

# From Passive Beneficiary to Active Stakeholder: Workers' Participation in CSR Movement Against Labor Abuses

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**ABSTRACT.** Corporate social responsibility (CSR) movement against labor abuses has gained momentum globally since the 1990s when many corporations adopted codes of conduct to regulate labor practices in their global supply chains. However, workers' participation in the process is relatively weak until very recently, when new worker empowerment programs are increasingly initiated. Using conceptual tool created by stakeholder theorists, this article examines dynamics and performance of worker participation in implementation process of codes of conduct through a case study of CSR practices of Reebok at one of its footwear supplier factories in south China. Empirical data was collected during 2002–2005 through participant observation, in-depth interviews, and document reviews.

**KEY WORDS:** codes of conduct, corporate social responsibility, stakeholder, worker participation, China

## Introduction

The 1990s witnessed a global development of corporate social responsibility (CSR) movement against labor abuses, when many large corporations adopted codes of conduct to regulate labor practices of their overseas suppliers and created monitoring mechanisms to inspect codes implementation. In general, corporate codes of conduct are written statements of principles or policies serving as the expression of a

commitment to particular enterprise conduct (Diller, 1999). Labor-related codes of conduct usually specify norms and rules by which to evaluate labor practices at workplace (O'Rourke, 2003).

Stakeholder theory suggests that CSR should require corporations to consider the interests of all stakeholders including investors, consumers, suppliers, employees, and the community in discharging their profit-directed activities. However, compared with key stakeholders who possess both legitimacy and power to air claims for ending up labor abuses; workers have been merely passive beneficiaries for many years. Although it is workers' rights and interests that are highly concerned in codes of conduct, workers consistently have very low level of knowledge about codes and participation in codes implementation process. Existing studies reveal that workers have no real influence over trajectory of CSR movement for their own interests. During past few years, to achieve a sustainable codes compliance model and on-going improvement of labor practices, various worker empowerment programs were initiated in many industries through launching programs of worker training, worker-participated monitoring, and worker representation.

However, until very recently, there remain rare academic studies on the dynamics and performance of worker participation in CSR movement against labor abuses (Esbenshade, 2001, 2004; O'Rourke, 2000, 2003; Rodriguez-Garavito, 2005). There are many unexamined questions on this topic despite their practical and theoretical importance. For example, how have worker empowerment programs been launched and operated with interplay among stakeholders who have different interests, rhetoric, and influence in the process? Upto what extent and

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on what issues have worker empowerment programs enhanced worker participation in codes implementation? How about the impact of worker participation on codes effectiveness in upholding workplace labor standards?

This article examines these questions through an empirical case study of worker empowerment programs initiated by Reebok, a top branded merchandiser in athletic footwear industry who adopted labor-related codes in the early 1990s and required its overseas suppliers to improve labor practices basing on its codes. The representativeness of this case study lies in following two aspects. Firstly, since the 1980s, athletic footwear industry has been criticized most intensively by journalists<sup>1</sup> and anti-sweatshop activists, becoming a leading industry in areas of CSR and codes. Secondly, Reebok is selected for the case study because the company has been recognized as a corporate leader in CSR movement,<sup>2</sup> playing especially active role in promoting worker participation.

My empirical research was conducted during 2002–2005 at one of Reebok's major footwear supplier factories in China, referred to anonymously as Fortune Sports (FS) in this article. Data was collected through three kinds of research methods – participant observation, in-depth interviews, and document reviews. I started fieldwork at FS in October of 2002, observing the election process of a trade union, which was main worker participation institution in codes implementation. In the following three years, to balance perspectives of parties holding diverse positions and interests in codes implementation process, I conducted interviews with: two Reebok human rights managers in China, two FS managers, six FS production line supervisors, two cadres of Chinese official trade union, nine FS trade union committee members, and thirteen FS production workers. This article also draws evidences from document reviews of three main sources – company documents, online databases, and websites.

The plan of this article goes as follows. I first review the development of CSR movement against labor abuses in athletic footwear industry during the past decade, comparing the content of codes and monitoring systems adopted by top branded merchandisers in the industry. Then I move to investigate the salience and participative role of key players

in CSR movement, using stakeholder identification theory (Mitchell et al., 1997). Next, I discuss the importance of worker participation through analyzing the limitations of monitoring-centered codes implementation systems. It is followed by the presentation of empirical findings from the case study. I portray management style and labor practices at FS, examine worker empowerment programs introduced by Reebok, focusing on the role of a worker-elected trade union, and evaluate workers' participative roles (individually as workplace monitors and collectively through union representation) at workplace level. In the end, I draw conclusions on the performance of worker participation and its impacts on codes effectiveness, and discuss a series of challenging issues to be addressed and overcome, for further enhancement of worker participation and more sustainable improvement of labor standards.

### **CSR movement in athletic footwear industry**

Riding high on the trend toward liberalization of trade and investment, most branded merchandisers in athletic footwear industry such as Nike, Adidas, Reebok, New Balance, Puma etc. moved production to low-waged Asian countries – first to Korea and Taiwan in the mid-1970s, then in the late 1980s to Thailand, China, Indonesia. Although outsourcing manufacturing to developing countries allowed the industry to grow into a multi-billions-dollars business, the industry has been increasingly criticized for labor abuses since the early 1990s. Numerous reports by journalists and anti-sweatshop groups revealed that labor rights were seriously violated in overseas factories, which are producing branded athletic shoes. Most of the accusations concerned low wages, forced overtime and long working hours, hazardous and unhealthy working conditions, child labor, sexual harassment, and intimidation and repression of (independent) labor unions.

In the mid-1990s, branded merchandisers, particularly top players in athletic footwear industry, became primary targets of anti-sweatshop activism of civil society groups in the developed countries, especially in the United States, Canada, Australia, and some European countries. All these anti-sweatshop groups addressed a common concern, demanding branded merchandisers to undertake

social responsibility in respecting and protecting workers' basic human rights. In response, all leading brands adopted codes of conduct to regulate labor practices of their overseas suppliers. In 1992, Nike adopted a Code of Conduct & Memorandum of Understanding. In the same year, as a company traditionally supported human rights causes, Reebok drew up its Human Rights Production Standards. In 1993, Puma introduced its Human Rights Understanding to Observe Universal Standards. In 1998, Adidas-Salomon published its Standards of Engagement. Following the steps of the industrial leaders, many other key branded merchandisers in the industry – New Balance, Asics, Fila, Kappa, Lotto, and Umbro – all developed their codes of conduct or sourcing policy to monitor labor practices in their global supply chains.

Regarding the content of codes adopted by these companies, as showed in Table I, almost all codes included minimum labor standards in following aspects: no forced labor, no child labor, wages and benefits, hours of work/overtime, safety and health, non-discrimination, and non-harassment. Yet, fewer codes recognized freedom of association and collectively bargaining as workers' rights to be respected. Moreover, on wage standards, the vast majority of these corporations adhered to the "tyranny of minimum" (Schilling, 2000), agreeing to pay legal minimum wage or the prevailing industry wage, but not a "living wage" demanded by anti-sweatshop groups. Furthermore, all these codes addressed labor standards in very general terms, seldom using quantitative standards as measurement. In fact, maximum mandatory working hours of 60 per week, and a minimum age for workers of 14–18 years old, are the only two quantitatively measured standards.

Corporate codes of conduct differ from legislations in that they are voluntary and not very transparent about application. Even codes containing strong (although implicit) reference to the International Labor Organization (ILO) conventions, remain weak instruments for improving labor standards as long as they lack compliance mechanism to ensure implementation. Accordingly, a number of monitoring mechanisms were initiated to foster codes implementation, ranging from internal monitoring, external monitoring, and independent monitoring (Harvey et al., 2002). All top branded

merchandisers in athletic footwear industry have created internal monitoring systems operated by their own staff to oversee suppliers' compliance with codes. External monitoring conducted by corporation-hired accounting and consulting firms or other for-profit organizations also was widely used. For instance, as the world's largest private monitor of labor and environmental practices, PriceWaterhouseCoopers performed over 6000 factory audits in 1999, including monitoring for Nike, Disney, the Gap, and other large shoe, garment, and toy companies (O'Rourke, 2000, p. 2). However, given internal and external monitoring systems faced increasing criticism for lacking transparency and credibility, independent monitoring performed by organizations having no direct or exclusive relationship with companies and usually including public reporting began to gain popularity in current years. The Fair Labor Association (FLA) is one of major initiatives of this type and also the most influential independent monitoring approach in athletic footwear industry.<sup>3</sup>

### Stakeholders in codes formulation and implementation

CSR movement clustering around the formulation and implementation of codes hinged on complex interplay among corporations, investors, consumers, civil society groups (e.g., trade unions, human rights, religious, students, and consumer NGOs) and manufacturing workers in suppliers factories. Stakeholder theory provides useful conceptual tool to analyze the agency, power, and influence of multi-actors in CSR movement. In broadest sense, stakeholders are defined by Freeman (1984, p. 46) as "any group or individual who can affect or is affected by the achievement of the organization's objectives." Mitchell et al. (1997, p. 873) develop a stakeholder identification theory to identify, sort, and determine the salience of stakeholders, which "will be positively related to the cumulative number of stakeholder attributes – power, legitimacy, and urgency – perceived by managers to be present." Agle et al. (1999, p. 508), in an empirical test of the above model, specify these three stakeholder attributes as follows. Power is the ability to influence a firm's behavior, whether or not the stakeholder has a legitimate

TABLE I  
Content of codes of conduct adopted by branded merchandisers in athletic footwear industry

	No forced labor	No child labor	Wages & benefits	Hours of work/overtime	Non discrimination	Safety & health	Freedom of association	Non harassment
Nike	Yes	Yes, age 16/18 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, no more than 60 h per week.	No	Yes	No	No
Reebok	Yes	Yes, age 15 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, no more than 60 h per week.	Yes	Yes	Yes	Yes
Adidas	Yes	Yes, age 15 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, no more than 60 h per week.	Yes	Yes	Yes	Yes
New Balance	Yes	Yes, age 15 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, no more than 60 h per week.	Yes	Yes	No	Yes
Puma	Yes	Yes, age 15 or older.	Yes, wages meeting basic needs and legally mandated benefits.	Yes, no more than 60 h per week.	Yes	Yes	Yes	Yes
Asics	Yes	Yes, age 16 or older.	Yes, wages meeting basic needs and legally mandated benefits.	Yes, abide laws of the country of manufacture.	Yes	Yes	Yes	Yes
Fila	Yes	Yes, age 14/15 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, abide laws of the country of manufacture.	Yes	Yes	No	No
Kappa,	Yes	Yes, age 15 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, no more than 60 h per week.	Yes	Yes	Yes	Yes
Lotto	Yes	Yes, age 14/15 or older.	Yes, legal minimum wage.	Yes, abide laws of the country of manufacture.	Yes	Yes	Yes	Yes
Umbro	Yes	Yes, age 14/15 or older.	Yes, legal minimum wage, or the prevailing industry wage.	Yes, no more than 60 h per week.	Yes	Yes	Yes	Yes

Source: "Nike Codes of Conduct;" "Reebok Human Rights Production Standards;" "Adidas Standards of Engagement;" and Clean Clothes Campaign (2004).

TABLE II  
Stakeholders in codes formulation and implementation

	Stakeholder identification			Typology	Stakeholder salience
	Legitimacy	Power	Urgency		
Social responsible investors	√	√	√	Definitive stakeholders	High degree of salience
Social responsible consumers	√	√	√	Definitive stakeholders	High degree of salience
Civil society groups	√	√	√	Definitive stakeholders	High degree of salience
Governments	√	√	×	Dominant stakeholders	Moderate degree of salience
Suppliers	√	√	×	Dominant stakeholders	Moderate degree of salience
Workers	√	×	√	Dependent stakeholders conceptually but nonstakeholder factually	Low degree of or no salience

Notes: √ refers to “have;” × refers to “have no.”

claim. Legitimacy is a claim on a firm, based upon a contractual or legal obligation, a moral right, an at-risk status, or a stakeholder having a moral interest in the harms and benefits generated by a company's actions. Urgency is the degree to which a stakeholder's claim calls for immediate attention.

Basing on stakeholder identification theory, I classify and analyze the importance of key actors in CSR movement against labor abuses in athletic footwear industry. As showed by Table II, firstly, social responsible investors, consumers, and civil society groups advocating labor rights became definitive stakeholders (Mitchell et al., 1997, p. 878) who possessed power, legitimacy, and urgency simultaneously and had a high degree of salience. Criticizing corporations for human rights violations, definitive stakeholders have made ending up labor abuses into legitimate and urgent claims; and possessing political and economic power in varying forms, they have exerted tremendous pressure on branded merchandisers to shoulder moral and social responsibility to uphold labor standards in their global supply chains. Social responsible investors could exercise their economic power by selling stock of corporations, or using their political power at the company's annual meeting. Consumers were also powerful enough when their purchasing power at marketplace was used as bargaining tools for better labor practices.<sup>4</sup> Although they did not engaged in

direct transactions with companies, civil society groups advocating labor rights were also essential for the bottom line of corporations because they had ability to injure or embarrass corporations through the interaction with other stakeholders by initiating media attention and public criticism, mobilizing investor and consumer activism, and lobbying government for stricter regulation. In fact, civil society groups played important roles in formulating and implementing codes of conduct, being key negotiators and promoters for better codes and more effective codes implementation.

Secondly, governments of countries where manufacturing factories are located and suppliers of branded merchandisers who directly employ workers became dominant stakeholders (Mitchell et al., 1997, p. 876) who possessed power with legitimacy and had a moderate degree of salience. Providing infrastructures and legal frameworks for supplier factories' operation, governments of host countries had regulatory power over labor practices and hence the implementation of CSR polices. As global supply chain of athletic footwear has become increasingly consolidated since the 1990s, the relationship between branded merchandisers and their suppliers became closer and more interdependent. Therefore, it became less and less common for branded merchandisers to force suppliers to implement their codes by using their purchasing power coercively

and suppliers' cooperation became growingly important for effective codes implementation.

Thirdly, workers whose rights and interests were concerned and addressed in codes had merely low degree of salience and participation in CSR movement. Conceptually, workers were dependent stakeholders (Mitchell et al., 1997, p. 877), who had urgent and legitimate claims, but no power to influence the formulation and implementation of codes of conduct. Workers could not raise and satisfy their legitimate claims for better working conditions and fair treatments by themselves but depended on the advocacy and guardianship of other influential stakeholders such as investors, consumers, civil society groups and governments or corporations' benevolence, and voluntarism. Therefore, workers' interests in CSR movement largely were determined by to what degree other powerful stakeholders could be capable and accountable guardians or representatives of workers. However, social responsible investors and consumers' guardianship of workers' interests might be derailed by differences or even conflicts between investors /consumers and workers regarding class, nationality, and positions in global economic system (Frank, 2003; Johns and Vural, 2000), resulting in a ceiling glass effect of social responsible investment and consumption on workers' rights. As revealed by Elliott and Freeman's studies of the U.S. consumers' purchasing attitudes (2003), "Given the asymmetry in consumer response, however the [anti-sweatshop] campaign will produce a price curve that is kinked around the minimum levels of standards that consumers would accept." NGOs' representativeness of workers' interests also was uncertain because of strategic (prioritizing workers' women rights or citizenship over labor rights), identities (based in race, gender, class, nationality, etc.), and ideological differences between civil society groups and workers themselves (Krupat, 2002; O'Brien, 1999). Governments' protection of workers' rights was seriously constrained in developing countries where neo-liberalism became dominant ideology; labor law was not enforced effectively and independent trade unions and radical industrial actions were banded by law. Corporations' capability and accountability in protecting workers rights also were under question because of the commercialized CSR agenda directed by corporations' motivations for long-term profitability at

marketplace (Sum and Pun, 2005), especially when competitions in global market became more fierce.

#### *Does workers' participation matter?*

Theoretically workers are dependent stakeholders in CSR movement against labor abuses, in reality, they moved into non-stakeholder typology, being passive beneficiaries with very limited participation if any. A large body of literatures reveals that workers have no real influence over trajectory of CSR movement for their own interests (Esbenshade, 2001, 2004; Hale, 2002; Rodríguez-Garavito, 2005). For instance, Hong Kong Christian Industrial Committee examined labor practices at Adidas and Nike's supplying factories in China and reported that most workers knew about neither Chinese Labor Law nor companies' codes of conduct (Kwan, 2000). Clean Clothes Campaign (2004) conducted a broader research on implementation of codes adopted by other top athletic footwear brands – New Balance, Puma, Asics, Fila, Kappa, and Lotto – confirmed that workers often had no idea of the existence of codes or were not trained in how to properly utilize these codes.

A crucial question becomes workers' real stakeholder status and active participation in CSR movement still matter? Various limitations of current codes implementation mechanism have signaled a positive answer to this question. Firstly, codes adopted as a result of sole-decisions of corporations or negotiations between corporations and civil society groups could fail to address real concerns of workers themselves. For example, although majority of manufacturing workforces in many countries' labor intensive industries are women workers, workplace problems related to the gendered employment conditions have not been concerned and addressed sufficiently in many codes (Barrientos et al., 2001; Prieto-Carrón, 2006). Secondly, monitoring mechanisms of codes compliance especially internal and external monitoring were criticized for lacking transparency and credibility (Esbenshade, 2001; O'Rourke, 2000; Rodríguez-Garavito, 2005). For instance, addresses of factories being monitored and monitoring reports were not released to public; corporations' own inspectors and for-profit auditing organizations were criticized for strong bias toward

the interests of management at the expense of those of workers; problematic monitoring methodology also resulted in failure of detecting massive codes violations. Thirdly and most importantly, the monitoring-center code compliance model face a vital challenge – the mobile nature of global supply chains made it extremely difficult for external monitors to conduct systematic monitoring of everyday labor practices and ensure sustainable codes compliance. Critics surmised that focusing on the first-tier suppliers and often large-scale factories, external monitoring would not be able to cover the full extent of global workplaces; external monitors could not visit factories frequently enough to inspect day-to-day labor practices; monitoring programs could operate well at discovering labor rights abuses, but poorly at rectifying and preventing these abuses (O'Rourke, 2003).

Above discussed crucial limitations of CSR model without workers' participation reveal that it is impossible to achieve a legitimate, sustainable, and effective implementation of CSR policies designed to protect workers' interests until workers are empowered to become real stakeholders and participate actively in formulating and monitoring of codes of conduct. Other stakeholders should join the struggle for better labor practices with equal partnership with workers, rather than on behalf of workers. A few studies on worker participation in CSR movement against labor abuses reveal that workers have begun to be empowered to play more important roles in codes implementation process through launching programs of worker training, worker-participated monitoring, and worker representation (Esbenshade, 2001, 2004; O'Rourke, 2000, 2003; Rodriguez-Garavito, 2005). Firstly, it is essential to educate workers about their basic rights provided by labor laws and codes of conduct before workers can be empowered for codes monitoring or representation activities. To this end, education and training programs have been organized. For instance, in 2001, a one-year training project on workplace health and safety issues was conducted in Adidas, Nike and Reebok's footwear factories in China by Maquiladora Health & Safety Support Network, and several other Hong Kong-based labor groups. The project included training at three factories, and six months of technical assistance for plant health and safety committees following the training.<sup>5</sup> Secondly,

it is argued reasonably that workers should be involved in the process of codes implementation, playing a central role in monitoring, analyzing and reporting on working conditions, because workers are always closest to problems in a factory (Esbenshade, 2001; O'Rourke, 2000). As Alice Kwan of the Hong Kong Christian Industrial Committee (2000) put, "Independent monitoring without worker involvement is not acceptable...Nobody realizes the situation better than workers do. They should be involved in the monitoring. It is so important to utilize their investigations and comments." Thirdly, it is reported that codes and monitoring system have been used as tools for enhancing worker representation. There were several impressive victories of union organizing with codes as tools in export-processing zones in Mexico, El Salvador, Guatemala, the Dominican Republic, and Indonesia (Esbenshade, 2004; O'Rourke, 2003; Rodriguez-Garavito, 2005). Meanwhile, in countries where independent trade unions are legally limited, branded merchandisers have required their suppliers to launch "non-union employee representation programs" as alternative avenues for worker representation. For example, according to Nike's Vice-President for Corporate Responsibility, Nike seeks to establish "parallel means of workers expressing views and concerns to management and means by which grievances can be addressed... [including] worker management committees [and] worker-management periodic open meetings" (Connor, 2001). Similarly, Reebok has facilitated its suppliers in Indonesia, China and Thailand to establish non-union worker representation bodies, for example, occupational safety and health committee, or employee welfare committee.<sup>6</sup>

Despite gaining a burgeoning development in CSR movement against labor abuses, worker empowerment activities and worker participation have attracted little academic attentions. Existing literatures (Esbenshade, 2001, 2004; O'Rourke, 2000, 2003; Rodriguez-Garavito, 2005) mainly focus on initiating process of worker empowerment programs or discuss the promises and limitations of worker participation cognitively, leaving many important empirical and theoretical questions unexamined. How have worker empowerment programs been launched and operated with interplay among stakeholders who have different interests,

rhetoric, and influence in the process? Upto what extent and on what issues have worker empowerment programs enhanced worker participation in codes implementation? How about the impact of worker participation on codes effectiveness in upholding workplace labor standards? In following section, I examine these questions through a case study of the operation and results of worker empowerment programs at Fortune Sports (FS), a Taiwanese-invested athletic footwear factory producing for Reebok.

## The case study

### *Factory profile, management style and labor practices*

Fortune Sports (FS) was a subsidiary firm of a large Taiwanese shoemaker, which began its sport shoes manufacturing business in Taiwan in the early 1970s and switched production to China's Fujian province in the late 1980s for lower production cost. During the 1990s, FS grew into Reebok's major footwear supplier in China, having 16 production lines, employing over 10,000 workers, and producing about 10-million pairs of shoes in 2002. FS was jointly managed by Taiwanese and Chinese local management, having a highly hierarchical management structure with ten or more levels of supervision of production workers. The workforce consisted largely of young, unmarried, migrant women from China's poor rural inland provinces, employed basing on annual contract. Over 90% of production workers were female and over 95% of employee were 18–30 years old.

At FS, shoes manufacturing still were highly labor intensive and production tasks and workers were organized into separate departments: cutting, stitching, assembling, painting, stock fitting, quality controlling, and warehousing. Production process was organized under Tayloristic principles, highlighting the effects of 'scientific' management and tight labor control on productive efficiency. Production workers were paid by piece-rate, basing on reaching, and surpassing the quotas set by industrial engineers. Visible, coercive, and punishment-oriented disciplinary techniques were employed through managerial hierarchies to ensure labor productivity. Workers were required to abide by

company regulation (called "Employee Handbook"), which was filled with disciplinary codes regulating not only employees' workplace activities but also workers' everyday life behaviors (e.g., clothing, shoe-wearing, or eating). Besides disciplining workers through their fear of losing job, deduction of wage or bonus was another frequently used labor control method. Not surprisingly, serious labor rights violations occurred at shop floor of FS, including excessively long, but insufficiently compensated overtime, occupational safety and health problems, arbitrary punishments, abuses imposed by authoritarian management, and difficulties in taking leave or resigning the job. However, rampant labor rights violations at FS not only resulted from the authoritarian management style at workplace level, but also had close relationship with macro labor regime under China's market reform, under which state legislations provided insufficient protection of labor rights and trade unions played weak representational functions.

The China Labor Law of 1994 is the first comprehensive labor law in China's history, providing a foundation to stipulate a wide range of employment relations issues, ranging from working hours, rests and leaves, labor safety and sanitation, rights of female workers and juvenile workers to labor disputes resolution. However, when the supervision of enforcement has been decentralized, developmentalist local governments driven by the impetus for attracting foreign investments and promoting local economy growth have neither the willingness nor the capacity to implement protective labor law. Consequently, the enforcement of law lags far behind its legislation, failing to guarantee decent working conditions for Chinese workers.

In China, the All China Federation of Trade Unions (ACFTU) is sole state-sanctioned legal trade union. However, far from being an autonomous union organization, the ACFTU has a "double institutional identity" (Chen, 2004), serving Chinese authority's goal for economic development and social stability as the Party-state's apparatus; and simultaneously representing employee's rights and interests as a labor organization. At the requirement of local branch of the ACFTU, FS set up a trade union for its employees in 1997. However, all union committee members were middle and high rank managerial staff of the firm. Not joining in the union



voluntarily, all employees were recruited into the union by the management and many employees were even unaware of the union's existence although they had to pay union membership fee every month. In eyes of majority of production workers, FS trade union was more like a management organ than worker organization. Although the trade union had a "suggestion box," few employees used it to air their complaints, with fear of management retaliation.

#### *Reebok's CSR practices and worker empowerment programs*

Unexpectedly, however, in the 1990s Reebok<sup>7</sup> intervened in the landscape of labor regulation, adopting its codes of conduct, (called Reebok Human Rights Production Standards<sup>8</sup>) and requiring all its suppliers to improve labor practices. Reebok was very successful in pursuing "strategic CSR" (Lantos, 2002; McAlister and Ferrell, 2002) which is conceptualized as a powerful instrument for long-term profitability hinging heavily on better brands reputation enhanced by CSR practices. Reebok's CSR efforts can be traced back to the late 1980s when the company began to align its brand with human rights – a controversial yet credible social issue which seems to be deeply concerned by western consumer public. Seeking to improve its CSR reputation, the company established the Reebok Human Rights Foundation, sponsored the "Human Rights Now!" concert tour, set up Reebok Human Rights Awards, adopted Reebok Human Rights Production Standards in 1992 and finally achieved an industrial leadership in CSR movement against labor abuses.

During past few years, worker empowerment and participation increasingly became one of the most controversial issues negotiated between corporations and civil society groups. In order to convince the public its CSR leadership, Reebok addressed the issue aggressively and played a leading role in launching worker empowerment programs in three ways: (1) organizing workers training programs to educate them about their legal rights and content of codes of conduct, especially on occupational safety and health issues; (2) introducing "worker communication system" to turn workers into workplace monitors of codes compliance, by operating

"complaint boxes" and "complaint hotline," and distributing pre-paid mailers to workers regularly as communicative tools; (3) more importantly, launching "worker representation initiatives" by initiating worker-elected union or welfare committee in Indonesia, Thailand, and China where trade unions are either restricted by law or manipulated by factory management.

In the late 1990s when China became Reebok's No. 1 production site, the company began to attach more importance to codes implementation at its supplier factories in China. As one of Reebok's major footwear suppliers in China, FS was required to abide by Reebok codes strictly in 1997 when Reebok hired a part-time local staff to guide codes implementation at FS. Reebok introduced its "worker communication system" to FS in the same year, operating "complaint boxes" and "complaint hotline" managed by Reebok human rights local staff and distributing pre-paid mailers to workers regularly for them to report noncompliance directly to Reebok. In initial years, worker communication system was frequently used by FS workers, which annually received about 200–300 grievances letters from workers. But several years later, Reebok decided to weaken the system for a consideration of cost and more importantly, workers gradually lost hope in effectiveness of the system and increasingly faced management revenge against complainants. A vital weakness of the system lied in that, although workers were empowered to participate in codes implementation process as monitors, the system authorized FS management to deal with workers' grievances without worker participation and hence provided no fair and transparent settlement mechanism for workplace disputes.

As effectiveness of worker communication system was restricted, Reebok began to emphasize more on "worker representation initiatives" by establishing a worker-elected trade union at FS in 2002. There were negotiations of several months between Reebok, local branches of the ACFTU and FS Taiwanese management to reach an agreement on the election procedure and union charter. The whole election process had three stages: the election of union congress members (181 members from 12247 FS employees); the election of union committee (31 members from 38 candidates); and the election of union leaders (1 chairman and 1 vice-

chairman from 12 candidates). Besides union leaders, all union congress members and union committee members were part-time, and union committee members had at most three salaried working days per month for union activities. The union committee was divided into five working teams – Administration Team, Mediation Team, Entertainment Team, Mutual-Aid Team, and Women Workers Team – which had different responsibilities.

Given Reebok's "worker representation initiatives" resulting in creation of a worker-elected union were more sustained than other worker empowerment programs and had more significant impacts on codes compliance at FS, I focus on the operation of the worker-elected trade union to examine worker participation in codes implementation and its impacts on codes effectiveness in upholding labor standards. Before that, I will portray the power structure where the union was embedded in. I find the union operated in a power relationship of triple dependence: (1) on Reebok human right staff, (2) on local branch of the ACFTU, and (3) on FS management. Workers' participative roles in codes implementation through the union were embedded in such a triple dependence power structure and determined by the interplay among stakeholders who had different interests, stance, rhetoric, and influence on worker participation.

Firstly, being initiator of the worker-elected union, Reebok tried to persuade the other two key stakeholders, FS management and local branch of the ACFTU that enhancing worker participation was commercially beneficial and political desirable. In order to gain consensus and cooperation from FS management, Reebok clothed its "worker representation initiatives" with managerialist discourse of "employee involvement," "employee participation," or "employee empowerment." Increasingly gaining popularity since the 1990s, these management theories discuss how to enhance employee loyalty and labor productivity through non-union employee representative mechanisms. As Reebok explained, "With worker participation, workers feel more ownership of and commitment to the factory. Communications are improved. Problems are prevented; management faces less unrest, although it must spend more time on communicating and negotiating with its workforce" (Reebok, 2002, p. 3). Meanwhile, to gain legitimacy from Chinese

government and local branches of the ACFTU, Reebok had to prove what behind its "worker representation initiatives" was not a political motivation for promoting independent trade unionism in China, otherwise it could jeopardize its sourcing business of thousands of millions dollar in China where independent trade unions are banned by law. Skillfully, Reebok positioned worker representation initiatives as a vehicle for sustainable codes compliance. As Reebok (2002) describes,

Code of conduct compliance is enhanced when workers are actively involved in identifying workplace problems and resolving them in dialogue with management...We view them [worker representation plans at two supplying factories in China] as steps in the right direction: toward compliance that is more sustainable and that involved workers in the process.

Reebok hope to benefit from the installation of worker-elected trade union by having "more efficient production, less monitoring, and higher levels of code compliance that is more sustainably achieved" (Reebok, 2002).

Reebok kept close eyes on the union's operation, hoping to turn it into an effective institution of its "Sustainable Compliance Program." When FS management refused to recognize the union's authority, Reebok intervened in with a union-supportive stance, trying to persuade FS management to accept the elected union as an equal partner in internal codes compliance system at factory level. However, Reebok would not jeopardize its own business interests for the sake of union empowerment. Facing FS management's persistent resistance to replacing the authoritarian management style with participative one, Reebok withheld its support to union's struggles for more decision-making power, to safeguard its long-term good relationship with FS and consequently its business interests. Actually, in its interaction with trade union committee, Reebok tried to curb union's radical efforts for more bargaining power. Reebok human rights manager in China described,

We repeatedly reminded union committee members not to be so radical and we did not expect them to mediate labor-management disputes before union committee build up good cooperative relationship with the management. To avoid union-management

hostility and confrontation, we suggested them to focus on activities regarding employee welfare and entertainment in the first half-year of its operation.

Secondly, continuing to be an arm of Chinese Party-State, the ACFTU echoed Party-State's argument that independent trade unions were main threats to China's political and social stability. Instead, to strengthen workplace influences of the ACFTU and their branches at local levels, in April of 2002, the ACFTU launched a national campaign to promote "democratic management" in non-state sector with two main rationales. At central level, the top consideration was maintaining industrial peace and social stability. The ACFTU chair, Wei Jianxing specified in 2002:

Carrying out democratic management in non-state sector in accordance with Jiang Zemin's important thought on 'three representatives' and the provisions of laws is vital to establish a stable and cooperative labor relations, to protect employees' legal rights, to mobilize morale and creativity of all parties, to promote the healthy development of non-state economy, to maintain the country's reform, development and stability" (Renmin Ribao [People's Daily], September 20, 2002).

At local level, Chinese government and local branches of the ACFTU had a strong economic rationale for employee representation, highlighting its contribution on the enhancement of firms' efficiency and development. As the chairman of Jiangsu Provincial General Trade Union of the ACFTU said in 2003, "All forms of employee representation are encouraged, in case they are beneficial to enhance enterprise efficiency and development, to create stable and harmonious labor relations, to protect employees' legal rights" (Gongren Ribao [Worker's Daily], October 24, 2003).

In the case of FS trade union, the whole process of union election was closely supervised by the local branches of the ACFTU. As one local ACFTU official explained, "As long as the election procedure was in line with China Trade Union Constitution, we [the ACFTU local branches] can work together with Reebok. But we were dominating force during the election process, not Reebok." As the superordinate organization of FS union, the local branch of the ACFTU also took efforts to control the operation of FS union and constrict the influence of Reebok simultaneously. Chairman of FS union was required

to go to office of the local ACFTU every month, to report FS union's activities and get instructions. Local branch of the ACFTU repeatedly coached FS union how to carry out union activities in a cooperative union-company relationship, avoiding using any confrontational strategy. However, local branch of the ACFTU took a pro-management stance largely out of a consideration of their self-interests. As observed by one union committee member, "40% of FS's union contribution went to local branches of the ACFTU. A strong union fighting for workers' interests could make FS move to other region and consequently make local branches of the ACFTU to lose a big money." At the same time, out of a worry about manipulation of Chinese trade unions by external forces with political motivation, local branches of the ACFTU took efforts to drive out the influence of Reebok over the operation of FS union. At the very beginning, Reebok planned to provide training programs for the newly elected union via Hong Kong-based labor right NGOs, coaching it how to carry out internal communication and organizing activities. However, local branches of the ACFTU rejected Reebok's training plan. As one union official explained, "The ACFTU was the only one authorized trade union of China, so all training of basic-level unions should be organized and provided by the ACFTU. We couldn't accept that any trade union training provided by a foreign company like Reebok." Moreover, local branches of the ACFTU frequently reminded FS union not to seek support from Reebok when encountering difficulties in carrying out union activities, but to seek internal resolution with management or report to officials of higher-level trade unions.

Thirdly, although Reebok had elaborated much about the possible commercial benefits of worker participation and representation practices, FS management relying on coercive labor control methods for production efficiency consistently made little sense of such "enlightened" managerial discourse. In fact, FS management's agreement on establishing a worker-elected trade union was not based on a consensus on "participative management" but a fear of losing Reebok's lucrative sourcing order.

Not surprisingly, in the operation process of FS union, the management used various techniques to co-opt the union into a managerial tool, representing

TABLE III  
Worker participation of codes implementation at FS

Workers influence in making decision	Unilateral employee decision								
	Codetermination								
	Consultation	**	**	**	**	**	**	**	**
	Communication	*	*	*	*	*	*	*	*
	Discrimination		Child labor	Forced labor	Safety & health	Working hours	Management harassment	Freedom of association	Wages
	Working conditions related						Management style related	Profit related	
Issues addressed in Reebok Codes									

Notes: \* refers to “workers’ individual participation as workplace monitors;”  
\*\* refers to “workers’ collective participation through trade union.”

more interests of the company than that of employees, ranging from controlling union funds,<sup>9</sup> buying-off full-time union cadres with wage increase and chance for promotion, to use workplace managerial power to intimidate and punish part-time union committee members with strong commitment to representing workers’ interests. Management’s manipulation of the union went to such lengths that union leaders soon aligned themselves with management and several aggressive union committee members were forced to resign the job in the first six months of the union’s operation.

In sum, being embedded in a triple dependence power structure, FS union was kept dependent on local branches of the ACFTU, Reebok human right staff, and FS management for legitimacy, resource and influence. Such a triple dependence power relations had direct results on worker participation in codes implementation process, which will be discussed in the following section.

*Evaluation of worker participation and its impacts on codes implementation*

As summarized by many employee participation theorists (Cheney, 1995; Knudsen, 1995; Marchington, 2005) there are at least two criteria to measure the degree to which worker participation has been achieved: (1) the scope of issues over which participative practices have influence (ranging from trivial welfare issues, operational issues, tactical issues to vital strategic issues); (2) the actual influence which

employees exercise over decisions (ranging from communication, consultation, co-determination, to unilateral employee decision). Basing on existing studies, as illustrated by Table III, I construct a working definition of worker participation in codes implementation with a two-dimension conceptualization matrix.

In implementation process of Reebok codes, FS workers’ participation can be grouped into two categories: individual participation as workplace monitors and collective participation through trade union. As discussed previously, Reebok provided various communicative channels (complaint box, complaint hotline, and pre-paid mailers) through which workers could report noncompliance cases to Reebok human right staff. Although the complaint hotline and pre-paid mailers were suspended after several years, complaint box was consistently maintained by the elected union as a labor-management communication tool. As workplace monitors, workers reported many noncompliance problems, which drew insufficient attentions of Reebok staff or external monitors, such as nontransparent piece-rate wages system, and unpaid overtime. For example, in 2004, 297 workers aired their grievances, including a broad range of workplace problems: workers’ freedom of resignation (62 cases, 21% of total 297 cases), overtime without payment (51 cases, 17%), non-transparent wages system (41cases, 14%), right to take leave (37 cases, 12%), arbitrary managerial discipline (25 cases, 8%), other problems (81 cases, 27%) (Annual Working Report of FS Trade Union, 2004). However, as showed by Table III, individual

workers' participative roles as workplace monitors were restricted to communication, not being empowered to deal with the noncompliance cases with consultative and determinative functions.

Comparatively, workers collective participation through trade union was deeper and broader in terms of both influence in decision-making and scope of issues. As showed by Table III, beyond communicative function, FS trade union was allowed to play consultative role on all issues addressed in Reebok codes, although the union had no final decision-making power and FS management still was the single governor of all matters concerning labor process and workers' rewards. Interestingly, the union performed its consultative role to varying degree on different issues, being highly active on working conditions related issues, moderately active on management style related issues, and very passive on profit related issues. The variation of union's consultative role was determined by the triple dependence power structure and the interaction between the union and Reebok, local branch of the ACFTU, and FS management.

Firstly, the union played a highly active consultative role in solving many working conditions related problems, such as issues of discrimination, child labor, forced labor, safety & health, and working hours. Union's consultative role on these issues gained full supports from all other influential stakeholders. For Reebok, making a difference in improving working conditions could enhance its brand reputation, sales and profitability, because most public criticism against labor abuses were working conditions related. For FS management, improving labor practices on working conditions related issues was more financially manageable than other issues which could increase production cost significantly. For local branch of the ACFTU, working conditions related problems were politically safer and would enhance labor-management cooperation. Consequently, by 2005, most working conditions related problems at FS on which the union played active communicative and consultative roles had been curbed effectively. For instance, emergency exits or fire extinguishers were provided in workplaces, personal protective equipments were regularly delivered to workers at hazardous and unhealthy positions, less toxic water-based glues were used on production lines, and only employees older than 18 years of age were hired.

Secondly, the union played a moderately active consultative role on management style related issues, such as management harassment and abuse. As discussed previously, for many years FS shop floor had been governed under an authoritarian management style and the establishment of a worker-elected trade union did not result in an enhancement of workplace democracy. Although FS union charter authorized the union's Mediation Team to participate in workplace disputes settlement, acting as mediators between management and workers, in practices, union's authority in solving labor disputes was restricted and finally denied by FS management. Due to management manipulation, pro-management chairperson became the only union staff being allowed to investigate and mediate workplace disputes. However, when handling disputes on which workers and management had conflictive interests (e.g., wages, working hours, and management abuses), the chairperson either leaved the case to management for settlement or held an overt pro-management stance. As one union committee member recalled:

One female worker sent me a letter complaining that her male line supervisor frequently scolded them with nasty words and even beat several workers. I found this complaint was accurate after interviewing several workers, and sent the case to chairman. However, I could not believe the way the chairmen deal the case until someday the line supervisor being complained told me very arrogantly that 'stupid you, don't dream to scare me with union investigation! Taiwanese manager is my backing and union chairman is also on my side.' Finally, the worker complaint was dismissed, and the line supervisor became more abusive than ever.

It was revealed that the union failed to play an impartial meditative role and the arbitrary managerial power at FS shop floor still was uncircumscribed. The union's less active role on management style related issues also had close relationship with its triple dependence power relations, for all other three influential stakeholders did not have interests in or take serious efforts to replace the authoritarian management style with more democratic one.

Thirdly, the union played very passive role on profit related issues, such as negotiation with management for increase of wages and benefits. Its was a

long-term workplace problem at FS that production workers' wage system was not transparent enough to mark clearly workers' piece-rate wage, and many workers complained that management deducted workers' wages at will. However, union chairman simply refused to investigate these problems when workers' grievances reached him, avoiding displeasing the management. As one union committee member described the situation:

Many production workers in my department were unhappy that their piece-rate wage was not clearly marked in the pay slip. However, when I aired these grievances to the chairman, he simply asked me not to get involved in such troublesome matters and even blamed me by saying, 'Stop stirring up troubles for me! In eyes of the management, we union guys already became nasty. I had no time to handle these issues.'

In September 2003, when the company increased wages of managerial staff by about 10%, many production workers felt been treated unfairly and some production lines went on strikes, claiming for wages increase. When union committee members asked the chairman if the union should seek a discussion with the management to support workers' request for wages increase, the response of the chairman was overtly pro-management. As one committee member recalled:

On wages issues, the chairmen represent interest of the company, not workers'. He said, 'increasing workers' wages will make the company to lose money and hence move factories to other regions or countries. If factories are closed, who will pay wages for workers?'

The union's passive role on wages issues echoed all other three influential stakeholders' negative stance on confrontational collective bargaining activities. As Reebok human right manager in China explained:

In context of China's political regime, Reebok would not step out to support any trade unionism with collective bargaining function and personally I never expect that FS union to move to this direction. Reebok's aim is to construct an internal code compliance mechanism with worker involvement.

Consequently, at FS, piece-rate wage system still lacked transparency and workers' overtime wages remain not paid sufficiently, violating both China Labor Law<sup>10</sup> and Reebok codes.

Moreover, during the past few years when competition at global athletic footwear market became fiercer,<sup>11</sup> and the unbalanced power relations between merchandisers and their suppliers enabled Reebok to continuously lower piece-price of its sourcing orders placed at FS. As one FS manager complained: "We have experienced price-cutting by Reebok for many years. For example, this year [2002] the company's average unit price was reduced by about 5%." However, as more powerless stakeholder at bottom of the supply chain, workers had to undertake the negative effect of top-down squeeze for ever-lower prices. At FS, during 2001–2004, the average monthly wages of production workers declined from 850 yuan (about 109 USD) to 725 yuan (about 93 USD), shrinking over 17%.

## Conclusions

Basing on stakeholder theory, this article explores the dynamics and performance of worker participation in corporate social responsibility movement against labor abuses. Through an empirical study of worker empowerment programs initiated by Reebok, a corporation with high-profile CSR reputation at one of its athletic footwear supplier factories in south China (FS), I make three arguments. Firstly, various kinds of worker empowerment programs, ranging from workers training program, worker communication system and worker representation initiative introduced by Reebok aiming for sustainable and effective codes compliance have enhanced two kinds of worker participation – individual participation as workplace monitors and collective participation through trade union – in codes implementation process. Individual workers' participative roles were relatively narrow, having merely communicative, but not consultative and determinative functions. Comparatively, workers collective participation through the worker-elected trade union was deeper and broader in terms of both degree of influence and scope of issues. Beyond communicative function, FS trade union was allowed to play consultative role on all issues addressed in Reebok codes, although the union had no final decision-making power and FS management still was the sole workplace governor. The union performed its consultative role to varying degree on

different issues, being highly active on working conditions related issues, moderately active on management style related issues, and very passive on profit related issues. Secondly, to explain the variation of union's participative role, I find it is embedded in a triple dependence power structure and determined by the union's interaction between other three key influential stakeholders – Reebok, local branch of the ACFTU and FS management. Since all three stakeholders shared common interests and priorities over improvement of working conditions related issues, union's participation on these issues was more active and effective. Largely because of management constraints, the union played a less active participative role on management style related issues, such as management harassment and abuse. Unions' participative role on profit related issues, such as collective bargaining and wages, was quiet passive and ineffective, because in perspectives of all other three stakeholders enhancement of workers' rights to freedom of association and collective bargaining could jeopardize their own commercial interests (companies' profit or union's income). Thirdly, worker participation had positive impacts on codes implementation and upholding workplace labor standards. As I find in FS case, on issues with active worker participation, for example, working conditions related issues, labor standards gained impressive improvement. While on issues with less active worker participation, noncompliance of codes frequently occurred and workers' rights were continuously violated – for example, management harassment and abuse were not curbed and worker did not gain sufficient overtime compensation stipulated by China Labor Law and Reebok codes.

My study also implicates although worker participation have positive impacts on codes implementation and labor standards improvement, there remain many challenging issues to be studied and overcome before workers can play deeper and broader participative roles in pursuing a sustainable codes compliance model and upholding labor standards effectively with stakeholdership as equal as other stakeholders. For example, how to get workers or their representatives involved in the formation process of corporate codes to attach more importance to issues highly concerned by workers themselves? How to rebalance the unbalanced power relations among branded merchandisers, suppliers,

and workers and eliminate the top-down squeeze for lower factory price and lower production cost, to make worker participation into a more possible solution to low wage problem in labor-intensive industries? How to promote the development of independent worker organizations (union and non-union representation bodies) as more functional institutions for worker participation? What can be arguably predicted is that future enhancement of worker participation in CSR movement against labor abuses hinges on to what extent these challenging issues can be addressed and solved well as a result of the increasingly complicated negotiations among key stakeholders in the process.

## Notes

<sup>1</sup> According to an extensive review of 1682 English news reports conducted by Sethi (2003), athletic footwear industry had the worst record, accounting for over 50% of total number of negative new reports on sweatshops and human rights abuses in global factories over 1994–2002.

<sup>2</sup> In 2003, Reebok became one of five winners for the American Apparel & Footwear Association's "Excellence in Social Responsibility" Awards (Haisley, 2003).

<sup>3</sup> By the end of 2005, over 20 leading brand-name companies in apparel and footwear industries had participated in the FLA, including five athletic footwear brands: Adidas-Salomon, Asics, Nike, Puma, and Reebok. <http://www.fairlabor.org/all/about/index.html>.

<sup>4</sup> Following the soaring consumer activism against sweatshops in the 1990s, market performance of athletic footwear branded merchandisers targeted by campaigns declined significantly. For instance, Nike's 1998 fiscal year earnings dropped 49% from the previous year.

<sup>5</sup> The factories involved included the Yu Yuen II factory, which produces shoes for Adidas in Dongguan city, Guangdong province, and has 30,000 workers. The two others, making shoes for Nike and Reebok, employ a total of 17,000. See "Chinese factory workers trained in bid to improve health and safety." *The Associated Press State & Local Wire*, May 29, 2002 and <http://www.cleanclothes.org/codes/01-04-25.htm>.

<sup>6</sup> [http://www.fairlabor.org/2004report/companies/participating/complianceProgram\\_reeb.html#systems](http://www.fairlabor.org/2004report/companies/participating/complianceProgram_reeb.html#systems).

<sup>7</sup> Reebok is a brand established in 1895, distributed in the U.S. market from 1979, and became one of top sportswear brands in the mid-1980s, riding

high on the aerobics craze and women's fitness movement. In 2004, Reebok was the third-largest sportswear brands in the world, taking up 9.6% of the global athletic footwear market, having sales of about US\$ 3785 million and a net profit of US\$ 192 million. "Adidas Steps Up to Buy Reebok for \$3.8 Billion." *Los Angeles Times*, August 4, 2005; *Reebok International Ltd. Annual Report 2004* <http://www.reebok.com/useng/ir/financial/default.htm>.

<sup>8</sup> Reebok Human Rights Production Standards is the first copy of codes of conduct in sportswear industry which has incorporated internationally recognized labor rights standards and includes provisions on non-discrimination, no forced or child labor, freedom of association, non-harassment, wages, working hours, a safe workplace, and non-retaliation policy. <http://www.reebok.com/Static/global/initiatives/rights/text-only/business/standards.html>.

<sup>9</sup> Like all enterprise trade unions in China, FS union financially depended on contributions from the company, which was required to pay 2% of the total wages bill of all FS employees and also on the membership fee paid by union member (1.9 yuan per capita per month). Although the Union Charter provided that FS union had right to manage union funds independently, FS management remain tightly controlled the union's funds, not allowing the union to set up its own account.

<sup>10</sup> According to China labor law, worker should be paid 1.5 times of regular hourly wages for overtime hours on workweek nights, 2 times on weekend, and 3 times on public holidays.

<sup>11</sup> During 1997–2004, the average price per pair of athletic shoes dropped to \$33.18 in 2004, from \$42.5 in 1997, shrinking nearly 22%.

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