



UNIVERSITETET I AGDER

Corporate Social Responsibility in the Garment Industry

- A Cross-case analysis of three Norwegian organizations' approach to central challenges in improving working conditions for factory workers in developing countries

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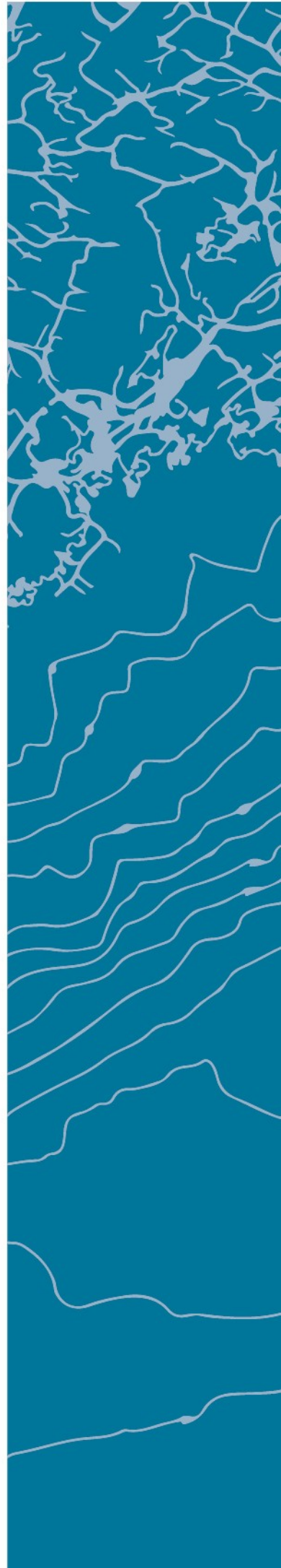
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Abstract

Working conditions for factory workers in the garment sector are often appalling, with extensive use of overtime, unsafe working environments, low presence of unions, union-hostility, weak (or no) contracts, and wages being held back, to name a few challenges. The idea and practice of Corporate Social Responsibility (CSR) has received increased attention, as an approach to mitigating some of these challenges. With CSR, it is proposed that businesses ought to take on voluntary social and/or environmental responsibility because it is morally right. Some suggest that part of this responsibility should include ensuring decent working conditions for workers throughout global supply chains. Critics argue that this responsibility rests with local governments, law-makers and unions, and not with corporations in the Global North. The purpose of this study is to explore how three Norwegian organizations perceive and approach some of the central challenges in improving working conditions for factory workers in the garment sector in the Global South. A case study design is applied, and information is retrieved both through document-analysis and through qualitative interviews to triangulate data, resulting in a cross-case analysis. Framtiden i våre hender monitors and puts pressure on retailers to act responsibly. Initiativ for Etisk Handel works with corporations to assist them in implementing responsible policies and practices. Stormberg is a clothing company balancing between profits and social responsibility. It is found that the regime of social auditing for compliance with ethical standards is ineffective (and even counter-productive), and that it is mainly being used by retailers for branding, legitimacy, and reputation management. It is further found that retailers' procurement strategies can have significant impacts on suppliers, and some measures to mitigate negative impacts are identified. Responsible procurement can include long lead times, stability in industrial relations and contracts, and avoidance of last minute cancellations in orders. Furthermore, wages are depressingly low for factory workers in the garment sector. Weak contracts and workers not being properly remunerated often lead to excessive use of overtime. So-called living wage, covering basic needs for the worker and the workers family, has proven challenging to implement top-down. It is argued that wages must be lifted through transnational and sector-wide institutionalization of so-called "wage floors" – established levels which wages are not allowed to drop below. There is also an emerging consensus that unions or similar mechanisms will have to play an instrumental role in improving working conditions and increasing wages for factory workers, and that the process ought to be "owned" by the workers (bottom-up). Lastly, it is found that the voluntariness of CSR is understood to be a major barrier for further improvement, and it is called for stricter legal codification of CSR – bringing it out of the voluntary dimension in which it originated, and into hard law.

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List of Abbreviations

ACFTU	All-China Federation of Trade Unions
AFWA	Asian Floor Wage Alliance
BCSI	Business Social Compliance Initiative
CA	Corporate Accountability
CC	Corporate Citizenship
CCC	Clean Clothes Campaign
CR	Corporate Responsiveness or Corporate Responsibility
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DIEH	Dansk Initiativ for Etisk Handel (Danish Ethical Trading Initiative)
DIFI	Norwegian Agency for Public Management and eGovernment
EPZs	Export Processing Zones
ETI	Ethical Trading Initiative UK
FIVH	Framtiden i våre hender (Future in Our Hands)
GFAs	Global Framework Agreements
HR	Human Resources
HSE	Health, Safety and Environment
IEH	Initiativ for Etisk Handel (Ethical Trading Initiative Norway)
ILO	The International Labour Organization
ISO	International Standards Organization
ITUC	International Trade Union Confederation
JETI	Joint Ethical Trading Initiative (Norway, Denmark, UK)
LO	The Norwegian Confederation of Trade Unions
MFA	Multi-Fibre Agreement
NGO	Non-governmental Organization
NHO	The Confederation of Norwegian Enterprise
OECD	The Organization for Economic Co-operation and Development
PR	Public Responsibility
SA	Stakeholder Analysis
SEDEX	(A web-based platform for sharing information on suppliers' working conditions)
SHAREX	(A Risk Management Tool developed by IEH and DIEH)
SR	Social Responsiveness / Social Responsibility
TNCs	Transnational Companies
UN	The United Nations
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNGP	The United Nations Guiding Principles on business and human rights
UNIDO	United Nations Industrial Development Organization
VAT	Value Added Tax
WBCSD	World Business Council for Sustainable Development

Chapter 1: Introduction

The clothing and textile industry was subject to a sector-specific regulatory framework from 1974 through 2004. The “Multi-Fibre Agreement” (MFA) between nation-states imposed quotas on trade, restricting the amount of clothes and textiles developing countries could export to developed countries (Dicken 2011:302). When the MFA was abolished in 2005, the deregulation led to significant shifts in the clothing sector – an emergence of transnational companies (TNCs) and a significant increase in production in many developing countries.

Since 2005, Asia has dominated global clothing exports, and now produces more than 50% of the world total (ILO, 2014:7). Between 2004 and 2008, employment in the clothing industry increased by 52% in Vietnam, 48% in India, 40% in Bangladesh, and 20.4% in Cambodia (Lopez-Acevedo & Robertson 2012:199). The 2008 economic crisis had severe impacts on the garment sector, and it is estimated that around 8000 production units were closed, which resulted in a loss of approximately 11 million jobs and in short-time work for 3 million workers globally (Forstater 2010:14). The combination of economic crisis and increased competition forced many retailers to consolidate, which in turn led to strengthened negotiation-power for buying companies.

The increasingly global sourcing and production led to the garment industry operating with “*appalling working conditions and very high levels of labor exploitation, particularly involving women [and] children*” (Henderson, 2007:540). The collapse of Rana Plaza in Bangladesh in 2013, where 1138 garment workers died, stands as a brutal reminder that working conditions and factory environments in many garment factories are alarming. Retailers like Walmart and Benetton denied any connection to Rana Plaza, and offered no remediation to workers, despite clothes marked with their logo’s being found in the ruins (Kärnstrand & Andersson Åkerblom, 2016:97).

With the indecent working conditions in many factories, the concept and practice of Corporate Social Responsibility (CSR) has received increased attention. What responsibility rests on clothing companies in the global North, and what can they do, to safeguard decent working conditions for factory workers throughout their supply chains?

This master thesis is part of a masters degree in Development Management at the University of Agder, and explores how three Norwegian organizations approach challenges in improving working conditions for factory workers in the garment sector.

1.1. Research objectives

The main objectives for this study are:

1. To identify some of the central challenges in improving working conditions for factory workers in the garment industry.
2. To explore how Framtiden i våre hender, Initiativ for Etisk Handel, and Stormberg's approach these challenges.
3. To analyze similarities and differences in these organizations' views on, and strategies for, mitigating the identified challenges.

1.2. Research questions

In order to pursue the research objectives, the following research questions are posed:

- How do Framtiden i våre hender, Initiativ for Etisk Handel, and Stormberg perceive and work with central challenges in improving working conditions for garment workers in developing countries?
 - What do the three organizations identify as central challenges?
 - What are the main similarities and differences in their approaches to solve these challenges?
 - How does their work relate to existing research and CSR-theories?

1.3. Study design and theoretical framework

Three quite different organizations were selected for this exploratory case study. The first, Framtiden i våre hender (FIVH), is a grassroots non-governmental organization (NGO). The second, Initiativ for Etisk Handel (IEH), is an industry-oriented NGO. The third, Stormberg, is a clothing company. The rationale for choosing these three was to try and elucidate the topic from different angles, and is further explained in the methodology chapter.

The subject matter is primarily explored through the lens of theories on normative and instrumental CSR, as well as Archie B. Carroll's theories on the four responsibilities of businesses. The theoretical framework is presented in the theory chapter.

1.4. Structure of thesis

This introduction constitutes chapter one, and sets the trajectory for the study. Chapter two consists of a literature review, going through existing literature on CSR and ethical trade, as well as known challenges with improving working conditions for factory workers in the garment sector. The third chapter presents the theoretical framework that serves as basis for the analysis. In chapter four, the methodological scheme is explained. Chapter five gives an overview of the three cases and the organizations' CSR-strategies, and the findings are presented in chapter seven. In chapter eight, the findings are analyzed in light of relevant theories and existing literature. The thesis ends with conclusions, policy recommendations and directions for future research in chapter nine.

Chapter 2: Literature review

In order to better understand the concept and praxis of CSR, this chapter starts by reviewing how CSR is being defined, and the evolution of CSR. Then, it is explained how ethical trade can be understood as CSR along global supply chains, to get a grip on the North-South-dimension of CSR. To enable comparison of the findings from this study with established literature, existing research on challenges in the global supply chain is then presented. Then follows a brief look at CSR in Norway, as the three organizations in question operate in a Norwegian context. To better understand the "business case" for CSR, the chapter ends with showing how CSR can be profitable for corporations.

2.1. Defining Corporate Social Responsibility

A very crude way of understanding the concept and practice of Corporate Social Responsibility is to look at what the three words imply; responsibilities the corporate world holds towards society. At the core of the CSR-field, lies questions about the "*social obligations and impacts of corporations in society*" (Crane, McWilliams, Matten & Moon 2008:6). What this "responsibility" or "obligation" is or should be, is widely debated, and as expressed by the International Standards Organization (ISO), CSR is somewhat challenging to define concisely. "*What constitutes 'social responsibility' ... is difficult to define ... there is no single authoritative definition of the term*

'corporate/organizational social responsibility' ” (as cited in Schwartz, 2011:18). It is typically understood to be a “field of scholarship” that emerged from, relies on, and overlaps with theories and methodologies from other fields such as business ethics, marketing, management and sustainability (Gjølberg, 2012:13; Beckman, Colwell & Cunningham, 2009:192; Crane et al., 2008:6). There is a plethora of developed concepts, constructs and theories, and because some of these stand in opposition to each other, any comprehensive overview of CSR will have to take such differences into account.

The United Nations Industrial Development Organization (UNIDO) defines CSR as:

“[A] management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders” (UNIDO, n.d.).

This definition clearly situates CSR within the management field, and also adds the notion of “triple bottom line”; an idea that a firm is not only financially accountable to its stockholders in terms of profits and return on investment (“bottom line”), but that it should hold a certain accountability in how it impacts and functions in environmental and social dimensions (Crane & Matten 2016:33). The idea of a triple bottom line is one of several concepts that are related to, overlapping with, or sometimes being used interchangeably with CSR. Other such concepts are the ideas of Corporate Social Performance (CSP), Corporate Citizenship (CC), Corporate Accountability (CA), Public Responsibility (PR), Corporate Responsiveness (CR), Social Responsiveness (SR). The term Corporate Social Responsibility (CSR) is used throughout this thesis, simply because it is most established concept in both literature and practice. Some of these terms reveal clear links between CSR and the concept of “good governance”. Good governance is typically understood to have eight main characteristics: Participation, rule of law, transparency, responsiveness, consensus orientation, equity and inclusiveness, effectiveness and efficiency, and accountability (UNESCAP, 2009).

In a study from 2006, a Google frequency count and analysis of 37 CSR-definitions from altogether 27 authors, found that CSR-definitions are centered around one or more of these five dimensions: 1) A stakeholder dimension (88%), 2) A social dimension (88%), 3) An economic dimension (86%), 4) A voluntariness dimension (80%), and 5) An environmental dimension (59%) (Dahlsrud, 2008). To

better understand the concept of CSR, these five dimensions in definitions are explained in the following.

Definitions drawing on the first dimension (the stakeholder) revolves around the idea that business has a broader constituency than simply its shareholders. That is, that corporations ought to interact with (or at least be sensitive towards) a wider range of stakeholders, in the management and governance of a corporation. Such stakeholders might include customers, employees, suppliers, activist groups, the local community, or the public at large (Carroll 1991:44). This perspective stands in contrast to traditional corporate finance theory, in which managers' purpose is understood to solely increase shareholder revenues. The stakeholder dimension is clearly present when part of the CSR-definition presented by Khoury et al. (1999) reads: "*Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors*" (as cited in Rahman, 2011:171).

With the second dimension (the social), definitional emphasis is placed on the relationship and dynamics between business and society as a whole. This can be expressed as the idea that corporations ought to contribute in "*helping to solve important social problems, especially those they have helped create*" (Schwartz, 2011:18). Implicit in this notion is that business holds a responsibility for the shadow it casts on society, and it is stressed that corporations should seek to integrate social concerns (respond to social demands and pressure), and consider their impact on communities. This is emphasized in a Norwegian white paper, where CSR is defined as a question revolving around "*what responsibility corporations should take upon themselves for the human beings, societies and environments that are affected by the business*" (Utenriksdepartementet, 2009:7). The social dimension can also involve relating CSR to the *objectives and values of society* – the idea that corporations ought to reflect the values of society and integrate this into their objectives.

The third dimension (the economic) implies a focus on socio-economic or financial aspects, including descriptions of CSR in terms of business operation. Such definitions typically focus on the responsibility to contribute to economic development, balancing profitability with other responsibilities, and recognizing societal needs/demands as economic opportunities. This dimension might also be expressed in terms of good governance – as the need for corporate financial accountability, transparency, responsiveness, and/or law abidance. The definition presented by the

World Business Council for Sustainable Development (WBCSD) includes the economic dimension, as well as the two first dimensions (stakeholder and social): “*Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.*” (WBCSD, 2000:3).

With the fourth dimension (the voluntariness), proponents of CSR argue that not only do corporations have a responsibility to provide goods and services, generate profits and obey the law, but that their responsibilities ought also to extend beyond the economic and legal responsibilities (Ihlen, 2011; Carroll, 1999; Schwartz, 2001; Crane et al., 2008). That is, to go beyond the so-called “bottom line” (the economic responsibilities a company holds towards its shareholders). It is therefore typically emphasized that these responsibilities are voluntary in nature, and as such anchored in morals/ethics; to what extent should business take on responsibilities beyond the legal and economic? What responsibility does business hold to act in an “ethical” manner? The voluntarily nature of CSR is reflected in the following definition: “*CSR represents voluntary activities by the private sector, beyond legal requirements. It represents a form of self-government alongside state regulation and the public system of governance*” (Hess 2013:10).

The fifth dimension (the environmental) refers to the natural environment, and the wish for business to integrate environmental concerns into their operations. The emphasis is typically on environmental stewardship and sustainability – corporate responsibility to help protect, and generate a cleaner, environment. The Google-count in Dahlsrud’s study finds that the most frequently used definition (according to Google) is one from the Commission of the European Communities (2001). It includes all five dimensions when it defines CSR as: “*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” (as cited in Dahlsrud, 2008:7).

A more recent study (2011) of CSR-definitions, concurs with Dahlsrud’s five categories, and adds five additional dimensions. Rahman does not define these dimensions as clearly as Dahlsrud, but suggest that they revolve around (Rahman, 2011):

- Improving the quality of life for citizens (a developmental dimension).
- Ethical business practice (a moral dimension).

- Law abidance (a legal dimension).
- Human rights (a universal rights-dimension).
- Transparency and accountability (a governance-dimension).

CSR then, can be understood as the concept and practice of corporations to voluntarily take on ethical responsibilities that exceed the strictly legalistic in their business operations and management, with sensitivity towards stakeholders beyond merely stockholders, in attempts to address social, environmental and financial concerns.

2.2. Evolution of the concept: A brief history of CSR

Although initiatives that could be labeled CSR occurred much earlier, historians tend to agree that the concept of CSR emerged in the 1930s and 1940s. Pioneering discussions of the concept were made by Adolf E. Berle and E. Merrick Dodd, in the Harvard Law Review in the early 1930s. The core of the debate at that time was whether managers were responsible only to shareholders or to the public as a whole (Cochran, 2007:449).

Furthermore, the social dimension of CSR can be seen as a natural extension of the United Nations' World Declaration on Human Rights from 1948. Especially relevant to CSR are articles 23, 24, and 25, covering workers' rights, vacation/leisure time, and living standards (UN General Assembly, 1948). Initially, Human Rights were expected to be safeguarded primarily by the states that ratified them. With the evolution of CSR however, one increasingly questioned the corporate role in protecting these rights.

Carroll (1999) suggests that Howard Bowen, with his 1953 seminal book "Social Responsibilities of the Businessman", is a kind of theoretical "father" of Corporate Social Responsibility (Carroll 1999:291; Schwartz, 2011:20). In his book, Bowen reflected on what responsibilities to society businessmen are expected to assume. Bowen's initial definition of what he called Social Responsibility was as follows: "*It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*" (as cited in Carroll 1999:270).

In 1961, Eells and Walton linked CSR to the problem that arises when corporate enterprise “casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between the corporation and society” (Carroll, 1991:39).

In the 1970s, Seti distinguished between “social obligation” and “social responsibility”, where the former is related to the financial and legal obligations of responding to market forces and obeying the law, and the latter as going beyond the social obligations. With his notion of ‘social responsiveness’, he argued that firms had an ethical obligation to respond pragmatically to social pressure (Cochrane, 2007:450). Sethi thought it important that corporate behavior was “congruent with the prevailing social norms, values and expectations of performance” (as cited in Carroll 1999:279). Throughout the 1970s, CSR was becoming increasingly globalized and institutionalized as the United Nations (UN), the Organization for Economic Co-operation and Development (OECD) and the International Labor Organization (ILO) started promoting international agreements in the form of non-binding guidelines and principles for TNCs (Utting, 2007:220-224).

During the 1980s (and 1990s) there was an increased interest in CSR, which was particularly related to the increased identification of environmental issues. The catastrophic Union Carbide gas leak in Bophal (India) in 1984, and the Exxon-Valdez oil spill in Alaska (USA) in 1989, led to increased concerns about the potential negative environmental and social impact corporations could have. Shell received attention for their exploitative activities in the Niger-delta in the mid-1990s. Environmental awareness was further expanded with the 1987 publication of the “Brundtland-report” (Our Common Future), and through the 1992 “Earth Summit” in Rio, with increasing demands for social and environmental accountability and responsibility (Utting, 2007:220-224). Despite two decades of increasingly normative and activist approaches to CSR, from a political-economic perspective there was still a neo-liberal hegemony, with emphasis on the financial bottom-line.

During the 1990s, the concept of CSR evolved into several different directions, such as Stakeholder Theory, Business Ethics Theory, Corporate Citizenship, Ethical Trade and Corporate Social Performance (Carroll, 1999:292). Both as an academic field and as a management practice, CSR experienced a boom from the 1990s, with an increasing amount of corporations adopting voluntary initiatives aimed to improve performance in the environmental and societal dimensions, and producing sustainability reports. There was also a rise in external monitoring initiatives, to ensure and verify compliance to the set standards.

The CSR boom can be seen as a response to two decades of Reaganomics and Thatcherism (Midttun, 2013:19), with their focus on free trade liberalism. As trade barriers were lifted, corporations increasingly outsourced parts of their business, and re-localized production to developing countries. As a result the CSR-field was further internationalized, both in terms of increased focus on workers in developing countries and in terms of international guidelines crafted by the UN, OECD and ILO (see chapter 2.5.5. and appendices). With the emergence and strengthening of TNCs, there was increased civic concerns about the impact they had on society and environment. Traditionally, corporations would enhance their social role mainly through charitable acts, whereas the dynamics between governments and labor/trade unions would negotiate working conditions and impose mechanisms and potential penalties for non-compliance to legal standards. In the emerging paradigm however, softer regulatory roles were assumed by NGOs, business associations and multilateral bodies more frequently (Utting, 2007:220-224).

The law enforcement structures and governance in many developing countries were, and still are, weak, and many countries are prone to corruption and widespread poverty (Utenriksdepartementet, 2009:7). The perceived or real rigidities in the so-called chain of command in some developing countries led many decision makers to believe that legally binding laws and regulations were not practically workable, or even desirable. Globalization in general, and neo-liberal policies in particular, changed the balance of rights and obligations, allowing TNCs greater freedoms on the international economic arena. In developing countries, these freedoms were not always followed by proportional responsibilities and obligations (Utting, 2007:220-224).

2.3. Ethical Trade – CSR in global commodity chains

Noticing that commodity chains were increasingly global, Gary Gereffi coined the term “global commodity chain” as recent as in 1994 (Commodity Chain, 2007). The term is often used interchangeably with the similar terms “global supply chain” and “global value chain” (The World Bank, 2017). The new forms of coordination and control in global industries, Gereffi argued, featured high levels of functional integration, but low levels of equity between different parts of the global commodity chain (Commodity Chain, 2007). As supply chains became more global and tiered, the bargaining position of suppliers and factory workers (the lower tiers) was weakened.

As a response to the perceived lack of equity between stakeholders along the global value chain, and the increased interest in stakeholder management (see chapter 3.7.), the concept and practice of ethical trade emerged in the mid-1990s. The increasing interest in ethical production and trade has been driven both by the industry itself and by increased interest and pressure from consumers. In consumer theory, ethical trade is placed within the “fourth wave” of consumerism, which is characterized by increased awareness on reaffirming the moral dimension in consumer choice – emphasizing the links between production and consumption locally and globally (Browne, Harris, Hofny-Collins & Pasiecznik, 2000:70). Richard Welford was one of the first to use the term “Ethical Trade” in his 1995 book “Environmental Strategy and Sustainable Development: The Corporate Challenge for the Twenty-First Century”, where he wrote about the need for a change in ideology.

After two years, the concept of ethical trade was already being highlighted in Western policy (Blowfield 1999:753). Barrientos (2000) argues that ethical trade reflects the paradox of globalization: “*Where free markets reign, some large companies are seeking out new means of addressing social problems in their global supply chains by voluntarily adopting a form of regulation, a company code of conduct*” (Barrientos 2000:562). She points out that ethical trade has arisen partly in response to NGO pressure, in the wake of the economic globalization and liberalization.

Although there is still no established consensus on the definition of the term “ethical trade”, it typically refers to initiatives, codes of conduct and strategies that are adopted by companies in the North, guaranteeing or aiming for at least a minimum labor and human rights standards, or environmental standards – or both – for their suppliers and workers in developing countries (Blowfield 1999:753). Very simplified, one could say that ethical trade is CSR with a specific North-South-perspective; CSR spanning across global commodity chains, with focus on ethics in supply chain management. The research of Browne et al. distinguishes between three main areas of focus in ethical trade, with ten subcategories (Browne et al., 2000):

- **People-centered** (emphasis on workers’ welfare, rights and conditions).
 - Child labor (minimum working age).
 - Wages (fair wages and no exploitation).
 - Working conditions (regulation of working hours, occupational health and safety).

- Equality and anti-discrimination (in wages and working practices).
- Worker organization (freedom of association).
- Management systems (monitoring and auditing of working practices).
- **Environmental**
 - Sustainable sourcing of resources, land use, production, construction, transport etc.
 - Reduction in pollution, use of hazardous chemicals, pesticides, etc.
- **Animal-centered**
 - No animal testing.
 - Non-exploitative and humane treatment of animals.

The NGO Initiative for Ethical Handel (IEH) adds working against forced labor, brutal treatment and harassment of workers (especially women), corruption, regular work contracts, and respect for marginalized groups and communities (IEH, 2012:6). This thesis focuses solely on people-centered ethical trade.

2.4. Ways of engaging in CSR and ethical trade

Ethical trade can be broadly categorized into two types: *Enterprise* initiatives and *labeling* initiatives. Enterprise initiatives are when corporations voluntarily adopt policies and codes of conduct relevant to ethical trade. The policies or codes set out principles and certain criteria that the company ought to follow. The strength of enterprise initiatives is that they are based on the companies' own initiatives. Experience shows, however, that there is often a discrepancy between policy and compliance. As Blowfield argues: "*Setting the standard is a small part of the task; the major challenge is to ensure compliance*" (Blowfield 1999:758). Labeling initiatives on the other hand, are based on a certification process, where one seeks to create labels for products or companies that adheres to certain standards. One of the strengths of labeling initiatives is that creating and communicating such standards might decrease confusion and increase access to information among customers about the standards involved in the process of sourcing, producing, and trading. Labeling initiatives also tend to be more independent, and to ensure greater stakeholder representation in the South (Blowfield 1999:762). The challenge with labels is that creating standards and baselines can be difficult, and that these might vary in different sectors, and with different types of productions.

Companies can engage in CSR and ethical trade at various levels and stages throughout their operations. Porter and Kramer distinguish between primary and support activities (Porter & Kramer, 2006:5):

- **Primary activities:**
 - Inbound logistics (transportation impacts).
 - Operations (worker safety and labor relations, environmental impact, and resource use).
 - Outbound logistics (packaging and transportation).
 - Marketing and sales (pricing practices, consumer information, marketing, and privacy).
 - After-sales services (handling of obsolete products and waste, consumer privacy).
- **Support activities:**
 - Firm infrastructure (financial reporting, government practices, transparency, lobbying).
 - Human resources management (training, health and worker security, compensation policies, anti-discrimination policies).
 - Technology development (product safety, recycling, and ethical research practices).
 - Procurement (procurement and supply chain practices, uses of particular inputs, and utilization of natural resources).

2.5. Challenges in the global supply chain

The findings-chapter of this thesis is structured around five themes pertaining to working conditions for garment workers. These five themes emerged from the interviews and preliminary readings undertaken. The five themes are: 1) Audits and transparency; 2) Procurement and due diligence; 3) Wages; 4) Unions and worker-management dialogue; and 5) Laws and regulations. Below follows brief introductions to existing literature on these five themes.

2.5.1. Auditing and transparency

In the context of CSR, traditional audits have been complemented with audits of companies' social aspects. Social auditing consists of external or internal audits of various parameters related to social responsibility, to ensure compliance with a given socially responsible policy. Decades of research has led to the emerging consensus that audits have very limited impact on working conditions for factory workers in the garment industry, and that it can in fact be counter-productive as suppliers are incentivized to hide information from auditors and to silence workers (Oka, 2015; Lindholm &

Egels-Zandén, 2014; Rahim & Idowu, 2015; Barrientos & Smith, 2007; Plambeck & Taylor, 2016). Corruption is widespread, and the factories are often “cleaned” before audits. Workers might receive threats, lose their job, or be penalized with decreased salary if they speak too freely. Auditing might thus put pressure on the very people it is intended to help. Barrientos and Smith claim that auditing in relation to codes of conduct detect and improve mainly *outcome* standards (such as health and safety, working times, and wages), whereas it largely fails to improve *process* rights (such as freedom of association and discrimination) (Barrientos & Smith, 2007:713). Lindholm and Egels-Zandén find support for this and write that “*even rigorous multi-stakeholder factory audits seldom are able to identify process rights [violations] (such as those affecting freedom of association and discrimination), and that auditing is thus is [sic] more fundamentally flawed than assumed in previous research*” (Lindholm & Egels-Zandén, 2014:31). Particularly the commercial auditing is found to be weak, partially because these often do not include off-site interviews with workers and labor union representatives. Lindholm and Egels-Zandén further show that improvements after revealed non-compliance is marginal (7-15%).

Plambeck and Taylor show that “*actions taken by prominent buyers (increasing auditing, publicizing negative audit reports, providing loans to suppliers) motivate a supplier to exert greater effort to pass the buyer’s audit by hiding information and less care to prevent harm*” (Plambeck & Taylor, 2016:184). They call this phenomenon “backfiring condition”, where buyer actions can actually decrease supplier responsibility. Rahim and Idowu point to how most auditing reports are not made publicly available for confidentiality reasons, making the auditing-regime very little transparent (Rahim & Idowu, 2015:196). Lastly, another study found that where improvements in workers’ rights after auditing occurred, they occurred because of the financial penalization related to loss of contracts. It is further argued that “Consistent with the notion of institutional decoupling, our results suggest that [T]NCs *appear to use social audits as an instrument to maintain and re-establish their legitimacy rather than ensuring accountability to workers (who are the most affected stakeholders)*” (Islam, Deegan & Gray, 2015:1).

2.5.2. Procurement and due diligence

Responsible procurement could be defined as the integration of non-economic (ethical) considerations into purchasing practices, and is considered an immature and underdeveloped academic field both conceptually and instrumentally (Hoejmose & Adrien-Kirby, 2012:235). Socially responsible procurement tends to focus on “*workers’ rights, health and safety issues,*

wages, workforce issues related to disabled workers, racial equality, minorities, ethnicity, gender equality and human rights” (Mont & Leire, 2009:390). There is little consensus about how to operationalize ethical procurement from policies to strategies, but it can include adequate lead times, stable buyer-supplier relations, clear contracts, predictability in orders and logistics, buyers having a large share of annual supplier-productions, and ethical purchasing criteria related to wages and/or working conditions. Typical lead times in the industry (from design to delivery) are between 30 and 60 days from China, and from 50 to approximately 100 days elsewhere (Kader & Maeen, 2014:271). Due diligence is understood to be part of responsible procurement – assessments of actual and potential risks related to human rights and workers’ rights (JETI, 2017:14-15). How to operationalize responsible procurement practices is perceived to be the main bottleneck.

Chowdhury and Quaddus identify a wide range of supply chain vulnerability factors in the garment sector. Most relevant for this thesis are labor unrest, increased competition, problem of relation with buyer, demand fluctuations/uncertainty, consequences after non-compliance of social and environmental requirements, and shortage of skilled workers (Chowdhury & Quaddus, 2015:8). Responsible procurement could be seen as procurement strategies that seek to mitigate some of these vulnerabilities. The main barriers for increased due diligence and responsible procurement is identified as “*lack of resources for supplier audits, difficulties to ensure that all suppliers fulfill the code of conduct, differences in culture and management style, low levels of social standards and high levels of corruption in some countries of supply, all of which makes assurance practices a very costly enterprise*” (Mont & Leire, 2009:388). Codes of conduct are by far the most common way to implement CSR-practices in global value chains, with rewards and penalties being exercised for compliance or non-compliance (Hoejmose & Adrien-Kirby, 2012:236). High costs, challenges with ensuring supplier-compliance, and uncertainties about potential impact, are among the most important reasons managers hesitate to engage in responsible procurement.

2.5.3. Wages

Minimum wages are generally very low in the garment sector, although it varies considerably between countries (see appendix 1). Furthermore, research indicates that compliance with wage legislation is often low. Hence, many workers receive wages even below minimum standards. A study of more than 100 suppliers in ten Asian countries found that almost 20% of the companies observed reported “*having to postpone wage payments, more than half reported underpayment of wages, mostly for overtime, and almost half of the companies did not pay social security*”

contributions” (ILO, 2014:15). In some countries, the minimum wage is below the national subsistence minimum, and workers on minimum wages often find the salary insufficient to meet basic needs. In a study including 122 companies across Asia, 20% reported that they operated with a starting wage below minimum wage, 75% that starting wages were at minimum wage, and only 5% had starting wages above minimum wage (Vaughan-Whitehead, 2014:75). Workers who are paid poor wages, often work excessive overtime to make ends meet, and get less rest time. Sudden changes in orders, or accepting orders that squeeze (or even pass below) suppliers margins, frequently lead to wages being held back, overtime not being properly remunerated, and/or bonuses being held back (ibid.). This is known as wage theft, where reduced price for suppliers is compensated for by cutting back on wages or social welfare programs.

As a response to minimum wages that do not meet basic needs, the idea of “living wage” was developed. Although no established definitions of living wages, it is generally defined as a wage that is large enough to cover several of the following; “*food, housing, clothing, travel, education and health costs of a worker supporting a partner and two children*” (Ford & Gillan, 2017:905). Initiatives like the Asia Floor Wage Alliance (AFWA) have contributed to increased awareness of living wage as a concept, yet they have had a marginal effect on the actual discourse and practice of clothing companies, suppliers, governments, or even local unions (ibid.).

2.5.4. Unions and worker-management dialogue

Union density in the garment sector is relatively low, although it varies significantly between countries. In India and Bangladesh, less than an estimated 10% of garment workers are union members. In China and Myanmar, it is estimated that 30-40% are members. Estimates from Indonesia suggest 40-50% membership, whereas Cambodia might have 60-80% union membership (but only around 50% in the export sector) (Van Klaveren, 2016). A study found that the presence of unions in the factories helps reduce some labor standard violations, and helped change managerial behavior, but their impact varies with issue areas. Union presence was found to significantly improve “*compliance with wage, hours and leave standards but less so with regard to safety and health issues*” (Oka, 2015:2). Unions tended to prioritize pecuniary issues over Health, Safety and Environment (HSE), and having multiple unions in the factory did not help improve compliance. It was also shown that rivalry among politically divided unions weakened the workers’ position and allowed managers to “divide and rule”. Evans echoes the pecuniary focus of unions, and points out that the ILO recognizes that wage adjustments in the garment sector are “*usually adopted only after*

mass protests and strikes that disrupt the industry” (Evans, 2017:1621). Major challenges are that workers find it hard to unionize and that unions have limited impact, mainly due to employer hostility and political corruption (Van Klaveren, 2016). Unions often face obstacles when trying to enter factory premises, and many union leaders (and members) face intimidation, harassment and threats. Worker-management dialogue is generally perceived to be weak. Because social auditing tends to lead to only marginal improvements, and living wages appear to be hard to implement top-down, “*worker organization is increasingly seen as the key to improve labour conditions in global supply chains*” (Oka, 2015:2).

2.5.5. Laws and regulations

Laws are legislated rules and policies applicable to people and corporations that are enforced by juridical decision within or across countries. Regulations in this thesis is understood as rules prescribed to regulate conduct, that are not legally binding. The latter might include self-regulation, contractual obligations, third-party regulation, and certifications.

Different laws apply in different countries, and internationally CSR operates in the area between hard law and soft law. A few countries are moving towards legal codification of certain forms of CSR (mainly due diligence for larger companies – see findings-chapter). In Norway, two laws are of particular importance; the Public Procurement Act (Lov om Offentlige Anskaffelser), and the Accounting Act (Lov om årsregnskap). With the Public Procurement Act, public institutions are required to have procedures for safeguarding human rights where these are at risk, and the law states that the contractor *can* set suitable requirements related to working- and social conditions (Anskaffelsesloven, 2017, §5). With the wording “can”, the law is more like a guideline. With the Accounting Act, large companies are required to report annually on who to “*integrate the concern for human rights, workers rights, and social conditions, the external environment, and combating corruption in their business strategies, daily operations, and in relation to their stakeholders*” (Regnskapsloven, 2017, §3-3c, authors translation).

Three sets of international guidelines are commonly referred to:

- The United Nations Guiding Principles on business and human rights (UNGPs).
- The International Labour Organization (ILO) conventions.

- The Organisation for Economic Co-operation and Development (OECD) Guidelines for multinational enterprises.

The UNGP are a set of guidelines resting on three pillars: 1) The state duty to protect human rights, 2) The corporate responsibility to respect human rights, and 3) Access to remedy. According to the UNGP, business enterprises should (at a minimum) respect the International Bill of Human Rights, and the fundamental conventions of the ILO (see below). Business must act with due diligence in order to identify, prevent, mitigate and account for how they address their actual and potential impacts on such rights, and offer remediation where they have caused adverse impacts. This includes policies, procurement practices, and risk management (UN, 2011). See appendix 2 for details. The guidelines are considered voluntary soft-law. Critics argue that the lack of legally binding sanction mechanisms is a weakness with the principles, and want more legally binding frameworks (Kenan Institute for Ethics, 2012:7).

The ILO operate with two types of international labor standards: 1) Recommendations (serving as non-binding guidelines), and 2) Conventions (legally binding international treaties that states can ratify). Ratifying countries are obliged to apply the ratified treaties in national law and practice, making them legally binding. Among its more than 180 conventions, ILO has identified eight conventions that are not optional to ratify, but binding for member-countries by fact of their membership. The eight fundamental conventions cover “*freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced or compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation*” (ILO, 2017). See appendix 3 for details. The fundamental conventions are therefore not simply guidelines, but actual law for member-countries. The intention is global harmonization of labor laws, and to provide a normative foundation for labor rights. Critics argue that ILO convention ratification undermines export competitiveness, and increases welfare spending (Peksen & Blanton, 2017).

The OECD has developed voluntary principles and standards for multinational enterprises that are non-binding recommendations for CSR. The guidelines cover human rights, employment and industrial relations, environment, bribery, consumer interests, science and technology, competition and taxation. See appendix 4 for details. Most relevant for this thesis is that business should carry out risk-based due diligence, seek to mitigate potential adverse impacts, engage with stakeholders in order to provide meaningful opportunities, and is encouraged to support or engage in multi-

stakeholder initiatives and social dialogue. Countries are obliged to establish a national contact point that (among other things) offers a complaint mechanism. As the guidelines are not legally binding, complaints will potentially have to be tried with national laws (OECD, 2011). The complaint mechanism is therefore mainly aimed at impacting corporate reputation. The OECD has also formulated a sector-specific guideline for due diligence in the garment and footwear sector. Very similar to the UNGP, it urges business to identify, mitigate, track, communicate, and offer remediation when appropriate (OECD, 2017).

2.6. CSR and ethical trade in Norway

Given that this thesis looks at CSR from the perspective of three Norwegian organizations, it is relevant to look at the specifically Norwegian context. Despite the fact that CSR originated in the US, Nordic corporations are overrepresented in international CSR-initiatives, and US corporations are underrepresented. CSR occurs more frequently in two types of countries: 1) Countries with strong environmental and work life laws and regulations, strong unions, and an active political culture, and 2) Countries with a large amount of international businesses and foreign investments (Gjølberg, 2012). The tripartite system and tradition of dialogue, negotiation, and consensus-building between labor unions, employer associations, and the state, are pointed to as an important reason why the Nordic countries are pioneering in CSR (Midttun, 2013:262). Gjølberg argues that a strong tripartite system *“teach, and to some extent force, business to integrate broader societal concerns into their business operations”* (Gjølberg, 2012:36).

The Confederation of Norwegian Enterprise (NHO) has taken an active position on CSR, and focused especially on promoting human rights, anti-corruption work, environmental sustainability, and the need for developing international standards (NHO, 2013). The Norwegian Confederation of Trade Unions (LO), has particularly focused on international solidarity by having emphasis on the right to unionization, as well as on workers’ social, political, and professional/educational rights (LO, 2017). The Norwegian Consultative Body for CSR was established in 1998, and the Ethical Council in 2004. The former has as its main objective to strengthen the government’s basis for policy-development on CSR, and to enhance dialogue between the government, private sector, interest groups, and academia (The Norwegian Government, 2012). The latter develops and enforces ethical investment guidelines for the Norwegian pension fund. They both represent important milestones in the development of CSR in Norway (Midttun, 2013:270).

In Sweden and Norway, public policy has held a more normative and humanitarian position on CSR, seeking to promote sustainability and human rights, whereas the CSR-focus and policies in Denmark and Finland have been more instrumental and business-minded – aiming to increase their own international corporate competitiveness and innovation (Gjølberg, 2012:41). The Norwegian position on CSR has also been used actively in the branding and international promotion of Norway abroad, with “*CSR policies and initiatives that are closely aligned with the general Norwegian humanitarian foreign policy ambitions*” (Midttun, 2013:271-272).

In a study of 20 of the largest companies in Norway, Ditlev-Simonsen finds support for the argument that CSR is often merely a “catchword”, “*which in reality implies less change in corporate activities than the growth in the use of the CSR term suggests*” (Ditlev-Simonsen, 2010:465). This might be a reason why a study among Nordic companies found that 78.3% of the surveyed companies want their governments to strive for more binding national rules and laws, and as many as 81% disagreed with the statement “*CSR can be seen as a replacement for public policy, and public legislation should therefore be less restrictive*” (Gjølberg, 2011:14). Furthermore, 71.2% want their governments to increase their efforts towards achieving global minimum standards on CSR. That is, Nordic companies have a strong preference for CSR to become hard law.

When asked to rank the most important factors for the business case for CSR, reputation management, competitiveness, and risk management are the most common answers. As the question revolves only around instrumental purposes, the study does not say anything about normative reasons for engaging in CSR. A third study found that employees in Scandinavian countries who experience high levels of CSR-engagement from their employers, feel a stronger affective commitment towards the workplace (Ditlev-Simonsen, 2012:15). The study also found that the employees generally wanted to be more included in the development of CSR-initiatives.

2.7. CSR is profitable

Several meta-studies indicate that CSR has a small but positive impact on corporations’ economic results. A study from 2003 went through 52 empirical studies, and found that CSR impacts profits positively with a correlation at $r = 0,18$ (Orlitzky, Schmidt & Rynes, 2003:415). They also found that social responsibility had a larger impact than environmental responsibility. Another study analyzed results from 214 empirical studies, and found a moderate positive impact on economic results with the correlation being $r = 0,13$ (Margolis, Elfenbein & Walsh, 2009:15). Although they

found a slightly weaker correlation, they concluded that CSR had a similar positive impact on economic results as other measures businesses make, like strategic planning or market orientation. They also found that the correlation was weaker the last ten years, and stronger the years before. A much larger and more recent study confirms this picture, with a meta-analysis of 2200 studies. The measured average correlation is found to be $r = 0,15$ (Friede, Busch & Bassen, 2015:217).

Meta-analyses cannot compensate for potential methodological weaknesses in the studies included, but also empirical studies have found correlation between CSR and increased profitability. Flammer studied companies that had just recently decided to implement CSR-initiatives (and contrasted these to companies who voted over similar CSR-initiatives, but decided *not* to implement them). She found that “*implementing a close call CSR proposal leads to an increase in shareholder value by 1.77%*” (Flammer, 2015:2550). The return on assets were measured to be 3.1%, which is a small but significant increase. The study further revealed that the effect appeared to be long lasting, but that it took 12 – 24 months for the CSR programs to materialize into higher profitability. A weakness with such studies could be publication bias; that it is easier to publish studies revealing positive correlations between CSR and economic results, compared to publishing studies with other results. Research reveals that CSR *can* be beneficial for some corporations, in some sectors, but that CSR is no panacea for increasing profits or building legitimacy, and the market does not necessarily punish corporations that do not engage in CSR (Ihlen, 2011:64-65).

Chapter 3: Theories

To better understand the various responsibilities of business, and the differences between legal and ethical corporate behavior, this chapter starts by exploring the early theories of Carroll. The chapter then explains how CSR is a field of scholarship without a clear theoretical paradigm. Five widely recognized theoretical positions are subsequently explained: 1) Normative support for CSR, 2) Normative criticism of CSR, 3) Instrumental support for CSR, 4) Instrumental criticism of CSR, and 5) Stakeholder Theory.

3.1. Carroll’s four responsibilities

The pioneering work of Archie B. Carroll is still relevant as core principles for CSR. In his work, he pointed to four kinds of social responsibilities that he understands to constitute CSR; economic,

legal, ethical and philanthropic (Carroll, 1991). The first is *economic responsibilities*. He argues that historically, when creating economic entities that provide goods and services to people, generating profits has been the primary incentive for entrepreneurship. The second kind is that of *legal responsibilities*. Creation of legal structures for businesses are anchored in a kind of social contract between society and the corporate world, where businesses are expected to pursue their goals of economic profit by complying to relevant laws and regulations. Legal responsibilities represent a “codified ethics”; a framework through which legal sanctions can be performed, if necessary. Thirdly, Carroll presents the *ethical responsibilities*. Carroll sees this third category as the ethical responsibilities that extend beyond the codified ethics of the law. Ethical responsibilities are thus related to how a business responds to the norms, standards and expectations shareholders, employees, consumers and communities at any given moment defines as fair or just. Lastly, Carroll lists *philanthropic responsibilities*. This primarily involves actions a corporation takes to promote human welfare or goodwill, such as investing time and/or money in education, arts or local communities. What distinguishes philanthropic from ethical, is that people might desire for a company to engage in philanthropic behavior, but will not (typically) deem the business unethical for not involving in such activities. The economic and legal responsibilities represented what is required, the ethical what is expected, and the philanthropic what is desired (Schwartz & Carroll, 2003:504).

The Pyramid of Corporate Social Responsibility

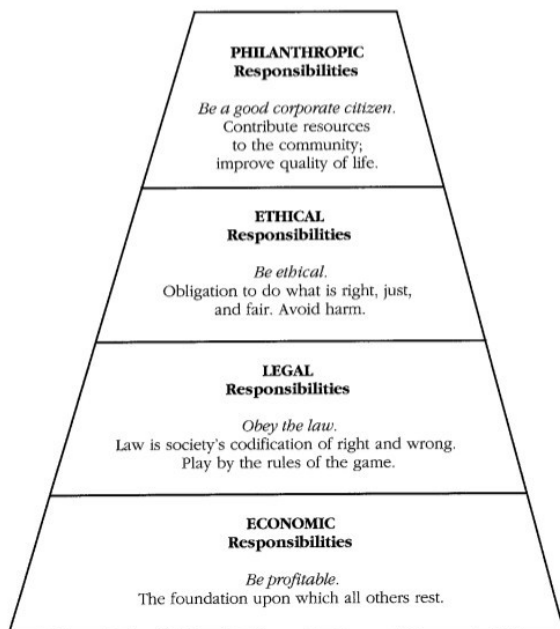


Figure 1 (Carroll, 1991:42)

The Three-Domain Model of Corporate Social Responsibility

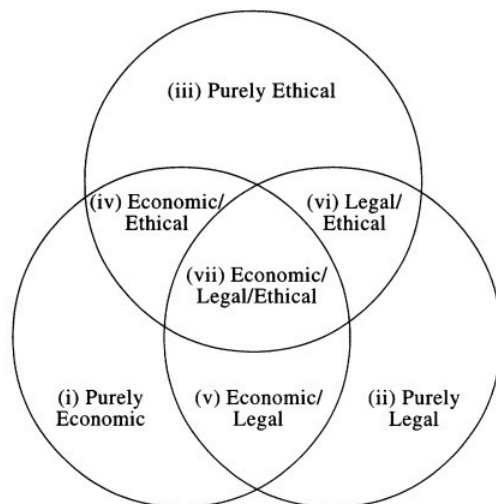


Figure 2 (Schwartz & Carroll, 2003:509)

Carroll initially proposed a hierarchical (pyramidal) model (Carroll 1991), but later revised it to be re-presented as overlapping spheres (figure 2). In the revised version, the philanthropic responsibility was removed as a separate category, and subsumed in the economic and/or ethical sphere(s), as it was thought to better depict philanthropic initiatives in business ethics application (Schwartz & Carroll, 2003; Schwartz, 2011). The overlapping spheres also contributed in removing the assumption of a hierarchical relationship between the domains, and gave room for overlap.

For instance, the lines between law and societal norms are fluid, ever emerging, and sometimes overlap. Furthermore, laws tend to change as countries develop, and what is actual law in one country is not necessarily law in another. As will be shown in this thesis, CSR is increasingly being codified into hard law. This could be used as an argument to include a legalistic dimension to the definitions of CSR. There are also great variations in morals, and what people in different societies consider acceptable or desired behavior (Werther Jr. & Chandler, 2011:13). Thus, in a globalized clothing industry, what is legal and what is ethical responsibility in terms of CSR is not always that clear. Furthermore, this poses essential moral questions about who is responsible for both complying to, and further develop, relevant laws.



Figure 3 (Crane & Matten, 2016:6)

3.2. A field without paradigm

CSR is often perceived to be embryonic, emerging, and contestable. Because different authors draw on different theories, that are partly overlapping and partly conflicting, CSR is seen as a “*field without paradigm*” that holds little prospect for a theoretical synthesis (yet) (Gjørberg, 2012:16). The locus of attention can be oriented towards corporate behavior in it self (agency and character), towards the more sociological inter-relation between firm and society (legitimacy, branding, and CSP), towards what is perceived as “good” or “fair” (morals/ethics), towards motivation (rationale

for engaging in CSR), content-orientation (sustainability, workers' rights, welfare, etc.), or towards economical and/or political ideals and/or realities (such as versions of neo-liberalism or neo-marxism). In addition, each of these "orientations", can take the form of advocating or objecting to CSR. For this very reason, authors tend to define, analyze, and categorize CSR and CSR-theories in a wide variety of ways, depending on what personal-moral and/or academic paradigm from which one argues (Melé, 2008).

This thesis draws heavily on the theoretical categorization of Ihlen. He distinguishes between the following five camps of theories: 1) Theories anchored in ethics (normative), 2) Profit maximization (free market liberalism), 3) The "business case" for CSR, 4) CSR as tool for masking unethical behavior and/or criticism of the systemic "flaws" of capitalism, and 5) Stakeholder theory and integration of social demands (sociological), (Ihlen, 2011). These five serve as the basis for the five theoretical positions presented in the subsequent sub-chapters. A few other theoretical categories are subsumed into one or several of the below categories. The category Garriga and Melé call "political ideology and corporate governance", is simply understood to be a dimension that is present in all of the below categories, as all positions have political-ideological consequences (Garriga & Melé, 2004:52-53). Porter and Kramer operates with own categories for sustainability, license to operate, and reputation (Porter & Kramer, 2006:3-4). These are also understood to fit into one or several of the below categories.

3.3. Normative theories: Advocating CSR

Within the normative traditions, the analytical emphasis is placed on exploring arguments for *why* businesses should (or should not) engage in socially and/or environmentally responsible behavior. The normative theories are related to, and originated from within, the wider field of business ethics – a field of scholarship that focus on how business *ought* to behave, and draws on various moral philosophers such as Kant, Rawls, Bentham, and Aristotle (Crane & Matten, 2016; Ihlen, 2011; Garriga & Melé, 2004; Gjørberg, 2012; Frederick, 2002). In the literature, three main ethical positions in support for CSR are described: Duty ethics, utilitarianism, and virtue ethics (Frederick, 2002; Schwartz, 2011; Ihlen, 2011; Garriga & Melé, 2004; Midttun, 2013; Crane & Matten, 2016).

Normative supporters of CSR essentially argue that business ought to engage in responsible behavior, because it is the right thing to do. Despite not being legally obliged to, business ought to engage in responsible and ethical behavior (Ihlen, 2011). Business is understood to have a kind of

moral obligation of responsibility not only to shareholders, but to employees, customers, local communities, and/or society at large. It is argued that as businesses (can and do) cause certain social and environmental problems and challenges, they also bear a moral responsibility to correct or balance the problems the corporate world causes. Because businesses primarily make profit because of the infrastructure society has created, it is proposed, they are indebted to society. It is argued that society gives business “license to operate”, and that business by this “agreement” owes society to contribute not only to profit-maximization, but also towards solving societal problems (Porter & Kramer, 2006:3; Melé, 2008:49).

The ideal is to adopt a corporate behavior that produces less harm and generates more positive overall benefits for citizens and society. In order to maintain legitimacy as agents in society, business should do what is considered right, fair, and just, because society *expects* managers to be ethical. It is argued that corporations should take social and environmental responsibility because it is the morally right thing to do, and because business ought to reflect and absorb the values of society and consumers (Frederick, 2002:142). Much of the early work on CSR is primarily normative, including much of Howard Bowen’s work on social responsibilities of business men (see above) and Edward Freeman’s work on stakeholder theory (see chapter 3.7.) (Gjølberg, 2012:14).

When arguing *why* voluntary CSR is the right thing to do, arguments tend to revolve around three ethical traditions; duty ethics, utilitarianism and virtue ethics. Duty ethics is typically related to the philosophers Kant and Rawls. Kant argues that an action is morally sound if its maxim can be universalized, and Rawls constructs a thought experiment in which we are covered in a ‘veil of blindness’ before we construct the world – how would you construct the world if you could end up being born into any given part of society? (Ihlen, 2011:67; Midttun, 2013:342). Utilitarianism is expressed by Bentham and Mill, and revolves around making actions based on what generates the largest amount of utility (pleasure and/or usefulness) summed across all stakeholders, and springs out of a deep sense of egalitarianism (Crane & Matten, 2016:98).

Normative authors often formulate criticism towards the instrumental approach (see below), and argue that by focusing on cost-benefit, the instrumental thinking undermines its own goal (Ihlen, 2011:68). The nature of the normative theories can make it difficult to differentiate between the activist/idealist and the academic, which is reflected in that CSR is oftentimes referred to as the “CSR-movement” (Sahlin-Andersson, 2006, as cited by Gjølberg 2012:14).

3.4. Normative theories: Criticism of CSR

Other CSR-authors however, make use of normative arguments to *criticize* the very idea of CSR (Gjølberg, 2012:15). In other words, they raise arguments for why businesses *ought not to* engage in CSR. Free trade liberalists argue that the only responsibility a business have, outside the legal, is to make profit. This spectrum of positions is known by different names; egoism/enlightened self interest, free trade liberalism, neo-liberalism, shareholder value theory, and fiduciary capitalism (Melé, 2008:55) A business should only engage in CSR if it leads to profit, Theodore Lewitt (1958) argued, and said the responsibility for the general welfare of society belonged to the government. The famous free trade economist Milton Friedman, a neo-liberal economist that inspired the economic ideology of Thatcher and Regan, strongly opposed CSR in his (1962) book “Capitalism and freedom” (Ihlen, 2011:54). His main point is essentialized in a statement from the New York Times Magazine in September 1970: “*There is one and only one social responsibility of business – to use its recourses and engage in activities designed to increase its profits so long as it stays within the rules of the game*” (as cited in Midttun, 2013:21).

This school of thought tends to lean on philosophers like John Locke, who’s work revolved around an atomistic exploration of the liberties of the individual, the social contracts needed to operate freely, and ideas about a limited government – ideas that were economically elaborated and popularized by Adam Smith (Melé, 2008:58). Every individual could, of course, choose to make private contributions to charity and other social needs, but to take money from the business would be to steal from the shareholders, said Friedman. If a business engages in CSR that increases their costs and prices, they will place themselves at a competitive disadvantage compared to companies that are not engaged in CSR, it is argued. Furthermore, business executives have little experience and few incentives to solve social problems. This should be the task of the authorities, not business (Frederick, 2002:304).

Some of the main arguments from this school of thought are that; 1) CSR *steals resources* that should be used for profit maximization; 2) CSR results in *hidden costs* because businesses have to cover these expenses by earning it in elsewhere (for instance lower salaries or higher price for products; 3) it creates a *lack of legitimacy* as it is governments (and not business-leaders) are elected to combat social problems; 4) lower efficiency and profits ultimately means lower tax revenues which in turn means an *impairment of public services* for citizens; 5) CSR *impacts developing countries* more negatively by creating different laws and regulations in different countries and

making the free market weaker; and 6) it *undermines the free society* because CSR-proponents do not fully understand the market, and that 7) CSR is a covert form of socialism (Ihlen, 2011:55-56).

Free trade liberalists argue that, in sum, society is better off leaving business to pursue profit maximization by operating as freely as possible (Crane & Matten, 2016:46-47). By restricting freedom of choice, increasing transaction costs, limiting competition, and reduce efficiency, CSR would reduce the benefits of global capitalism (Gjølberg, 2012:15). This position can thus also be understood as a form of utilitarianism; the most utility/benefit is understood to derive from a free market. Friedman makes a clear distinction between the responsibilities of the governments and that of business. The governments should be concerned with designing the rules and laws within which corporations pursue profit maximization as freely as possible. Both normative support and normative criticism of CSR are political by nature, as they imply how the relationship between the corporate world and governments ought to be.

3.5. Instrumental theories: The business case for CSR

The most dominant CSR-theories are called instrumental theories (sometimes rational/strategic theories) (Ihlen, 2011:70; Gjølberg, 2012:15). As the name indicates, they are called instrumental because the business is understood to engage in CSR for different strategic purposes; mainly to increase profits (or as means to this end). Whereas the normative theories are concerned with why a business ought to engage in a certain behavior, the instrumental theories are more concerned with how a corporation can utilize CSR more as a strategic tool in their management and operations; “what’s in it for me?”. From this perspective, one explores CSR in a cost-benefit manner, for instance as a means to “*improve employee relations, investor relations, resource efficiency, branding and reputation management, etc.*” (Gjølberg, 2012:15). It is argued that CSR-policies can and/or should be perceived, and used, as management tools for businesses to create opportunities, innovation, and competitive advantage, and thereby increase profits (Porter & Kramer, 2006:1). A recurring argument is that CSR can be good for business. Various authors utilize this perspective to make “a business case” for CSR, and empirical research reveal that most businesses tend to adopt instrumental perspectives (Kurucz, Colbert & Wheeler, 2008; Carroll & Shabana, 2010; Porter & Kramer, 2006; McWilliams & Siegel, 2001; Ihlen, 2011).

The utilization of instrumental theories have tended to result in profit-oriented approaches that are more hierarchical and top-down than egalitarian and bottom-up (Gjølberg, 2012:15). From a

business point of view, McWilliams and Siegel summarize a typical understanding of the instrumental approach by arguing “*that there is an ‘ideal’ level of CSR, which managers can determine via cost-benefit analysis*” (McWilliams & Siegel, 2001:117).

Kurucz et al. (2008) organize the “business case” for CSR into four categories: “[C]ost and risk reduction, profit maximization and competitive advantage, reputation and legitimacy, and synergistic value creation” (Kurucz et al., 2008:86). Cost and risk reduction is oriented towards the organization internally, and implies engaging in CSR to reduce the costs and risks within the firm’s activities. CSR as profit maximization and competitive advantage is oriented towards the relation between the firm and the rest of the industry, where one may utilize CSR as a strategic tool to generate competitive advantage and thereby increase profits. The reputation-perspective, is when a business utilize CSR as a strategic tool to build value through increasing the firm’s reputation, and as such the perspective is oriented towards the relation between the firm and the society/customers. This is also know as reputation-management. Studies have found that customers are more likely to “*not just like products they perceive to be socially responsible, but to actually choose them in both experimental settings and in the field*” (Sen, Du & Bhattacharya, 2016:70). With the notion of legitimacy (also referred to as the myth-perspective), proponents argue that a business needs to generate a certain social legitimacy to be able to operate. The synergistic value creation scheme, is oriented towards the integration of stakeholder interests for the purpose of creating value on multiple fronts (Kurucz et al., 2008:93).

There emerges a clear overlap between instrumental and normative perspectives however, once one makes the case that a business *ought* to engage in CSR for instrumental purposes. By defending CSR against criticism, and advocating for engaging in CSR for instrumental purposes (if only for profit), one takes a normative stance (Gjølberg, 2012:15). Thus, the boundaries between normative and instrumental theories are not always that clear – a weakness of dividing the theories in this binary way.

3.6. Instrumental theories: Criticism of CSR

In addition to the above mentioned criticism from free market ideologists, criticism of CSR is raised by individuals who oppose neo-liberal free market ideology. Increasing profits is just a small part of “the public good” businesses ought to be oriented towards, critics claim. Although economic performance can increase by engaging in CSR for instrumental purposes, there is still a risk that

workers are being exploited, natural resources exhausted, and that there is done damage to the environment (Melé, 2008:61). A common argument is that managers simply use CSR as a means to increase profit, and that the policies have little real impact. Managers are ethically and legally obliged to increase shareholder profits, and this is at odds with the notion of CSR, it is claimed (Frederick, 2002:304). Critics claim that CSR is more about buying goodwill through engaging in behavior that is perceived to be ethical, and use this in marketing and reputation-management. In many cases, companies spend more on marketing their socially responsible activities than they spend on the activities themselves (Ihlen, 2011:58).

Another argument is that instrumental CSR can be, and is, utilized to mask unethical behavior – an act of conscious manipulation – or by marketing a company as more environmentally responsible than it is; a kind of “greenwash”. Others see the instrumental approaches as a “bluewash”; a self serving takeover by neo-liberals. They argue that the locus of power is moved from the authorities to the corporate world, and as such consolidating the power of the large corporations and undermining representative democracy (Ihlen, 2011:60). Keeping CSR a voluntary action, the critics argue, is simply a neo-liberal excuse for not regulating these matters by law, maintaining business as usual. It is pointed out that CSR as voluntary actions provide few mechanisms for accountability (Frederick, 2002:304).

A common position is more systemic in its criticism, pointing to ethical and systemic-ideological problems with capitalism and neo-liberalism as economic theories and systems (Ihlen, 2011:57). Media and NGOs exposing CSR-initiatives that have limited impact or are considered unethical, give fuel to this stance. Critics claim that shareholder maximization is oriented towards short-term profits, and not long-term societal and environmental sustainability.

3.7. Stakeholder management

Essentially, stakeholder theory was offered as an alternative to stockholder-based theory (generating profits for shareholders), as an emerging acknowledgement of the value of including a variety of other stakeholders in decision making processes (or at least mapping stakeholders and their interests). Stakeholders can be individuals, organizations, or unorganized groups, and can virtually be of any form, size and capacity (The World Bank, 2005:1). Stakes and interests can be of economic, social/cultural, ethical/moral, aesthetic, spiritual, political character, or related to

livelihood etc. Furthermore, the basis of the stake can vary from customary rights, ownership, legal responsibilities, social obligation, intellectual rights, etc. (World Wide Fund for Nature, 2005:5).

Edward Freeman (1984) is generally considered the father of stakeholder theory, with his now classic book “*Strategic Management: A Stakeholder Approach*”. He supposedly drew on existing CSR literature (particularly that of Eric Rhenman, who proposed similar models 20 years earlier), and to some extent stakeholder theory could be seen as an extension or continuation of the CSR-field (Laplume, Sonpar & Litz, 2008:1157). Freeman's initial thought was supposedly that the stakeholder model had pragmatic instrumental value, so one could be “*cognizant of stakeholders to achieve superior performance*” (Laplume et al. 2008:1153). Despite of this, pioneers in stakeholder management initially sought to shift managerial focus to non-shareholders, but the focus has since become more integrative, seeking to balance the interests of both stockholders and non-stockholder stakeholders (Schwartz & Carroll, 2007:13). The involvement of stakeholders can be for *instrumental* purposes (to ensure project success), but it can also be used for *normative* purposes (where the inclusion of stakeholder perspectives is seen as a value in itself). Freeman's stakeholder model was originally presented like this (Fassin 2008:115):

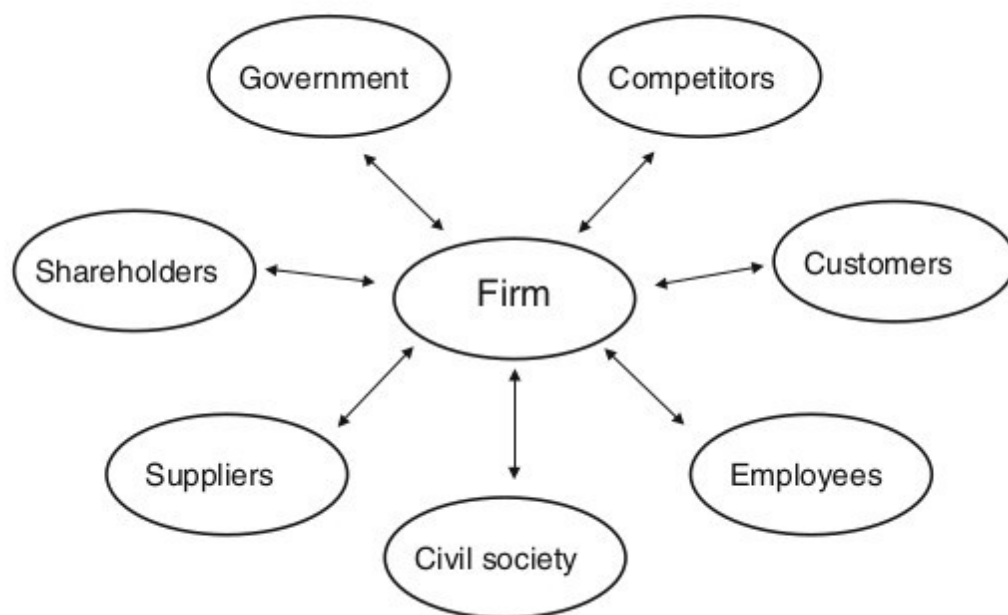


Figure 4 (Fassin 2008:115)

The model has later been expanded and refined to include other actors, such as NGOs, governments, regulators, media, environmentalists, and critics (Ali, Frynas and Mahmood, 2017; Fassin 2008). Commonly, authors distinguish between primary and secondary stakeholders. Primary stakeholders are usually understood as those who are ultimately influenced or affected by the project, either positively or negatively – with the stakeholders that are affected positively and will benefit from the project often referred to as beneficiaries. Secondary stakeholders are those who are not directly influenced by the project, but serve as intermediaries in executing the project (Overseas Development Administration, 1995:4).

To implement stakeholder theory, one can make use of Stakeholder Analysis (SA), which is a methodological management tool that can be utilized for planning in order to identify potential and actual stakeholders in a given project, to assess their interests, to explore to what extent these interests affect and influence the projects and its sustainability, as well as whether they constitute risks or challenges (Overseas Development Administration, 1995:4). SA is furthermore used to specify whether stakeholders are key stakeholders or not, and to what extent they are marginalized. Engaging in stakeholder analysis can be a process of identifying “*winner and losers, those with rights, interests, resources, skills and abilities to take part or influence the course of a project*” (Dearden 2005:5).

Chapter 4: Methodology

4.1. Research design: Case study

Choosing a research design is about giving a structure to the process of research, “*a structure that guides the execution of a research method and the analysis of subsequent data*” (Bryman, 2008:30). The research design reflects how the researcher gives priority to different dimensions in the research, and provides a framework for data collection and analysis, and should assist the researcher in answering the research question(s) (Johannessen, Tufte & Christoffersen, 2017:69). It is distinguished between descriptive (quantitative), causal and exploratory designs (Hair, Wolfinbarger Celsi, Honey, Samouel & Page, 2011:147). As the research objectives in this thesis are neither about quantification nor about trying to establish causal relationship, it can be said to fall into the category of exploratory designs – a design that is applied when the researcher knows little about the studied

problem or opportunity, but where one seeks to discover new themes, patterns, relationships, ideas etc. with more open questions.

Specifically, a case study design is utilized. In a case study, the researcher studies one, or a few, case(s) more in depth. Emphasis is put on more intensive examination of the given setting(s). The case can for instance be a community, a school, a family, an organization, a person, or an event. (Bryman, 2008:52-53). Case studies are typically qualitative, but can also be conducted using quantitative or mixed-methods. Yin operates with two dimensions in case designs; whether one investigates a single or multiple cases, and whether there are one or several units of analysis (Yin, 2009: 46; Johannessen et al., 2017:206):

	Single-case design	Multiple-case design
Single unit of analysis	The study of a single unit within a limited context (for instance patients in the ER in a hospital).	The study of a single unit within several contexts (for instance patients in the ER at three different hospitals).
Multiple units of analysis	The study of multiple units within a limited context (for instance patients, doctors, and nurses at the ER in a hospital).	The study of multiple units within multiple contexts (for instance patients, doctors, and nurses in the ER at three different hospitals).

Table 1: Four design strategies for case studies

Case studies are mainly ideographic, meaning that the researcher is usually concerned with elucidation of what is unique and particular about the explored phenomena (Bryman, 2008:54). Rather than seeking to generalize, the researcher pays attention to the specific context of the particular case(s). One rarely starts out to test a hypothesis, and sometimes the researcher does not have clear research questions. The collection of data can be somewhat unsystematic, and the analysis and interpretation is often intuitive (Halvorsen, 2009:106). In general, case studies are most appropriate when the researcher is posing “how” or “why” questions, when the researcher has little control over events, and the focus is on a real life contemporary phenomenon (Yin, 2009:2). Often, but not always, case studies are used in conjunction with qualitative methods, but one could also use quantitative or mixed-methods, and the design opens for utilizing multiple data sources.

From the research objectives and research questions in this thesis, it becomes clear that a case study is a suitable method to employ. The three organizations in question serve as cases, and so the study operates with multiple cases. A case study is appropriate, as “how” and “why” questions are posed about the three organizations’ work. The unit of analysis is singular, and could be considered the people and parts of the organization concerned with CSR. The study does not seek to generalize or quantify, but rather to explore the unique and particular about how the three organizations work with CSR in the garment sector. The study explores three cases, enabling comparisons between cases. This makes it possible to study the same phenomenon in different contexts – so-called cross-case analysis (Johannessen et al., 2017:207).

4.2. Qualitative methods and social constructivism

With quantitative methods, data are collected and transformed into numbers and quantities, and it is common to ask questions about “how much” and “how many”. This typically makes the process of collecting and analyzing data more structured, but it limits the flexibility (Halvorsen, 2009:141) As this study does not seek to quantify, measure, or find causality, qualitative methods are most appropriate. Whereas quantitative methods typically operate with fewer and more fixed categories for answers, qualitative methods generally pose questions that are more open ended. Because qualitative methods typically operate with more variables, they can give more nuance and depth to the studied phenomenon. This is in line with the exploratory nature of this study, as it is more concerned with how respondents describe the phenomenon, rather than measuring the phenomenon itself. The ontological position taken is mainly that of social constructivism (subjectivism/interpretivism), in that the subjective descriptions of the interviewees are in focus rather than objective measurable facts (Bryman, 2008:19). Social constructivism further recognizes the subjective positioning of the researcher, and as such that both the data collection and the analysis will be hermeneutic (Repstad, 2009:121). This means that in the very selection of questions, and in the interpretation and highlighting of findings, the researchers own understanding, interpretation and values will undoubtedly shine through. Although seeking to be as descriptive as possible (“this is what was found”), and actively trying to counter known biases, the choice of topic, the choice of cases, the choice of research questions, as well as the analysis and interpretation, will have a distinct subjective flavor. Mature social constructivism then, recognizes not only the subjective meaning-making position of the interviewees, but also that of the researcher.

4.3. Sample selection – choosing cases and respondents

When selecting sample, there are two main methods; purposive sample and random probability sample (Bryman, 2008:415). In quantitative methods, the samples are often selected randomly, to make it statistical generalizable. In this study however, purposive sampling is used. Cases are chosen strategically and deliberately, and the choice of cases informs the choice of respondents. When the selection of informants has a clear purpose and goal, it is referred to as strategic selection (Johannessen et al., 2017:116-117).

The three cases in this study are chosen specifically to shed light on the phenomenon from three distinct viewpoints, as the different organizations work with CSR in the clothing industry in unique and particular ways. Choosing more than one case will strengthen the analytical process, and thus the conclusions. Framtiden i våre hender is a civil society NGO, operating as a kind of guard dog; watching and exposing clothing companies that are perceived to act unethically, putting pressure on the industry, and communicating information to consumers and citizens. Initiativ for Etisk Handel is a member organization and network of corporations, organizations, and public sector units, working with the industry to enhance sustainability and ethics in global value chains. Stormberg is a clothing company which has built an image around being socially responsible. The assumption was that FIVH works primarily from the *outside of the industry*. IEH works *with the industry*. As a clothing company, Stormberg works from *within the industry*. It is emphasized that the cases are not chosen for their representability, and that the study seeks to explore the unique and particular about the cases, rather than to generalize.

The respondents were those in the organization with responsibility for CSR in the clothing sector. They were recruited by e-mail and phone. The research questions along with a short description of the research was sent by e-mail, and then contact was made by phone to arrange with interviews. The respondents were as follows:

Organization	Framtiden i Våre Hender	Initiativ for Etisk Handel	Stormberg
Type of organization	Activist NGO	Industry network	Clothing company
Respondent	Carin Leffler	Katrine Karlsen	Jan Halvor Bransdal
Type of interview	In-person	In-person	In-person

Table 2: List of respondents

4.4. Data collection

The three organizations have made some material available online about their work with CSR in the garment industry, including various reports, guidelines, web-pages, and codes of conduct. This written material however, is limited and static. For this reason, the choice was made to engage in so-called data-triangulation; making use of both documents and interviews as sources for data. Interviews are more flexible, and can shed light on aspects not covered in the written sources to give nuance. Triangulation has its origin in land and sea measurement and navigation, and means the use of two positions to locate a third position (Halvorsen, 2009:149). Triangulation can be applied both methodologically (using several methods) and in data collection (collecting data from different sources). For this thesis, triangulation of data means specifically that data is collected both from written material and from live interviews. Triangulation is done partly to ensure validity and reliability in the data collection process, partly to counter subjective biases in qualitative interviews (see further down), and partly to ensure increased access to information.

4.5. Documents as data

In this study, documents are one of two main sources of data (the other being interviews; see below). Documents can mean anything from public documents such as annual reports and government white papers, to documents of more private character, such as letters, diaries, and photographs. It can also include mass media outputs, virtual output (such as Internet resources), research papers or reports (Bryman, 2008:515). One can distinguish between primary and secondary sources. Primary sources are descriptions by eyewitnesses who have first hand experience with the given topic or phenomenon, and collected by the researcher self (Halvorsen, 2009:114). This includes research papers, PhD-theses, peer-reviewed journals. Secondary sources build on one (or several) primary source(s), and is information that is already made available by others. This can include encyclopedias, academic textbooks, and reports. It is further distinguished between objective and subjective sources (Johannessen et al., 2017:99).

This study makes use of both primary and secondary sources, such as white papers, PhD-theses, peer-reviewed articles, reports, printed guidelines for ethical trade, web-pages, as well as codes of conduct. The data generated from interviews, can be considered primary sources. Rather than categorizing the individual sources either as objective or subjective, this study is made under the assumption that different content within a given source can be more or less objective and subjective. That is, a report by a given NGO can contain content that is objective (listing the annual turnover of

a company or other statistics), but also content that is subjective (if for instance stressing that work with living wage is important, or arguing that a company is not doing enough on CSR).

In assessing the quality of documents, Scott (1990) suggests these four criteria: Authenticity, credibility, representativeness, and meaning (as referred to in Bryman, 2008:516). Authenticity is related to origin and context of the document. Credibility is related to the quality of the document and whether or not the document is relevant to the research question(s). Representativeness means to what extent the document cover what it sets out to explore, and whether the document is representative for a group of documents (or other settings), or whether the data deviates from that of other documents. Meaning (interpretation) is about understanding the content of the document (Johannessen et al., 2017:103).

It is assumed that FIVH has a clear idealistic agenda, that IEH has a somewhat diplomatic or strategic agenda, and that Stormberg might be invested in portraying themselves as particularly responsible. Taking into consideration the potential agenda/motives of the three organizations, the quality of the documents is considered to be high, and the documents used are considered very relevant for the research questions. Being a case study, with emphasis on the subjective, representativeness is less important. The meaning of the documents are perceived to be easily accessible. With the respondents proofreading their parts of the findings-chapter, it is assumed that the level of interpretative accuracy is high. How the data are analyzed and interpreted, is explained below.

4.6. Semi-structured interviews

To supplement the data from documents, semi-structured interviews are used. It is common to make distinctions between unstructured, semi-structured and structured interviews (Johannessen et al., 2017:147). Unstructured interviews are open, and often more like informal discussions around a topic. Structured interviews typically follow an interview guide, where questions are posed in a given order. Semi-structured interviews operate in between, with some questions and topics, but with the flexibility to ask the questions in any order, or to ask follow-up questions where relevant. This flexibility, and the possibility of being respondent-specific, is one of the strengths of qualitative interviews. Semi-structured interviews were chosen as preferred method, and it was made use of a rough interview guide. The choice was made because it enabled a more flexible pursuit of information, with the interview guide providing some structure for the conversation.

Furthermore, utilizing an interview guide and asking the same (or similar) questions to all respondents, made a comparative perspective possible in the analysis. Some questions were also case specific, as the three organizations/corporations operate in different ways. Two interviews (IEH and Stormberg) lasted for around 1,5 hours, and the third (IEH) was conducted in 45 minutes.

Qualitative interviews have been criticized for being idealistic and too focused on the individual and subjective, and thus neglecting material and social structures and the more systemic frameworks. This can make interviews devoid of context (Repstad, 2009:76). As a counter measurement, questions posed were as specific as possible, and concrete examples asked for. Data-triangulation (utilizing both interviews and documents) could also contribute in minimizing the gap between the subjective information and the structural context. It is recognized however, that qualitative and subjective methods have their limitations, and that the researcher cannot fully validate the authenticity, credibility, or representativeness of the answers given in an interview, or necessarily understand the full meaning of what is being conveyed. Another disadvantage with interviews is the human factor; the research quality is dependent on how the questions are posed, and the dynamics between interviewer and interviewee. Lastly, qualitative methods and interviews have been criticized for being resource demanding, for not yielding generalizable data, for being difficult to replicate, and for lacking a rigorous scientific transparency (Bryman, 2008:391-392).

4.7. Data analysis and interpretation

Analyzing qualitative data can be a time consuming and extensive process, where one runs the risk of being overwhelmed and experience information overload (Halvorsen, 2009:210). The analysis can be understood as the process of discerning and breaking down, reducing content, sorting, interpreting, and re-structuring the collected unstructured and raw information, and then highlight the relevant information to make it more accessible (Johannessen et al., 2017:161-163). Miles and Huberman (1994) describe the phases of data analysis as data reduction, data display, and conclusion drawing and verification, and argue that one often oscillates between the phases (Miles & Huberman, 1994:10-12).

Components of Data Analysis: Interactive Model

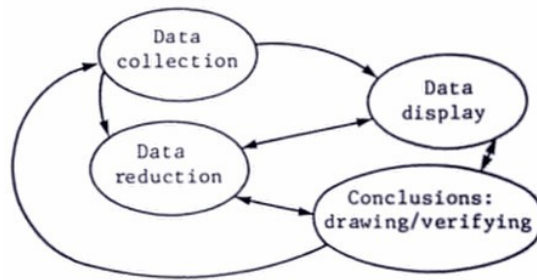


Figure 5 (Miles & Huberman, 1994:10-12)

As established, the analysis is based on data collected from both documents and semi-structured interviews. Audio from the interviews were recorded, transcribed verbatim, and then treated as written documents – making it easier to approach. Document analysis was chosen as the employed method, more specifically content analysis. Document analysis is a qualitative method, where data is analyzed to highlight relevant and related information (Johannessen, et al. 2017:99). The analysis is often intuitively driven, where the researcher seeks to elucidate information that is understood to be particularly relevant to the research question. Content analysis means looking for underlying themes, concepts or specific facts and patterns in the analyzed material (Bryman, 2008:529). This is sometimes referred to as thematic analysis. Where other strategies for document analysis focus on semiotics, rhetoric, or discourse, thematic content analysis typically involves the generation of some categories that will guide the collection and sorting of data. The exploratory and qualitative methods allow for new thematic categories to emerge as the research unfolds. In qualitative case studies, these themes and categories are often drawn from and/or related to previous research (Repstad, 2009:103).

Reports on CSR/ethical trade from the three organizations in question were read, after which themes and concepts that were considered relevant for the research questions were recognized. This includes (but is not limited to) themes/concepts like minimum- and living wage, freedom of association, occupational health and safety, auditing, stakeholder dialogue, transparency, international standards and initiatives, parameters for CSR, as well as the impact and barriers for further development. Subsequently, the interviews were conducted based on these concepts, but it was also allowed for new concepts to emerge during the interviews (for instance risk management, lead times, contractual stability, and procurement strategies). After the interviews were transcribed,

the content was reduced and categorized by extrapolating and highlighting what was considered relevant in terms of the above mentioned concepts/themes. After this content reduction and categorization, the answers in the different categories were contrasted between the cases/respondents, culminating in a cross-case analysis – comparing and contrasting answers. Then the documents and literature were re-visited, and follow-up questions were communicated electronically to the interviewees. This was done to ensure academic relevance, and to ask follow-up questions that would emerge after the first round of interviews were finished – another form of triangulation.

4.8. Quality of research

Reliability and validity are two key concepts in ensuring the quality of research. Reliability “*is concerned with the question of whether the results of a study are repeatable. The term is commonly used in relation to the question of whether the measures that are devised for concepts in the social sciences (such as poverty, racial prejudice, deskilling, religious orthodoxy) are consistent*” (Bryman, 2008:31). In other words, if the same study was conducted again, would it yield the same results? How precise are the methods applied in collecting the data? If the measures are consistent, one should be able to arrive at the same results if the study is repeated. If this is possible, reliability is high. Reliability then, could be understood as the preciseness (and thus reliability) of the measuring tools.

Validity is related to whether or not one measures what one intends to measure (Repstad, 2007:134). Is there congruence between the research questions and the presented data and conclusions? Validity then, is related to the integrity of the conclusions generated. There is a distinction between measurement validity, internal validity, and external validity (Bryman, 2008:32). Measurement validity is related to whether a devised measure really measures the concept in question; does IQ (a measure) really reflect a person’s intelligence (a concept)? Internal validity is mainly about the issue of causality; how sure can we be that that X causes Y, or could there be another variable that is making it look like an apparent causality? External validity revolves around the question of whether the results of a study are generalizable; are the findings valid also beyond the specific research context?

As qualitative methods do not quantify and measure in the same way, there is an ongoing discussion about whether reliability and validity should be replaced with other concepts. Thagaard (1998)

suggests using the concepts credibility and confirmability (as referred to in Repstad, 2007:135). Credibility is understood as how believable the findings are; are they trustworthy? Confirmability is related to the objectivity of the research(er); to what extent do the values and biases of the researcher shine through? Would other researchers find the same, and as such confirm the objectivity? In qualitative methods, the term construct validity is typically used instead of measurement validity, but the implication is similar; are the data good representations of the studied phenomenon (Johannessen et al., 2017:66)? This also touches upon what is called theoretical validity; does the theory fit the data that are collected and presented? Validity is not something that is or is not achieved, but rather a scale where the researcher seeks to produce as valid research as possible by eliminating methodological flaws and various biases.

Interviews are not possible to replicate fully, and the truthfulness of the respondent is hard to validate. When interviewing representatives from organizations about their work on CSR, one runs the risk of having respondents portraying their organization in a particularly positive way. This might weaken the credibility and confirmability of this study. Making use of data-triangulation can to some extent counter this, in that answers given in interviews can be cross-checked with documents and/or the other respondents. Triangulation might thus improve both the credibility (making the data more believable) and the confirmability (increasing the objectivity) of the research. The (subjective) experience however, was that the respondents appeared rather truthful about the work of their organizations, and that they were very open about challenges and problems that could be perceived as negative. To increase the interpretive validity of the research, respondents were allowed to proofread the information on their organization, and potentially provide additional information. The concepts in question have become fairly established in both academic literature and business over the last few decades, so both construct validity and theoretical validity should be high.

4.9. Ethical reflections and other limitations

Ethical precautions when conducting interviews include protecting the right to privacy, by agreeing on some terms. This typically include consent, confidentiality and potential consequences. All respondents were asked whether they were comfortable with using their full names, and whether they were okay with the interviews being recorded. As all three respondents work openly with CSR, no relevant consequences were identified. One respondent asked the researcher to delete the audio after transcription, which was done.

One of the challenges with conducting interviews is the potentiality of respondents having an agenda, and highlighting certain aspects whilst hiding others. FIVH might have an idealistic agenda, IEH a diplomatic agenda, and Stormberg a strategic agenda. Another limitation with interviews is that of time. 45 min - 1,5 hours gives a somewhat limited window to operate within. On the other hand, 1,5 hours per interview can be considered to be reasonably long when compared to similar studies and master theses. Making use of data-analysis can compensate somewhat for this weakness. The interviews were conducted in Norwegian, transcribed in Norwegian, and only the text that was utilized in the analysis was translated to English. Some information might be lost in translation, but the potential loss is considered to be very low as the respondents have proofread.

Another potential challenge with interviews is that the research risk putting words in the mouth of the respondents, and that the respondents give answers that they think the researcher will prefer to hear. This dilemma cannot fully be avoided, but was approached by frequently suggesting counter-arguments, and by trying to ask short and simple questions. Personal bias might also have influenced the research in terms of how the researchers personal interest in the subject might have guided attention. This could also be considered a strength; that the personal knowledge and interest of the researcher might allow for diving further into the material.

Perhaps the largest weakness with this study, is the lack of perspectives from actual factory workers. A field research and interviews with workers could have provided such information. For personal health reasons however, this was not possible, and so the above mentioned triangulations are efforts to try and compensate for this limitation. All in all, the methodological scheme is assessed to have worked well, and served the research questions in a fruitful way.

Chapter 5: Brief case descriptions

5.1. Framtiden i våre hender



5.1.1. Introduction

The NGO Framtiden i våre hender (FIVH), is Norway's largest solidarity- and environmental organization. It started as a movement in 1974, called "*Future in our hands - a people's movement for a new lifestyle and a just distribution of the world's resources*" (FIVH, 2007). It was founded during a public meeting initiated by Erik Dammann, who had written a book with the same name ("Future in Our Hands") in 1972. The new movement built on three main values:

- A commitment to an active consideration for our fellow human beings, instead of competition.
- Equal rights for all.
- Co-responsibility for the environment.

The founding philosophy was anchored in the idea that each human being can contribute to a new (less consumption-oriented, more sustainable and more humane) lifestyle by recognizing our own share of responsibility for the future. When individuals take this responsibility, then one can join others in working for change. In the 1974 manifesto, there was expressed concerns with the economic models of constant growth and competition, and materialism. The authors made the case for a society built around conservation of nature, natural enjoyment of life, a concern for those in need, as well as affordable schools and decent work places.

From the very founding meeting in 1974, their emphasis has been on spreading information to initiate and stimulate change. In 1995 they launched a news service, Norwatch, that investigated and reported on Norwegian investments in developing countries, with emphasis on human rights, HSE, and potential discrepancies between business standards within and outside of Norway (FIVH, 2007). FIVH does not have a religious affiliation, is not tied to a particular political ideology, and

has drawn members from across the political spectrum. The organization has held a position in the Norwegian society as a kind of watchdog NGO on certain topics.

FIVH became a democratically run non-governmental member organization, which now (in 2017) has more than 27.000 members. The NGO has 29 employees which make up 26,3 full-time equivalents. Out of the 29 employees, 7 people work in the sub-division named “Ethics and business”, and responsible for work related to corporate impact on environment, labor and human rights. Funding comes primarily through (in descending order) membership revenues, public funds, and private donations. In 2016, their operating income was 26 346 025 NOK, and their operating cost was 23 404 803 NOK (FIVH, 2017a).

5.1.2. Vision and goals

Their vision is “*global justice, ecological balance and a solution to the worlds’ poverty problems, so that it becomes possible for all human beings on earth to live a decent life*” (FIVH, 2017b; authors translation). The NGO state that they focus particularly on: 1) Fighting for the improvement of working conditions for factory workers, 2) Lobbying to make the Government Pension Fund of Norway environmental- and climate friendly, 3) Food production that is non-toxic for humans and the environment, and 4) Stimulating to more ethical and environmental consumption (FIVH, 2017c).

FIVH has a long list of political goals, and most relevant for this thesis are the following (FIVH, 2017d):

- **Shorter working hours** (particularly relevant for factory workers)
- **Fair trade conditions** (trade agreements that are sensitive to needs in the global south)
- **Strengthening of civil society in the global south** (freedom of association and active NGOs)
- **Responsible business** (CSR should move out of voluntariness, and become increasingly legally binding).
 - **Ethical regulation of businesses** (annual reporting on social and environmental performance)
 - **Responsible supply chains** (secure wage- and working conditions, full transparency)
 - **Ethical guidelines for all procurements** (laws and voluntary regulations)

- **Sustainable public ownership** (prioritize social responsibility in public ownership)

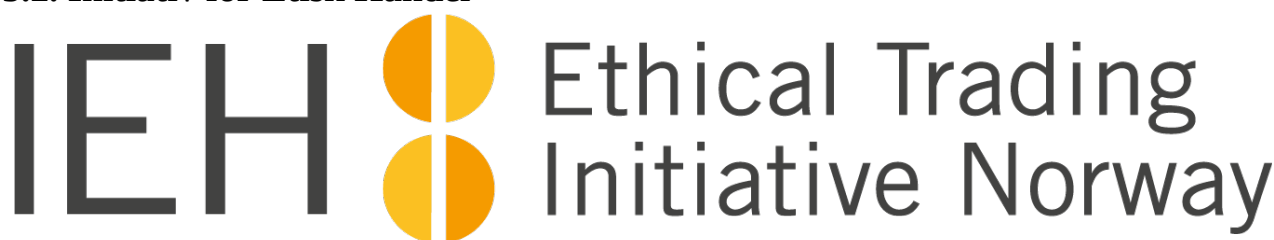
5.1.3. Outline of CSR-strategy

In order to reach the above mentioned goals, and get their demands met, FIVH operates with a strategy appearing to rest on five pillars:

- 1) Monitoring clothing companies.
 - Publishing and producing reports and other media contents.
 - Revealing and publishing unethical corporate behavior; “naming and shaming”.
 - Offering recommendations/solutions to the challenges in question.
- 2) Putting pressure on companies to offer workers compensation after exposing unethical working conditions, accidents, fires, building collapses, unlawful loss of jobs, etc.
- 3) Working with, and empowering, unions and civil society organizations.
- 4) National and international political lobbying.
- 5) Awareness campaigns and disseminating information.

Further details will be presented in the findings-chapter 6.1.1.

5.2. Initiativ for Etisk Handel



5.2.1. Introduction

With approximately 170 members in 2017, Initiativ for Etisk Handel (IEH) is the largest Norwegian network of corporations, organizations, and public enterprises, working to secure sustainable and ethical supply chains (IEH, 2017a). Out of the 170 members, 115 are private corporations. IEH was founded in year 2000, after an initiative from the NGO Norwegian Church Aid in cooperation with what is now called Virke (the Enterprise Federation of Norway), The Norwegian Confederation of Trade Unions (LO), and Coop Norway (a retail cooperative). This composition has, since the very

beginning, been a trademark of the multi-stakeholder initiative; gathering stakeholders from business, labor unions, enterprise federations, and NGOs for joint work on ethical trade. This collaboration between employers, unions and civil society was understood to be essential, as it creates an “*alliance which enables facing complex and challenging issues that corporations cannot tackle singlehandedly*” (IEH, 2015a). IEH see trade as a premise for development, but argues that trade ought to be conducted in ways that ensure decent work- and environmental conditions throughout the ever more global supply chains.

With exposés about Norwegian corporations being involved in breaking basic labor rights abroad, managers increasingly expressed a need for tools and assistance in handling these challenges. If not for entirely altruistic purposes, at least as risk management and/or reputation management. IEH was founded on the idea that there was a need for a practical resource center and dialog based arena for learning related to ethical trade. Corporations can apply to become members of IEH, and must meet certain criteria. As a member organization, IEH offers its members courses, seminars, advisory services, networks and tools to approach the challenges with ethical trade in global supply chains. IEH seeks to influence not only its members, but also work with Norwegian authorities to ensure that they facilitate work on ethical trade in both the public and private sector.

5.2.2. Purpose and code of conduct

The expressed purpose of IEH is to “*promote responsible supply chains so that international trade contributes in safeguarding human- and labor rights, sustainable development and sound environmental management.. ..by strengthening support for ethical trade [and] members’ work with ethical trade*” (IEH, 2016). It is neither a certifying body, nor does it offer any guarantees, but members are required to implement some guidelines and create a code of conduct that is in line with IEH’s code of conduct, and they have to report annually on their progress. If the code of conduct is not followed, members can be excluded. IEH’s code of conduct draws on internationally recognized ILO- and UN-conventions (IEH, 2015b). Below is a simplified summary:

- **Forced work / slavery**
 - No forced work, and no deposit or withholding of identity papers.
- **Freedom of association and collective wage negotiations**
 - Unions, workers’ committees or alternative measures.
- **Child labor**

- No workers under 14/15, and enhanced work regulation for children under 18.
- **Discrimination**
 - No discrimination, and protection against such.
- **Brutal treatment**
 - No physical or sexual abuse, punishments, or threats.
- **Health, Safety and Environment**
 - Safe/clean work environment and sanitary conditions.
- **Wage**
 - At least minimum wage or sector standard, contracts, and no withholding of wages.
- **Working hours**
 - Regulated week, a day off per 7 days, overtime regulation, overtime pay.
- **Regular employment**
 - Not to be avoided through short term employment.
- **Marginalized people**
 - Safeguarding the land rights of marginalized populations.
- **Environment**
 - Reduce negative impact on health, environment and emissions.
- **Corruption**
 - No bribes or unlawful benefits.

5.2.3. Membership obligations

Members are required to implement this code of conduct, or to develop their own (which must equal or supersede the ones from IEH). In addition, member organizations have to commit to five member obligations (IEH, 2015a):

- 1) Respect human rights, employee rights, and protecting the environment, and work actively to help realize IEH's mission.
 - Use their position to strengthen support for, and knowledge about, ethical trade.
 - Develop strategies and guidelines that are known throughout the supply chain.
 - Work actively for improvement of work- and environmental standards throughout the supply chain.

- Take action to ensure fulfillment of the membership obligations.
- 2) Report annually on activities, results, and plans related to the membership obligation.
- 3) Pay the annual membership fee.
- 4) Members who severely or persistently act in contravention with the membership obligations can be excluded.
- 5) Avoid business partners who operate in countries under trade embargo from the UN or Norwegian government.

5.2.4. Outline of CSR-strategy

IEH works mainly with, and through, small- and medium enterprises, to make them capable of generating value chains where humans and the environment are cared for. IEH offers their members advisory services, tools and resources, network and capacity building nationally, courses and workshops, sector-specific forums, and network of experts in producer-countries. *“Many Norwegian businesses do not have local presence in the country they have production. IEH manage projects that members can implement in cooperation with us, local actors, and their suppliers in order to ensure actual improvements of working conditions”*, says Senior Advisor in IEH, Katrine Karlsen. The annual member-reports are made publicly available, and IEH have meetings with every single member prior to, and after, the reports are made, pushing for continual improvements. Further details are presented in the findings-chapter 6.2.1.

5.3. Stormberg



5.3.1. Introduction

Stormberg is a Norwegian outdoor clothing company which was established by Steinar J. Olsen in 1998. The market at the time was characterized and populated by clothes that were either expensive

and high tech expedition clothing, or cheap and low quality. Seeing a potential market in the mid-range section, Stormberg set out to “*manufacture sports and outdoor clothing that was functional, looked good, and had a sensible price tag*” (Stormberg, 2017a). The idea was that family and friends did not need the expensive gear, but might want better quality than the cheap brands. Thus, Stormberg wanted to offer quality clothing for the whole family, at family friendly prices. From 4 employees and 3.8 million NOK in turnover in 1998, the company has grown to become Norway’s best-selling brand in outdoor clothing (measured in amount of sold products), with approximately 370 employees, and over 358 million NOK in turnover in 2016 (Stormberg/IEH, 2016). There are 51 designated Stormberg-shops (in Norway, Sweden and Finland), and their products are also sold in more than 600 regular sports shops (Stormberg, 2017b).

A national reputation survey (RepTrak) found that Stormberg had the best reputation among all Norwegian companies (across sectors) in 2012, 2013 and 2014 (Apeland, 2016). Reputation was measured using metrics on the level of trust, admiration, respect, and “good feeling” that respondents held towards the top 50 visible businesses in Norway. Stormberg has also been awarded “Norway’s most sustainable enterprise” in 2013, 2014, 2015 and 2016, and no. 2 in 2017 (Sustainable Brand Index, 2017).

5.3.2. Commercial and idealistic – win-win

Stormberg is a commercial enterprise seeking profits and economic growth, and at the same time stating that it is important that their income is generated in ways that are “*good for society and for those who work in Stormberg*” (Stormberg, 2017c). From early on, Stormberg marketed themselves as socially and environmentally responsible, and used their values as part of their business strategy. They use this position actively in branding, and argue that this responsibility is a kind of win-win; profitable for Stormberg, desirable for those impacted positively by their CSR-initiatives, and potentially inspiring other businesses to become more responsible. Stormberg understands CSR as a prerequisite for profitability. Their mission, vision and values are as follows:

Mission:

“*We want to contribute in making the world a better place*”

Vision:

“*Enjoyable outdoor experiences for everyone*”

Values:

Sustainable, inclusive and innovative.

Stormberg has an expressed goal to sell clothes at low prices, but “*not at any cost*” (Stormberg, 2017d). Stormberg’s website has a page designated to ethical trade, where Stormberg claims that “*We have a responsibility to ensure that those who produce our clothes at factories around the world have good working conditions and a wage from which they can make a living. This responsibility supersedes short term gains and gives us a solid foundation for a sustainable production*” (ibid.).

5.3.3. Outline of CSR-strategy

Stormberg donates 1% of their turnover (exclusive VAT) to various humanitarian projects in Eastern Europe, Asia and Africa (Stormberg, 2017e). Stormberg has as an expressed goal that 25% of those working in the company, ought to be people who have had trouble getting a job (people with drug issues, former convicts, young people who risk falling out of school, refugees, and people with physical or mental health issues). Furthermore, the clothing company seeks to be climate neutral, to reduce the use of chemicals and environmental toxins, and have a program on recycling where consumers can hand in used clothes (Stormberg, 2017f). These CSR-initiatives fall outside the scope of this study, but are briefly mentioned as they constitute an important part of Stormberg’s overall CSR-profile. In terms of CSR-initiatives specifically aimed at improving working conditions for factory workers, Stormberg focuses on long-term supplier dialogue, appropriate due diligence processes, ethical criteria that are integral to their procurement strategies, supporting workers’ committees and worker-supplier-dialogue, and open supplier lists. Stormberg’s CSR-platform is outlined in their code of conduct, and is essentially identical to that of IEH’s code of conduct (see chapter 5.2.2.). Further details on what this implies are presented in the findings-chapter 6.3.1.

Chapter 6: Findings

This chapter is intended to answer the first two research questions about what the three organizations identify as central challenges in improving working conditions for garment workers, and how they perceive and work with these challenges. The two remaining research questions,

about similarities and differences in their approaches, as well as how the findings relate to the presented literature and theories, are addressed in the cross-case analysis in chapter 7. In this findings-chapter, the cases are presented one by one. Each part starts with explaining how the organization perceive and approach CSR in the garment industry. Then follows five sub-chapters, exploring how each organization perceive and approach the five different themes presented in chapter 2.5: 1) Auditing and transparency; 2) Procurement and due diligence; 3) Wages; 4) Unions and worker-management dialogue; and 5) Laws and regulations.

6.1. Framtiden i våre hender



6.1.1. Perceptions and approach to CSR in the garment industry

Carin Leffler, Special Advisor in Framtiden i våre hender (FIVH), states that garment companies hold a particular responsibility to ensure decent working conditions, and to conduct risk assessments throughout their supply chains; *“They have a responsibility to map, a responsibility to monitor, and a responsibility to safeguard decent working conditions for workers”* (Leffler, 24.Sept.2017). Although the responsibility is perceived as shared between different actors, FIVH holds that the main responsibility for improving working conditions for workers in the garment industry rests with the large clothing companies, as they are understood to have the finances and the power to make a difference. Smaller companies hold a responsibility too, she says, but will naturally have less resources and make a smaller impact. When asked about the distribution of responsibility, she refers to the UNGP, in which states are obliged to protect, and corporations to respect human and workers’ rights. FIVH expects clothing companies to follow the UNGP, the ILO fundamental conventions, and the OECD-guidelines, where corporations are expected to conduct due diligence processes to account for how they address their impact on human rights, cf. the

literature review above (FIVH, 2015:4). See appendices for further elaboration of these three international guidelines. Leffler says that *“where the states do not fulfill their commitments to workers, the corporations have a duty to go in and safeguard the same. It is the companies’ responsibility to fill that vacuum, the ethical and rights vacuum”*.

As described in chapter 5.1.3., the pillars of FIVH’s CSR-strategy revolve around monitoring, publishing reports, putting pressure on clothing companies, empowering unions, political lobbying and awareness campaigns. These are elaborated on in the following.

Mainly through other NGOs, FIVH monitors clothing companies, particularly after accidents or incidents on factories, and produce reports. The reports published by FIVH are either 1) thematic reports on subjects like living wage, purchase power, transparency, etc., or 2) reports on specific garment companies and/or factories. One of many goals with monitoring and writing reports is to have an impact on the companies’ reputation management, hoping that publicity might nudge the company to take action. FIVH points to the policy of “knowing and showing”; companies should know what is going on in their supply chains, and to show it openly. Part of FIVH’s strategy is that the reports should also point to possible solutions.

After fires, building, collapses, accidents, etc., FIVH (through the network Clean Clothes Campaign) puts pressure on companies, insisting that they offer relevant compensations. FIVH specifically focuses on the larger clothing companies like Bestseller, HM, Inditex/Zara, and GAP, as it is argued that they have the resources and power to make more severe impacts. FIVH produce news articles on their website, and gain news coverage in national and international media. They also cooperated with the Norwegian news media Aftenposten in the making of the documentary “Sweatshop” in 2014 and 2015.

Leffler is also the Norwegian coordinator for the international network Clean Clothes Campaign (see findings-chapter). The network is instrumental in both monitoring, and in FIVH’s work with empowering workers. Clean Clothes Campaign, with support from FIVH, is also engaged in political lobbying. They have lobbied for an CSR-laws in Norway, ethics in public procurement, an for the amendment of a Trade Union Law in Cambodia (see chapter 6.1.6.). As a tool in lobbying, FIVH sometimes makes use of citizen petitions that they hand over to politicians.

The awareness-raising campaigns are directed towards citizens and consumers, and involve publishing content on their web-page, petitions, and thematic campaigns and/or reports. This part of the strategy is related to increasing awareness on ethical trade, enabling buyers to make informed choices.

6.1.2. Auditing and transparency

Lack of transparency in the clothing sector is perceived to be one of the main barriers to decent working conditions, according to FIVH. *“The regime of auditing is mainly a play to the gallery. The factories are all too often cleaned before the audits, and auditing companies have become a billion dollar industry that is mainly there to save the faces of the clothing companies”*, Leffler says. It is thought that audits are mainly about reputation management, so the clothing companies can say that they have done their part (FIVH, 2009:11). Factory workers report to FIVH that they have little trust in the audit companies, and that when interviewed in groups many are not willing to talk freely in front of other workers (as they fear informants loyal to the management). Leffler argues that the regime of auditing sustains and increases unequal power balances, and might potentially create dangerous situations (referring to workers being harassed by factory management for talking too freely about working conditions). Furthermore, it is argued that almost none of the audits are made public, but remain the property of the companies, who often do not publish negative audits revealing indecent or dangerous working conditions. Around 40 to 50% of Norwegian clothing companies operate with public supplier lists (FIVH, 2016a:4).

Disclosed supplier lists are a prerequisite enabling civil society, unions and media to better monitor accidents, fires, union bashing, etc., Leffler says. FIVH makes use of such lists daily, to either check or monitor incidents and subsequently alerting and occasionally putting pressure on clothing companies to take action (for instance offering compensations to workers that are impacted). Many suppliers operate with sub-contractors, some legal and some illegal. A challenge has been that some garment companies refuse to offer compensations to workers who work at sub-contractors after accidents, claiming they did not know about the sub-contractor relationship. Another challenge has been that companies dodge their responsibility to offer compensations, arguing they are only one (small) buyer among many, and that they cannot compensate all workers on their own. This often results in no compensations at all. FIVH therefore makes the following demands:

FIVH’s demands:

- Clothing companies must make publicly available the names and addresses of all their factories and sub-contractors.
- Clothing companies must offer workers compensation after accidents or exposés of illegal working conditions, whether they knew about the sub-contractor or not (if they do not know, they have weak due diligence processes).
- Clothing companies should cooperate after accidents and disclosures of indecent working conditions, in order to share the cost of paying compensations to workers.
- Clothing companies should sign Global Framework Agreements (GFAs) with international unions provided it is legally binding, and includes all factories and workers in their supply chains.
- Auditors should interview factory workers alone, and outside the factory, to ensure they feel safe to talk freely.

6.1.3. Procurement and due diligence

According to Leffler, the clothing sector is structured in a way that is problematic. Consolidation of the large clothing corporations provides these with exaggerated power. Many corporations still avoid long-term contracts, keep their shares of annual production at the factories low, and often “shop around”. Leffler refers to the phenomenon of shopping around as “the moving-ghost”. When suppliers are easily changeable, it strengthens the buyer’s bargaining position (FIVH, 2009:14). The combination of so-called “fast fashion” (some operating with up to 12 seasons per year) and an unpredictable market-system, results in short lead times, and solidifies the power of the big corporations. As working conditions improve and wages increase in countries like China, clothing companies face the dilemma of whether to re-locate to countries with lower production costs, or “stay and pay”.

The system is structured in such a way that companies can argue that they do not have large enough shares of production to be able to make improvements in wages or working conditions. “*It’s a business strategy*”, Leffler says. When accidents happen at factories, companies can (and often do) argue that they alone cannot provide remediation for the workers. Many companies are maintaining a system where it is easy to dodge responsibilities. The suppliers are typically expected to make the improvements, but it is the big brands that have the power and finances to actually make an impact, she argues. When pressured on price, it might lead suppliers to cut costs elsewhere. This might result in reductions in workers’ welfare, increased working hours, forced increase in productivity, or

wage theft (wages and bonuses being held back, reduced, or even deposited in the account of the factory management).

FIVH's demands:

- Clothing companies must, in accordance with the UNGP and OECD guidelines, recognize their own responsibility to safeguard human and workers' rights in their supply chains.
- Clothing companies must implement due diligence and risk assessments related to human and workers' rights throughout their supply chains.
- Clothing companies must add ethical criteria in their purchasing strategies.
- Clothing companies must operate with lead times that do not impact suppliers negatively.
- Clothing companies should increase their shares of annual production at a given factory, to increase influence.
- Clothing companies should have longer contracts with their suppliers, and "shop around" less.
- Clothing companies must announce publicly that they will commit to remaining in countries even if the minimum wage increases.
- Clothing companies should cut down on the number of suppliers they have, enabling better overview.
- Clothing companies should ensure that their procurement strategies do not negatively affect working conditions.

6.1.4. Wages

FIVH estimates that wage costs in the garment sector make up around 0.5% to 3% of the total production costs (FIVH, 2009:3). Because wages are such a small part of total production costs, even significant increases in workers' wages will not have a large impact on total production costs or sales price for consumers, Leffler argues, and adds that "*often the wage needs to be increased by 50% or even doubled to reach a minimum of decency*". A major challenge is that many workers do not have proper contracts. Many home workers, and some workers in Export Processing Zones (EPZs) are exempt from minimum wage, and many workers are often without formal work contracts. The shifting system of sub-contractors and home workers is challenging to control (FIVH, 2009:7). Leffler suggests that it is not always a lack of proper laws, but weak enforcement that is the challenge. Despite established laws and regulations on minimum wage, local authorities do not enforce these rules, and unions are weak. Related to the above-mentioned lack of

transparency, a challenge is that NGOs and trade unions do not know what companies pay per piece. Often, the companies themselves do not know what various parts of their production costs, Leffler says, and argues this makes it hard for the buyers to ensure that what they pay for a production line is a fair price that can cover decent wages for workers.

FIVH strongly supports the implementation of a living wage, defined as a wage per standard working week, that covers basic needs for workers and the workers' families (food, clean water, shelter, clothes, education for the kids, and basic health services), as well as some for savings and unforeseen expenses. There are three ways of approaching living wage:

- Calculation – calculating living wages with a standard formula for each country or area.
- Negotiation – living wage is negotiated between workers/unions and management.
- Wage ladder – identify wage goals for country/sector, and compare these to wage-standards developed in collaboration between NGOs, workers, and unions.

Asia Floor Wage Alliance (AFWA) is an alliance trying to establish a sector wide living wage across Asia. It is calculated in purchasing power parity dollars, meaning it is adjusted from country to country depending on what a worker is able to buy for a month's pay. AFWA is trying to establish a so-called "wage floor"; a minimum that wages should not be allowed to drop beneath. Leffler says their work is very ambitious. In 2013, AFWA calculated living wages in seven Asian countries, and compared these to the legal minimum wages (Asian Floor Wage Alliance, 2013). Malaysia had the lowest discrepancy, with minimum wages constituting 54% of the stipulated living wage. In China, the minimum wage was estimated to be 46% of a decent living wage, and Sri Lanka and Bangladesh came out with highest discrepancy, with minimum wages only constituting 19% of the calculated living wage. According to their stipulation, minimum wages in Sri Lanka and Bangladesh ought to be more than five times higher to be considered decent living wages. Miller and Williams (2009) have made similar calculations, with discrepancies varying from 22% to 62% (as referred to in FIVH, 2009). Such comparisons depend on the living wage calculations, but they point to a tendency; wages are chronically lower than what is considered decent by trade unions, academics, NGOs, and other civil society organizations. The wage demands from unions typically lie between minimum wage and stipulated living wage, FIVH has found (FIVH, 2016b:17). The many ways of calculating living wages makes corporations argue it is not feasible, Leffler says.

FIVH's demands:

- Minimum wages have to increase by law.
- The ILO convention no. 131 (on minimum wage) should; 1) become part of the fundamental conventions of ILO, and 2) the convention should be rephrased to include living wage.
- Clothing companies must put more pressure on governments in the countries they buy from, so that they revise (and potentially increase) minimum wage annually (or more often).
- Clothing companies should make living wages part of their goals and codes of conduct.
- Clothing companies should make living wage part of their purchasing criteria.
- Companies must ring fence labor costs, to ensure they are paying enough to safeguard decent wages for factory workers.
- Clothing companies should make sure increases in wages are not neutralized with cuts other places (bonuses, welfare programs, etc.).
- Clothing companies should persuade suppliers to meet wage appropriate demands from workers/unions.
- Clothing companies should find ways to add a small premium on sales prices that reaches the workers.
- Clothing companies should have procurement strategies that ensure decent wages.
- Companies must ensure that workers have written contracts, specifying wage terms.
- The clothing sector should establish wage floors.

6.1.5. Unions and worker-management dialogue

As established in the literature review, union density is generally low. Where unions exist, says Leffler, they are often without real power: *“They might get somewhat improved conditions at work, a fire extinguisher and better toilets, but can forget about getting substantially higher salaries”*. In most production countries the freedom of association is very low, and many unions are seen as so-called “yellow unions”. Yellow union is a term used to describe unions that are heavily influenced by factory management/owners and/or politicians, and in which workers exercise little real influence. The connections between factory owners and politicians (who are sometimes the same), are perceived to be a serious problem in some countries, as they are invested in keeping salaries low to attract foreign investments. It occurs that yellow unions deduct membership fees automatically without explicit consent from the workers in question, which per definition makes membership forced. In Vietnam and China, the unions are governmental, and so in practice there is no freedom

of association, although there are sometimes workers' committees that, to some extent, can simulate the role of unions. A common problem is that of union bashing and union hostility, explains Leffler. Union leaders are frequently harassed, threatened or beaten up by goons, to weaken the position of unions. Some have even been killed. In many places, a lack of strong unions weaken the position of workers in potential negotiations for improved working conditions and higher salaries. Hostility against unions, and subsequent lack of functioning unions, is perceived to be one of the main barriers for further development according to FIVH.

In addition to being Special Advisor in FIVH, Carin Leffler acts as coordinator for Clean Clothes Campaign Norway (CCC Norway). Clean Clothes Campaign (CCC) is an international alliance *“dedicated to improving working conditions and empowering workers in the global garment and sportswear industries”* (Clean Clothes Campaign, 2012). CCC is a global network bringing together unions, NGOs, fair trade initiatives, women's organizations, and labor rights organizations. This network allows FIVH to work more closely with unions (and civil society organization), both locally (in developing countries) and internationally (for instance ILO, IndustriALL, and ITUC). FIVH also occasionally works with Norwegian unions, and organizations like IEH. The work Leffler does through CCC involves giving support in specific conflicts (so-called “urgent appeals”), interviewing factory workers, contribute to the strengthening unions, and lobbying. Most of the work CCC does with unions is related to empowerment through informing workers about their rights, and collaborating with other NGOs and local unions in order to provide workers with tools to strengthen their negotiation position. It is FIVH's opinion that clothing companies have a particular responsibility to ensure that suppliers safeguard the right to freely organize and conduct negotiations, and they put forth the following demands:

FIVH's demands:

- Factory management must secure freedom of association, and the right to wage negotiations. FIVH suggests three specific measures:
 - Freedom of organization guarantee (the factories guarantee freedom of association, and provide posters about this at the factories).
 - Access deal (binding deal between the factories and the unions, where the unions are granted access to factories).
 - Commitment to public wage negotiations (binding deal between the factories and the unions).

- Clothing companies should ensure freedom of association by implementing this in their codes of conduct, and set the guarantees mentioned above as criteria for selection of factories in their procurement strategies (selecting factories that are known to have functioning unions).
- Companies should recognize and give support to wage demands that have broad support in unions in the country of production.
- Clothing companies must take active measures against yellow unions.
- Unions should be represented in factory management.

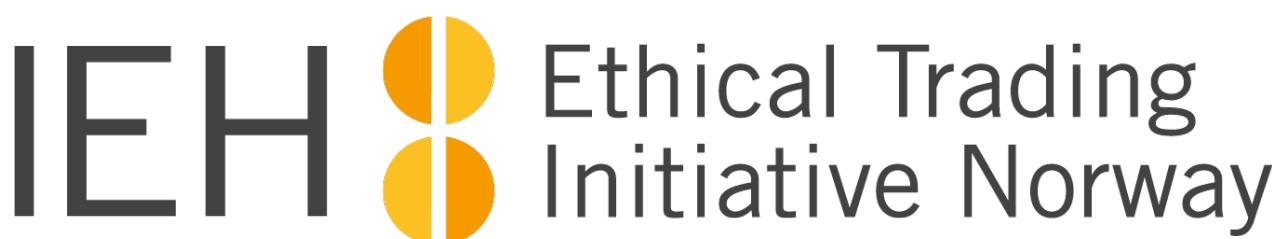
6.1.6. Laws and regulations

Generally, there is a strong need for stricter regulation as well as codification of CSR into laws in order to ensure workers' rights, Leffler argues. FIVH has suggested a new Ethics Information Law (Etikkinformasjonsloven) to the Norwegian government, and has been part of the policy development for the suggested law. The law is meant to emulate the environmental information law, where companies are legally required to provide information on a given product's environmental impact, should someone formally ask for such information. The suggested Ethics Information Law would make companies obliged to provide information on where a product is produced, and under what working conditions, on demand. This should include information about the right to unionize and negotiate, information on working conditions, no slavery and harassment, and should be based on the ILO fundamental conventions. The suggested law is not calling for disclosure of supplier lists, but to provide information about factory name and location, as well as working conditions only if someone should ask for this. Norwegian authorities (the Ministry of Children and Equality) are currently investigating the legal leeway for potentially implementing such a law, and has not yet concluded. As mentioned above, FIVH wants to rephrase the ILO convention no.131 to include living wage, and make it part of the fundamental conventions. As the fundamental conventions are not optional for states to ratify, this would make living wages legally binding for all ILO member-countries.

The regime of IEH-members being obliged to deliver annual reports is perceived very positively by FIVH. Having to report annually on what a corporation has done specifically over the last year to improve working conditions throughout their supply chains, is understood to be a good incentive for corporations to focus on workers' rights. FIVH therefore wants laws on both reporting obligations in terms of ethical trade, and on CSR in general.

Codifying workers' rights into laws is imperative, says Leffler. After the 2013 Rana Plaza collapse in Bangladesh, a legally binding agreement was made between global brands/retailers and trade unions to safeguard health and safety in the Bangladeshi garment industry. The agreement includes inspection programs, public disclosure of all factories, remediation plans, worker empowerment programs, as well as legal requirements for establishing democratically elected health and safety committees in all factories (Accord on Fire and Building Safety in Bangladesh, 2017).

6.2. Initiativ for Etisk Handel



6.2.1. Perceptions and approach to CSR in the garment industry

According to IEH, the challenges in the garment sector involve complex multi-systemic issues that have to be approached at different levels by different actors to achieve lasting results. At the crux of IEH's strategy lies the idea that everyone has to participate in the efforts to improve working conditions for garment workers. Senior advisor in IEH's international program, Katrine Karlsen, argues that: *"Business alone cannot do it. Governments alone cannot do it. Unions alone cannot do it. We have to pull together"* (Karlsen, 23.Oct.2017). IEH is a multi-stakeholder initiative that seeks to improve conditions through a sector-wide approach, arguing that no single corporation can change the system alone: *"If the sector pulls together, one increases the chance of systemic changes"*, she says.

It is vital for businesses to understand that CSR is not simply idealism, but a matter of not exploiting peoples' poverty and misery, says Karlsen. IEH argues that: *"Neglecting to address labour rights challenges also calls into question companies' license to operate, particularly as stakeholder scrutiny intensifies and consumers become less tolerant of labour rights scandals"* (JETI, 2017:12). IEH offers guidance to assist managers to respond to this increased pressure from stakeholders, consumers and civil society. IEH leans on the UNGP when asked about

responsibilities: It is the responsibility of the state is to protect, and the responsibility for business to respect. IEH works mainly with small and medium businesses, but argues that larger companies have increased potential for impacts, as they have more resources to work with.

All new members must participate in a program for new members, with the intention of bringing them up to a minimum level within 18 months, building the foundation step by step. As part of this program, members have to implement codes of conduct and communicate it to their suppliers, start mapping their supply chains, conduct risk analyses, and complete their first reporting to IEH. This gives both the company and IEH a baseline to build future strategies on. According to IEH, working with ethical trade takes time, which demands long-term work and commitment. Rather than immediately cutting off suppliers that break the codes of conduct, emphasis is put on both parties' willingness towards continual improvement. Central to IEH's vision, is dialogue and collaboration between various stakeholders along the supply chain.

IEH makes use of both "carrot and stick". Their main strategy is to aid members in their work with ethical trade, but some members have previously been excluded for not having progress in their work. This is important, as IEH does not want to be part of so-called greenwashing. The code of conduct is not just a paper to sign: "*You have to take active part in generating understanding throughout the value chain about what you will be working to improve, and that it is important for both the enterprises and the workers in the value chain*", says Karlsen. Members report that they appreciate the healthy pressure IEH exercises. Having to report on what they have actually done over the last year, as opposed to plans for the future, creates an incentive for improvement. IEH operates with a five-step model for work with ethical trade:

1) Internal anchoring

- Codes of conduct, anchoring in management, action plans for implementation, allocation of resources and staff.

2) Mapping value chain

- Map supply chain, assess risks, prioritize, and create plan for improvement.

3) Adapt

- Revise procurement strategies, get feedback from suppliers, adapt procedures and routines.

4) Cooperation

- Make plans for improvement in dialogue with partners, and implement these.

5) **Measure and communicate**

- Establish parameters for progress, report on congruency between goals and achievements, and communicate results and challenges.

6.2.2. Auditing and transparency

IEH states that “*For more than 20 years there has been a steady stream of research showing that audits in the supply chain has a limited impact on working conditions*” (IEH, 2017b:18). Karlsen adds that audits do not affect the level of discrimination or the right to organize. The experience is that audits lead to factories being “cleaned” prior to the inspections, and therefore do not give a valid picture of the actual working conditions. Data from thousands of audits have been fed into the SEDEX-database, from which analyses have been made. SEDEX is the world’s largest collaborative platform for sourcing data on supply chains, where more than 43.000 members from 150 countries upload and manage their performance around labor rights, HSE, environmental issues, and business ethics (SEDEX, 2017). These analyses show that almost everyone have unions at their factories. This is not the case, which reveals the flaws of the method, and that the audit regime does not work, Karlsen says. Furthermore, auditing does not lead to mutual partnerships and collaboration, as they are more of a one-way testing regime where the factories risk losing contracts for not having good scores. For these reasons, IEH is clear to its members that audits are not the solution, but argues that one still has to accept that auditing is part of how the sector operates, as many members want to verify the impact of what they do. Revisions and auditing work much better with matters that are easier to quantify, like the use of chemicals, or CO₂-emissions. Audits might also be more valuable to larger companies, as they have more resources and can conduct more sound audits with follow-ups.

IEH encourages its members to increased transparency, also through open suppliers lists, but emphasize that public supplier lists are not enough. IEH-members must in addition have robust systems for follow-up and improvement. So-called “open costing”, where buyers request a full cost break-down of the suppliers production costs, can lead to misuse of power, Karlsen says. If you know exactly the margins of the factories, you can utilize such information to pressure even more on price, by arguing that another supplier operates with smaller margins. Transparency and open costing is not an area of focus for IEH, which places more emphasis on developing sound partnerships and dialogue.

6.2.3. Procurement and due diligence

Leaning on the UNGP, IEH claims that in order to engage in ethical trade, corporations must know their supply chains (ref. “knowing and showing”). Due diligence is recognized as one of the most important tools in this process; a thorough investigation and analysis of your supply chain to ensure compliance with human- and workers’ rights. The Joint Ethical Trading Initiative (JETI) is a collaboration between the Norwegian IEH, the Danish IEH (DIEH), and the Ethical Trading Initiative UK (ETI). Together, they published a “Guide to buying responsibly” in 2017. The guide puts emphasis on the importance of sharing responsibility and risk, building a deeper understanding of production, making labor standards and ethical criteria central in buying negotiations, and forging “*constructive, ongoing dialogue with suppliers, through which suppliers are rewarded for better practices*” (JETI, 2017:11). The report presents a four-step model for due diligence for workers’ and human rights in supply chains (JETI, 2017:14-15):

- 1) **Assess actual and potential risks, and then rank and analyze these**
 - Risks in country, supply chain and for workers, risks in the employment relationships, labor dynamics, HR-systems, freedom of association and bargaining mechanisms.
- 2) **Identify leverage, responsibility and actions**
 - Identify responsibilities and leverage with different actors, review sourcing- and purchasing practices, establish benchmarks and rules for monitoring, review supplier capacity to manage risks, review decision-making and accountability practices, and risk management systems.
- 3) **Mitigate risk and provide remedy for workers**
 - Take steps to mitigate, provide remediation for workers and revise remediation systems, identify and act on changes to working practices, enable workers to access their right to freedom of association/bargaining, provide training and capacity building on worker-management communication and negotiation, engage/collaborate with others.
- 4) **Monitor, review and improve**
 - Track mitigation and remediation actions, review decision-making, responsibility and accountability, review information sources and systems, analyze evidence and prioritize next actions, communicate internally and with business partners, report publicly on steps taken, build partnerships and collaborative action.

To assist members in this work, IEH has offered a tool for risk- analysis and management; SHAREX. SHAREX is an online based tool offering automated risk mapping based on self-reporting. As data is being fed into the system, it estimates risks and provides action plans for mitigating these. Being online (and translated to Chinese), the tool enables two-way dialogue, where supplier and buyer can address risk management together. This saves time, compared to the traditional e-mail communication. Partnership and dialogue is vital, according to IEH, and writes that it is *“Important to reassure suppliers that exposing challenges will not result in them being penalised or losing orders”* (JETI, 2017:21;IEH, 2017b). IEH appears to be in the process of phasing out the use of SHAREX, but might consider other similar tools. As this is an ongoing internal process in IEH, no further information is provided until they have concluded.

Another prerequisite for ethical trading, according to IEH, is revision of one’s procurement strategies: *“Conventional purchasing practices result in high worker turnover and lower productivity. This in turn can lead to poor quality products, delayed delivery, additional costs and even industrial action”* (JETI, 2017:12). Short lead times might lead to excessive (and unlawful) use of overtime. Tough price negotiations (risking a “race to the bottom”) may have an important impact on wages (which can be reduced or even held back). This is important to recognize in one’s ethical procurement strategies. An ILO-study found that many suppliers occasionally accept orders below production costs, making it harder to pay workers (ibid.). Little emphasis on improving working conditions often leads to high worker turnover and lower productivity. Stability and long-term contracts are important, and Karlsen claims that Norwegian companies typically do not shop around that much. Although many companies require their suppliers to implement their codes of conduct, their buying practices are often at odds with these initiatives. IEH urges companies to review and revise short-term commercial practices, in order to safeguard more long-term socially and environmentally sustainable performance (JETI, 2015:6-7). In their procurement cycles, IEH therefore encourages their members to assess and mitigate potential negative impacts along six stages of the procurement cycle (JETI, 2017:26):

- 1) **Sourcing strategy and criteria for partnering with suppliers**
 - Potential impact: Power imbalance leaving workers vulnerable, especially women.
- 2) **Forecasting and product development**
 - Potential impact: Excessive use of overtime, irregular hours, and harsh treatment.
- 3) **Price negotiations**

- Potential impact: Pressure on workers' wages, as well as poor health and safety.
- 4) **Contractual terms**
- Potential impact: Improving labor conditions may be overlooked, exposing workers to poor conditions.
- 5) **Order placement, production and lead times**
- Potential impact: Excessive overtime, irregular hours, harsh treatment.
- 6) **Assessing impact**
- Potential impact: Opportunity to improve working conditions.

6.2.4. Wages

Low pay typically leads to a high labor turnover, as factory work is being perceived as less attractive. This in turn, leads to restricted skills development which might limit the product quality. Low wages also increase the chances of labor unrest, and the clothing companies risk reputational damage from exposés about products being produced by chronically low paid workers (JETI, 2015:6). IEH therefore encourages their members to ensure that what they pay for a product line allows for decent wages, and that they support local wage negotiation (see sub-chapter on unions below).

IEH did a project on living wage, but came to the conclusion that it is challenging to implement top-down: *“We have to enable the workers to get their own rights respected, and for them to promote their own conditions”*, says Karlsen. It is not for us to calculate their wages from the West, she argues: *“It is not for brands to set wages in supplier workplaces. But every company needs to recognise they have a responsibility. And this responsibility can only be realised through effective collaboration”* (JETI, 2015:8). The challenge is not how to calculate living wages, but how to implement them. The process of setting and negotiating wages *“needs to be locally determined and locally ‘owned’”* (JETI, 2015:7). IEH works with members to understand when prices are fair, and to know whether a price enables suppliers to have decent working conditions, Karlsen says. Companies can and should revise their purchasing practices to reduce pressure on wages, support debates on minimum wage, and support initiatives to strengthen local unions or other mechanisms for wage negotiation. Furthermore, companies need to coordinate and collaborate with suppliers, civil society, unions, employers' associations, and national governments, for instance in setting adequate minimum wages, according to IEH. Although revision of own purchasing practices can have important impacts on wages, they argue that the low wages should be recognized as a systemic

and structural challenge, and that *“Ultimately, adequate wages in global value chains will be achieved by institutionalising effective wage floors – establishing levels below which wages cannot be allowed to fall.. .. This is the joint responsibility of governments, companies (buyers and employers) and trade unions. Wage floors ensure that competition will not be distorted”* (JETI, 2015:7). Wage floors can be national minimum wages, but there are also pan-Asian efforts (like the Asia Floor Wage Alliance) seeking to establish sector-wide wage floors.

With improving working conditions and increasing wages in China, clothing companies face another challenge; should they stay or should they leave for countries with lower wages (and subsequently worse working conditions)? From 1998 to 2015, the consumer price index in Norway increased by 41%. During the same period, shoes and clothes became more than 40% cheaper (IEH, 2015c:2). With improved working conditions, prices will have to increase, says Karlsen, who argues that this debate is long overdue. Clothing companies have to make a choice; should they stick with target price, or should they allow for a natural price adjustment in an industry where prices have not been adjusted for inflation in decades? Karlsen further argues that it is easier for the large clothing companies to internalize such increases in price, and that it is more difficult for the small- and medium sized Norwegian members of IEH. Their focus is therefore not on setting a given living wage, but for companies to support local initiatives to set minimum wages and create/strengthen mechanisms for collective wage negotiations, as well as revising member-companies’ procurements strategies.

6.2.5. Unions and worker-management dialogue

To enhance local capacity for collective bargaining and increased worker-management dialogue, IEH works with what they call “social dialogue”. Specifically, this means that the management gets training in the importance of dialogue with workers and solving conflicts before they escalate, and that workers are empowered and trained in how to dialogue and negotiate with the management, Karlsen explains. IEH works with partner organizations and unions in production countries. It is important to IEH that the process is locally “owned” by workers, unions, workers’ committees and factory management, but corporations are encouraged to give their active support: *“Companies can contribute through promoting ‘social dialogue’ enabled by freedom of association and, emerging from this, collective bargaining on terms and conditions of employment”* (JETI, 2015:7).

Union bashing is a major challenge, with workers who voice their opinions risking physical abuse and even being kidnapped, says Karlsen. Factory management often see unions mainly as a burden, and work actively against them. The work therefore includes persuading the factory management to recognize the benefits of functioning unions. Low worker loyalty towards employer leads to high labor turnover. Making jobs more attractive and improving working conditions might encourage workers to stay, reduce unrest and the risk of strikes, and decrease risk for reputational damage. Keeping more of the skilled workers might also lead to improved product quality and price. Sometimes internal power-struggles within the unions are a challenge, weakening their position.

IEH collaborates with the Swedish organization QuizRR that delivers the educational tool and knowledge platform QuizRR. This is a digital platform for education on worker engagement, and rights and responsibilities at workplaces, with videos and quiz-questions for dynamic learning (IEH, 2015c:24). The goal is to motivate and engage workers, middle management and top management at factories, to give them a common understanding of rights and responsibilities at the workplace. The tool also *“helps global buyers and suppliers add measurability to social responsibility”* (QuizRR, 2017), meaning they can quantify the workers’ and managements’ knowledge on these topics. Where there are no unions, where unions are given little room to exercise their rights, or there is only one governmental union (as in China and Vietnam), IEH might focus on other mechanisms of dialogue. Working committees can sometimes assume the functions of unions. In Bangladesh, a new working environment law requires factories to have workers’ committees. This gives some leeway for IEH (through partners) to work with social dialogue. IEH has increasingly focused on assisting Norwegian companies in implementing some form of social dialogue at their suppliers, says Karlsen.

The Joint Ethical Trading Initiative run a program on social dialogue in Bangladesh. It has so far reached approx. 80.000 workers in 34 factories in Bangladesh selling clothes to the British and Scandinavian market. A team in Bangladesh ensures the implementation of a 12 to 18 months long program, targeting both unions and factory management on different levels. The course covers HR, Labor Laws, ILO-conventions, codes of conduct, grievance mechanisms, how to represent workers, meeting procedures, rights and responsibilities, collective bargaining, and gender equality. According to the Bangladesh Labor Law factories with fifty or more workers shall constitute Participation Committees with elected worker representatives. A challenge is that the factory managements often select representatives, which does not allow for meaningful workplace communication, Karlsen says. Where there are no unions, participation committees or other

mechanisms for dialogue are sought implemented. The golden standard is still unions, and in the long run that is what IEH wants, but the approach is more step-by-step. Preliminary findings reveal that they are able to initiate dialogue with management and solve problems, that workers increasingly understand their rights, despite not diving straight into wage negotiations. The project also revealed that in a country where 60-80% of the workers are women, only around 20% elected female representatives, so we have focused on increasing the share of female representatives, and provided specific courses on how to be a woman in working committees, and how to utilize one's voice. IEH plan to merge the project in Bangladesh with the QuizRR-project, in an attempt to increase their impact on social dialogue. With the efforts on social dialogue and work with unions, IEH seeks to develop lasting local bargaining mechanisms and institutions (JETI, 2015:6-7).

6.2.6. Laws and regulations

Members communicate that the required annual reporting they have done on progress as IEH-members is seen as a positive incentive to deliver on their CSR-goals. IEH also works with the Norwegian authorities on public procurements. An analysis of 171 high risk public procurements in the shoes and garment sector, reveals that around 35% set the ILO fundamental conventions or stricter requirements as criteria in their purchasing strategies in 2009, whereas around 75% did so in 2016 (DIFI/IEH, 2017:13). The data show that Norwegian authorities have an increased focus on ethical trade in their own procurement in the garment sector. Safeguarding workers' and human rights in public procurement has been voluntary up until 2017, when a new paragraph in the Public Procurement Act (Lov om Offentlige Anskaffelser) took effect. IEH advocated for the law, which states that public employers are to have appropriate procedures to promote respect for fundamental human rights and safeguard requirements for wage- and working conditions in risk categories (garment and textiles being among these) (Anskaffelsesloven, 2017, §5). IEH has also been part of the policy development for the proposed Norwegian Ethics Information Law (Etikkinformasjonsloven) proposed by FIVH (see FIVH-section).

IEH-members and Norwegian corporations in general are positive towards more laws on CSR. Senior advisor Karlsen explains that business says "*We want requirements. It is a lot easier for us to work with legal demands compared to soft law*", and argues that governments have to regulate CSR stricter, to ensure corporations are safeguarding workers' and human rights. The corporate world must be provided with incentives and tools to make the transition to sustainable business models, ensuring that everyone can take part in the value and wealth creation, Karlsen says. Legal

advancements on business ethics are occurring in other European countries. In 2017, France made it compulsory by law for companies of a certain size to conduct due diligence to identify and prevent human rights- and environmental breaches throughout their supply chains with suppliers and sub-contractors where they have significant influence. Non-compliance leads to large fines (up to 10 million Euro). In the Netherlands, the proposed Child Labor Due Diligence Law (if passed) will regulate corporate responsibilities, and in the UK the 2015 Modern Slavery Act requires corporations to conduct due diligence on human trafficking and slavery (IEH, 2017:9). IEH supports this trend of increased legal codification of CSR. The voluntary nature of CSR is a barrier, says Karlsen, who argues that CSR should not just be something that is nice to do, but that there is a need for increased legal regulation of ethical trade.

6.3. Stormberg



6.3.1. Perceptions and approach to CSR in the garment industry

Stormberg is a commercial enterprise that actively makes use of their CSR-initiatives in their branding. Corporate Responsibility-manager, Jan Halvor Bransdal, argues that “*CSR is profitable, period*” (Bransdal, 9.Oct.2017). The responsibility for improving working conditions is shared between actors like the local governments, unions, and corporations, he says, but adds that clothing companies like Stormberg cannot remain passive: “*We have to take responsibility for our supply chain, make assurances, all the way back to the factory that has sewn the piece*”. This is echoed in their code of conduct, where Stormberg writes that it is important “*to take full responsibility for all our actions, including the working and environmental situation for those workers taking part in the production of our products*”. The code of conduct further specifies that it is Stormberg’s responsibility to “*influence*”, “*contribute*” and “*consider ethical criteria*”, and that it is the responsibility of the suppliers to “*reach the primary goals of this [code of conduct] within a reasonable time frame*” (Stormberg, 2012). Most of the responsibility for implementation appears to

be placed with the suppliers. Bransdal further argues that CSR is about values, and about exposing the suppliers to Stormberg's CSR-values related to unions, HSE, welfare programs, working hours, work stress, and so forth. It is about spreading values, but without being cultural imperialists, he says. When asked about measuring CSR, Bransdal says it is easier to measure the environmental dimension of CSR than the social dimension, as it is easier to quantify CO₂-emissions or the use of certain chemicals.

All Stormberg-clothes are currently produced at 15 supplier factories in China (after phasing out a few pilot projects with suppliers in Myanmar and Bangladesh). As the first sports- and textile company in Norway, Stormberg became member of *Initiativ for Etisk Handel (IEH)* in 2002. The reports are made publicly available, and include reporting on CSR. Stormberg specifies that their work on ethical trade might involve HSE, wages, contracts, unionization, and other work-related issues.

According to Bransdal, Stormberg focuses on long-term supplier dialogue, appropriate due diligence processes, ethical criteria that are integral to their procurement strategies, supporting workers' committees and worker-supplier-dialogue, and open supplier lists. What this implies is explained in the subsequent sub-chapters. Furthermore, Stormberg's CSR-strategy is built on a step-by-step idea. When acquiring a new supplier, they start by picking the lowest-hanging fruit first – improving concrete things such as installing a fire extinguisher, putting up exit lights, and check the use of overtime and chemicals. That is, they typically start with HSE. With time, Stormberg raises larger matters, like questions about wages, worker-supplier dialogue, and workers' welfare.

In 2009, the company joined the UN Global Compact, the world's largest CSR-initiative, adopting ten principles related to human rights, labor rights, the environment and anti-corruption, as well as having to report annually on progress made (UN Global Compact, 2017). As the ten principles of the UN Global Compact build on the already mentioned ILO fundamental conventions and the Universal Declaration of Human Rights, they are not further explained here.

The membership in IEH is an important part of Stormberg's CSR-strategy, and Stormberg is (according to IEH) an active member. Through IEH, Stormberg gets guidance on ethical trade practices, participates in workshops, has dialogue with other IEH-members, and has even contributed by taking part in pilot projects with IEH. As part of the membership, Stormberg also

reports annually on their progress in terms of ethical trade and improving working conditions for garment workers.

6.3.2. Auditing and transparency

Stormberg is critical towards social audits. They believe that these types of audits have had little real impact, and argue that auditing has become a business where you increasingly have to buy various programs and packages for follow-up. Furthermore, they find it rather time consuming, involving more paper work than actual improvements. Because they see audits as having little value, Stormberg does not use external audit companies, and such audits have never been part of Stormberg's procurement strategy. Bransdal states that *"there has been a tremendous overkill in terms of audits, so we conduct our own controls. We visit the factories ourselves, but call it a visit and not an inspection"*. He goes on to explain how it is difficult for representatives from Stormberg to make unannounced visits, and that Stormberg focuses more on building supplier-dynamics and collaborative relations: *"You have to drink some cups of tea and build a relation over time. You have to show the suppliers that you intend to stay and produce at the factory for many years to come. In time, you can raise the larger issues"*.

Some of Stormberg's suppliers conduct their own social audits, and some have had external audits. Many factories list their scores on posters at the factory, or publish them online. It is Stormberg's position that scores from existing audits might give a rough indication, but that they prove nothing. In the past, certificates and scores have been available on the black market. Over the last few years, the quality of some auditing-reports and auditing-companies seem to have improved. This is partly because the Internet has made it easier to look up a given factory, which makes it more difficult to buy fake certificates. Bransdal also explains that the Business Social Compliance Initiative (BCSI) is on the rise in China. The BCSI is a supply chain management system that supports companies in implementing social compliance and improvements with suppliers. Stormberg does not intend to use it, as it is understood to be more resource demanding than rewarding, but remarks that the quality of some audits have improved over the last few years. In their annual IEH-report, Stormberg writes that *"some certifications can, more often than before, compensate for, or supplement, own mapping at the factories"* (Stormberg/IEH, 2016:33). Some of the visits to supplier factories are conducted by people external to Stormberg, but none of the visits qualify as audits, as the visits are announced and have emphasis on dialogue rather than measuring social compliance in accordance with a given auditing-framework.

As the first Norwegian clothing company, Stormberg made their supplier list public in 2005. The names and locations of their factories are available on Stormberg's website in an online map. Every Stormberg-product also contains a tag with supplier-information. In theory, anyone can visit the company's supplier factories. In reality, few do. Some journalists have made contact with Stormberg expressing their interest in visiting their supplier factories, but Bransdal explains how difficult diplomatic relations with China have made it challenging for journalists to get visas, although the diplomatic ties are improving. Few in the media and among consumers make use of the supplier lists, he admits, and goes on to explain that Stormberg's consumers appear more concerned with the use of chemicals and animal welfare than with workers' welfare. Despite the factory lists not being used much by the public, transparency is a prerequisite for improvement, Bransdal says, and argues that challenges are much more likely to be addressed when they are made visible and public. Transparency creates a positive incentive for the corporations to do better due diligence, as part of reputation management to avoid bad publicity.

Stormberg had a local representation office in China from 2012 to 2015, with a "supply relations manager", that did unannounced (and announced) visits for Stormberg. He is ethnically Chinese, but has lived and worked in Norway for many years, with experience from both labor unions and the clothing industry. He is familiar with both cultures, and has in total conducted inspections for Stormberg for more than 10 years. The work included pursuing CSR-policies, quality control of production, translation, contact with Chinese authorities, assessing new factories, engaging in supplier dialogue, and talking to factory workers. Stormberg experienced this work as very valuable – bridging the gap between Norway and factories in China. When asked why the representation office was closed in 2015, given the value it seemed to have, Bransdal answers that it was due to "lack of resources".

6.3.3. Procurement and due diligence

In their code of conduct, Stormberg states that "[We] will, when choosing suppliers, in addition to other competition aspects, consider ethical criteria" (Stormberg, 2012:2). The company does not explain what they mean by this, but Bransdal explains that the ethical considerations are reflected in procurement, logistics, and design. He argues that the largest impact on working conditions at the supplier factories comes from what Stormberg does in terms of internal organization. The firm's procurer attended a course with IEH on ethical procurements in 2016, to better understand potential

impacts of procurements on suppliers (Stormberg/IEH, 2015:11). By not shopping around, and building long-term relations with suppliers, this gives stability in terms of orders. Stormberg seeks to buy between 10% and 60% of the annual production from each of their supplier factories, in order to increase their influence. This has an impact on lead times. The company normally operates with 6 to 8 months lead time, and they actively avoid last minute changes on orders. As mentioned in the literature review, typical lead times range from 30 to around 100 days. Stormberg's long lead times give predictability for both, and apparently have a significant impact on working hours and the use of overtime at the factories. Secondly, Stormberg does not move production around between own factories. This is also thought to provide stability for the suppliers. Trying not to operate with too many suppliers, and seeking to buy from factories that do not have a too large total production capacity, enables Stormberg to have a supplier portfolio that is more manageable. *"Predictability on our side can have an important impact on the supplier"* (Stormberg/IEH, 2016:23-24). In addition, Stormberg has done the following adjustments in their procurement strategy, to help safeguard working conditions (Stormberg/IEH, 2016:24):

- 1) Reduced the amount of varieties on pieces, which simplifies production.
- 2) Mapped suppliers' total capacity, to ensure orders are not beyond capacity.
- 3) Created procedures for more precise payments.
- 4) Increased focus on procedures for ensuring quality, to decrease complaints.
- 5) Operating with a supplier contract, regulating the relation between supplier and Stormberg.
- 6) Openness around plans, operations, and collaboration, with emphasis on supplier visits.

Stormberg operates with guidelines and internal culture building in terms of fair prices and ethics in negotiations, but does not specify what this means concretely (Stormberg/IEH, 2016:30). Bransdal again puts emphasis on the importance of long-term partnerships and dialogue, and argues that building trust is crucial for improving working conditions. When Stormberg initiates a partnership, it is usually "for life", and only terminated under special circumstances. When suppliers understand that Stormberg is there to stay, it is easier to build common trust and initiate dialogue on improvements, according to Bransdal. Breaking the code of conduct is a reason for terminating a partnership, but at the same time it is important to give leeway for improvements. Suppliers' willingness to engage in dialogue and to make improvements is most important, he says.

As part of their due diligence, Stormberg makes use of SHAREX, an online platform and tool for risk analysis, and self-assessment questionnaires developed by IEH (see IEH-part for details). They

publish the results for each supplier, and other companies do the same. If clothing companies use the same factories, one could cooperate on due diligence, says Bransdal. Implementing SHAREX was the single largest initiative for CSR-improvement, according to Stormberg's annual IEH-report (Stormberg/IEH, 2016:30). It has taken time to persuade the factory management to see the value in sharing information in SHAREX, and they have had some issues with Chinese censoring of foreign web-pages (Stormberg/IEH, 2016:34). The system eases online two-way communication on risk management, and is much easier than e-mail communication, according to Stormberg.

6.3.4. Wages

Living wage is an expressed goal in Stormberg's code of conduct: "*Wages and benefits paid must enable workers and their dependents to meet their needs for nutritious food and clean water, shelter, clothes, education, health care and transport, as well as allowing for some discretionary income*" (Stormberg, 2012:4). Stormberg seems to approach living wage from three angles:

- 1) Procurement strategies (as described above) might have an impact on what factories can offer their workers in terms of wages.
- 2) Long-term partnerships with suppliers mean higher price per piece compared to shopping around, which also might have an upward impact on wages.
- 3) Support to wage negotiations and worker-management dialogue (see next sub-chapter).

However, Bransdal claims that this has been hard to operationalize. Stormberg took part in IEH's project on living wage (see IEH-section), but it did not result in any concrete tools for implementation (Stormberg/IEH, 2015:8). "*We do not pay the workers, the factories do*", says Bransdal, and goes on to explain the challenges. As Stormberg only buys a share of the factories' total production, the question becomes how to pay only the workers who happen to work at times when producing Stormberg-products. It might also affect the market mechanisms. The idea of living wages is good, Bransdal says, but despite working with IEH and NGOs on living wage, he has yet to see good ways to implement living wage. It would be easier to implement if one had 100% of the production at a factory, but Stormberg does not want more than 60% for risk management purposes. Should something occur (like a strike or an accident), it is easier to move production elsewhere if you have smaller shares of total production. Some have suggested that clothing companies that are present at the same factories should cooperate at supplier-level in order to ensure living wages to

workers, but Bransdal argues that different views and strategies on ethics between different companies make such collaboration unrealistic.

In order for retailers to know that they are paying enough to ensure that suppliers can offer decent wages for their workers, it has been suggested that retailers need to get a full overview of production costs at supplier-level. Stormberg does not actually know what a line of production costs in terms of a full cost breakdown. They rely on wage surveys to know workers' wages, which they report to have conducted in 2016 (Stormberg/IEH, 2016:30). Bransdal explains that Stormberg is working to develop a "cost breakdown system", to ensure that they know what they pay for both in terms of quality and in terms of workers' wages. The cost breakdown-system is intended for internal use, but Stormberg might consider making it public – an act of transparency that could also be used in branding and reputation management. The intention is that with the system in place, Stormberg can ensure that the factories can make profits from what Stormberg pays. Another barrier in the work on wages has been a "*lack of information around what constitutes push and pull-factors for [...] wages in the production process*" (Stormberg/IEH, 2016:35). The goal about living wage remains, and Bransdal admits Stormberg is not good enough on safeguarding living wages yet.

6.3.5. Unions and worker-management dialogue

Stormberg's code of conduct states that "*Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively. If these rights are limited by law, the employer shall facilitate and under no circumstances hinder parallel means for independent, lawful and free association and bargaining*" (Stormberg, 2012:3). All of Stormberg's products are produced in factories in China, where there is only one (governmental) union (ACFTU), and so Bransdal admits they cannot fulfill the expressed goal related to freedom of association. He argues that "*we must respect local laws, and use the unions that are there*". In many factories there are workers' committees, and there is an increase in civil society organizations that can sometimes emulate the function of actual unions. These can go under the radar, by utilizing the juridical leeway they have. It is Stormberg's position to try and use the mechanisms that are already present at supplier level, whether it is the state union or other initiatives. According to Stormberg, the ideal would be to enable workers to at least hold democratic elections for a workers' representative, so that the workers in time can participate in wage negotiations. The responsibility to ensure this belongs to the factory, but it is important that the workers have ownership to such processes, Bransdal says. Stormberg has no own initiatives on union building, and does not facilitate any

elections. The role of Stormberg is to raise the issue with factory management when visiting suppliers, he claims.

Stormberg's own evaluations show that the local mechanisms for worker-supplier dialogue and wage negotiation have very varying degrees of success, but that the quality appears to have improved over the last few years. A major challenge is union hostility, which is often more prevalent where the factory management is older and more established, Bransdal says. Younger managements are more likely to see the value in having functioning unions. Bransdal explains how factory work is often considered low status. Especially the younger and urban Chinese population want better working conditions, and the factory work force is getting older. Suppliers have therefore experienced a lack of access to workers. He goes on to say that *"suppliers are forced to take measures to keep workers, especially so-called skilled workers. They have to put in place insurance schemes, they must have good facilities at the factories. If they do not, workers might consider quitting or working for a factory with better working conditions. Listening to unions might increase peoples' willingness to work at the factory"*. The managements increasingly see that it is easier to handle one workers' representative, compared to a myriad of workers in relation to for instance a strike, he says. The workforce is also getting older, and the working conditions are less appealing for younger people, so factories are forced to make conditions more appealing.

Stormberg had some dialogue with workers through the company's previous local representation office, but no stakeholder dialogue at factories after the office was closed a few years back. Bransdal wants to have more stakeholder dialogue with workers, but due to lack of resources Stormberg would have to collaborate with others that have capacity and knowledge. Current contact with workers are restricted to wage surveys and self-assessment questionnaires. Stormberg is also considering to make use of the educational tool and knowledge platform QuizRR (see IEH-section for details).

6.3.6. Laws and regulations

Stormberg reports on CSR to IEH annually, and meetings are held with IEH before and after the reports. Having to report on progress made over the last year is one of the strongest incentives to get things done, Bransdal claims. The reporting is considered to be regulation, as the rules are prescribed by a third-party (IEH) and not legally prescribed by law. Bransdal wants even stricter demands on documentation from IEH, to keep putting healthy pressure on corporations.

Furthermore, Stormberg says that they want more hard laws on CSR. Voluntary regulations are great, says Bransdal, *“but after years with voluntariness, status shows us that this is not sufficient. Thus, we want more laws”*. Stormberg has supported the Ethics Information Law that was promoted by FIVH (see FIVH-section). Guidelines like the UNGP and OECD-guidelines are perceived positively by Stormberg, but they want CSR to be more legally binding also internationally.

Chapter 7: Analysis

This chapter builds on the theories and findings presented above, and consists of three parts. The first part engages in a comparative analysis of differences and similarities in the goals and strategies of the three analyzed organizations. This part also looks at how the three organizations work with different stakeholders. The second part consists of a comparative analysis of differences and similarities in how the three organizations perceive and approach the central challenges presented in the findings-chapter. Finally, the third part explores how the expressed views and approaches of the organizations relate to normative and instrumental CSR-theory. Throughout the analysis, findings are contrasted to previous findings and theories.

7.1. Similarities and differences in strategies and goals

In terms of CSR, the way the three organizations operate can be understood as stakeholder management; being cognizant of stakeholders other than the shareholders and seeking to increase equity between stakeholders cf. the theory chapter (Laplume et al. 2008; Schwartz & Carroll, 2007; Blowfield, 1999; The World Bank 2005). When it comes to their goals and strategies related to improving working conditions for factory workers, the factory workers are considered the main beneficiaries (Overseas Development Administration, 1995). In order to reach their CSR-goals, however, the three organizations work in distinctively different ways, and with different types of stakeholders. The similarities and differences in goals and strategies, and how this relates to working with various stakeholders, are explored in the following.

7.1.1. Similarities in goals

All three organizations have as an overarching goal to improve working conditions for factory workers in the garment industry and safeguard workers' and human rights. In pursuit of this goal, the three organizations operate with a series of sub-goals that they also share:

- Public supplier-lists.
- Improved HSE-conditions for factory workers.
- Regulated work weeks and work hours, with limited use of excessive overtime.
- Freedom of association for factory workers.
- No forced work or child labor.
- No discrimination or harsh treatment of workers.
- Decent wages for factory workers.
- Regular employment with clear contracts at supplier-level.
- No corruption and bribes.
- Remediation mechanisms after accidents and other incidents affecting factory workers.

As means towards reaching these goals, the three organizations further agree on working to ensure:

- Strengthening of worker-supplier-dialogue (particularly unions or alternative mechanisms).
- Annual reporting on ethical trade.
- Little “shopping around” for the cheapest suppliers, to reduce negative impact on suppliers and factory workers.
- Ethical procurement and due diligence in supply chain management, to mitigate risks.
- That business follow the UNGP, the ILO fundamental conventions and the OECD-guidelines.
- Institutionalization of wage-floors.
- Increased legal codification and regulation of CSR.
- Corporate sensitivity towards marginalized people.

Furthermore, FIVH wants the ILO convention no. 131 to be rephrased to include living wages and then be included in the fundamental conventions. IEH and Stormberg have no expressed opinion on this.

7.1.2. Differences in goals

As the only commercial actor studied in this thesis, Stormberg is a private enterprise that has to generate profit. This can be at odds with pursuing CSR-goals related to improving working conditions for factory workers, as the CSR initiatives can be resource demanding and lead to added

costs. However, as established in the literature review, CSR can be profitable, and Stormberg would have to engage in cost-benefit analyses to balance between profits and CSR. Stormberg has as their goal to sell clothes in a price sensitive market, but “*not at any cost*” (Stormberg, 2017d). This dichotomy might produce internal dilemmas, CR-manager [sic] Bransdal says. On one hand, they need to negotiate low prices with suppliers in order to maintain their competitive advantage, and on the other hand they know that too tough price negotiations might negatively impact working conditions for factory workers. This dilemma is exemplified well in the decision to close down their local representation office in China in 2015 due to “*lack of resources*”, despite the perceived value in terms of ethical trade.

7.1.3 Similarities in strategies

In order to improve the working conditions for factory workers and pursue the sub-goals presented above, the three organizations share some similarities in their strategies. Both FIVH and IEH work with private enterprises as key stakeholders, seeking to influence clothing companies to engage in ethical trade. Their strategies for this, however, differs (see below). All three organizations work to improve worker-management dialogue and empower workers through training and capacity building, and both IEH and Stormberg work with factory managements in persuading these to recognize the value in having functioning union or similar negotiation-mechanisms. IEH and FIVH also work concretely with unions and NGOs as stakeholders, and lobby politically for increased legal CSR-regulations. Furthermore, the three organizations share as part of their strategy to communicate and spread awareness about ethical trade to citizens and consumers. Political lobbying for increased legal CSR-regulation is part of both IEH’s and FIVH’s strategies. As seen in the literature review, Blowfield distinguishes between two types of ethical initiatives: *Enterprise* (internal to a given organization) and *label* (external certification of a given organization) (Blowfield, 1999). The strategies of all three organizations can be considered revolving around enterprise initiatives, as no external certification of given ethical codes of conduct is involved.

7.1.4. Differences in strategies

The strategies and approaches of the three organizations differ in significant ways. Perhaps the most apparent difference lies in how the organizations work with different key stakeholders. Although both FIVH and IEH work to influence clothing companies, FIVH works with monitoring and revealing what they see as unethical behavior. Through “naming and shaming” and pointing to desired solutions, FIVH puts pressure on retailers to act more ethically. That is, FIVH works

primarily with push-factors. IEH, on the other hand, works primarily with pull-factors when they assist commercial corporations (like Stormberg) in taking voluntary steps in terms of CSR and ethical trade. The annual reporting for IEH-members is devised to create incentives for business to take decisive action. Where FIVH targets the large multinational retailers, IEH works mainly with small- and medium sized Norwegian businesses.

Both Stormberg and FIVH address citizens and consumers in their strategies, but in different ways. Consumers are the targets for Stormberg's marketing and branding, might be consulted in order for Stormberg to market-orient their business. FIVH, on the other hand, produces reports and media content geared towards citizens and consumers to increase awareness and strengthen customer power. By contrast, IEH could be said to work with increasing corporate awareness. IEH has less contact with consumers, but work with raising awareness among commercial enterprises.

The three organizations approach empowerment of workers differently. FIVH and IEH work specifically with and through NGOs and unions to provide training and capacity building on worker-management communication. Through the Clean Clothes Campaign, FIVH focuses mainly on capacity building for factory workers. IEH focuses more on the dynamics between workers and managements, and make use of tools such as QuizRR to spread awareness on rights and responsibilities. Stormberg primarily engages in dialogue with the supplier managements, and has very limited dialogue with the factory workers after the local representative office in China was closed in 2015. Stormberg uses tools like self-assessment questionnaires for supplier factories, wage surveys, visits to factories, supplier-dialogue and the collaborative risk management tool SHAREX. Stormberg's strategy particularly focuses on stable and long-term supplier-relations, open supplier lists, annual reporting through IEH, responsible procurement strategies, logistics and design. The CR-manager [sic] in Stormberg also works with Stormberg's own employees as stakeholders, with providing training for employees in ethical trade to ensure responsible logistics and procurement.

The stakeholders that the three organizations work with or through in order to improve working conditions for factory workers in the garment sector could be listed schematically as follows:

	FIVH	Stormberg	IEH
Beneficiaries	Factory workers		
Stakeholders addressed in CSR-work	Clothing companies Citizens and consumers NGOs Unions Politicians	Factory managements Citizens and consumers Employees NGOs (i.e. IEH)	Clothing companies Factory managements NGOs Unions Politicians

Table 3: Stakeholders addressed in the organizations' CSR-work

7.2. Central challenges

This section contains a cross-case analysis of in how the three organizations approach the five central challenges presented in the findings-chapter.

7.2.1. Auditing and transparency

All three organizations agree that auditing is not an effective way to improve working conditions for garment workers, and that the regime of auditing has become big business. The main challenges appear to be that many factories are “cleaned” before audits, that many companies hold back negative audit-reports, corruption between auditors and factory managements, and/or that workers interviewed do not dare to speak openly – fearing reprimands. This is in line with previous research (Oka, 2015; Lindholm & Egels-Zandén, 2014; Rahim & Idowu, 2015; Barrientos & Smith, 2007; Plambeck & Taylor, 2016). FIVH argues that auditing is simply a play to the gallery, so that companies can say they have done their part and use this in marketing. This is congruent with the study of Islam et al., where it was found that auditing was mainly used to maintain and re-establish legitimacy rather than actually ensuring workers' rights (Islam et al., 2015). This can be related to what is described in the theory-chapter as instrumental purposes; that companies engage in auditing mainly because it is profitable or beneficial for themselves in other ways (Carroll & Shabana, 2010 ; Ihlen, 2011; Gjørberg, 2012). It is what Porter and Kramer call reputation management, affecting corporations' so-called license to operate (Porter & Kramer, 2006).

Both IEH and FIVH argue that auditing can potentially weaken the position of factories, as they risk losing contracts for not achieving good scores. This pressure can potentially be dangerous for workers, creating the incentive for factory managements to clean their factories before audits and silence their workers in order to score well. This is what Plambeck and Taylor call “backfiring condition” (Plambeck & Taylor, 2016). Workers that talk too freely might receive threats, get beaten

up, or lose their jobs. The system of audits can potentially reinforce skewed power-dynamics between both workers and factory management, and between clothing companies and suppliers. Previous research however, adds important nuance; auditing is better at detecting *outcome standards* (such as health and safety, working times, and wages), whereas it largely fails to detect *process rights* (such as freedom of association and discrimination) (Lindholm & Egels-Zandén, 2014; Barrientos & Smith, 2007). Furthermore, actual improvements after revealing non-compliance with codes of conducts is found to be as low as 7-15% (Lindholm & Egels-Zandén, 2014).

IEH tells their members that auditing is not the solution, and Stormberg has chosen not to engage with external auditing companies. Given that audits are proven to have only marginal impact on working conditions, the argument can appear legitimate. On the other hand; one could ask whether it would be better to try and improve the methods of auditing, rather than simply dismiss it. If auditing should continue, FIVH suggests that auditors conduct interviews with individual workers outside of the factory, to ensure that they feel safe enough to talk more freely. Involving unions in the auditing-process might also improve the quality of such audits. IEH and Stormberg emphasize that auditing does not necessarily lead to mutual partnerships, and suggest that business should focus on building a dynamic and two-way buyer-supplier dialogue, rather than base their relation on a flawed testing-scheme.

Both FIVH and Stormberg argue that open supplier lists are a prerequisite for NGOs and media to conduct monitoring and put pressure on clothing companies related to potential remediations after accidents or other incidents. This creates a healthy pressure on clothing companies, according to Stormberg. Revealing unethical conditions at factories can negatively impact the reputation of companies, and affect their moral license to operate among potential customers (Porter & Kramer, 2006). IEH argues that transparency can be pushed too far. With so-called “open costing” for instance, where suppliers are fully transparent about all their production costs, corporations could potentially make use of this information to strengthen their own bargaining position. It could also weaken the suppliers’ competitive advantage in relation to other suppliers (competitors). On one hand, open costing could enable buyers to ensure that they pay decent prices for their products. On the other hand, suppliers are by current laws in their full right to keep production costs to themselves. It is suggested that it is not necessarily lack of transparency regarding production costs that is the main challenge, but lack of functioning unions and the skewed power-relation between buyers and suppliers (JETI, 2017:9). Wage-surveys conducted in cooperation with local unions or

workers' representatives might be a tool that allows for both understanding the wage-level, and the suppliers to keep vital business secrets at the same time.

7.2.2. Procurement and due diligence

There are virtually no differences in how the three organizations perceive ethical procurement and due diligence. The three organizations all argue that stability and predictability in procurement strategies are essential in order to improve working conditions. The major challenges with “unethical” procurements are understood to be that clothing companies shop around, operate with short lead times, cancel orders last minute, pressure too hard on price, lack ethical criteria for purchasing, and operate with weak (or no) contracts for orders. This is congruent with previous research, where supply chain vulnerabilities have been identified as challenging supplier/buyer-relations, increased competition, demand-fluctuations, financial penalization or loss of contract for non-compliance with codes of conduct, and uncertainty around orders (Hoejmose & Adrien-Kirby, 2012; Chowdhury & Quaddus, 2015). Subsequently, these vulnerabilities can lead to suppliers potentially accepting orders with marginal (or even no) profit, making it harder to pay workers (JETI, 2017). FIVH points out that pressure on price often lead suppliers to cut elsewhere, typically in workers' welfare programs, bonuses, or wages (so-called wage theft), and might lead to increased use of overtime. This is also supported in previous research (Vaughan-Whitehead, 2014). The main difference between the organizations in terms of procurement is the above mentioned dilemma Stormberg faces: Having to balance between negotiating low prices with their suppliers and at the same time ensuring what they pay does not negatively impact working conditions for factory workers.

In existing literature, the field of responsible and ethical procurement is described as both conceptually and instrumentally immature (Hoejmose & Adrien-Kirby, 2012). IEH's newly published “guide to buying responsibly” (cf. chapter 6.2.3.) could therefore be considered an important contribution, where they identify concrete considerations for buyers in the procurement cycle (JETI, 2017). Stormberg claims that their procurement strategy seeks to mitigate the above challenges by operating with longer lead times, avoid last minute cancellation of orders, avoid shopping around, mapping supplier capacity, have high shares of the suppliers' annual production, operate with few suppliers, concise supplier-contracts, and engage in long-term supplier-relations. Stormberg also makes use of the risk analysis tool SHAREX developed by IEH, as part of their due diligence and risk management. Given that Stormberg is not legally required to do any of this, the

procurement strategy is what Carroll defines as ethical responsibility rather than legal responsibility (Carroll, 1991). By voluntarily seeking to mitigate the social and environmental impact on stakeholders, and use this in reputation management to increase profits, Stormberg's CSR-engagement involves all five of Dahlsrud's CSR-dimensions: Stakeholder, social, economic, environmental and voluntary (Dahlsrud, 2008).

7.2.3. Wages

Wages are perceived by all three organization to be chronically low. They seem to agree about most challenges; weak or lack of contracts for workers, wage-theft and holding back wages, excessive use of overtime without adequate remuneration, and weak mechanisms for wage-negotiations. Furthermore, their views harmonize well with previous findings (ILO, 2014; Vaughan-Whitehead, 2014). They approach possible solutions differently, however. FIVH actively promotes living wage, and have run several campaigns on the topic directed towards citizens and consumers. Part of their goal is to impact retailers' reputation and legitimacy, and thereby their license to operate (Ihlen, 201; Frederick, 2002; Kurucz et al., 2008). They propose that clothing companies add a premium to their sales price, which in turn should be added to workers' salaries. FIVH also want living wage to be part of corporations' codes of conduct and criteria in procurement strategies. Furthermore, they lobby for ILO to include living wage in convention no. 131, and want this included in the fundamental conventions, to make it legally binding for all countries that are ILO-members, seeking to make living wage part of the legal responsibility of corporations, not only an ethical or philanthropic responsibility (Carroll, 1999).

Stormberg and IEH on the other hand, argue that although they support living wage, it is difficult to implement it top-down. Because clothing companies buy only a portion of a suppliers' annual production, the main argument is that the clothing brands cannot choose which workers to pay better, as only some produce their clothes. Stormberg also suggests that there are legal challenges, as the factories are the ones who pay workers, not the clothing companies. Stormberg relies on wage surveys, and does not know the full cost break-down of a production line (although they explore the idea of open costing). They argue that long-term partnerships and dialogue with suppliers, ethical procurement strategies, and supporting local wage-negotiation mechanisms and worker-supplier-dialogue are most effective. FIVH suggests that clothing companies should include living wages in their ethical purchasing criteria, and only select new supplier factories that provides

living wages to the factory workers. FIVH criticize the retailers for dismissing living wages as impossible to implement, and argues it is more about willingness.

IEH agrees with Stormberg's position, and argues that wages must be lifted primarily bottom-up, by creating or strengthening local mechanisms for wage-negotiation. They further argue that to achieve lasting effects across the sector, there is a need for institutionalization of wage floors – establishing legal levels or sector-standards that wages are not allowed to fall below (JETI, 2015). Stormberg and IEH focus on multi-party initiatives to empower workers and support worker-management dialogue. They seem to share the view that although companies can have an impact through ethical procurement and logistics, a collective effort is needed to address what is ultimately a systemic challenge. Governments, unions, clothing companies, suppliers, buyers' federations, NGOs and others must pull together, in order to institutionalize minimum wages and wage floors, as well as wage-negotiation mechanisms. Using Carroll's dimensions, one could say that it is primarily governments that hold the legal responsibility to safeguard decent wages in their respective countries, but that other actors have ethical responsibilities towards the same goal (Carroll, 1991). From a shareholder value theory-perspective however, it is argued that business holds no responsibilities beyond legal compliance, and it is solely the role of the state to safeguard decent wages and working conditions: "*The business of business is business*" (Ihlen, 2011; Melé, 2008; Midttun, 2013; Crane & Matten, 2010).

7.2.4. Unions and worker-management dialogue

Stormberg, FIVH, and IEH agree that union hostility and union bashing is a major challenge and barrier for further development, hampering worker-management dialogue. Union leaders (and members) face harassment, threats and even physical violence. IEH argues that internal power struggles within or between unions can potentially weaken the impact of unions. FIVH points to corruption between politicians and factory managements. Union hostility, yellow unions, internal power-struggles, and corruption are understood as important reasons why the union density is low in many countries, and it weakens the position of unions. Previous research supports these findings (Van Klaveren, 2016; Oka, 2015). FIVH suggests that retailers should make guarantees for freedom of association at their supplier factories, ensure that unions are part of the supplier management, and implement this as part of their codes of conduct and procurement criteria. Stormberg, on the other hand, places the main responsibility with suppliers, and argues that the role of the clothing companies is to raise the issue in dialogue with suppliers, and to support initiatives on worker-

management dialogue. Stormberg is drawn between conflicting interests; buying at low prices, and promoting empowerment of unions potentially driving prices up. This could be seen as a conflict between Carroll's economic and ethical responsibilities (Carroll, 1999), and/or between normative and instrumental approaches to CSR (Ihlen, 2011; Gjøølberg, 2012).

IEH and Stormberg both approach the challenges through the idea of supporting initiatives to strengthen worker-management dialogue and negotiation mechanisms. Retailers can make use of tools like QuizRR; a digital platform for education on worker engagement, rights and responsibilities at workplaces. Retailers can also educate suppliers about the positive benefits of functioning unions; improved working conditions might make factory work more attractive, and help resolve conflict before they escalate. Retailers that can display decent working conditions at their factories can also make use of this in marketing and reputation management, so there could be synergies between normative and instrumental approaches. IEH and Stormberg both point to the importance of these mechanisms being locally owned. In countries like China and Vietnam, where there unions are governmental and not free, working committees or similar mechanisms can assume similar roles.

As found in previous research, unions tend to focus on pecuniary issues over HSE (Oka, 2015). Auditing is found mainly to have an impact on HSE and work hours in addition to wages (Lindholm & Egels-Zandén, 2014; Barrientos & Smith, 2007). Rather than discarding auditing completely as a method, it is therefore suggested that these can have complimentary roles in improving working conditions for garment workers. Involving unions or workers' representatives in the auditing process might improve the method.

7.2.5. Laws and regulations

The required annual IEH-reports are perceived by all three organizations to be a good incentive for business to engage in CSR. Having to report on what the corporation has actually achieved the foregoing year is understood to be particularly helpful. Stormberg wants IEH to be stricter in their regulations. They all support the proposed Norwegian Ethics Information Law, and both FIVH and IEH were part of the policy development. IEH advocated for the newly implemented Public Procurement Act, and FIVH wants living wage to become part of the legally binding ILO fundamental conventions. Both voluntary regulations and legally binding laws are perceived as positive, but they all call for CSR to become increasingly legalistic in nature. In light of Carroll's

four responsibilities, one could say that they want for CSR to move out of the ethical dimension (desired) and into the legal dimension (required) (Carroll, 1999). IEH states clearly that the voluntariness is a barrier, which echoes the criticism of UNGP as having less of an impact as a soft-law regime (Kenan Institute for Ethics, 2012). Making CSR more legally binding would have significant implications for the very definition of CSR, which historically has revolved around the dimension Dahlsrud calls “voluntariness” (Dahlsrud, 2008). The challenges related to improving working conditions for garment workers is understood to be systemic, and the three organizations appear to look towards multi-stakeholder solutions.

The implications of a systemic approach are politically significant, as it calls for increased institutionalization of CSR, breaking with the neo-liberal free market-ideology. Corporations can, and do, engage in CSR individually, but systemic challenges call for systemic solutions. In the words of Chamberlain: “...[E]very business... is, in effect, “trapped” in the business system that it has helped to create. It is incapable, as an individual unit, of transcending that system... the dream of the socially responsible corporation that, replicated over and over again can transform our society is illusory... Because their aggregate power is not unified, not truly collective, not organized, they [corporations] have no way, even if they wished, of redirecting that power to meet the most pressing needs of society... Such redirection could only occur through the intermediate agency of government rewriting the rules under which all corporations operate” (Chamberlain, 1973, as cited in Frederick, 2002:305).

7.3. Theoretical analysis

In this part, the three organizations’ views and approaches to CSR is analyzed through the lens of instrumental and normative CSR-theory.

7.3.1. Instrumental CSR: Because it is profitable

The questions asked in the interviews were not devised to measure deeper motivations for engaging in CSR in any comprehensive way. The data presented in the findings-chapter do however, reveal how the three organizations view and approach CSR in the garment industry. All three organizations recognize the instrumental perspective. Stormberg makes a business case for CSR by saying it is understood as a prerequisite for profitability, and simply says that “*CSR is profitable*”. This supports previous findings, where CSR is found to correlate with increased profitability (Orlitzky et al.,

2003; Margolis et al., 2009; Friede et al., 2015; Flammer, 2015). By utilizing their CSR platform actively in branding and reputation management, Stormberg clearly draws on the instrumental position, where CSR is understood as a strategic tool for creating a competitive advantage (Gjølberg, 2012; Porter & Kramer, 2006; Ihlen 2011). Stormberg states that their responsibility to safeguard good working conditions and wages from which workers can make a living “*supersedes short term gains*”, it becomes clear that their position is not strict shareholder value theory, as shareholder value theorists would argue that Stormberg holds no responsibility other than to generate profits and obey the law. Stormberg’s position appear to be both instrumental and normative (see below).

IEH points out how clothing companies experience pressure from citizens and consumers who are increasingly becoming “*less tolerant of labour rights scandals*” (JETI, 2017:12). As part of IEH’s five-step model, members are urged to communicate their position and advances in ethical trade, both to spread awareness on ethical trade and for purposes related to reputation management. This can be related to what Browne et al. call the “fourth wave” of consumerism, with consumers becoming increasingly concerned with the moral dimension of consumer choice (Browne et al. 2000). Previous studies reveal that consumers are increasingly favoring products from companies that are perceived to be socially and environmentally responsible (Sen et al., 2016). The pressure that consumers put on corporations calls into question what Porter and Kramer call “license to operate”. That is, a legal and ethical “agreement” between corporations and society, whereby clothing companies are expected to contribute not only by profit-maximization, but also towards solving societal problems (Porter & Kramer, 2006). Increased consumer awareness and pressure creates incentives for corporations to engage in CSR as risk- and reputation management, and market orientation. From this viewpoint, CSR can be seen as corporations’ adaptation to trends in the moral preferences of citizens and consumers (Kurucz et al., 2008).

FIVH recognizes that corporations can be involved in CSR for instrumental purposes, as a tool in reputation management. This becomes particularly evident when arguing that the auditing of factories are mainly a play to the gallery, and that the regime of auditing is “*mainly there to save the faces of clothing companies*”. This could be understood as a critique of CSR that is strictly instrumental, or based on shareholder value theory. FIVH’s strategy revolves around the idea that naming and shaming of the clothing companies can have an impact on their reputation management and legitimacy, so FIVH can be said to not only recognize, but to operate within, the instrumental

category. By seeking to increase customer awareness and power, FIVH is trying to decrease the legitimacy for corporations to engage in “unethical” behavior (Porter & Kramer, 2006).

7.3.2. Normative CSR: Because it is the right thing to do

When Stormberg states that they have to “*take responsibility for our supply chain*” because it is the right thing to do, they express a normative position for CSR, with the implied notion that improving working conditions throughout their supply chain is something they *ought* to do for normative purposes (Ihlen, 2011; Garriga & Melé, 2004; Gjølborg, 2012). This normative position is also echoed in Stormberg’s mission to “*contribute in making the world a better place*”. CSR is understood by Stormberg as win-win; it is the ethically right thing to do, and at the same time profitable. Donating 1% of their profits to various charities can be understood as what Carroll calls the philanthropic dimension of CSR; promoting human welfare or goodwill (Carroll, 1991). The philanthropic CSR initiatives are neither legally required, nor ethically expected by Stormberg, but it is argued that they assist in the economic dimension by generating consumer goodwill that is profitable. It can thus be understood as both normative and instrumental.

IEH could also be understood to operate in the crossroads between instrumental and normative positions. Their expressed purpose to “*promote responsible supply chains so that international trade contributes in safeguarding human- and labor rights*” is clearly normative, but they offer tools and counseling to corporations who might engage (also) for instrumental purposes. IEH is not economically invested in their members excelling in CSR-performance, and so their goals and strategy could be considered mainly normative. Analyzed through the lens of Carroll’s four responsibilities, one can argue that because the purpose of IEH is not to make money or to work with CSR because they are legally obliged to, their work can be understood as ethical and/or philanthropic (Carroll, 1991). The very foundation of IEH was based a wish to change business norms (ethics) and promote human welfare (philanthropic).

FIVH is a non-profit NGO, with values and goals that fall into the category of normative support for CSR (Gjølborg, 2012; Porter & Kramer, 2006; Ihlen 2011). Values like considerations for our fellow human beings, equity for all, and specific goals related to increasing the responsibilities of business, are normative in that they derive from how business *ought* to act. The way their demands are formulated also point to the normative dimension of their work; business should and must alter their behavior because society expects them to, and that it is the right thing to do (Frederick, 2002).

Chapter 8: Conclusion, policy recommendations and future directions

The main research objective for this study was to explore how FIVH, IEH and Stormberg perceive and work concretely with central challenges in improving working conditions for factory workers in the garment industry. Five themes emerged from document analysis and semi-structured interviews: 1) Auditing and transparency, 2) Procurement and due diligence, 3) Wages, 4) Unions and worker-management dialogue, and 5) Laws and regulations. Conclusions and policy recommendations are made for each of the five themes. Because this study explores CSR in a North-South-perspective, the policy recommendations are directed primarily at retailers and not suppliers.

8.1. Auditing and transparency

The regime of social auditing is found to be ineffective, and even counter-productive – creating incentives for factory managements to pass audits by hiding information and silencing workers. Auditing can potentially reinforce skewed power-dynamics between workers and factory managements, as well as between clothing companies and suppliers. It is argued that audits are being used by retailers mainly for branding and legitimacy. Actual improvement after non-compliance is below 15% and primarily related to HSE, and not pecuniary issues and freedom of association. Transparency in terms of open supplier lists is perceived to be a necessary prerequisite for vital monitoring and remediation-mechanisms, but not sufficient for generating lasting improvements in working conditions.

Policy recommendations:

- Auditing should involve unions/workers' committees, to decrease the risk of factory managements hiding information or silencing workers.
- Auditing-interviews with individual workers should be conducted outside of factory-settings, to ensure that workers are willing to speak more freely.
- Retailers should operate with disclosed supplier lists, to ensure monitoring by media and civil society.
- Retailers should know their suppliers' sub-contractors, and offer remediation throughout their supply chains after accidents/incidents.

- Rather than retailers enforcing “open costing”, potentially weakening suppliers’ bargaining position, wage-surveys in collaboration with unions or workers’ committees should be used to measure wage-levels.

8.2. Procurement and due diligence

Major challenges in the global garment industry are that retailers excessively shop around for suppliers, make last minute changes or cancellations, buy small shares of the annual production at factories, operate with short lead times and weak contracts, negotiate hard on price, lack criteria for ethical procurement, and financially penalize suppliers for non-compliance with codes of conduct. These factors make suppliers vulnerable, which in turn affects working conditions for factory workers – particularly through excessive use of overtime, wage theft, and cutting in welfare programs or bonuses. Retailers can ease the pressure on suppliers and workers, and help ensuring improved working conditions, by adopting ethical procurement strategies, and by having adequate due diligence processes including risk management. The field of ethical procurement is still considered to be in an embryonic phase.

Policy recommendations:

- Retailers should consider reducing the amount of suppliers they operate with, and to increase their shares of annual production at factories, to increase their potential for positively influencing working conditions for factory workers.
- Retailers should develop and implement ethical criteria as part of their purchasing strategies.
 - Retailers should operate with long lead times, and ensure a stable forecasting of production cycles.
 - Retailers should operate with long-term contracts with suppliers, and ensure stability in supply chain relations.
 - Retailers should operate with clear order contracts that specify agreed prices and delivery times.
- Retailers should implement due diligence and risk management as part of their supply chain management (preferably anchored in the UNGP and/or OECD-guidelines).

8.3. Wages

Wages are depressingly low in the garment sector, and workers on minimum wages often find the salary insufficient to cover basic needs. 75% of the factories offer starting wages at legal minimum wages, and 20% operate with starting wages below the legal minimum. Compensating for low wages, workers are often led to work overtime, and risk not being properly remunerated. Many workers have weak or no contracts, making remediation and wage-negotiation challenging. Living wages are understood to be a wage that covers basic needs like food, shelter, clothes, education for kids, and health services for the workers partner and two children. IEH and Stormberg argue that living wages are difficult to implement top-down, as it is the suppliers and not the retailers who pay the factory workers. FIVH disagrees, and argues it is a matter of willingness.

Policy recommendations:

- Retailers should make living wage (or similar) part of their purchasing criteria when choosing new suppliers.
- Retailers should conduct wage-surveys, to ensure that workers at least get minimum wages.
- Retailers should develop procurement strategies that minimize negative impacts on workers' wages.
- Retailers should ensure that factory workers have written contracts, specifying wage terms, and make this part of their codes of conduct.
- Retailers should support establishment and institutionalization of cross-sectoral wage-floors.
- Retailers should convince supplier-managements of the benefits with offering decent wages to workers (keeping skilled workers, and reducing worker turnover).

8.4. Unions and worker-management dialogue

Union density is low in many producing countries, and worker-management dialogue is generally perceived to be weak. Union hostility, yellow unions, and internal power-struggles within unions, are found to be central challenges. Whereas audits and living wages are mainly sought implemented top-down, there is an emerging consensus that unions or similar mechanisms will have to play an instrumental role in improving working conditions for factory workers, and that the process ought to be “owned” by the workers (bottom-up). The three organizations suggest focusing on capacity building related to worker-management dialogue, grievance handling, and how to conduct collective bargaining, as well as persuading factory managements to recognize the value in having

unions present at factories. Functioning unions are important prerequisites for improving wage-levels, as unions tend to prioritize pecuniary issues over HSE.

Policy recommendations:

- Retailers should make the presence of unions (or functioning working committees) a requirement when choosing new suppliers.
- Retailers should make democratic unions or working committees part of their codes of conduct.
- Retailers should support initiatives related to strengthening worker-management dialogue and collective bargaining.
- Retailers should persuade suppliers to recognize the benefits of having functioning unions.
- Retailers should make active use of tools like QuizRR, to support capacity building related to rights and responsibilities for workers and management.
- Retailers should ensure that democratically elected workers' representatives are represented in factory management.

8.5. Laws and regulations

The voluntariness of CSR is understood to be a barrier for improving working conditions for factory workers in the garment industry, and it is called for stricter legal regulation. Annual reporting on what companies have actually done, is perceived as a strong incentive for engaging in CSR. Regulations can be voluntary, as with the IEH member-reporting, but is understood to be much more efficient if made legally required. According to the three organizations, Norwegian corporations want more legally binding CSR-requirements. It is suggested that the newly implemented Public Procurement Act and Accounting Act, the proposed Ethics Information Law, and development of similar laws in other European countries, represent a trend of CSR being increasingly codified into hard law. Furthermore, it is argued that a systemic institutionalization and harmonizing of labor laws could increase the impact of CSR.

Policy recommendations:

- CSR should increasingly be codified into hard law, both nationally and internationally.
- The Norwegian parliament should pass the suggested Ethics Information Law.

- The Norwegian Public Procurement Act should change its phrasing from “*can* set suitable requirements” to “*shall* set suitable requirements”.
- Retailers should report annually on what they have done to safeguard human and workers’ rights in their operations the foregoing year.

8.6. Directions for future research

Due to the lack of perspectives from factory workers in this thesis, there is a need for research that explores these issues more bottom-up. Factory workers and supplier-managements might offer valuable insights and nuances, and shed light on what CSR-initiatives that are perceived to work best. Most of the research on CSR is centered around measuring potential profitability (the business case for CSR), studies of what corporations do in terms of CSR (or rather what they say they do), and researching consumer-preferences. Through writing this thesis, it has become apparent that there is a need for research measuring the actual impacts of different CSR-initiatives. There is a need to figure out what types of CSR works best under various conditions, so that one better can distinguish greenwashing from CSR that effectively improves working conditions for factory workers. With CSR being used for reputation management and branding; to what extent is CSR merely a marketing strategy, and what are the characteristics of efficient CSR? Such research could also explore how codifying CSR into hard law affects the impact of CSR. Will legally regulated CSR prove more efficient in improving working conditions throughout global supply chains?

Chapter 9: References

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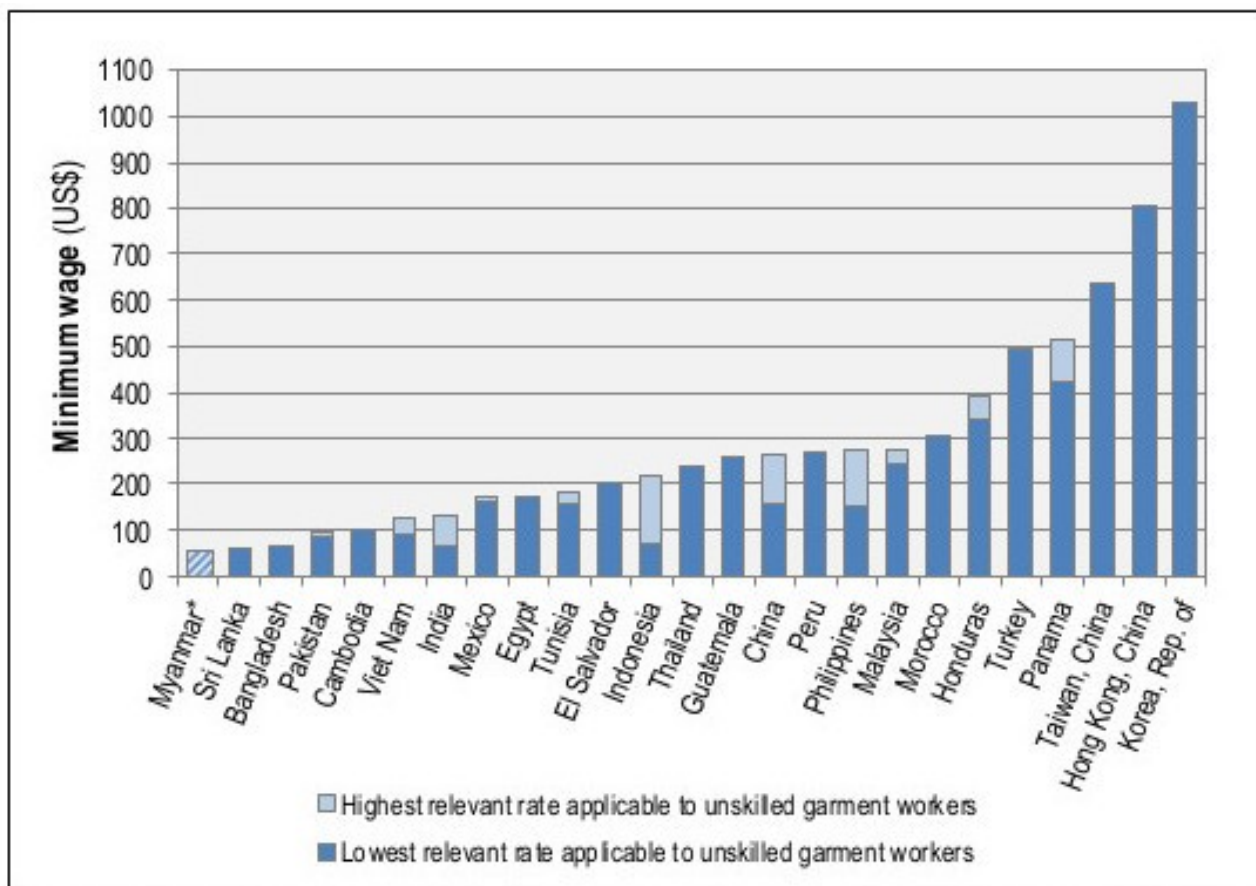
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Chapter 10: Appendices

Appendix 1: Minimum monthly wages in the clothing industry in 2014, selected countries.

(ILO, 2014:17)



* Temporary rate for industrial zones, currently under review. Source: ILO compilation based on national sources. ILO Regional Office for Asia and the Pacific/Regional Economic and Social Analysis Unit, 10 Feb. 2014.

Appendix 2: The United Nations Guiding Principles on Business and Human Rights (UNGPR) (UNGPR, 2011)

The UNGPR is founded on three pillars:

- (a) States' existing obligations to respect, protect and fulfil human rights and fundamental freedoms;
- (b) The role of business enterprises as specialized organs of society performing specialized functions, required to comply with all applicable laws and to respect human rights;
- (c) The need for rights and obligations to be matched to appropriate and effective remedies when breached. (UNGPR, 2011:1).

The UNGPR consists of 31 principles divided into two categories; foundational principles and operational principles. The foundational principles are about avoiding human rights abuse in business activities, and about mitigation of adverse human rights impacts related to business operations throughout the supply chains. The operational principles go deeper into how the state and business should operationalize policies to respect and protect human rights.

Some of the key points are that the state should enforce laws aimed at protecting human rights, provide guidance for business, lead by example by integrating the principles in state operations, engage and assist business in identifying risks and help to prevent and mitigate these.

Some of the key points for business are related to policy commitment that is informed and approved at senior level, ongoing due diligence processes that assess actual and potential risks in dialogue with potentially affected groups, and remediations processes and grievance mechanisms that are legitimate; accessible; predictable; equitable; transparent; and rights-compatible. Businesses should know what is going on in their supply chains, and show it by being transparent and communicate about it (UNGPR, 2011).

Appendix 3: The ILO fundamental conventions

(ILO, 2017)

The ILO has created 190 laws aiming to improve labor standards globally. Eight of these conventions are considered fundamental, and as such considered binding for member-countries by fact of their membership. These eight are:

- 1) Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)**
 - Right to freely organize and democratically elect representatives, and right to freely join federations and confederations.
- 2) Right to Organise and Collective Bargaining Convention, 1949 (No. 98)**
 - Protection against anti-union discrimination, and mechanisms for voluntary negotiation.
- 3) Forced Labour Convention, 1930 (No. 98)**
 - Suppress the use of forced or compulsory labor.
- 4) Abolition of Forced Labour Convention, 1957 (No. 105)**
 - Measures to secure abolition of forced and compulsory labor.
- 5) Minimum Age Convention, 1973 (No. 138)**
 - Obligation to pursue a national policy to abolish child labor, and to raise the minimum age for admission to employment to where one is fully physically and mentally developed.
- 6) Worst Forms of Child Labour Convention, 1999 (No. 182)**
 - Immediate measures to ensure prohibition of worst forms of child labor (slavery, child prostitution, children as drug traffickers, work that is likely to harm health- safety or morals of children).
- 7) Equal Remuneration Convention, 1951 (No. 100)**
 - Equal remuneration without discrimination based on sex.
- 8) Discrimination (Employment and Occupation) Convention, 1958 (No. 111)**
 - Measures to eliminate discrimination made on the basis of race, color, sex, religion, political opinion, national extraction or social origin.

The ILO has further identified four governance conventions that are considered a priority, to encourage members to ratify these despite not being part of the eight fundamental conventions. These four conventions are:

- 1) Labour Inspection Convention, 1947 (No. 81)
- 2) Employment Policy Convention, 1964 (No. 122)
- 3) Labour Inspection (Agriculture) Convention, 1969 (No. 129)
- 4) Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)

The remaining 178 conventions are considered optional to ratify, and cover a wide range of labor rights, workplace participation, equality, job security, and administration.

Specifically mentioned in this thesis, is the Minimum Wage Fixing Convention, 1970 (No.131). It is this convention that FIVH wants to alter into a convention on living wage, and then include this new convention as part of the fundamental conventions. The current C131 states that ILO member countries must undertake to establish a system of minimum wages covering all groups of wage earners, that have the force of law. The needs of workers and their families should be taken into consideration as far as possible and appropriate.

Appendix 4: The OECD Guidelines for Multinational Enterprises

(OECD, 2011)

The OECD Guidelines are non-binding recommendations providing principles and standards for responsible business conduct. The guidelines are supported by a national implementation- and complaint mechanism known as National Contact Points. The contact points promote the guidelines nationally, help business implement the guidelines, and serve as a complaint mechanism. The guidelines are not legally binding, and if the guidelines are broken, mediation is the preferred course of action. If mediation fails, the contact point will make its own recommendation. Companies that breaks the guidelines mainly risk reputational damage. The OECD guidelines cover eight central topics. Below follows a very brief summary:

1) Human Rights

- Avoid adverse human rights impacts, ensure mitigation, due diligence, and remediation.

2) Employment and Industrial Relations

- Respect workers' rights to form trade unions, work actions against child labor and forced labor, ensure equality and anti-discrimination, support development of collective negotiation, support employer-worker-dialogue, and provide best possible wages and working conditions within relevant laws.

3) Environment

- Have systems of measurable environmental management, provide public with information on environment- health- and safety impact, prevent and mitigate environmental damage, develop greener products and technology, and educate workers on environmental health and safety.

4) Combating bribery, Bribe Solicitation and Extortion

- Not offer- promise- or give undue advantages, establish control systems, enhance transparency in anti-corruption activities, promote employee awareness, and not make illegal contributions to candidates for public office or politicians.

5) Consumer Interests

- Ensure products meet standards for health and safety, provide verifiable information to public, dispute resolution and redress mechanisms, respect consumer privacy, and combat deceptive marketing practices.

6) Science and Technology

- Harmonize own activities with national governments science and technology policies, practices that permit transfer of technologies and know-how, and be reasonable with intellectual property rights in ways that contributes to long term sustainable development.

7) Competition

- Comply with law, do not engage in anti-competitive agreements, cooperate with authorities, and promote employee awareness related to law abidance.

8) Taxation

- Contribute to public finances by paying proper taxes, and treat tax governance as important elements of their risk management systems.