REVIEW SYMPOSIUM

On Richard M. Locke, *The Promise and Limits of Private Power: Promoting Labor Standards in a Global Economy*, New York, Cambridge University Press, 2013

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Gary Gereffi*

Center on Globalization, Governance and Competitiveness, Duke University, Durham, NC, USA

*Correspondence: ggere@soc.duke.edu

Comprehensive and realistic analyses of labour standards in the global economy that lead to constructive dialogue about how to improve current conditions in a sustainable way are in very short supply. This might seem surprising, given the heightened interest in the topic generated by two decades of efforts to establish private compliance programmes by corporate actors and a multitude of capability-building initiatives by national governments and international development agencies. Despite these efforts, well-publicized and trenchant campaigns by labour and human rights activists continue to highlight persistent labour abuses that are commonplace in the thousands of consumer-goods export factories that span the globe linked to the relentless drive of global retailers, brands and manufacturers for low-cost production.

Richard M. Locke's book, *The Promise and Limits of Private Power: Promoting Labor Standards in a Global Economy*, does a remarkable job in this hotly contested terrain of dissecting the daunting challenges of trying to improve global labour standards, while also outlining sustainable solutions that are supported by a

range of key industry actors. From the outset, the book fully embraces the complex reality that we live in a world of global supply chains that link thousands of firms, large and small, foreign and domestic, across multiple cultural and political boundaries. Thus, policies appropriate for national economies simply will not work in global industries, where multinational corporations have become very adept at finding ways to arbitrage highly diverse regulatory environments and labour market conditions to keep costs low and profits high.

Where Locke departs from virtually all of his peers is in honing a sophisticated transnational research design that permits him to rigorously test the impact of private compliance programmes in several major global industries, most notably apparel, footwear and electronics. The book reports on work carried out by Locke and his collaborators over the course of a decade, which includes more than 700 interviews with company managers and factory directors, government labour inspectors and non-governmental organization (NGO) representatives, involving 120 factories in 14 different countries. This research led to the creation of a unique dataset on internal audit reports carried out by several major global brands, including Nike, Hewlett Packard and the International Labor Organization's Factory Improvement Program in Vietnam, and its predecessor, the Better Factories Cambodia programme.

What do we learn from Locke's study? Using a variety of techniques, including matched-pair comparisons of factories and country cases, vignettes on best practices and his unparalleled access to corporate audit reports, Locke shows that the traditional compliance model of private voluntary regulation, which sought to deter labour violations by policing and penalizing factories, as well as the alternative capability-building approach that tried to prevent violations by enabling factories to enforce labour standards on their own, both have serious limitations. To set the stage, Locke provides a useful literature review that lays out the theoretical assumptions of the private compliance and capability-building models, and then shows why these assumptions are faulty in the current context. In practice, private compliance programmes are remarkably diverse in terms of the issues being investigated (wages, work hours, working conditions, freedom of association, health and safety issues, sexual harassment and so on), auditors are stretched thin and factory audits are based primarily on company records, meaning the results can be inaccurate, biased or incomplete. Even for the brands that do the best job of factory audits, their suppliers move in and out of compliance on a regular basis. Thus, upgrading labour conditions through corporate codes of conduct and factory inspections has not worked very well.

A major advantage of the capability-building approach over the traditional compliance model is that auditors develop a different kind of relationship with factory managers. Rather than act as 'inspectors' whose job is to uncover Code of Conduct violations and punish management for these infractions, auditors in

the capability-building approach act as ‘consultants’ that engage in joint problem solving, information sharing and the diffusion of best practices in the industry. The limitations of the capability-building approach become apparent, though, when we view these factories in the context of the global supply chains of which they are a part. Most capability initiatives are targeted at the shop floor. However, as Locke documents in this book (see [Locke, 2013](#), Chapter 6), the ‘root causes’ of many labour violations come from the upstream business practices of global retailers and brands. For example, one of the main root causes of excessive overtime in apparel manufacturing is the large number of styles that factories are asked to produce by global brands. Other upstream practices that contribute to excessive working hours include last-minute changes in colours or product design, poor market forecasting and miscalculating the productive capacity of suppliers.

Locke’s analysis has very significant methodological implications for anyone seeking to understand labour standards in the global economy. First, one needs to go beyond the factory as the unit of analysis. In Locke’s own words, ‘... I have realized that to truly understand the source of many workplace problems in global supply chain factories, we need to look not just at these plants but also more broadly at the entire value chain and how upstream business decisions shape supply chain practices, production architectures, and work organization *downstream* in the factories manufacturing these goods’ ([Locke, 2013](#), p. 142). Second, one needs to take industry differences seriously. In the case of Nike, for example, in 2010 its footwear sales were double those in apparel (\$10.3 billion and \$5 billion, respectively). However, only 73 of Nike’s 930 suppliers are producing shoes, and most are located in Asia ([Locke, 2013](#), p. 48). In footwear, longer-term relationships with Nike’s suppliers are possible, and this increases the likelihood that Nike is able to positively affect workplace conditions with its footwear suppliers compared with those in apparel.

In his search for longer-term solutions needed to improve labour standards in global supply chains, Locke advocates a renewed emphasis to blend together private and public regulation. This includes stricter state enforcement of national labour laws and employment standards, as well as joint buyer–supplier collaborations based on a series of supportive conditions, including mutual economic gains, long-term relations, trust based on frequent interactions and joint learning. Far from ‘crowding out’ private standards, appropriate forms of government intervention can serve to strengthen them ([Locke, 2013](#), Chapter 7).

While I agree with Locke’s central conclusions in the book, his analysis would be strengthened by more explicitly recognizing the dynamic shifts that have been occurring in both global supply chains and the private governance regimes to which they have given rise. When these are taken into account more fully, they reinforce the idea that the most effective options to better global working conditions require the linking of public, private and social forms of governance.

The global supply chains that Locke analyses in his book have been changing very significantly, especially in the past decade. Three main shifts in what much of the literature now refers to as 'global value chains' are: (i) organizational rationalization—the lead firms in these chains seek a much smaller number of larger, more capable and strategically located suppliers; (ii) geographic consolidation—the production hubs of these supply chains are concentrating in large emerging economies, both because of their abundant supply of workers and local firms with manufacturing expertise and also because of expanding domestic markets; and (iii) a growth in South-South trade, especially since the 2008–2009 global economic recession dramatically slowed exports to advanced industrial markets (Cattaneo *et al.*, 2013; Gereffi, 2014).

These trends in the structure and dynamics of global supply chains mean that the power and information asymmetries that characterized what were referred to as 'buyer-driven' chains have diminished. In addition, the principal countries in which these supply chains are concentrated, such as China, India, Brazil, Indonesia and South Africa, now have greater bargaining power to pressure foreign companies for changes to benefit local interests.

In the context of these shifts, a new wave of research is looking at the conditions under which economic and social upgrading in global supply chains might come together and be mutually reinforcing (Barrientos *et al.*, 2011).¹ This work clearly shows that private governance alone cannot bring about sustainable changes in labour or environmental conditions. In today's highly competitive global economic environment, socially responsible behaviour requires both government willingness and capacity to act along with sustained social pressure.

A telling example is the recent Apple and Foxconn case in China. Despite repeated complaints and several exposés about the treatment of workers in Foxconn's giant assembly plants for Apple's iPhones and other products in China, Apple refused to act. Then in early 2012, Foxconn announced significant wage increases, opened its factories to a camera crew from ABC's *Nightline* and brought in the Fair Labor Association to audit and report on factory working conditions. This change did not come about because of corporate codes of conduct alone, but rather through what could be termed 'synergistic governance' (Mayer, 2014). Codes of conduct by Apple and Foxconn were supplemented by an active involvement of the Chinese government (e.g. its 2008 Contract Labor Law and mandated minimum wage increases of ~13% a year from 2008 to 2012, with higher targets in the next few years), the persistent pressure exerted by international NGOs as well as the involvement of the FLA, and not least of all, a more aggressive stance by Chinese workers in Foxconn's factories, who asserted their demands in multiple ways, including a well-publicized spate of worker suicides. While extreme, the Apple and

¹ See the website of the Capturing the Gains project for working papers and policy briefs related to this topic, <http://www.capturingthegains.org/>.

Foxconn case in China is not unique, and it highlights the kind of coordinated efforts that are required to improve labour standards in the global economy.

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Marino Regini*

Department of Social and Political Sciences, University of Milan, Milan, Italy

*Correspondence: marino.regini@unimi.it

This book by Richard Locke *The Promise and Limits of Private Power* is very important and welcome in many ways. From a substantive point of view, it provides the most articulated and sophisticated analysis of the ways in which working conditions and labour rights can be protected in a global economy. From a methodological point of view, it is the outcome of an impressive fieldwork, carried on over the years in many parts of the world and of skilful combination of quantitative and qualitative analyses. Last but not least, from the point of view of the different disciplines and streams of literature that deal with the world of work and labour, it is a very successful attempt to combine the perspectives of HRM with the insights of institutionally based industrial relations analysis.

The key idea, developed in all its nuances and implications in the book, is that working conditions and labour rights in a global economy can only be promoted through a mix of private and public regulation. This is because global supply

chains have made the old-type national regulation inadequate, while at the same time the more recent attempts at private regulation have shown their limits.

The easy part—so to speak—of the book is the latter sentence of the paragraph above, while the former is the more difficult one. By ‘private regulation’ (a far more appropriate term for the phenomena discussed than ‘private power’, used in the book title), Locke refers to two distinct mechanisms. The bulk of the book is devoted to showing that these mechanisms may indeed achieve important results but cannot ensure by themselves basic social rights.

The first mechanism is identified in the private compliance programmes, namely the ‘efforts by private firms to enforce labor standards in global supply chains through corporate self-regulation’ (p. 24). These programmes, which imply developing ‘codes of conduct’ and monitoring schemes aimed at promoting ‘compliance’ with these codes, are widely discussed in chapters 2 and 3, where an impressive amount of empirical evidence is presented and thoroughly analysed.

The second mechanism is what has come to be known as capability building programmes, namely the efforts at preventing violations ‘by providing [suppliers with] the skills, technology and organizational capabilities that enable factories to enforce labor standards on their own’ (p. 78). The important results achieved by such programmes, as well as their inability to ensure basic social rights, are extensively discussed in chapters 4 and 5.

In spite of the limits of both private compliance and capability building programmes, the continuing need for some type of private regulation stems from the failure of traditional state regulation. This leads the author to a largely normative statement, namely that a *mix* of private and public regulation is necessary—a statement supported by what Locke himself terms ‘fragments of empirical evidence’. As said above, however, the more difficult task of the book is to show precisely *which* mix of private and public regulation may actually work and *how*.

Before venturing into how this task is carried out, one should highlight two further strengths of this book because it is these strengths that make the book really important. The first is that Locke does not simply show empirically that both traditional and more recent approaches do not work, but analyses the roots of these limits in the theories and assumptions underlying these approaches. From this point of view, his critical analysis on pages 102 ff is a ‘must’ reading for any scholars in this field. The other major strength lies in the wider perspective taken by Locke when he maintains that most studies of work and labour actually look in the wrong place. In fact, his idea is that labour scholars focus on the workplaces because it is where labour rights are violated, but the actual causes thereof are not in production but in the ways global buyers organize the whole process (see pp. 126–142). This view provides a far deeper and refreshing view than we can usually find in the literature on work and labour.

Let us now go back to the difficult task of showing that a specific combination of private and public regulation *can* indeed succeed in overcoming the failure of both traditional state regulation and apparently more innovative private compliance and capability building programmes. Locke approaches this task by developing quite sophisticated and clearly stated arguments, which cannot, however, avoid the impression of an internal fragility. A sound argument should be able to address this question: under what structural conditions can a virtuous combination of private and public regulation actually take place? Can we establish a set of conditions *ex ante*, or can we just observe *ex post* whether or not specific configurations of that combination have been successful?

The implicit answers to this question that the reader finds in this book show some oscillations and uncertainties that are symptoms of unresolved problems. In some parts of the book, the author seems to rely on basically voluntaristic solutions to the problem of how a virtuous mix of public and private regulation can emerge and become a stable arrangement. Elsewhere, Locke is very clear in identifying the structural divergence of interests among the actors involved as the fundamental reason for the partial failure of purely private forms of regulation. But where there is a structural divergence of interests, any voluntaristic solutions may work only if an institutional constraint of last resort is available—what Scharpf (1997) called ‘the shadow of hierarchy’. However, it is precisely the weakness of constraining institutions, first and foremost of the state, that makes, according to Locke, the contribution of private regulation necessary. This type of regulation is required because in most countries there is a deficit of state authority. If this is so, how can we expect that their governments—incapable to enforce their own laws and willing to overlook workers’ rights for the sake of social dumping—are ready to contradict their own behaviour?

In other parts of the book (for example, p. 18), the focus on the ‘structural divergence of interests’ seems to give way to ‘mutual recognition that each party has to gain from collaboration’. Collaborative relations could then be based not on external authority but on self-interest, which the parties come to recognize as the outcome of a learning process. However, this perspective is also immediately contradicted by the awareness of its fragility. As Locke honestly underlines, in fact, these collaborative arrangements are rare and remain unstable, even despite being clearly beneficial to both parties. Furthermore, they usually do not include some key enabling social rights, unless these are required by law.

Let me conclude by restating in broader and more theoretical terms what I see as the main problem of an otherwise excellent and sophisticated analysis. We might say that in Locke’s view all the three Polanyian principles of social order (exchange, reciprocity and authority) seem to be required to achieve the desired results of promoting workers’ conditions and social rights. At times the focus is on self-interest: if each party realizes that it can gain from collaboration and that costs can be

distributed fairly, the desired results are likely to be achieved. At others, the focus shifts towards trust: long-term relations and frequent interactions among the parties involved are the conditions for a learning process that may foster partnership and joint action. But both these 'optimist' views are again and again tempered by the 'realistic' observation that in the end government regulation is needed to legitimize and support private initiatives of collaboration. However, a social order in which none of the three Polanyian principles can work without the support of the others seems indeed fragile and unstable. By underlining the extreme complexity of effective regulation in global supply chains, Locke provides a very rich and sophisticated analysis, but at the same time policy solutions that seem far from easy to be implemented.

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Charles F. Sabel*

Columbia Law School, Columbia University, New York, NY, USA

*Correspondence: cfs11@columbia.edu

The emergence of huge new cohorts of workers and consumers in the fastest growing developing economies, together with ever more rapid innovations in technology and business models in the advanced countries, is producing vertiginous changes in the organization of global supply chains and the conditions of work in the developing country factories they link to world markets. No one has searched more insistently, ingeniously and broadly—in industries from apparel and electronics to sugar cane—nor looked so high and low—from corporate data bases on supplier compliance with labour standards, to hundreds of interviews with workers, managers and NGOs active in supplier factories the world over—than Richard Locke. In a series of articles over the last decade, often with his then graduate students at MIT, in the recently published *The Promise and Limits of Private Power*, which synthesizes much of that work, and in a new unpublished paper, 'Does Lean Capability Building Improve Labor Standards? Evidence from the Nike Supply Chain', with Greg Distelhorst and Jens Hainmueller (DHL), Locke has somehow managed not only to stay abreast of these changes, but to use his deep understanding of them to explain the successes and failures of repeated

efforts by NGOs, corporations themselves and (on occasion) national governments to improve conditions of those who work in the factories that make so much of our material world (Locke *et al.*, 2007a, b; Locke *et al.*, 2009, 2012; Distelhorst *et al.*, 2013; Locke, 2013; Locke and Coslovsky, 2013).

1. Traffic on the high road: lessons from Richard Locke's recent work

What emerges is a good news, bad news story, with the double twist that the bad news—the failure of traditional forms of compliance monitoring—comes first and the good news—improbable changes in the organization of supply chains that open new possibilities for improved labour conditions and worker empowerment—may well prove incomparably better than the bad. Both by the failures that it documents and the possibilities that it brings sharply into focus, the work of Locke and his co-authors will set the agenda for debate about labour standards and how to improve them, and by extension the debate about effective regulation, domestic and international, in other domains as well. That the work reframes, but leaves unanswered many familiar questions about labour conditions, while raising new ones, is just another way of saying the same thing.

The Sombre news is quickly told. Beginning in the mid-1990s, in response to public outrage at reports of widespread violations of minimum standards of decency in working conditions in firms in their global supply chains, transnational firms with valuable reputations for decency to protect pledged themselves and obligated their suppliers to adhere to codes of good conduct, policed by third-party (often NGO) standard setters/auditors (in the case of Levi-Strauss, for example), or by internal, corporate auditing units (the case of Nike). These private auditing systems entailed substantial costs—‘years of effort and significant investments by global corporations in developing evermore comprehensive monitoring tools, hiring growing numbers of internal compliance specialists, conducting thousands of factory audits, and working with external consultants and NGOs’ (Locke, 2013, pp. 2–3). Despite the certainty of inspection and the possibility of significant sanctions, including the loss of business, they did not work either as a significant deterrent to violations in general, or even to distinguish a substantial group of good actors, willing to comply with code terms for reasons of their own, from the sharp operators intent on getting away with whatever they can. In *The Promise and Limits of Private Power*, after careful analysis of grades assigned to supplier factories by Nike auditors in successive inspections, Locke finds that while there has been some improvement in areas such as health and safety, there was none in others, such as freedom of association or excessive working hours; and, crucially, ‘these improvements appear to be unstable in the sense that many factories cycle in and out of compliance over time’ (Locke, 2013, pp. 20–21). Despite the nuance the conclusion is unequivocal: ‘After more than a decade of concerted

efforts by global brands and labor rights NGOs alike, private compliance programs appear unable to deliver on their promise of enforcing labor standards in today's new centers of global production' (Locke, 2013, p. 174).

The news is all the more sobering because it is unlikely that a public or NGO-based system of labour inspection, at least one focused, as these corporate ones are, on deterrence through the imposition of penalties, would have done much better. Of course public authorities or NGO inspectors might be less constrained in the imposition of penalties than corporate auditors, subordinate as they are to the higher authorities in the firm who will be tempted to give otherwise reliable suppliers a pass on (all but the worst) labour violations. But this increased autonomy is offset by other limitations—for instance, the impossibility of auditing firms with anything like the regularity that is routine for corporate inspectors, and the corresponding loss of detailed knowledge about individual factories. In theory deterrence works if the fine imposed for a violation, discounted for the probability that the violation will be detected and sanctioned, is greater than the benefit of the wrongdoing. It is hard to see how any realistically resourced public authority or NGO could achieve a more effective combination of detection and sanctions than the corporate auditors, and therefore reasonable to see Locke's findings as sapping the little confidence that remains in deterrence, public, private or civil society, as an effective means of improving labour conditions.

But the story does not end here, and it is in the sequel, hinted at in the book but told largely in DHL, that the good news starts. Even as the auditing programme continued to expand, Nike began experimenting with a second, 'capacity building' approach to supplier relations. The core of this approach, as Locke explains, is that suppliers are not seen as 'immoral agents motivated by a desire to cheat their way through inspections', but rather 'as willing partners who simply lack certain organizational skills for effective code of conduct enforcement' (Locke, 2013, pp. 175). In a private capacity-building system, the buyer provides (often for a price) the training the supplier needs to acquire the skills to comply with their obligations. In fact Nike's capacity-building programme is a particularly demanding and transformative variant of capacity building: it aims to shift supplier firms from manufacturing systems based on mass production by unskilled workers to lean-production systems in which buffer inventories are removed to make sources of disruption (unreliable machines, erratic material flows) conspicuous and line workers and supervisors collaborate to continuously improve production by identifying the underlying or root causes of such disruptions and successively eliminating them. It is thus an example of what was called, in an older vocabulary, a shift from the low to the high road of production. On the low road (as in the prototypical case of the sweat shop) the firm has only variable costs (the factory building is rented, as are all production machines and workers are paid by the piece), and the owners therefore have no reason to invest in training or decent conditions for the

workers—in fact, neglect of the facilities and the brutal ‘driving’ of labour are profit-maximizing strategies. But once firms move to the high road by making investments in equipment or organizational routines that require a skilled and stable workforce as complements, increases in productivity and profits go hand in hand, in theory, with improvements in at least some aspects of labour conditions, especially training.

In DHL’s terse account, Nike approached this high-road variant of the capacity-building strategy cautiously (could developing country suppliers master the techniques at acceptable rates and costs? would conditions in the footwear and apparel industries make such investments worthwhile?), but meticulously and with great tenacity. Responding to problems both in workplace conditions and in product quality in the late 1990s, Nike, with the help of a consultant, first adapted lean production to footwear manufacturing: footwear suppliers are typically large firms and thus more likely than many of Nike’s smaller apparel suppliers to already possess many of the managerial capacities needed for lean. By 2004, Nike had obtained commitments from long-term footwear suppliers to shift to the new system, and established a centre in Vietnam to train both factory managers and Nike staff. By May 2011, 80% of Nike’s footwear manufacturers had at least taken the first steps towards the transformation of their production set up.

According to Nike the programme increased productivity, decreased defect rates and reduced the time needed to replenish customers with existing models and to introduce new ones. Taken together, as a general assertion that lean production is good for suppliers and good for Nike, the claims seem credible; in any case Nike acted as though it is, extending the programme to its far-flung apparel supply chain, including hundreds of factories. The pattern of adoption was the same as in footwear: Lead suppliers—members of Nike’s Apparel Management Leadership Forum—were invited or urged to commit to reorganization. In 2009 a dedicated school for teaching lean techniques in apparel production was created, this time in Sri Lanka.

The programme is rigorous. Managers spend 3 months at the school, much of it in a teaching factory that allows them to observe lean principles applied in context and to test their understanding in practice. Their employer pays tuition costs. Upon completion of the programme the trainees together with a Nike manager develop a ‘proliferation’ strategy for their home factories, starting with particular elements in a pilot line and adding more until the shift is stabilized.

DHL provide the details of Nike’s definition of a lean line to leave no doubt as to just how precise and demanding it is. To count as lean for Nike, a supplier’s assembly line must be part of a manufacturing process that adds significant value to the product (no Potemkin villages); eliminates inventory buffers so that upstream production is triggered or pulled by an explicit signal from a downstream station; allows line workers to stop production by pulling Andon cords in case of urgent

problems; keeps track of relevant measures of quality, cost, on-time delivery and safety; standardizes good practices; inspects work as it occurs, station by station, not at the end of the production line (when repair is costly and the root causes of problems harder to identify); keeps production orderly (with parts easily identified in bins and tools displayed to facilitate use), and arranged so that disorder—machine breakdowns or disruptions in flow—are conspicuous and ensures that value-adding processes are well coordinated. When suppliers believe that one or more lines qualify under this standard, they request Nike to certify that it has.

This is to all intents and purposes a supplier qualification programme, and a demanding, transformative one. Nike sourcing managers today nominate participants to the programme; presumably only the most promising are selected. To 'graduate' from the programme suppliers must demonstrate to a Nike inspector, production line by production line, that their factory organization meets the criteria of lean. What is learned, and how well, is subject to constant scrutiny. Trust or long-term commitments on both sides may play some role in establishing eligibility; moreover, once suppliers have demonstrated the new capacities, the costs to Nike to switching to other, less proven ones is high—so a long-term relation (and the kind of trust that continued exchange easily generates) may be the outcome of the qualification process, even if it is not the precondition or foundation. But performance, continuously monitored, not the character of the prior relation, is decisive.

This kind of supplier qualification programme is well established among top-tier suppliers and multinational firms in the auto, agricultural implements and machinery sectors in advanced countries, with the important difference that suppliers are typically expected to do much more of the learning on their own. The important novelty here is the combination of a supplier grading system and the use of tightly organized capacity building by the buyer to spread lean-production methods to low-skill parts of global supply chains, where it seemed that the prevailing combination of high volumes, fashion and price sensitivity (generating contradictory pressures for rapid model changes and rigid cost control) might create so much volatility in factory conditions that re-organization—even re-organization that makes it easier to respond to volatility—would not be feasible.

2. Lean and labour conditions

But, still assuming that Nike would not put the entire apparel supply chain at risk and unless the programme benefited it and participating suppliers, is this also a high-road solution, improving conditions for workers in lean factories as well? The extraordinarily good news in Locke's story is that it is. In DHL, Locke and his co-authors examine the results of Nike labour standards audits in 300 factories in 11 countries (principally China, India, Malaysia, Sri Lanka and Vietnam) from

2009 until the present, as lean-production lines are being introduced. They use the incremental implementation of lean to construct standard fixed-effect regressions that control for unobserved particularities of individual factories; to check the robustness of their model they look for improvements in labour conditions in the years before lean is actually introduced—when managers may have acted in anticipation of the ultimate effects of reorganization—and report no such placebo effects.

The findings regarding the effect of lean on factory conditions are, with two qualifications, striking. Nike's grading system for labour conditions ranges from A to D, with scores of C and below associated with serious violations of labour standards, such as subminimum wages, systematic abuse of overtime and employment of underage labour. The introduction of lean reduces the probability of receiving a C grade or less by 15 percentage points, from 40 to 25%. DHL speculate that the improvement may have resulted from a combination of enhanced managerial skills (better record keeping, including better records on work hours), investment in worker skills (and the forms of workplace participation this can entail) and changes in the relation between buyer and supplier that reduce volatility inside the factory.

But in *The Promise and Limits of Private Power*, Locke presents a case study of a Mexican lean supplier of T-shirts to Nike that offers a better glimpse of how the new form of organization transforms working conditions: operators in the lean plant worked in teams, learned to work at many machines (and said in interviews that they valued job rotation), did routine maintenance, set production targets in consultation with supervisors and reviewed production set-ups jointly with them as well. Their wages and productivity levels were also higher than those of workers in a comparable Mexican supplier to Nike using traditional manufacturing methods. So at the very least a large-scale shift to lean production defined and certified as Nike does opens possibilities for worker participation and empowerment inconceivable on the low road.

Now to the qualifications. The first is that the introduction of lean does not lead to corresponding improvements in health, safety and environmental conditions at the workplace. DHL have a ready and convincing explanation: restructuring focuses on production lines, so regulatory infractions—broken ventilators, blocked emergency exits, missing environmental permits or licences for hazardous materials—are likely to escape the attention of such initiatives. These problems will have to be addressed in other ways.

Second, and more disquietingly, the study finds important country effects: the lean programme has no effect on labour conditions in China (where half of the factories in the sample are located) and Sri Lanka. In part this is, DHL show, because factories in these countries are much slower to adopt lean than their counterparts in the others. But why is that? One possibility is that turnover rates in Chinese

factories, to take the overwhelmingly important case, are so high that the workforce does not stay in place long enough to accumulate the skills that underpin lean production. (DHL note that one goal of the programme was to reduce turnover rates, but they do not report the results for China or elsewhere.) The turnover rates in the Mexican suppliers, lean and traditional, that Locke studied were in the range of 8–10% per year. Reputable suppliers in China can have monthly turnover rates in that range. The astronomical turnover rates appear to result from disappointed expectations—the realization by the new labour market cohorts that they can neither return to rural homes nor advance past their dead-end factory jobs—and the harsh living conditions in dormitories often built and controlled by municipalities, not their employers. Even if these conditions are regional, not national—lean production seems to be well established in much of the machinery and other metal-working industries in the traditional industrial heartland of Northeast China (Herrigel *et al.*, 2013)—they will be hard to change where they have become entrenched. Will Nike and other transnational buyers move, say to Vietnam, where lean is quickly implemented and wages are, to boot, lower than in China? Or is it just a matter of time before the diffusion of lean reaches a threshold level at which increases in productivity, quality and responsiveness lead to substantial improvements in working conditions and wages, further stabilizing the workforce and setting of a more robustly self-reinforcing cycle of change?

Questions like these about conditions in the supplier economies prompt complementary ones about the strategy of Nike and other transnational organizers of global supply chains. What induced Nike to experiment with and above to persist in efforts to develop a lean capacity-building system? Increasing problems with defects and on-time delivery as models became more complex and markets more changeable? The promise of large productivity gains? Or, most likely, some compelling combination of these? What lessons has Nike learned from the successes and limits of its programme about the possibilities of capacity building in developing countries, and the most effective ways to organize a supplier-development programme? Has Nike begun to integrate decisions about sourcing with a (revamped) system for checking and fostering compliance with labour standards? Or, as the pieces of the story reported in Locke's work seem to imply, are the two units still worlds apart, with sourcing having, in the end, the real say?

We know that Nike is not alone in pursuing this kind of strategy. Locke mentions the well-documented case of IKEAs highly developed and successful programme of building supplier capacity (Ivarsson and Alvstam, 2010); and in *The Promise and Limits of Private Power* he presents a compact case study of the extraordinary capacity-building assistance provided by ABC corporation—a global apparel producer—to Sula Shirts, a Honduran supplier, to enable Sula to master quick-turnaround techniques to rapidly replenish the US market after the expiration of the Multifiber Agreement in 2005 exposed the firm to low-wage Asian competition.

But Nike's efforts are on an entirely different scale; learning why the firm did what it did and what it has learned by doing it will undoubtedly shed light on the direction of development of many important supply chains.

If we accept Locke's conclusion that real improvement in labour conditions depends on capacity building for pervasive organizational change—the turn to the high road—questions such as these are of urgent practical significance. The more we know about the conditions under which transnational firms and developing country suppliers in traditionally low-skill industries are discovering mutual interests in shifting to lean in Nike's precise and demanding sense, the more we know about the situations in which the problem of labour standards is likely to become more tractable, even if—keeping in mind the first qualification, regarding the limits to the transformative character of lean—the problem will not solve itself. Put the other way around, the more we know about the conditions under which upgrading to lean is likely to occur spontaneously, as a reaction to market conditions, the more we can focus on the harder cases—the firms that do not qualify for the supplier-development programmes—where some kind of intervention, presumably public, is needed.

Note that investigation of these hard cases is likely to lead away from familiar debates about labour standards and towards development economics—especially industrial policy, the quintessential province of capacity-building efforts at many scales in developing economies. And high time: development economists have devoted much effort in recent years to debating whether industrial policies—in precisely the sense of deliberate efforts at capacity building—are worthwhile or not, with the consensus in the World Bank and elsewhere shifting in favour of their advisability and even necessity (Greenwald and Stiglitz, *forthcoming*). But deplorably little effort has gone towards understanding how, institutionally, these policies succeed when they do. Participants in the labour standards debate have, for their part, too often treated respect for workers as a necessary side constraint on growth, not a condition for it. Locke's discovery of significant traffic on the high road suggests that, in the parlance of contemporary politics, it is time for these two groups to have a conversation.

But even within the 'easy' domain of mutually beneficial capacity building Locke's findings raise questions that are hard enough. Freedom of association, understood as freedom to organize unions and bargain collectively, is one of the ILO's four, core labour standards, and it is echoed in all labour codes (though of course in some countries, such as China, the state reserves the right to licence a single, monopoly union). Yet the kind of workplace empowerment that seems to develop naturally with the shift to lean production does not lead in any straightforward way to the formation of association across and outside workplaces. How should we think about this? In a world of increasing economic polarization, in both developing and advanced countries, it is hard to imagine a vital civil society

without active unions. But it is also true that unions in advanced countries have struggled for decades, with meager results, to find a way to accommodate the decentralization of decision-making within firms, and the direct worker empowerment associated with it, with traditional and (often much more) centralized forms of bargaining over wages and work conditions. If you still have some faith in the cunning of reason, or the moral arc of history, you may hope that the spread of lean, workplace empowerment in settings without established, workable unions may offer the labour movement another chance at rebirth. But in any case the relation between lean and the freedom of association remains a crucial open question (Barrientos and Visser, 2012; Barrientos *et al.*, 2012). Given the limits of the spill-over effects of lean—its inattention to environmental and health and safety issues above all—analogue questions can be raised about new forms of regulation addressing these issues.

Even if questions abound it is clear that through dogged investigation and dispassionate insight Locke has shown us how to see amidst a jumble of sad facts—to many, and understandably, no more than the ruins of a decent system for protecting labour conditions, and of failed efforts to reconstruct it—pieces of a puzzle that figures a new regime. Following his lead, we need to bend our efforts to finding and fitting more pieces to the solution, and above all thinking hard about remaking the ones that do not mesh so they do.

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