *Women’s Wear Daily (WWD)*. The latter source, a daily newspaper of the industry, provided especially detailed coverage of labor rights and anti-sweatshop campaigns targeting American firms. All relevant articles in these journals from 1993-2000 were collected and coded for details about which companies were targeted. (See Bartley and Child (2007) for more details on the data collection procedure.) The trade journal data was supplemented with data on corporate targets gleaned from the leading secondary sources on the anti-sweatshop movement (Armbruster-Sandoval 2005; Bonacich and Appelbaum 2000; Louie 2001; Manheim 2001; Ross 1997). I use this data to examine whether a particular company was “named and shamed” by anti-sweatshop activists in a given year and to look at how commonly they were targeted—thus capturing the differences between firms that were never targeted, those that were targeted briefly or occasionally, and those (like Nike) that were the focus of sustained social movement pressure.

Results

Overall, the rate of participation in MSIs among the 50 largest American firms was fairly low. Only nine of these companies (18%) participated in the FLA, SAI, or ETI at any point between 2001 and 2004.¹¹ Many of the largest firms in the industry stayed away from MSIs. None of the “big four” discount retailers (Wal-Mart, Sears, Kmart, and Target) participated. Nor did major apparel manufacturers like VF, Sara Lee, or Jones Apparel or department store chains like Federated, May, or Dillards.

Table 1 shows that retailers were significantly less likely than others to participate in MSIs. Nordstrom and the Gap were the only two large American retailers that did participate, while the other 93% refrained.¹² The limited participation by retailers is somewhat surprising, given their direct interface with consumers. If direct consumer demand for “non-sweatshop” clothes were driving the rise of voluntary labor standards systems—as analysts like Elliott and Freeman (2003) suggest—then one would expect retailers to be more heavily involved.

[Table 1 here]

If direct contact with consumers is not a key factor, then what else might be driving participation? Given the importance of reputational benefits to the club theory of voluntary labor standards, it is possible that firms with major investments in reputation have more to gain from participating (or more to lose from not participating) than other firms do. Table 2 provides some initial support for this idea, showing that firms with especially salient brand reputations are more likely than others to participate in MSIs. This resonates with findings from other sectors, such as King and Lenox’s (2000) finding

¹¹ Those nine were Nike, Reebok, Levi Strauss, the Gap, Liz Claiborne, Phillips-Van Heusen, Nordstrom, Polo Ralph Lauren, and Eddie Bauer (Spiegel).

¹² Some large European retailers, like Marks & Spencer and H&M, have participated in MSIs but are not included in this analysis.

that chemical companies with well-known reputations had a higher likelihood of participating in the Responsible Care program. While only 8% of apparel and footwear firms *without* a major brand reputation participated in MSIs, the rate of participation was significantly higher—around 29%—for those firms with major investments in this type of reputational capital.

[Table 2 here]

Yet the effect of reputation may not be as direct as this makes it seem. In fact, it may be the social movement pressure that reputation-intensive firms attract, rather than the reputational capital itself, that determines participation in MSIs. An initial look at the data suggests that social movement pressure is indeed a very important piece of the picture. As shown in Table 3, every one of the nine companies that participated in MSIs had been targeted over sweatshops or labor rights at some point between 1993 and 2000. This means that social movement pressure was a *necessary condition* for participation by large American corporations. It was not sufficient, however, since some companies (19, to be specific) were targeted at least once but still did not participate in MSIs. In the analyses below, I show that the *intensity* of social movement pressure (measured as the number of years a company was targeted by activists) can help to explain participation in MSIs.

[Table 3 here]

In order to better understand the various determinants of participating in MSIs, I use a logistic regression analysis that examines how participation is shaped by firm size, retail status, reputational capital, and the intensity of social movement pressure.¹³ Because these last two factors are analytically intertwined, I assess their effects using a two-stage model designed to adjust for the possibility of endogeneity. The goal of this procedure is to develop measures of reputational capital and social movement pressure that are independent of the tendency for activists to direct their energies at reputation-intensive firms. To do this, I first analyze the intensity with which companies were targeted by social movements, using reputational capital and several other control variables as predictors.¹⁴ I then take the residuals from this model—which represent the difference between the observed amount of social movement pressure and the amount predicted by these factors—and use them as the measure of social movement pressure in a model explaining participation in MSIs. This allows me to assess whether reputation has direct effects on participation or whether its effect is fully reducible to the social movement pressure it attracts. The model of participation in MSIs (the main concern in this chapter) is shown in Table 4, while the first stage is included for interested readers in an Appendix.

[Table 4 here]

¹³ I use the natural log of total assets as the measure of firm size. Among these firms, this measure is highly correlated with other possible measures of size, such as total sales ($r=.93$).

¹⁴ Since the dependent variable in the stage one model is a count of the number of years a company was targeted, I use negative binomial regression (Long and Freese 2006).

I find that both social movement pressure and reputational capital shape companies' participation in multi-stakeholder labor standards initiatives. Table 4 shows that reputational capital increases the likelihood of firms participating, controlling for social movement pressure, size, and retail sector. Firms with consumer-oriented reputational capital (major brand investments) were significantly more likely than others to participate in MSIs. Business-based reputational capital (positive recognition in the business community) also significantly raises the likelihood of participating in MSIs.

Social movement pressure also has a statistically significant effect on participation in MSIs. The more intensely companies were targeted by activists during the 1990s, the greater their likelihood of participating in MSIs, controlling for reputation, size, and retail status.

The negative effect of size indicates that among the firms in this analysis (the 50 largest in the industry), being bigger is associated with a lower likelihood of participating in an MSI, which is consistent with the earlier observation that many of the largest firms have shied away from multi-stakeholder engagement. Retailers are also less likely than other firms to participate (although this effect does not reach the conventional .05 level of statistical significance).

The stage-one model (reported in the Appendix) found that reputational capital increases the intensity with which firms are targeted. We can therefore conclude that reputational capital has both direct effects on participation and indirect effects that go through social movement targeting. Reputation-intensive firms do indeed attract more social movement pressure, which is a major determinant of participating in MSIs. But they also face a higher likelihood of participating for reasons that are not fully reducible to social movement pressure.

Overall, these results underscore the contentious character of this case of voluntary clubs. Absent some degree of activist pressure, *no* major American corporations have chosen to participate in MSIs, and the intensity with which firms were confronted by activists shapes their likelihood of participating. In addition, the idea that firms join voluntary labor standards clubs in order to protect valued reputations from threats (actual or potential) or otherwise maintain their reputational investments is supported by the finding that major investments in reputational capital increase the likelihood of participation.

Of course, there are several caveats to these results. First, a few *smaller* companies, like Patagonia and Eileen Fisher, have joined MSIs without experiencing intense social movement pressure. Among smaller firms, there may be some that pursue corporate social responsibility initiatives purely as a signal of their corporate culture or the market niche they occupy. But this has not generally occurred among the largest corporations. Second, somewhat different findings about retailers and firm size might be obtained if one looked at companies in Europe, where some of the big retail chains have been more interested than their American counterparts in engaging with MSIs. Finally,

over time, we might expect the importance of social movement pressure as an impetus for joining MSIs to decrease. If multi-stakeholder versions of certification and monitoring get institutionalized and become more routine features of industries—as ISO 9000 and 14001 standards have become—one would expect the importance of intense social movement pressure to decline. Whether this sort of institutionalization could occur without a significant weakening of standards and blunting of swords is, of course, a crucial question.

The Limited Impact of Labor Standards Monitoring and Certification

It is tempting to assume that the rise of labor standards clubs constitutes a “win-win” outcome, in which firms’ pursuit of private and club benefits generates broader social externalities. In fact, there is no evidence that voluntary standards have dramatically transformed working conditions or power asymmetries at the point of production. Nor have the potential market benefits fully materialized for companies—with the possible exception of private benefits accruing to those in the burgeoning social auditing industry. Corporate participation in MSIs has remained low, and no market for independently verified “sweat free” apparel or footwear has emerged. Unfortunately, it is not possible to measure the value that certification programs have had for companies in terms of protecting their brand reputation or pre-empting more stringent regulation; surely membership has had some privileges. But social movement pressures and reputational threats have not disappeared, and certification associations themselves have had to defend their credibility on many occasions.

The existing evidence, though highly fragmentary, suggests that the impact of voluntary codes of conduct, factory monitoring, and certification systems on wages, working conditions, and worker empowerment has been modest at best. No research has systematically demonstrated positive impacts, and certification and monitoring associations themselves have begun to express serious doubts about the efficacy of their work. A recent report from the Ethical Trading Initiative cited cases of “audit fraud” and declared a “growing crisis in ethical trade auditing” (Ethical Trading Initiative 2006). The Fair Labor Association has even moved away from its original monitoring model—calling it an “inadequate tool to create sustainable change in working conditions”—to emphasize “capacity-building” at the factory level (Fair Labor Association 2007).

In general, the academic research paints a mixed picture of whether voluntary labor codes of conduct are actually being implemented or are merely facades decoupled from shop-floor practices. For instance, while Frenkel (2001) found that Chinese footwear firms producing for two major brands were largely in compliance with the basic workplace standards set by those companies, Egels-Zanden’s (2007) study of Chinese toy factories found *no* factories (out of nine studied) in compliance with voluntary standards for working hours, and less than half in compliance with standards for labor contracts (namely, that contracts exist), minimum wage, and overtime. Neither is it clear that sustained monitoring significantly improves rates of compliance. In one innovative study utilizing Nike’s internal ratings of factories, Locke et al. (2006) find that even as Nike

engaged in a great deal of monitoring, the vast majority of factories (around 80%) failed to improve over time, and some actually experienced a decline in their compliance rating.¹⁵ It is clear that monitoring has not brought about radical shifts in production practices, although it may be improving compliance with basic health and safety measures and preventing the most egregious forms of physical abuse.

When it comes to empowering workers and altering the power relationships in the workplace, researchers agree that voluntary standards have proven useful only in rare circumstances. Frenkel (2001) found no evidence of collective worker empowerment, and Sum and Ngai (2005) found evidence that voluntary codes of conduct are sometimes used *against* workers, as a tool of managerial discipline. In a few cases in Latin America, companies' engagement with voluntary standards and the work of the Worker Rights Consortium (a voluntary club with universities as members) facilitated the recognition of independent unions in factories in Mexico (Kukdong, producing for Nike and Reebok) and Guatemala (Choishin, producing for Liz Claiborne). But the success of these campaigns depended on a rare confluence of factors, including grassroots union movements, strong cross-border civil society linkages, and international trade pressures on domestic governments (Rodríguez-Garavito 2005; Seidman forthcoming; US/LEAP 2003). Without these sorts of other factors, it is doubtful that voluntary standards will have an empowering effect for workers. Like the rise of human resource management in the previous century, the recent rise of voluntary regulation of labor conditions is more likely to introduce technocratic solutions than to alter fundamental power differentials.

Why have the impacts of voluntary labor standards systems been so limited? The answer appears to be twofold. First, there are limits rooted in the fundamental design of programs like the FLA, SAI, and ETI. Simply put, voluntary clubs in this sector failed to tackle the inequalities and price pressures that underlie many sweatshop practices and labor rights abuses. Participation in labor standards clubs has not for the most part required companies to restructure their sourcing practices or explore alternatives to “lean and mean” production models. Instead, membership has only required a willingness to *pay attention* to the dark side of this model and occasionally try to persuade suppliers to rectify problems. Apparel production remains the terrain of cutthroat competition among contract factories, and major brands have continued to demand low prices and quick turnaround times on orders. These pressures facilitate “sweating” the workforce —by imposing long but unstable work hours (including forced overtime), intense discipline, downward pressure on piecerates, and cheating on wages (Bonacich and Appelbaum 2000; Piore 1997). Even where conditions have improved, these pressures have occasionally led to backsliding or to high-standards firms losing business.

Second, weaknesses in monitoring and enforcement have hampered the achievement of changes that are possible within the limits of these systems. Part of the problem lies with the auditing process. Early critics of factory monitoring showed that some auditors lacked training in labor relations or occupational health and safety and questioned their ability to collect accurate data from workers due to cultural differences

¹⁵ Earlier research on monitoring in the California garment sector similarly found that even heavily monitored factories were more often than not out of compliance with labor law (Esbenshade 2004).

and status inequalities (Esbenshade 2004; Labor Rights in China 1999; O'Rourke 2002).¹⁶ While some local non-profits have entered the field in order to counteract these tendencies, and other auditors have upgraded their competencies, questions remain about whether auditors are missing (or turning a blind eye to) actual practices. Recent exposés in *Business Week* and the *Financial Times* have shown how factory managers—in China in particular—have become more sophisticated at falsifying records of wages and working hours, coaching workers to give the “correct” answers, and even bribing auditors directly (Business Week 2006; Foster and Harney 2005). Of course, even rudimentary and flawed monitoring turns up frequent violations of company and association codes of conduct. Yet many observed problems go unresolved. The FLA and SAI seem reluctant to brandish their swords in response to violations. The FLA has endorsed the compliance programs of companies even when independent monitors found numerous problems in their factories. SAI's certification of hundreds of factories in China, where wage and hour laws are routinely flouted and freedom of association is problematic, suggests that this program has set the bar fairly low, serving as less of a “gold standard” and more of a signal that a factory is not among the worst in the industry.

Some have argued that voluntary labor standards could have consequences that are unintended and *harmful*, by disrupting markets, artificially inflating the price of labor, and reducing employment levels (Bhagwati 2004). Again, the evidence to evaluate these arguments broadly is not currently available, but proponents of this view have been unable to point to cases in which employment has declined as a result of voluntary labor standards. One of the only empirical studies to address this question examined wages and employment in Indonesian factories and found that sectors subject to anti-sweatshop pressures did experience wage gains that outpaced those in other sectors (in part because they started at very low levels) but these were *not* offset by declines in employment (Harrison and Scorse 2006). More broadly, it appears that voluntary standards have rarely had a big enough impact to generate either especially positive or especially negative effects.

¹⁶ In a trenchant critique of SAI, a group of Hong Kong-based NGOs argued that a training session they attended for SAI-accredited auditors was led by an instructor with no knowledge of Asia or human rights issues who undermined the very standards SA8000 purports to uphold.

By constantly reminding students that “we go for the intent” and that “remember the intent is the most important thing”, the trainer sent out the signal that auditors need not be too harsh on big companies since they bore good intent, and that the intent could be used as the most significant parameter to determine whether a non-conformance with SA8000 requirement was a major one or a minor one (LARIC 1999).

The auditors in the audience also failed to inspire confidence. “During class discussions, some matter-of-factly remarked that ‘auditing is a business’, ‘this is a management system.... If we follow the words of the standard, who's going to be certified? Nobody!’ And, perhaps most revealing of all, ‘if the company goes bankrupt, we don't get the audit fees’” (LARIC 1999).

Conclusion

This chapter has examined the formation and operation of voluntary labor standards systems for apparel, footwear, and related consumer products. I have shown that club theory usefully describes some of the processes through which firms develop an interest in collective associations for monitoring and certifying labor conditions. In some instances, however, this interest is not sufficient to generate robust voluntary clubs—as demonstrated by the failed clubs in the wake of the El Monte incident. Attempts to protect their reputation and gain credibility for their claims did underlie the work of companies like Liz Claiborne, Reebok, Nike, and Toys R Us in developing the Fair Labor Association and Social Accountability International. On the other hand, absent the work of the U.S. government and several NGOs, it is not clear that these programs would have come into existence. This serves as a reminder of the importance of embedding club theory in a broader account of the political and institutional terrain.

It is also important to take the politicized character of labor standards systems seriously for understanding their consequences. The analysis of firm participation showed that social movement pressure was an important determinant of participation in multi-stakeholder initiatives. Although it is not possible to make definitive conclusions about the impacts of these systems, it is clear that the mere existence of voluntary standards does not automatically translate into broad scale changes in working conditions or respect for labor rights.

Clearly, improving global labor conditions is a complex and power-laden problem. In this respect, the sweatshop case resembles the case of conflict diamonds analyzed in the chapter (in this volume) by Haufler. Both deal with problems that are intertwined with extreme inequality and domestic politics in developing countries. Similarly, the forestry case analyzed by Cashore includes a recognition that even with the growth of a respected forest certification program, the problem of illegal logging remains severe. These and other chapters remind us of the limits of voluntary programs.

Analytically, the sweatshop and conflict diamond cases also illustrate the importance of social movement pressure as an impetus for firms to begin to consider forming or joining a club. In fact, across a number of cases of clubs concerned with labor, human rights, or the environment (see chapters by Cashore, DeSombre, Drezner and Lu), the catalyzing force of social movements—in the form of protest, community organizing (e.g. over the “right to know” about toxins), and NGO-sponsored media campaigns—can hardly be understated. While firms may frame their decisions to participate in voluntary programs as a matter of ethical commitments, these cases (and the version of club theory developed in this book more generally) serve as a reminder that such decisions are most commonly rooted in concrete threats to firms’ reputation, revenue, and autonomy. While not concerned with social movements, Bütthe’s chapter on the Accounting Standards Board also lends empirical weight to this point.

The role of government in forming voluntary clubs is also apparent in chapters by Coglianese and Nash and Fiorino on the EPA. Clearly, the U.S. government in the 1990s

was a major source of voluntary programs—sowing the seeds of voluntary regulation in a variety of industries and policy domains. On the other hand, in the case of labor standards, the government played more of a facilitating role—convening and supporting voluntary programs but not operating them directly, as the EPA does.

Finally, like the case of forestry analyzed by Cashore, the evolution of voluntary regulation in the apparel sector has been shaped by competition among multiple programs (FLA, SAI, WRAP, and the Worker Rights Consortium). Theorizing this type of regulatory competition among private initiatives is a crucial task for the literature on voluntary programs. Does the sort of competition, conflict, and mutual adjustment observed in these cases “water down” or “ratchet up” compliance? To date, few have provided empirical purchase on this question, even though a variety of sectors (forestry, apparel, coffee, organics) feature competing clubs.

Table 1. Retailers and participation in multi-stakeholder initiatives (MSIs)

<i>Participation in MSI?</i>	Non-retail firms	Retailers	Total
No	13 (65%)	28 (93%)	41 (82%)
Yes	7 (35%)	2 (7%)	9 (18%)
Total	20	30	50

Chi-squared = 6.53, $p < .011$

Cramer's V = -.36

Table 2. Corporate reputation and participation in MSIs

	<i>Major brand investment?</i>		
<i>Participation in MSI?</i>	No	Yes	Total
No	24 (92%)	17 (71%)	41 (82%)
Yes	2 (8%)	7 (29%)	9 (18%)
Total	26	24	50

Chi-squared = 3.90, $p < .048$

Cramer's V = -.28

Table 3. Social movement pressure and participation in MSIs

	<i>Targeted by activists in 1990s</i>		
<i>Participation in MSI?</i>	No	Yes	Total
No	22 (100%)	19 (68%)	41 (82%)
Yes	0 (0%)	9 (32%)	9 (18%)
Total	22	28	50

Table 4. Logistic regression of the likelihood of participating in MSIs (2001-2004), 50 largest U.S. apparel, textile, and footwear firms

Major brand investment (1=yes, 0=no).....	4.6968*
	(2.1591)
Recognition for business reputation (1=yes, 0=no).....	4.3676*
	(2.2015)
Intensity of social movement pressure (resid. from stage1)..	1.4296*
	(.6849)
Retailer (1=retailer, 0=other).....	-3.1602 ⁺
	(2.0055)
Size (ln(assets in 2000)).....	-2.0383*
	(1.1378)
Constant.....	9.90688
	(7.2944)
N	50
Likelihood ratio Chi-squared test	27.33***
Pseudo-R ²	.5798

Note: Estimated SEs in parentheses.

+ p < .10 * p < .05 ** p < .01 *** p < .001 (one-tailed tests)

Appendix A. The 50 largest US apparel, footwear, and textile manufacturers or retailers, ranked by total sales in 2000

<u>Company</u>	<u>Participant in MSI, 2001-04</u>
WAL-MART STORES	
SEARS ROEBUCK & CO	
SEARS HOLDINGS CORP/Kmart	
COSTCO WHOLESALE CORP	
TARGET CORP	
PENNEY (J C) CO	
FEDERATED DEPT STORES	
SARA LEE	
MAY DEPARTMENT STORES CO	
GAP INC	X
TJX COMPANIES INC	
NIKE INC -CL B	X
LIMITED BRANDS INC	
DILLARDS INC -CL A	
SAKS INC	
KOHL'S CORP	
NORDSTROM INC	X
VF CORP	
INTIMATE BRANDS INC -CL A	
BJ'S WHOLESALE CLUB INC	
LEVI STRAUSS & CO	X
DOLLAR GENERAL CORP	
FOOT LOCKER INC	
JONES APPAREL GROUP INC	
AMES DEPT STORES INC	
SHOPKO STORES INC	
SPIEGEL INC (Eddie Bauer)	X
FAMILY DOLLAR STORES	
LIZ CLAIBORNE INC	X
NEIMAN-MARCUS GROUP INC	
REEBOK INTERNATIONAL LTD	X
PAYLESS SHOESOURCE INC	
ROSS STORES INC	
BURLINGTON COAT FACTORY WRHS	
KELLWOOD CO	
SPRINGS INDUSTRIES -CL A	
BELK INC	
POLO RALPH LAUREN CP -CL A	X
RETAIL VENTURES INC	
CINTAS CORP	
WARNACO GROUP INC	
TOMMY HILFIGER CORP	
WESTPOINT STEVENS INC	
BROWN SHOE CO INC	
BURLINGTON INDUSTRIES INC	
CHARMING SHOPPES INC	
TALBOTS INC	
FRUIT OF THE LOOM LTD -CL A	
LANDS END INC	
PHILLIPS-VAN HEUSEN CORP	X

Appendix B. Correlations and univariate statistics for variables used in the analysis of firm participation in MSIs

	(1)	(2)	(3)	(4)	(5)	(6)
(1) Participation in MSI	---					
(2) Log assets in 2000	-0.0681	---				
(3) Retailer	-0.3613	0.2988	---			
(4) Maj. brand investment	0.2793	0.5112	0.0490	---		
(5) Rec. for business rep.	0.3280	0.5495	-0.2621	0.4048	---	
(6) Yrs. targeted (stage1 resid.)	0.3389	0.0129	0.0608	-0.0130	-0.0161	---
Mean	.18	8.0804	.6	.48	.54	-.02043
sd	.3880879	1.0910	.49487	.50467	.50346	1.7984
Min	0	6.3556	0	0	0	-5.3039
Max	1	11.3674	1	1	1	4.2660

Appendix C. Stage 1 model—Targeting analysis: Negative binomial regression of the intensity of social movement pressure on the 50 largest U.S. apparel, textile, and footwear firms¹⁷

DV: number of years firms were targeted by social movements (1993-2000)

Constant.....	-2.5510*
	1.3896
Major brand investment (1=yes, 0=no).....	1.1103**
	.4199
Recognition for business reputation (1=yes, 0=no).....	.7284+
	.4956
Log assets (average 1993-2000).....	.2604+
	.2025
Financial performance (ROA, average 1993-2000).....	-1.9587
	2.9930
Retailer.....	-.2554
	.4014
Textile manuf.....	-1.1631
	1.1345
Headquarters in CA or NY (loci of movements).....	.3731
	.4240
N	50
Likelihood ratio Chi-squared test	32.72***
Alpha	.3112*
	(.2155)
Pseudo-R ²	.1757

Note: Estimated SEs in parentheses.

+ p < .10 * p < .05 ** p < .01 *** p < .001 (one-tailed tests)

¹⁷ The measure of social movement pressure analyzed in the paper (see Table 4) is based on the residuals from this model, which regresses the number of years companies were targeted by social movements (between 1993 and 2000) on indicators of reputational capital and controls for firm size (log assets), financial performance (return on assets), sector (retail, textile, others), and location in California or New York (loci of anti-sweatshop activism). The residuals (the difference between the observed amount of social movement targeting and the values predicted by this model) are then used as a predictor in Table 4.

References

- Abend, Jules. 1996. "CFA in the Corner of California Manufacturers." *Bobbin* Feb. 1996, pp.26-29.
- Akerloff, George. 1970. "The Market For 'Lemons:' Quality Uncertainty and the Market Mechanism." *Quarterly Journal of Economics* 84:488-500.
- Armbruster-Sandoval, Ralph. 2005. *Globalization and Cross-Border Labor Solidarity in the Americas: The Anti-Sweatshop Movement and the Struggle for Social Justice*. New York: Routledge.
- Arnold & Porter, LLP. 1996. "Monitoring Precedents (prepared for Apparel Industry Partnership)." Archives of FLA organizer.
- Barrett, Joyce. 1994. "Senate Hears of Brutal Child Labor Conditions." *WWD* Sept. 22, 1994, pp.9-10.
- Bartley, Tim. 2003. "Certifying Forests and Factories: States, Social Movements, and the Rise of Private Regulation in the Apparel and Forest Products Fields." *Politics & Society* 31:433-64.
- . 2005. "Corporate Accountability and the Privatization of Labor Standards: Struggles over Codes of Conduct in the Apparel Industry." *Research in Political Sociology* 12:211-244.
- . 2007. "Institutional Emergence in an Era of Globalization: The Rise of Transnational Private Regulation of Labor and Environmental Conditions." *American Journal of Sociology* 113.
- Bartley, Tim, and Curtis Child. 2007. "Shaming the Corporation: Reputation, Globalization and the Dynamics of Anti-Corporate Movements." Working paper, Department of Sociology, Indiana University.
- Bernstein, Steven, and Benjamin Cashore. 2004. "Non-State Global Governance: Is Forest Certification a Legitimate Alternative to a Global Forest Convention?" Pp. 33-63 in *Hard Choices, Soft Law: Voluntary Standards in Global Trade, Environment and Social Governance*, edited by John J. Kirton and Michael J. Trebilcock. Aldershot: Ashgate.
- Bhagwati, Jagdish. 2004. *In Defense of Globalization*. New York: Oxford University Press.
- Black, Susan. 1995. "Bad Apples Need Not Apply." *Bobbin* Oct. 1995, p.2.
- . 1997. "Can We Live With Big Brother?" *Bobbin* June 1997, p.1.
- . 1998. "AAMA's Compliance Plan-A Mammoth Undertaking." *Bobbin* November 1998, p.1.
- Bobbin. 1997. "CAIC Works Toward Non-Profit Compliance." *Bobbin* February 1997, p.44.
- Bonacich, Edna, and Richard P. Appelbaum. 2000. *Behind the Label: Inequality in the Los Angeles Apparel Industry*. Berkeley: University of California Press.
- Business Week. 2006. "Secrets, Lies, And Sweatshops." *Business Week* November 27, 2006.
- Campaign for Labor Rights. 1997. "Newsletter #9." Washington, DC: Campaign for Labor Rights.

- Cavanagh, John. 1997. "The Global Resistance to Sweatshops." Pp. 39-50 in *No Sweat: Fashion, Free Trade and the Rights of Garment Workers*, edited by Andrew Ross. New York: Verso.
- Collingsworth, Terry, J. William Goold, and Pharis Harvey. 1994. "Time for a Global New Deal." *Foreign Affairs* 48:8-13.
- Council on Economic Priorities. 1994. "How to Develop Guidelines for Corporate Action on Child Labor." New York: New York: Council on Economic Priorities.
- DeSombre, Elizabeth R., and J. Samuel Barkin. 2002. "Turtles and Trade: The WTO's Acceptance of Environmental Trade Restrictions." *Global Environmental Politics* 2:12-18.
- Djelic, Marie-Laure, and Kerstin Sahlin-Andersson. 2006. "Introduction: A World of Governance: The Rise of Transnational Regulation." Pp. 1-28 in *Transnational Governance : Institutional Dynamics of Regulation*, edited by Marie-Laure Djelic and Kerstin Sahlin-Andersson. New York: Cambridge University Press.
- Edwards, Larry. 2005. "Starting with a name only: Connecting marketing to people, one of `Ad Age's' favorite projects is born." *Advertising Age* March 28, 2005, p.70.
- Egels-Zanden, Niklas. 2007. "Suppliers' Compliance with MNCs' Codes of Conduct: Behind the Scenes at Chinese Toy Suppliers." *Journal of Business Ethics* 74.
- Elliott, Kimberly Ann, and Richard B. Freeman. 2003. *Can Labor Standards Improve Under Globalization?* Washington, DC: Institute for International Economics.
- Esbenshade, Jill. 2004. *Monitoring Sweatshops: Workers, Consumers, and the Global Apparel Industry*. Philadelphia: Temple University Press.
- Ethical Trading Initiative. 2006. "Getting smarter at auditing: Tackling the growing crisis in ethical trade auditing." London: Ethical Trading Initiative (www.eti2.org.uk/Z/lib/2006/11/smart-audit/eti-smarter-auditing-2006.pdf).
- Fair Labor Association. 2007. "FLA 3.0 - Toward Sustainable Compliance." http://www.fairlabor.org/about/fla_30_-_toward_sustainable_compliance.
- Fombrun, Charles J. 1996. *Reputation: Realizing Value from the Corporate Image*. Boston: Harvard Business School Press.
- Fombrun, Charles, and Mark Shanley. 1990. "What's in a Name? Reputation Building and Corporate Strategy." *Academy of Management Journal* 33.
- Foster, Lauren, and Alexandra Harney. 2005. "Doctored records on working hours and pay are causing problems for consumer multinationals as they source more of their goods in Asia." *Financial Times* 22 April 2005.
- Frenkel, Steve. 2001. "Globalization, Athletic Footwear Commodity Chains and Employment Relations in China." *Organization Studies* 22:531-62.
- Garcia-Johnson, Ronie. 2001. "Beyond Corporate Culture: Reputation, Rules, and the Role of Social and Environmental Certification Institutions." Unpublished paper, Duke University.
- Harrison, Ann, and Jason Scorse. 2006. "Improving the Conditions of Workers? Minimum Wage Legislation and Anti-Sweatshop Activism." *California Management Review* 48:144-160.
- Haufler, Virginia. 2001. *A Public Role for the Private Sector: Industry Self-Regulation in a Global Economy*. Washington, DC: Carnegie Endowment for International Peace.

- King, Andrew A., Michael J. Lenox, and Michael L. Barnett. 2002. "Strategic Responses to the Reputation Commons Problem." Pp. 393-406 in *Organizations, Policy, and the Natural Environment*, edited by Andrew J. Hoffman and Marc J. Ventresca. Stanford, CA: Stanford University Press.
- King, Andrew, and M. Lenox. 2000. "Industry Self-Regulation without Sanctions: The Chemical Industry's Responsible Care Program." *Academy of Management Journal* 43:698-716.
- Klein, Naomi. 1999. *No Logo: Taking Aim at the Brand Bullies*. New York: Picador.
- Krupat, Kitty. 1997. "From War Zone to Free Trade Zone: A History of the National Labor Committee." Pp. 51-77 in *No Sweat: Fashion, Free Trade and the Rights of Garment Workers*, edited by Andrew Ross. New York: Verso.
- Labor Rights in China. 1999. *No Illusions: Against the Global Cosmetic SA8000*. Hong Kong: Labor Rights in China.
- Levy, Stanley. 1998. Testimony, U.S. House of Representatives Committee on Education and the Workforce, American Worker at a Crossroads Project (<http://commdocs.house.gov/committees/edu/hedo&i5-105.000/hedo&i5-105.htm>).
- Locke, Richard, Fei Qin, and Alberto Brause. 2006. "Does Monitoring Improve Labor Standards? Lessons from Nike." Working paper, Massachusetts Institute of Technology, Sloan School of Management.
- Long, J. Scott, and Jeremy Freese. 2006. *Regression Models for Categorical Dependent Variables Using Stata*. College Station, TX: Stata Press.
- Louie, Miriam Ching Yoon. 2001. *Sweatshop Warriors: Immigrant Women Take on the Global Factory*. Cambridge, MA: South End Press.
- Manheim, Jarol. 2001. *The Death of a Thousand Cuts: Corporate Campaigns and the Attack on the Corporation*. Mahwah, NJ: Lawrence Erlbaum Associates.
- Marlow, Michael. 1995. "L.A. Contractors: A New Set of Rules." *WWD* June 22, pp.9-10.
- McGuire, Jean B., Alison Sundgren, and Thomas Schneeweis. 1988. "Corporate Social Responsibility and Firm Financial Performance." *Academy of Management Journal* 31:854-872.
- Milgrom, Paul R., Douglass C. North, and Barry R. Weingast. 1990. "The Role of Institutions in the Revival of Trade: The Law Merchant, Private Judges, and the Champagne Fairs." *Economics and Politics* 2:1-23.
- Nett, A.J. 1997. "California Makers Squeezed, Come Out Fighting." *Bobbin* Dec. 1997, pp.34-38.
- O'Rourke, Dara. 1997. "Smoke from a Hired Gun: A Critique of Nike's Labor and Environmental Auditing in Vietnam as Performed by Ernst & Young." Transnational Resource and Action Center (<http://nature.berkeley.edu/orourke/PDF/smoke.pdf>).
- . 2002. "Monitoring the Monitors: A critique of corporate third-party labor monitoring." Pp. 196-208 in *Corporate responsibility and labour rights: Codes of conduct in the global economy.*, edited by R. Jenkins, R. Pearson, and G. Seyfang. London: Earthscan.
- . 2003. "Outsourcing Regulation: Analyzing Non-Governmental Systems of Labor Standards and Monitoring." *Policy Studies Journal* 31:1-29.

- . 2006. "Multi-stakeholder Regulation: Privatizing or Socializing Global Labor Standards?" *World Development* 34:899-918.
- Piore, Michael. 1997. "The Economics of the Sweatshop." Pp. 135-142 in *No Sweat: Fashion, Free Trade and the Rights of Garment Workers*, edited by Andrew Ross. New York: Verso.
- Podolny, Joel. 2005. *Status Signals: A Sociological Study of Market Competition*. Princeton, NJ: Princeton University Press.
- Potoski, M., and A. Prakash. 2005. "Green Clubs and Voluntary Governance: ISO 14001 and Firms' Regulatory Compliance." *American Journal of Political Science* 49:235-248.
- Prakash, Aseem, and Matthew Potoski. 2007. "Collective Action through Voluntary Environmental Programs: A Club Theory Perspective." Working paper, Department of Political Science, University of Washington.
- Ramey, Joanna. 1997. "Textile, apparel importers set up PAC." *WWD* November 25, pp.13-14.
- Ramey, Joanna, and Joyce Barrett. 1996. "Apparel's ethics dilemma." *WWD* March 18, 1996, pp.10-13.
- Roberts, Peter W., and Grahame R. Dowling. 2002. "Corporate Reputation and Sustained Superior Financial Performance." *Strategic Management Journal* 23:1077-1093.
- Rodríguez-Garavito, César A. 2005. "Global Governance and Labor Rights: Codes of Conduct and Anti-Sweatshop Struggles in Global Apparel Factories in Mexico and Guatemala." *Politics and Society* 33:203-233.
- Rolnick, Alan L. 1997. "Muzzling the Offshore Watchdogs." *Bobbin* February, pp.72-73.
- Ross, Andrew. 1997. *No Sweat: Fashion, Free Trade and the Rights of Garment Workers*. New York: Verso.
- Schrage, E. J. 2004. "Promoting International Worker Rights through Private Voluntary Initiatives: Public Relations or Public Policy?" University of Iowa Center for Human Rights.
- Seidman, Gay. forthcoming. *Beyond the Boycott: Labor Rights, Human Rights and Transnational Activism*. New York: Russell Sage Foundation/ASA Rose Series.
- Shapiro, Susan. 1987. "The Social Control of Impersonal Trust." *American Journal of Sociology* 93:623-58.
- Shaw, Randy. 1999. *Reclaiming America: Nike, Clean Air, and the New National Activism*. Berkeley: University of California Press.
- Spar, Debora L. 1998. "The Spotlight and the Bottom Line: How Multinationals Export Human Rights." *Foreign Affairs* 77:7-12.
- Spar, Debora L., and David B. Yoffie. 2000. "A Race to the Bottom or Governance from the Top?" Pp. 31-51 in *Coping with Globalization*, edited by Aseem Prakash and Jeffrey A. Hart. New York: Routledge.
- Spielberg, Elinor. 1997. "The Myth of Nimble Fingers." Pp. 113-22 in *No Sweat: Fashion, Free Trade and the Rights of Garment Workers*, edited by Andrew Ross. New York: Verso.
- Su, Julie. 1997. "El Monte Thai Garment Workers: Slave Sweatshops." Pp. 143-49 in *No Sweat: Fashion, Free Trade and the Rights of Garment Workers*, edited by Andrew Ross. New York: Verso.

- Sum, Ngai-Ling, and Pun Ngai. 2005. "Globalization and Paradoxes of Ethical Transnational Production: Code of Conduct in a Chinese Workplace." *Competition and Change* 9:181-200.
- Tsogas, George. 2001. *Labor Regulation in a Global Economy*. Armonk, NY: M.E. Sharpe.
- United States Department of Labor. 1996. "The Apparel Industry and Codes of Conduct: A Solution to the International Child Labor Problem?" Washington, DC: U.S. Department of Labor, Bureau of International Affairs.
- US/LEAP. 2003. "Guatemala Surprise." in *US/LEAP newsletter*.
- Varley, Pamela (Ed.). 1998. *The Sweatshop Quandary: Corporate Responsibility on the Global Frontier*. Washington, DC: Investor Responsibility Research Center.
- Viscusi, W. Kip. 1978. "A Note on 'Lemons' Markets with Quality Certification." *Bell Journal of Economics and Management Science* 9:277-79.
- Ward, Halina. 1996. "Common but Differentiated Debates: Environment, Labour and the World Trade Organization." *The International and Comparative Law Quarterly* 45:592-632.
- WWD. 1996. "Reich Says Kathie Lee Joining His Campaign Against Sweatshops." *WWD* May 24, pp.1-2.