



## Making Corporate Accountability Count

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On April 24, 2013, 1,134 people in Bangladesh died in the rubble of the eight-story Rana Plaza complex, where factories made jeans, shirts, and dresses for Walmart, The Children's Place, Benetton, and other brands. Workers saw cracks in the building the day before, but they were pushed inside the next morning under the threat of losing a month of wages. Although auditors had assessed the compliance of these factories with the ethical sourcing policies of various brands, these efforts clearly were not sufficient to protect workers.

The storyline is eerily familiar — indeed, the same scenario had unfolded two years before in deadly factory fires in Bangladesh. A tragedy opens the eyes of consumers, companies, and elected officials. Well-known brands and retailers promise to make reforms, sending auditors to investigate and issuing reports on social responsibility and sustainability initiatives. For a time, the story fades from the public eye — until another tragedy strikes, revealing the same mix of fierce competition, global inequality, and feigned ignorance.

As U.S. citizens and policymakers re-evaluate implications of global trade, it is worth asking how to make corporations more accountable for abuse and exploitation on the other end of their global supply chains. In my research on fair labor and sustainable forestry standards, I investigate how corporations have become quasi-regulators of global supply chains and what this means for workers, communities, and environments around the world. Focusing especially on the apparel and timber industries in Indonesia and China, I have interviewed practitioners — auditors, company officials, leaders of non-governmental organizations, and others — and I have analyzed quantitative data to understand the on-the-ground effects of private, voluntary standards.

### Why Companies Adopt Standards for Their Supply Chains

When first faced with public questions about labor exploitation and environmental hazards in their supply chains, Nike, Apple, Walmart, and other companies denied responsibility, emphasizing that they did not own the factories in question. Now such companies routinely point to an array of ethical sourcing policies, sustainability reports, multi-stakeholder standards, and projects they claim address public concerns. Activist pressure and media exposés are behind many such reforms, but even companies that have not been directly targeted realize that their brand images can be tarnished by problems in their supply chains. Companies adopt ethical or sustainable sourcing policies to appeal to conscientious consumers and satisfy investor demands.

U.S. officials also encourage the growth of voluntary corporate social responsibility practices — through such projects as the Fair Labor Association, the United Nations Global Compact, and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises. Some policymakers truly believe that companies and markets can rectify injustices on their own, but others may simply be unsure how to respond to abuses outside U.S. borders.

### Do Private Standards Work?

On the ground, private standards meant to guarantee fair, safe, and sustainable business practices fall well short of their stated principles. Suppliers can often evade scrutiny or make only minor improvements, yet still retain orders from leading brands and retailers.

- My research finds that factories in south China certified to the most credible factory standards were not discernibly different from similar un-certified factories. Wages were similar, as were reports of delayed wage payments and other labor abuses. Although certified factories did tend to have more developed human resource management systems, their practices fell far short of realizing the promises of dignity

- and worker rights they made on paper.
- Even the Forest Stewardship Council, a well-regarded multi-stakeholder sustainability initiative, has struggled to get timber companies to reform their logging practices and respect the rights of local communities. In Indonesia, conflicts over forestland often impede certification and blunt the impact of private standards. In China, land grabs for timber development continue as certifiers push dispute resolution procedures.

Scrutiny from buyers and multi-stakeholder initiatives can lead to improvements, especially when combined with local activist efforts, government regulation, and long-term collaborative relationships with suppliers. Yet major corporate buyers still search for lower labor costs and conveniently overlook what really happens in the facilities of local suppliers and subcontractors.

## Alternatives to Voluntary Corporate Standards

Companies currently win points for auditing suppliers, subscribing to standards in principle, issuing detailed reports, and avoiding controversies. Better options include:

- **Reorienting rewards for companies** to encourage them to select suppliers and negotiate prices in ways that prioritize rights-respecting countries and integrate fairness and sustainability into contract negotiations. Companies should also be rewarded for cooperating with worker-driven social responsibility initiatives.
- **Requiring companies to choose suppliers that obey the law.** Foreign labor and environmental laws are often surprisingly strong, even if enforcement is lax. If retailers and brands had to select and retain legally-compliant suppliers, they would support the efforts of reformers everywhere to expand the rule of law. The U.S. Congress used this approach to combat illegal logging in 2008 revisions of the Lacey Act, which governs trade in wildlife, plants, and now timber. New legislation could adapt this model to violations of labor law in the production of apparel, electronics, food, home furnishings, and more.
- **Requiring companies to respect fundamental rights in their global supply chains**, including the elimination of forced labor and employment discrimination. Some laws, such as the California Transparency in Supply Chains Act, ask companies to report what they are doing to avoid forced labor, but do not actually require avoidance. Two decades of experience with voluntary codes shows that companies are willing to pledge improvements without carrying through. To ensure results on the ground, laws must be tightened.

Read more in Tim Bartley, *Rules without Rights: Land, Labor, and Private Authority in the Global Economy*, (Oxford University Press, 2018).