

Improving labour conditions in global production networks through socially responsible public procurement

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Global industries such as electronics and clothing face significant challenges over labour violations and poor working conditions in developing countries. This is due to governance gaps in global production networks (GPNs). They include either inadequate regulations, deficient regulatory enforcement capacities in developing countries, or weak and unsustainable self-regulatory private mechanisms, such as standards and codes of conduct, by firms. Research on labour governance in GPNs, however, has paid little attention to socially responsible public procurement particularly by large consuming states. Yet in 2014 the European Union adopted a Directive on Public Procurement which allows clauses on social and labour standards in procurement contracts. The proposed programme aims to develop a conceptual and theoretical lens on the state as a governance actor, in hybrid form as regulator-buyer, exercised through market power in GPNs by bringing together academics and PhDs researching labour governance in GPNs with public-sector buyers and civil society organisations.

Project description

The global production networks (GPNs) of the electronics and clothing industries face poor working conditions and serious labour violations in outsourced factories in developing countries ranging from worker suicides, forced labour, to deaths from building collapses and factory explosions (Yasmin, 2014; Verite, 2014). Private governance mechanisms such as private standards and codes of conducts have been inadequate or unsustainable in

improving the situation (Anner et al., 2013; Locke, 2013; Raj-Reichert, 2011). My own British Academy postdoctoral research (2013 – 2016) on power dynamics and labour governance in the electronics industry GPN has shown this to be not only a symptom of unequal power relationships across firms in the GPN; for example by lead firms over suppliers, including the largest and most important suppliers in the industry (Raj-Reichert 2015; Raj-Reichert, 2018). Equally important was the inability to overcome power relationships within (intra-) firms whereby departments concerned with labour governance are side-lined in business decision-making processes as well as competitive pressures on suppliers to overlook compliance (Raj-Reichert, in progress). This raises questions as to whether and which external drivers are able to transform these power asymmetries within the structural limits of business decisions driving GPNs which can lead to labour violations in outsourced factories in developing countries.

While there is a considerable amount of research on the limits of private governance tools (Barrientos, 2008; Raj-Reichert, 2013), there has been less engagement on public governance enacted through socially responsible public procurement in GPNs. This gap in our understanding and research is critical to address in the context of the 2014 amendments to the European Union (EU) Directives on Public Procurement which allow state organisations to include clauses on social and labour standards in procurement contracts. This is significant when considering that approximately 16% of GDP in the EU is generated via public procurement through which states source goods ranging from computing, to workwear, and to medical instruments from lead firms which control GPNs (DG Trade, 2017). Further, procurement contracts are highly lucrative to individual lead or brand firms. For example, in the United Kingdom (UK), Hewlett-Packard has been one of the largest recipients of government contracts having received more than £1.7b in public sector spending in 2012 and 2013 (Rutter and Gil, 2014).

The possibilities of socially responsible public procurement in the EU raises important questions around whether this governance tool can be harnessed as an effective mechanism to improve working conditions in GPNs. To consider this requires an examination and conceptualisation of the state as a particular type of governance actor in GPNs. Indeed, the state as a governance actor has been under-theorised in GPN research on labour governance (Horner, 2017; Smith, 2015). This is because when it comes to labour conditions states have tended to play a weaker role in either setting or enforcing standards in GPNs. Generally, developing country states have focused on favourable policies to attract investments over labour conditions or they lack the capacity or willingness to enforce labour laws thereby resulting in less protections for workers in GPNs (Bartley, 2010; Yeung, 1998). Similarly, developed country states, in an era of neoliberalism, have not earnestly pursued adequate regulations and policies targeting their own multinational corporations to protect workers in outsourced factories and suppliers in foreign countries. These objectives have been largely left to inadequate and unsustainable

private self-governance practices. However, recent legislation in the United States, UK, and France on global supply chain transparency to prevent human trafficking and modern slavery, such as the California Transparency in Supply Chains Act, the UK Modern Slavery Act, and the French Corporate Duty of Vigilance Law, have increased public awareness of poor working conditions in GPNs and the limits to self-governance tools. This discourse has also been harnessed by civil society organisations (CSOs) to increase pressures on governments, particularly in the EU, to act responsibly through their procurement practices (SwedWatch, 2015; Danwatch, 2015). These developments have also increased focus on the responsibilities of developed country governments over labour governance in GPNs, where the focus has tended to be on developing countries (Horner, 2017).

Within this context, the proposed workshops aim to improve our understanding and conceptualisation of the state in the hybrid form of a regulator-buyer governance actor vis-à-vis particular institutional characteristics and relationships with various actors (firms, civil society, and other states) in the GPN. The focus is on the EU (its member states) because it is an institutional actor characterised by large markets which can affect the incentives and business decisions of lead firms and suppliers in the GPN. For example, findings from my PhD research showed suppliers at lower tiers of the electronics industry supply chain voluntarily complying with the EU Directive on the Restriction on Hazardous Substances (RoHS), which bans the use of chemicals in the production of electronics goods, in order to maintain access to the EU market as suppliers in the GPN (Nadvi and Raj-Reichert, 2015). In a similar vein when it comes to public procurement the EU, as a large buyer, is able to use economic coercion through market entry barriers imposed via social clauses and labour standards in procurement contracts. Moreover, the effects of these market entry pressures have the potential to reach far down into lower tier suppliers in the GPN. As an institution, the EU also has the capacity to implement and enforce regulatory measures with crossborder effects. Finally, its institutional features can bring together civil society actors across global networks to collectively pressure and influence its practices within global economic processes (Damro, 2012). For example, the CSO Electronics Watch has organised over 25 public-sector organisations in the EU to include contract clauses on labour rights and factory safety standards in procurement contracts for electronic goods, and works with CSOs in developing countries to monitor their impacts on workers in the GPN (Electronics Watch, 2017). Based on this context, the project will through a series of workshops further our understanding on the theory-praxis linkages of socially responsible public procurement in GPNs through the following objectives:

- 1) Conceptualising the evolving role of the state as a governance actor, in a hybrid form as regulator-buyer, in GPNs. The concept of the state as regulator and buyer (Horner, 2017) are merged because not only can the state use market power to influence working conditions it also must have the capacity to

develop the regulatory framework and procurement laws in ways that can be implemented and enforced adequately for desired outcomes. This conceptual understanding is important in the EU context because it reflects the interplay between the different state apparatuses and interests and the variation across individual EU member states' transposition of EU Directives into national laws and implementation processes (Kahlenborn et al., 2010). From a GPN heuristic framework, these discussions aim to contribute to the conceptualisation and theorisation of the relationships between the state, public sector buyers, firms, and civil society actors, and its effects on labour conditions in a global economy.

2) Engaging in a multidisciplinary discussion amongst researchers of labour governance across disciplines such as geography, law, political science, and business. While economic geographers have been engaged in research on labour governance in GPNs, legal scholars are needed to understand the viability and impacts of public procurement legislation in the EU. Importantly, political scientists engage in theories surrounding the role of the EU as a market power. Business scholars aim to understand business pressures and decision-making processes as part of global supply chains.

3) Understanding how these changing governance dynamics by the EU and its members states can be harnessed to improve labour conditions across GPNs. In this instance, the objective is to ensure the project results in benefits to practitioners such as public-sector buyers and CSOs engaged in socially responsible public procurement in GPNs. In this way, the project aims to be relevant to key actors in GPNs and have an impact at the global scale with a new set of ideas and tools for improving working conditions in outsourced factories.