1. Introduction: rethinking global value chains and corporate social responsibility

INTRODUCTION

In 2020, COVID-19 was associated with a major shake-up of global value chains (GVCs) connecting consumers, brands, and retailers in the Global North with local producers, workers, and communities in the Global South (Gereffi, 2020). Initially, in January and February 2020, COVID-19 hit China, leading to a temporary closure of large parts of the “world’s factory floor” as thousands of factories either had to slow production or close. When COVID-19 reached North America and Europe in March and April of 2020, country-wide lock-downs and closure of retail outlets led to a dramatic fall in the international demand for products such as clothes and shoes (Rankin, 2020).

The knock-on effect could quickly be seen in many producer countries where factory closures and job losses were acutely felt (Leitheiser et al., 2020). For instance, in Bangladesh, hundreds of thousands of workers faced an abrupt loss of income, possibly leading to the starvation of their families, as their factory owners were not receiving payments for orders already shipped or faced sudden cancellation of orders from their buyers in the Global North (Anner, 2020). In India, millions of migrant workers were suddenly on the move as the workplaces shut down. Without possible alternative sources of income, they were struggling to travel hundreds, if not thousands of miles on foot, to their native villages at a time when nation-wide transport had been shut down (BBC News, 2020). In addition, with a sudden dramatic worldwide increase in the demand for hand sanitizers and safety masks, workers in some factories in the Global South had to work around the clock to help their employers accelerate production (Gereffi, 2020). All the while these workers suddenly had to be trained in physical distancing and other safety measures at the factory premises (Channel 4, 2020). At the same time, suppliers sometimes introduced new, discriminatory hiring practices. For instance, in Mexico, new job postings sometimes required that workers should not have any diseases
including hypertension, diabetes, or obesity which could put them at risk during COVID-19 (Casaola, 2020).

In many ways, these dramatic events of the first six months of 2020 highlighted some of the systemic issues that have continued to plague the world of CSR in GVCs for the last twenty years. It is therefore an opportune moment to reflect upon what we learned about the theory and practice of CSR in GVCs since the turn of the millennium, and this book is dedicated to achieving this intellectual tasks. Inspired by Blowfield and Frynas (2005), I adopt a rather broad definition of CSR in this book. I thus see CSR as a process through which companies attempt to address the social and environmental effects of their business operations, make sure that their business partners operate in ethical ways, manage their stakeholder relations, and seek to achieve wider social legitimacy. However, later in the book, I will return to unpacking the multiple, contested interpretations of CSR in GVCs.

WHY WRITE A BOOK ON CSR IN GVCS?

As I explained in the preface, events associated with the eruption of COVID-19 highlighted some of the challenging aspects of buyer (ir)responsibility towards the thousands of suppliers and workers that depend upon their participation in GVCs as a way of sustaining job creation, maintain “decent” work conditions, and social protection of workers. An important motivation for writing this book is thus my long-standing interest in untangling current, dominating buyer-centered perspectives on CSR in GVCs, examine their main strengths and limitations, and consider whether we need to rethink (or completely discard) these buyer-centric approaches to CSR in GVCs in order to create a more long-term sustainable outcome for local factories and workers in the Global South.

At the same time, the rapid disruption and temporary restructuring of GVCs during the initial phases of COVID-19 in early 2020 highlighted some of the challenges facing suppliers in relation to CSR in GVCs. In the context of the global garments industry, interrelated processes such as the transition to neoliberalism in the North, the phase-out of quotas in the South, the depression of export prices, and an escalation of non-price requirements created a “supplier squeeze” (see also Ponte, 2019). This supplier squeeze incentivizes manufacturers to push worker wages below reproduction costs and/or make workers labor to the point where they are beyond exhaustion (Marslev, 2020). These supplier squeezes also created what has been described as the “factory manager’s dilemmas” (Khan et al., 2020). This concept seeks to capture how the purchasing practices of lead firms — promoted by their sourcing departments — often means that brands squeeze product prices and demands for quick adaptation due to sudden or seasonal changes in demand. In this way,
last minute orders can lead to lower wages, short-term and casual contracts and excessive overtime work, prompting local factory managers to cut corners when it comes to managing their workforce in a socially responsible way. At the same time, the sustainability/CSR departments of lead firms may require suppliers to increase worker wages, provide longer-term contracts and social insurance as well as labor codes of conduct/certifications. In short, this means that enhanced CSR performance of suppliers cannot be meaningfully expected without considering the importance of suppliers’ financial viability. In light of COVID-19, we can also extend this line of argument by noting that the factory managers’ dilemma also extends to how they should handle CSR in GVCs during a sudden disruption of their value chains with a view to maintaining job and income security for their workers, manage “responsible” temporary lay-offs of their employees, and unemployment and/or pension insurance of workers.

Hence, my second motivation for writing this book is my long-term interest in advancing a supplier-centered perspective on CSR in GVCs, trying to understand the diversity of interests and CSR perceptions of suppliers across a variety of contexts in the Global South. My interest in pursuing this line of inquiry also stems from the constant assumption amongst some brands, NGOs, trade union practitioners, and students as well as government officials in Europe that CSR is something that is mainly defined by corporations in Europe and North America and then “exported” through GVCs to “irresponsible suppliers” in the Global South. In my view, such views often stem from a lack of critical self-reflection – both in relation to understanding how importers in Europe and North America – through their purchasing practices – play an important part of creating sub-standard work conditions in some export-oriented companies in the Global South. Moreover, such views may also have to do with the relative ignorance, or rather ignoring, of pre-existing supplier-centered views of CSR that must be acknowledged and incorporated into existing CSR approaches of the so-called “global brands” if CSR improvements are to be more long-term and sustainable in the Global South.

Finally, to me, the events in early 2020 also raised both questions and concerns about how workers can defend their interests in GVCs, and the extent to which they can strategically make use of CSR in GVCs towards this end. Often buyer-centric approaches (and to some extent also supplier-centered approaches) to CSR in GVCs tend to overlook the agency of workers themselves to strategically use CSR to hold brands and suppliers responsible for their actions, using this as a lever to improve their own working conditions at the base of GVCs. Hence, in my view, labor agency in relation to CSR in GVCs can both be constituted through formal and informal means. Formal labor agency here refers to how workers can defend their interests in GVCs through trade unions by engaging in collective bargaining and having freedom
of association. Informal labor agency has to do with the informal actions of workers through which they may opt in and out of work forms and workplaces in line with their broader interests and life circumstances. Here CSR may be important to the extent that workers, by their own choice, decide to seek jobs in work forms/workplaces that – in their own understanding may have more socially responsible approaches towards the management of their own workforce. Hence, labor agency may both be conceived as a continuum from worker action in the formal economy to worker mobilizing in the informal economy, and it also needs to be considered across various scales, from local to national, regional and international levels.

Moreover, in the light of recent events with disruptions of GVCs in early 2020, it seems as if buyers, workers, and suppliers in GVCs may not only have contrasting (and often contradictory) interests in CSR in GVCs, but that it may also be highly challenging to reconcile these interests. Not only due to the fluidity and changing nature of GVCs but also perhaps because buyer, supplier, and worker perceptions of what constitutes socially responsible behavior may be highly different. Hence, in intellectual terms, I am interested in analytically teasing out the circumstances under which it may be possible to identify a sweet spot – or a point in which buyer, supplier, and worker interests in CSR might intersect, and where it may be possible to bridge what otherwise appear to be irreconcilable interests in CSR in GVCs.

Finally, in what some commentators have described as “building back better,” the dramatic events of early 2020 have made it apparent that there is a need to consider how we go forward from here if we are not only to achieve a greater intellectual understanding and insights into CSR in GVCs but also secure a fairer distribution of economic and social gains and risks associated with participation of buyers, suppliers, and workers in GVCs. In many ways, some of these broader issues require a more in-depth consideration which is beyond the scope of this book. However, in looking back at what we have learned – both theoretically and empirically – about CSR in GVCs in the last twenty years, I also wish to establish both a future research and policy agenda for the next decade on CSR in GVCs. In my view, this will require that we pay greater attention to issues such as international regulation (human rights due diligence in particular), building more circular economy models in GVCs, and addressing the need for climate mitigation/adaptation as we move towards 2030.

In the rest of the introduction to this book, I will first elaborate on my understanding of CSR in GVCs as both having a relational and contextual connotation. I then go into introducing the main research questions that the book seeks to address before I outline what I consider an integrated view of buyer-, supplier-, and worker-centered perceptions of CSR in GVCs that serves as a basic structuring for the rest of the book, as it seeks to critically examine
what we have learned about CSR in GVCs in the last twenty years from the perspectives of buyers, suppliers, and workers. Finally, the introduction contains a short discussion of the contents of the individual book chapters and the conclusion.

DEFINING CSR IN THE CONTEXT OF GLOBAL VALUE CHAINS

In this book, I see CSR as both relational and contested. Following D’Cruz et al. (2021), I perceive CSR as:

A relational view of negotiating, organizing and implementing responsibilities towards economic, social, technological and environmental issues across organizations/workplaces, groups and individuals. Thus we see social responsibilities as being in flux, determined by negotiated roles and associated expectations that individuals, groups and organizations/workplaces construct and adopt in relation to other actors. We frame social responsibilities as the division of labor and accountability between and among actors in a particular context embedded within the associated structural conditions, when aiming at some wider societal good.

Adopting this relational view of CSR, I zoom in on the perspectives of three central actors typically involved in CSR in GVCs: brands, suppliers, and workers at the base of these chains (Lund-Thomsen and Lindgreen, 2018). My focus on these actors is justified by the fact that they are the ones that have typically been at the core of “ethical trade.” Following the United Kingdom Ethical Trade Initiative the director of (UK-ETI) (2017), I take ethical trade to mean that retailers, brands, and their suppliers take responsibility for improving the working conditions of the people who make the products they sell. In the context of COVID-19, the UK-ETI (2021) thus states, “as the coronavirus pandemic continues to unfold, disrupting supply chains and impacting workers on an unprecedented global scale, I have adjusted our operations to optimize support for the forward-thinking companies, trade unions, and NGOs that make up our members.”

In this book, I also adopt a view of CSR as highly contextualized. As D’Cruz and her colleagues argue, CSR is governed through a range of institutions at the national level, including states, markets, corporations, professional organizations, NGOs, trade unions, and communities, and also broader institutions such as multi-stakeholder initiatives and public–private partnerships (Amaeshi and Idemudia, 2015; Motsei and Nkomo, 2016) and ‘new’ institutions such as multi-stakeholder initiatives and public–private partnerships (Ponte, 2019; Riisgaard et al., 2020). As such, CSR is practiced by a variety of organizations and workplaces in society, but these interact with wider systems of governance and are constantly subject to negotiation and resistance (D’Cruz et al., 2021).
Paraphrasing Neilson and Pritchard (2009), we can thus say that CSR must be understood as highly contested and negotiated through the interaction of vertical relations (the interactions between buyers, suppliers, and workers) and highly diverse institutional contexts, resulting in what these authors call “value chain struggles” over the economic, social, and environmental conditions under which products and services are to be produced in export-oriented industries in the Global South.

MAIN CONTRIBUTIONS

This book departs from earlier writings on CSR in GVCs that address diverse topics such as the gendered nature of CSR (McCarthy, 2017; McCarthy and Moon, 2018) and the strategic use of CSR by social movements to promote workers’ rights in GVCs (Bair and Palpacuer, 2015). Some authors in this literature have also investigated whether CSR can help promote labor and human rights in industrial clusters that are tied into GVCs (Gereffi and Lee, 2016; Giuliani, 2016). Furthermore, scholarly interest has zoomed in on the impacts of corporate codes of conduct and buyer purchasing practices on workers’ conditions (Bartley and Egels-Zandén, 2015; Bartley, 2018, Anner, 2020). In addition, several authors have analyzed divergent buyer and supplier perspectives on CSR in GVCs (Lund-Thomsen and Lindgreen, 2018; Asif et al., 2019; Perry et al., 2015; Lund-Thomsen, 2020) and whether CSR enhances or undermines labor agency in such chains (Lund-Thomsen and Coe, 2015; Kumar, 2019). However, whereas there is a now an embryonic literature on the implications of COVID-19 on GVCs (Carmody, 2020; Gereffi, 2020; Morton, 2020), there is still – in my view – a gap in the literature, which this book tries to fill, when it comes to making a more comprehensive critical appreciation of the circumstances in which buyer, supplier, and worker perspectives on CSR in GVCs (do not) intersect in the light of COVID-19. In other words, there is a space for a monograph that looks back at the last 15 years of theorizing and empirical work on CSR in GVCs with a view to building back better, as we – at the time of writing – are still in the midst of COVID-19 and hopefully will soon move beyond its immediate effects. This book is an initial attempt at filling part of this gap in our knowledge.

KEY RESEARCH QUESTIONS

My core research question is thus: In which circumstances is it possible to identify a sweet spot in CSR in GVCs where the interests of buyers, suppliers, and workers in GVCs intersect?

I break this main question down into three sub-questions:
a. What are the drivers, main features, conceptual underpinnings, and limitations of the buyer-driven compliance and cooperation paradigms to CSR in GVCs?
b. Why are suppliers in the Global South that are integrated into GVCs often highly skeptical of CSR?
c. In which circumstances may the CSR policies of internationally branded companies facilitate or undermine worker agency at the level of supplier factories?

THE ANALYTICAL FRAMEWORK OF THE BOOK

In order to theorize how CSR has been interpreted, negotiated, and adjusted in the interaction between buyers, suppliers, and workers, I set out the theoretical framework of the book in the next part of the introduction. In turn, I take the perspectives of three central actors typically involved in CSR in GVCs: buyers/brands, suppliers in the Global South, and workers at the base of these chains (Lund-Thomsen and Lindgreen, 2018). By applying all three perspectives, I theorize about the circumstances in which CSR might contribute to an optimal situation in which buyer, supplier, and worker interests intersect in a sweet spot, reflecting an amended version of Gereffi et al.’s (2005) theory of value chain governance.

I critically appraise the potential and limitations of CSR to achieve this aim and highlight the need to consider three key factors: (1) the type of GVCs that buyers, suppliers, and workers pursue (i.e., ranging from market-based transactions to hierarchy); (2) the national context of work and employment in which GVCs function; and (3) the perspectives expressed by buyers, suppliers, and workers in relation to make buyer, supplier, and worker interests converge. A resulting matrix contains 12 possible instances in which we can identify this combination of factors (or their absence) in relation to making CSR achieve this aim. Accordingly, I show that not all circumstances are sufficient to achieve such a convergence. However, instead of simply dismissing the possibility altogether, I contend that its identification becomes more feasible as we move from market-based transactions towards hierarchical GVCs, though its establishment is also very context dependent. At the intersection of vertical relations (interfirm relations) and horizontal relations (national context of work and employment), the joint interests of buyers, suppliers, and workers in addressing the negative impacts of COVID-19 on working conditions in the industry can be created or undermined within GVCs.

In the next section, I introduce the GVC approach, which serves as a theoretical frame for my analysis of buyer, supplier, and worker perspectives on CSR. Then I offer a critical appraisal of the potential for and limitations to finding
a sweet spot, according to these three viewpoints. To establish a conceptual map of the circumstances in which it may (not) be possible to identify a point at which the interests of buyers, suppliers, and workers intersect, I articulate an amended version of Gereffi et al.’s (2005) theory of value chain governance.

THE GLOBAL VALUE CHAIN APPROACH

I here define GVCs as “the full range of activities that firms, farmers and workers carry out to bring a product or service from its conception to its end use, recycling or reuse. These activities include design, production, processing, assembly, distribution, maintenance and repair, disposal/recycling, marketing, finance and consumer services. In a GVC, these functions are distributed among many firms scattered around the world” (Ponte et al., 2019, p. 1). GVCs extend beyond interfirm relationships in value or commodity chains to involve a wide range of actors: states, nongovernmental organizations (NGOs), trade unions, social movements, and other relevant entities that shape the conditions surrounding interfirm linkages in the global economy. They are inherently dynamic and in flux, in the processes of becoming, changing, and alternating. Some GVCs are short-lived, but others persist; some are relatively localized, whereas others span several continents. Thus, GVCs are multi-scalar and feature international, regional, national, provincial, and local levels (Coe and Yeung, 2015a).

They also have strong institutional features, such that GVCs are “quite literally grounded in specific locations. Such grounding is both material (the fixed assets of production), and also less tangible (localized social relationships and distinctive institutions and cultural practices)” (Coe et al., 2008, p. 279). This concept of embeddedness is central, though we must distinguish between territorial embeddedness (i.e., geographical places) and network embeddedness (i.e., connections among network participants, regardless of geographical position). Furthermore, GVCs are embedded in spatial and social arrangements that influence GVC actors’ strategies, including the “values, priorities, and expectations of managers, workers, and communities alike” (Henderson et al., 2002, p. 451).

In turn, participating firms, governments, workers, and other actors all have distinct priorities with regard to profitability, growth, and economic development (Lund-Thomsen and Lindgreen, 2014). Debates about which norms and values should guide the governance of GVCs constitute value chain struggles (Neilson and Pritchard, 2009, 2010), which suggests that GVCs also are contested fields “in which actors struggle over the construction of economic relationships, governance structures, institutional rules and norms, and discursive frames” (Levy, 2008, p. 944). The resulting power relations in GVCs are neither unidirectional nor structurally determined; they involve both “coop-
eration and collaboration” and “conflict and competition” across the actors, brands, suppliers, and workers (Coe et al., 2008). Moreover, the outcomes of value chain struggles are determined jointly by vertical and horizontal network relations. The former refer to power relations between buyers and suppliers in GVCs; the latter reflect the influences of different institutional levels, from economic, labor, and environmental laws to the informal norms embraced by private-sector firms, international organizations, trade unions, or NGOs, all of which operate at various geographical scales (Lund-Thomsen and Coe, 2015; Neilson and Pritchard, 2010).

This outline of the basic contours of the GVC approach provides a central organizing device for critically appraising the prospects for and hindrances to finding an optimum point in CSR, from the perspectives of buyers, suppliers, and workers from which their interests can be bridged during a global economic slowdown such as COVID-19. I start the analysis with the buyer perspective.

**Buyer Perspectives**

If we look at CSR literature from the perspective of international buyers, two dominant approaches emerge that offer very different implications for the notion of finding a common point at which the interests of buyers, suppliers, and workers intersect (Locke, 2013). The first refers to a compliance model or strategy, in which buyers develop a code of conduct, require first-tier suppliers to abide by this code, monitor whether it is being implemented (e.g., first-, second-, or third-party auditing), develop a plan for remediating any code violations, and ultimately cut ties with suppliers that are non-compliant (Locke et al., 2009). The second, commitment approach (Locke et al., 2009) entails a collaborative model to social upgrading in GVCs (Locke and Romis, 2010).¹

The compliance-based model has been widely criticized for failing to align the interests of buyers, suppliers, and workers in CSR (Lund-Thomsen and Lindgreen, 2014). In this model, retailers mainly pursue their own interests, seeking to avoid negative publicity and damage to their brand value due to media exposures of poor working conditions at the base of their GVCs. Instead of assisting their suppliers in improving compliance levels, international buyers engage in the unilateral extraction of compliance-related information from suppliers, which they then use as evidence to convince national regulators, NGOs, and the media that they are in control of the work conditions at the base of their GVCs (Lund-Thomsen, 2008). Costs simply get added to the supplier production processes, through the imposition of top-down, bureaucratic auditing and control procedures that do little to improve the quality or quantity of work available in these factories. In a sense, a compliance-based approach actively undermines the potential for identifying a point at which...
the interests of buyers, suppliers, and workers intersect in CSR – particularly when buyers grant suppliers perverse incentives to “keep up appearances” or engage in unethical employee coaching or auditing fraud instead of genuinely taking responsibility for work conditions in their GVCs (Lund-Thomsen and Lindgreen, 2014).

From the buyer’s perspective, the cooperative approach seems to offer better prospects for finding a sweet spot in CSR where the interests of buyers, suppliers, and workers can be aligned in ameliorating the negative impacts of COVID-19 on the conditions of garment workers at the base of these chains (Lund-Thomsen and Ramirez, 2020). With this approach, buyers help suppliers by redesigning their sourcing practices and rewarding suppliers that abide by their codes of conduct, offering more business or better prices for the products they produce. Furthermore, buyers seek to align their own interests with those of suppliers and workers by maintaining long-term business relationships with first-tier suppliers and engaging in capacity-building programs to improve the work organization, worker productivity, and labor conditions in factory settings (Distelhorst et al., 2016).

Although the cooperative approach thus appears to represent a “genuine” attempt to identify joint buyer, supplier, and worker interests, little hard evidence supports the main assertions underlying its predicted benefits. To the extent that evidence exists, it is anecdotal; for example, Distelhorst et al. (2016), in a study of more than 300 Nike suppliers, find that Nike’s intensive training in lean manufacturing principles led to a 15% reduction in serious labor rights violations, but there were no discernible effects on health, safety, or environmental performance. Hoffman et al. (2014) similarly find that a collaborative approach involving capacity building, employee-controlled worker committees, and a confidential worker’s hotline enabled Chinese workers to voice their concerns, which led to enhanced worker satisfaction and reduced overtime. Yet in their study of Hewlett-Packard’s supplier responsibility program, Distelhorst et al. (2015) argue instead that national contexts – not supply chain power, repeated audits, or capability building – best explain differences in workplace social compliance levels. In their study, factories in China tended to be less compliant than suppliers in other countries that had stronger civil society and regulatory institutions, for example.

In short, there is little to indicate that a compliance-based approach is helpful for finding an optimum point in CSR. The cooperative approach appears to offer better opportunities for finding such a point. Yet, if we take the perspective of buyers in isolation, it thus appears uncertain whether there are any real prospects of finding a sweet spot in CSR.
Supplier Perspectives

Suppliers in GVCs vary in their size, the products they produce, the industries in which they operate, and their geographical spread. I therefore address how such diversity might affect the prospects of identifying a sweet spot where their interests align with buyers and workers in mitigating the negative impacts of COVID-19 on workers at the base of GVCs.

Before doing so though, I note some relevant, common, cross-cutting themes in prior literature devoted to supplier perspectives. First, suppliers in different industries – garments, football, and footwear manufacturing for example – often locate in specific but diverse locations (e.g., Pakistan, India, Vietnam, Indonesia, China; Gereffi and Lee, 2016; Nadvi, 2014). Thus, manufacturing sites frequently supply the same kind of products, of similar quality, leading suppliers in different countries to compete with one another, in a downward spiral of price competition (Lund-Thomsen et al., 2012). This situation places some structural limitations on the extent to which suppliers can align their interests with those of buyers and workers in CSR. Second, unit prices have tended to decline over time in different industries, even as the cost of raw materials frequently has increased. With profitability being razor thin, there are fewer financial benefits available for suppliers to share with workers (Hobbes, 2015). Third, seasonal demand for items such as clothing and footballs means that suppliers must adjust their production capacity accordingly, causing instability in the availability of jobs and worker incomes. Fourth, lead times have tended to decrease over time, particularly in the fast fashion segment, so suppliers face simultaneous demands for better quality, lower prices, and ever-shorter lead times, which frequently require workers to engage in overtime work. Here again, I observe that the CSR interests of suppliers and workers appear pitched against each other (Tokatli et al., 2008).

Turning to how the diversity of suppliers in the Global South affects the prospects for identifying an optimum point in CSR, I note that supplier size appears to be a key factor. Giant contractors from countries such as Hong Kong, China, South Korea, and Taiwan are widespread in the garment and electronics industries (Knorringa and Nadvi, 2016). For example, the Hong Kong-based Li and Fung and Taiwan-based Foxconn own or source from thousands of factories throughout Asia, Latin America, and Africa. These giant contractors also tend to run modern, well-equipped factories that offer higher wages and more regulated work environments than are available in informal jobs. They are also in a much stronger bargaining position in the value chain than smaller-scale suppliers. The workforces in Asian-owned factories tend to consist of young, low-wage, female workers who are housed in dormitories at the production site (Appelbaum, 2008). For these large-scale suppliers, it likely is easier to achieve economies of scale and higher levels of productivity.
that – at least in theory – could enable them to align their interests with brands’ and workers’ (Lund-Thomsen et al., 2012).

However, the same cannot be said for the prospects of small to medium-sized enterprises (SMEs). Because SMEs often lack the capital, infrastructure, knowledge, and human resources required to achieve economies of scale and high levels of productivity, it might be more challenging for them to align their interests with those of brands and workers (Jamali et al., 2017). They might take informal steps towards aligning their interests with those of their workers though. Such efforts typically include community donations, providing workers with tea, or paying the bills for their workers’ children’s weddings (Sachdeva and Panfil, 2008). However, from a buyer perspective, such practices do not resonate with either the compliance or the cooperation approaches, which mainly recognize formal improvements to work conditions (e.g., minimum wages, being paid for overtime, access to social insurance). Therefore, for SMEs, finding the sweet spot in CSR is particularly challenging.3

In addition to company size, finding this optimum point depends on the end market into which producers sell, from a supplier perspective (Barrientos et al., 2016). CSR literature typically conceives of “vertical” world trade as taking place between buyers in North America or Europe and suppliers in the Global South. However, recent findings indicate the ever-growing importance of horizontal trade between buyers and suppliers throughout the Global South. Part of this trade stems from the growing exchange of intermediary components across countries in the Global South, with the final products still being sold in the Global North (Horner and Nadvi, 2018). However, a fundamental horizontal shift in global trade also has arisen for products that are both manufactured and sold in the growing home markets of countries such as India and China (Horner, 2016). From the viewpoint of suppliers, shifting trade trends have several pertinent implications for identifying CSR areas in which they share interests with buyers and workers.

First, suppliers engaging in horizontal trade might not be as interested in CSR. As the importance of local and regional value production networks grows, due to increasing domestic demand in countries such as China, India, and Brazil (Knorringa and Nadvi, 2016), their participation in CSR – in a traditional sense, such that suppliers in developing countries seek to sell their products to buyers in Northern markets – may become less attractive for suppliers in the Global South. Second, even if suppliers in the Global South can access more local, regional, and global alternatives for selling their products to end buyers, they still likely face standard social and environmental pressures in their domestic contexts (Pickles et al., 2016). In particular, “Southern standards” have begun to proliferate in developing countries and economies in transition, focused mainly on obtaining producer buy-in and targeting consumer audiences within these countries. To some extent, these standards also seek to
address local implementation gaps and distance themselves, in both cognitive and moral terms, from existing Western standards (Schouten and Bitzer, 2015). Whether such emerging standards also translate into the identification of an optimal point that aligns the interests of buyers, suppliers, and workers in the Global South remains an empirical question.

In summary, suppliers in the Global South face a range of structural constraints that may prevent them from identifying common interests with buyers and suppliers in CSR. Moreover, the prospects for identifying such joint interests vary, across suppliers of different sizes and among suppliers that serve different end markets. In turn, this is also related to the horizontal dimension of value chain analysis, as suppliers operate within different national regulatory contexts, are supported by various upgrading initiatives in particular industries, and face different production cost structures that – in part – depend upon worker wage levels in different countries.

Worker Perspectives

In my analysis of buyer and supplier perspectives, I mainly address their vertical relations. However, many of the factors reflected in the supplier perspective also influence the prospects of workers, in terms of whether they can identify common CSR interests with brands and suppliers. If suppliers earn lower unit rates over time, workers also tend to receive lower wages. If suppliers must reduce lead times, workers will have to engage in overtime work. Thus, the optimum point for suppliers and workers is inherently linked.

To address worker perspectives, I also turn to the importance of horizontal relations though, as reflected in the national and institutional context that surrounds work and employment (Carswell and De Neve, 2013). I posit that worker perspectives on the optimal point in CSR are mediated by the specific socio-economic and socio-cultural contexts in which they are embedded (Coe and Jordhus-Lier, 2011; Sportel, 2013; Tran and Jeppesen, 2016). In terms of structure, these contexts may facilitate or undermine the possibilities that workers have for aligning their interests with suppliers’ and buyers’. For example, in the Sri Lankan garment industry, the country’s active labor movement and proliferation of labor laws, particularly in its pre-independence period, likely provided the initial space for formal labor organizing (Ruwanpura, 2015). However, in the post-liberalization period after 1977, this space shrunk, and unions have had difficulty organizing the labor force, because they fail to take the gendered, cultured, and spatial particularities of working lives in Sri Lanka into account (Ruwanpura, 2016). In a very different setting, Chan (2014) argues that Chinese garment workers have begun to challenge the regulatory framework established by the state. However, the pre-occupation of Chinese authorities, particularly at the provincial level, with attracting foreign direct
investment appears to promote a capital over a labor policy, and the state’s manipulation of trade unions limits workers’ ability to organize collectively in an efficient way. In other words, in terms of horizontal relations, national and regional economic and labor legislation, as well as the enforcement agencies of the state, constitute important determinants of the structural space within which workers might align their interests with buyers’ and suppliers’.

An additional factor to consider is the availability of cheap, surplus, often female rural labor that has been present in countries such as China, Vietnam, and Cambodia during parts of their industrialization (Marslev, 2020). The greater the availability of such labor, the more difficult it will be for workers to negotiate improvements in their wages and work conditions. Nevertheless, I would still argue that the more progressive economic and labor legislation and enforcement is, in terms of protecting the interests of workers in CSR, the greater the scope for them to reap the potential benefits of taking part in such trade.

Yet workers’ options for aligning their interests with buyers’ and suppliers’ in CSR are not determined solely by the structural space. A rich literature documents the ways in which workers exercise labor agency to determine their own conditions at work at the base of GVCs (Alford et al., 2017; Coe and Hess, 2013; Coe and Jordhus-Lier, 2011; Lund-Thomsen and Coe, 2015; Ruwanpura, 2015). I define labor agency as workers acting either collectively to defend their interests through trade unions or informally by opting in or out of particular workplaces and work forms, depending on their personal preferences and broader life circumstances (Carswell and De Neve, 2013). In the Sialkot football manufacturing cluster, Lund-Thomsen (2013) observes that the possibilities of workers to exercise labor agency relates to the diversity of livelihood strategies pursued by football stitchers, and the spatial location of these stitchers in relation to more centralized workplaces may constrain their ability to opt in and out of factory-based, stitching center, and home-based work locations. In other words, their ability to insert themselves into GVCs in ways where workers, and not only brands and suppliers, benefit from taking part in CSR may be limited.

Moreover, the possibilities for workers to identify a sweet spot in CSR can be highly gendered, in the sense that female workers are more pressed to find ways to combine childcare and household chores with full-time work in centralized factory settings. Even if it would be financially profitable for these workers to engage in formal factory-based work, it may be incompatible with their broader responsibilities in the reproductive economy. Accordingly, De Neve (2014) notes that young, unmarried, female migrant workers appear to prefer working full-time in a formalized factory setting in the Tiruppur garment cluster, where they also have access to housing facilities. However, in the Jalandhar football cluster, Khara and Lund-Thomsen (2012) find that older
stitchers, both male and female, work in home-based settings that grant them greater flexibility in terms of the pace with which they hand stitch the products. Finding an optimum point in CSR, from the perspective of workers, thus may be a highly gendered process that also depends on factors such as workers’ life cycles, broader family relations, and positioning within local communities.

Having outlined the buyer, supplier, and worker perspectives, in the next section I return to a foundational research question: In which circumstances is it possible to identify a sweet spot in CSR?

**TOWARDS AN INTEGRATED ANALYTICAL MODEL**

To identify circumstances in which buyer, supplier, and worker interests in CSR overlap, I refer to three factors: (1) vertical relations, reflecting the nature of the interactions among buyers, first-tier suppliers, and their workers in GVCs; (2) the particular perspectives that each actor (buyer, supplier, and workers) in these relationships have on CSR in GVCs; and (3) horizontal relations, reflecting the national contexts of work and employment in which the actors are embedded, at the base of GVCs. To conceptualize vertical relations, I turn to the value chain governance theory proposed by Gereffi et al. (2005), who distinguish five governance types: market-based, modular, relational, captive, and hierarchical. These five types in turn can be defined according to three determinant variables: the complexity of transactions to be undertaken between buyers and suppliers, the ability to codify the transactions, and the capabilities of the supplier base. Furthermore, Gereffi et al. distinguish the degrees of explicit coordination and power asymmetry that exist in relationships of buyers and suppliers, such that market-based transactions feature the least explicit coordination and the lowest degree of power asymmetry, whereas hierarchical value chains exhibit the highest degrees. I add workers to these models, with reference to the three perspectives we have outlined, to acknowledge that each actor has a unique view on the prospects of identifying joint buyer, supplier, and worker interests in CSR. Finally, I expand the existing model by adding a consideration of how horizontal relations (national contexts of work and employment) influence the prospects of finding a sweet spot. I propose the analytical model of this optimum point for CSR in Table 1.1.

**Market-Based Relations**

With this model, I identify circumstances in which I anticipate convergence or divergence in buyer, supplier, and worker perspectives on the optimum point in CSR. In terms of vertical relations, if the interaction between buyers and suppliers is characterized by market-based relations, buyers likely cannot identify a point where they have joint interests with suppliers in CSR. The short-term
### Table 1.1  A model of the sweet spot in CSR

<table>
<thead>
<tr>
<th></th>
<th>Market-Based Transactions</th>
<th>Relational Governance</th>
<th>Captive Governance</th>
<th>Hierarchy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buyer perspective</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No optimum point</td>
<td>Optimum-point (cooperative approach)</td>
<td>Optimum-point (compliance approach)</td>
<td>Optimum point</td>
<td></td>
</tr>
<tr>
<td><strong>Supplier perspective</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No optimum point</td>
<td>No optimum point for SMEs</td>
<td>Optimum point for large suppliers</td>
<td>Optimum point for large suppliers</td>
<td></td>
</tr>
<tr>
<td><strong>Worker perspective</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No optimum point</td>
<td>No optimum point</td>
<td>Optimum point</td>
<td>Optimum point</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Here I discuss relational chains, not modular chains, reflecting my interest in the points at which we might find overlapping interests among buyers, suppliers, and workers by moving away from market-based conditions towards more explicit coordination in GVCs. In both modular and relational chains, suppliers tend to be highly capable and able to meet customer specifications. However, in modular value chains, due to their codification, information can be exchanged easily, which requires less explicit coordination, and the switching costs for buyers are lower, so buyer–supplier interactions resemble market-based settings. In relational chains, this relationship instead relies to a greater extent on mutual trust and dependence, so they require more explicit forms of coordination in the GVC.

**Source:** Adapted from Lund-Thomsen and Lindgreen (2018).

nature of these buyer–supplier interactions means that using either compliance or cooperative approaches would make little sense for buyers. Similarly, from the supplier perspective, there are few possibilities for identifying common interests with buyers in CSR, because these types of interactions are dominated by powerful price competition. For workers employed in supplier factories, the short-term nature of the work tasks required by market-based relations grants them few prospects for identifying an optimum point. Even if the national context is characterized by relatively strict labor laws and enforcement, the temporary nature of the commercial transactions between buyers and suppliers means that labor agency becomes highly constrained, providing little space for workers to align their interests with those of buyers or suppliers in CSR.

### Relational Governance

For the case of relational governance between international buyers and first-tier suppliers in the analytical model, a different picture emerges. However, the main conclusion remains the same. That is, I still anticipate a likely divergence in the interests of buyers, suppliers, and workers in CSR. In detail, SME buyers with relatively few suppliers in the Global South often undertake relational governance, because in theory, they can develop longer-term trade relation-
ships with SME suppliers, establish trust, and achieve mutual dependence. Such a scenario suggests that SME buyers would identify a potential sweet spot, through their use of a cooperative approach. In practice though, SME suppliers still face great difficulties in this effort, because even under relational governance, they are unlikely to operate according to the compliance-based norms and pressures that larger, more visible brands demand from suppliers. The prices paid may not be higher, even if these factories engage in longer-term transactions with their SME buyers. Production will still be seasonal, requiring the SMEs to hire and fire employees during the year without providing social security benefits to workers.

In horizontal relationships, the national contexts of work and employment seem more likely to influence suppliers’ identification of an optimum point in CSR when the ties reflect relational governance rather than market-based relationships. For example, in Brazil, the presence of labor inspectorates and extensive public–private cooperation around the implementation of labor standards may reward SME suppliers for aligning their interests with their workers’ and buyers’. However, in India, where the central government has linked economic development to a social downgrading strategy (i.e., not investing in worker protection; Knorringa and Nadvi, 2016), the national context of work and employment might prevent SME suppliers from aligning their interests with those of their workers (Khara and Lund-Thomsen, 2012). In relational governance settings, SME buyers may be able to identify an optimum point through a cooperative approach, but the national context of work and employment still might (not) provide incentives for SME suppliers to do so. The mutual dependence between SME buyers and SME suppliers that arises in relational governance contexts implies that horizontal relations should be more influential than vertical relations in terms of determining the prospects for identifying a sweet spot in CSR.

Captive Governance

In captive governance relations, I perceive greater prospects for establishing this optimum at which the interests of buyers, suppliers, and workers align. In captive chains, buyers from the Global North tend to work with many geographically dispersed suppliers, so buyers might prefer a compliance-based approach, to minimize risks to their reputation (i.e., avoid allegations or links to child or forced labor) across diverse national institutional contexts. From the perspective of large suppliers, codes of conduct and sustainability certifications may become part of their overall marketing strategies to appeal to international customers in the Global North. Similarly, for workers subject to captive forms of governance in the relations between international buyers and first-tier suppliers, stronger possibilities might arise for identifying an
optimum point. Even if horizontal relations limit the scope for labor agency (i.e., by denying workers the right to collective bargaining, as in China as a case in point), vertical relations may overcome these restrictions to some extent, because large buyers tend to operate according to codes of conduct that go beyond the minimum requirements stipulated by national labor laws. That is, even in contexts that prohibit collective bargaining, buyers’ power may be sufficient to enable collective forms of labor agency, such as in the form of wildcat strikes. At least in theory, such agency may help workers identify their sweet spot in CSR.

**Hierarchy**

Finally, for hierarchical governance relations, I anticipate the best prospects. The buyer retains ownership of the supplier, so it makes sense to adopt a cooperation-based approach, support capacity building, provide price incentives, and engage in joint production planning. Similarly, with their full integration into the parent (buyer) company, supplier factories likely can identify better prospects for aligned interests. Because the buyer retains ownership of the supplier, legal responsibility for the supplier’s social performance falls back on the buyer; it is in the interest of both buyers and suppliers to take a cooperative approach to social upgrading that ensures the suppliers are responsive to headquarters’ policies for responsible sourcing (vertical relations) and to national labor laws and enforcement agency requirements (horizontal relations). Hierarchical governance relationships also create greater chances for workers to identify their joint interests with buyers and suppliers. Because workers can directly negotiate the conditions of their work with their real employer (i.e., the buyer), rather than an intermediary supplier, they have substantially more space for effectively engaging in collective labor agency. Here again, vertical relations likely dominate horizontal relations in terms of enabling the identification of joint buyer, supplier, and worker interests in CSR, such that the positive or negative impacts of horizontal relations likely have less influence in hierarchical governance settings than is the case for relational governance.

Unsurprisingly, not all combinations make it possible to align the interests of buyers, suppliers, and workers in CSR. Instead, the prospects for identifying these joint interests improve significantly when we shift from market-based transactions towards hierarchical governance, as a function of the influence of vertical relations, though horizontal relations always mediate these prospects, in positive or negative directions. Whereas horizontal relations tend to be more important than vertical relations for influencing the alignment prospects under market-based and relational governance forms, vertical relations generally
become more influential than horizontal relations under the captive and hierarchical forms.

LIMITATIONS OF THE ANALYTICAL FRAMEWORK

This theoretical model is well suited to analyze the interactions of international buyers and their first-tier suppliers in labor-intensive, export industries (e.g., garments, footwear, leather manufacturing), but it also has some limitations. First, it is not directly applicable to agricultural production networks. In agricultural networks, farmers rarely have any direct interaction with lead firms. Instead, the commodity (e.g., cotton) moves through several production tiers (ginning, trading, spinning, fabric mills, and sewing/stitching factories), before it winds up as part of the final product (e.g., a t-shirt) sold by international buyers (Alexander, 2016). In this sense, the model’s applicability is limited to interactions of international buyers, their first-tier suppliers, and the workers who labor for the first-tier suppliers.

Second, it is possible to critique the underlying notion of a “sweet spot in CSR.” This optimum point could appear unrealistic or even a misleading idea, in that it ignores the underlying, unequal battles between capital and labor in the highly dynamic, neo liberal, capitalist global economy. This challenge is particularly acute considering the criticisms of CSR for being Eurocentric, imposing a kind of North–South dichotomy on local producers and workers in developing countries (Khan and Lund-Thomsen, 2011; Ruwanpura, 2016). Admittedly, the theoretical model is somewhat static, whereas GVCs tend to be highly dynamic. The optimal points we identify thus may change constantly. In this light, the prospects for ensuring long-term trade relations, as envisaged in the cooperation paradigm, and the sweet spots within such trading relationships are likely limited.

Despite these limitations, three main policy implications flow from this analysis. First, for multi-stakeholder initiatives such as the UK-ETI and buyers in the Global North, there is no single blueprint for identifying a point at which buyers, suppliers, and workers all benefit in CSR. They must grant careful consideration to the changing nature of their GVC linkages (from market-based to hierarchical), the institutional context in which their GVCs function, and the different perspectives that buyers, suppliers, and workers likely adopt towards the optimum point in CSR, in that particular context. Before initiating any new interventions, a map of how these factors interact in given contexts would be useful, to maximize the prospects for identifying the common interests. Such mapping efforts already apply to assess human rights risks in particular countries; I suggest a similar method, with a view to establishing the prospects for identifying shifting sweet spots in particular industry and country contexts.
Noting the highly dynamic nature of GVCs, we suggest that such maps should be updated every six to twelve months.

Second, for suppliers in the Global South, this book highlights that their size and end markets matter in terms of whether they can identify joint interests in CSR. For large-scale suppliers that work with retailers and brands in the Global North, the prospects for aligning their interests with those of their buyers and suppliers are greater than they might be for SMEs. At the risk of oversimplifying the influence of GVC governance relationships, I argue that large-scale suppliers engaged in captive and hierarchical forms of governance with their buyers can meaningfully seek to identify their own sweet spot in CSR.

Third, for workers, the prospects for identifying joint interests are very complex; they depend, among other things, on factors such as the gender, age, livelihood strategies, reproductive concerns, and broader social networks of these workers. Regarding the influence of governance relationships, the prospects for labor agency tend to increase as we move from market-based relationships towards hierarchical governance. In other words, workers are more likely to identify joint interests with buyers and suppliers in captive and hierarchical governance conditions than in market-based or relational governance settings. However, with this prediction, I refer specifically to their prospects for collective labor agency.

This analytical model could be applied by both academics and policymakers to conduct further empirical research to identify optimum points in CSR in a variety of industry and country contexts. I hope that this analytical framework also provides foundations for a wider toolkit for practitioners, including retailers, suppliers, and trade unions, that seek a better understanding of the GVCs of which they are part, the labor rights risks contained therein, and the possibilities for workers to exercise labor agency within these networks.

OVERVIEW OF THE BOOK

In Chapter 2, I explore whether COVID-19 has led to a rethink of the two dominant ways of conceptualizing corporate social responsibility (CSR) in (GVCs): the compliance and cooperation paradigms. Hence, I examine whether any changes have taken place in the drivers, main features, theoretical underpinnings, and limitations of these two approaches to CSR in GVCs in the light of COVID-19. I contend that COVID-19 has been associated with an expanded version of the compliance paradigm. However, COVID-19 has not directly challenged the cooperation approach as a conceptual model. Instead the partial failure of buyers to act responsibly in relation to their purchasing practices and restrictions on international travel have highlighted the limitations of this approach in the age of COVID-19. The conclusion highlights the main findings, research, and policy implications of this analysis.
In Chapter 3, I develop a supplier-centered approach to corporate social responsibility (CSR) in (GVCs) by answering the research question: why are suppliers in the Global South that are integrated into GVCs often highly skeptical of CSR? As CSR constitutes a vague and contested term, I undertake a short review of some of the most dominant CSR conceptions that have emerged in the last 20 years. I argue that these CSR definitions are often framed and promoted by key actors in the Global North, the home of many lead firms, in ways that overlook the unique challenges and broader circumstances faced by suppliers and countries in the Global South. I conclude by combining the key considerations of local suppliers in a more consolidated supplier perspective on CSR in GVCs.

In Chapter 4, I move onto further unpacking a supplier-centered approach to CSR in GVCs by asking how industrial cluster dynamics and approaches to CSR can contribute to the social upgrading of women workers that participate in GVCs. I start from an overview of the gendered nature of GVCs, pointing out that the cluster literature has not yet sufficiently explored the gendered nature of social upgrading. I further unpack this argument by arguing that the insertion of local clusters into GVCs builds, in the case of gender, on a re-articulation of pre-existing gender inequalities in cluster settings in ways that benefit the dynamic functioning of GVCs. In this way, I suggest that a “devil’s deal” may exist for social upgrading of women workers in industrial clusters. In fact, although local producer insertion in GVCs might facilitate local economic growth processes in industrial clusters, this could also simultaneously result in social downgrading of women workers in the same local regions. I conclude the chapter by arguing that supplier-driven collective CSR initiatives in local clusters in the Global South are unlikely to reverse this trend.

In Chapter 5, I examine the circumstances under which CSR initiatives facilitate and/or constrain labor agency in GVCs. Using a case of Nike’s sourcing and CSR policies in the football manufacturing industry of Sialkot, Pakistan, I explore the extent to which the measures advocated in the cooperation-based paradigm on CSR in GVCs enabled and/or undermined labor agency in garment factories in Bangladesh during the early phases of COVID-19. I argue that while such CSR policies can create enhanced space for labor agency, that potential agency is also undermined by (i) wider economic forces within the global economy and (ii) relationships with local/national actors and regulatory frameworks. Understanding the intersection of these dimensions becomes vital to interpreting the potential and limitations for labor agency in GVCs.

Finally, the conclusion presents the main line of argument of the book and explores new research and policy options for moving beyond the current state of affairs in debates and practice on CSR in GVCs.
NOTES

1. Lund-Thomsen and Lindgreen (2014) refer to these two forms as compliance-based and cooperation-based approaches (see their Table 2).

2. Giant contractors also take on significant coordination functions in GVCs. Azmeh and Nadvi (2014) consider these giant contractors to be both strategic and pivotal, in that they perform critical functions, such as the design, manufacturing, and distribution of goods and services. Traditional lead firms also grant some network governance functions to these giants, so they orchestrate the flows of goods, components, capital, labor, and information throughout the network. They even might transform the network by rapidly switching production and sourcing arrangements from one country to another (Merk, 2014).

3. To respond to these challenges, some SMEs adopt cluster-based social upgrading initiatives (Giuliani, 2016). Clusters contain many firms, operating in the same or related industries, located together within a defined geographical space. In theory, this co-location enables cluster-based SMEs to adopt joint approaches to dealing with issues such as child labor (Lund-Thomsen et al., 2016). With the help of industry associations, they can pool their shared knowledge and financial resources, such that cluster-based SMEs should be able to facilitate the dissemination of social upgrading practices and improve compliance levels, more so than if they were to engage in social upgrading practices on their own (Puppim de Oliveira and Jabbour, 2017). Local, cluster-based adoption of corporate social responsibility practices by SMEs at the base of GVCs also might produce more locally relevant solutions to pressing labor issues, which may be preferable to the one-size-fits-all approaches of conventional compliance-based efforts (Lund-Thomsen and Nadvi, 2010b).