Corporate Social Responsibility and Labor Agency:
The Case of Nike in Pakistan

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Abstract

This article examines the circumstances under which CSR initiatives facilitate and/or constrain labor agency in GPNs. Using a case study of Nike’s CSR approach in the football manufacturing industry of Pakistan, we explore how the CSR measures advocated in a new, emerging policy paradigm on CSR in GPNs affect labor agency at Nike’s main football supplier factory in Pakistan. We argue that international companies may undermine labor agency in GPNs through their sourcing policies, but that their CSR policies could have a potential, albeit limited, positive impact on labor agency in GPNs which is significantly shaped by national-level contextual factors.

Keywords: labor agency, global production networks, football manufacturing, Pakistan, corporate social responsibility

JEL classification: F23, J31, J52, J80, L67
1 Introduction

The outsourcing of products and services from developed countries to developing countries and economies in transition is one of the dominant features of the current phase of economic globalization (Wills 2009). On the one hand, the outsourcing of production and services has created millions of jobs in developing countries and economies in transition, substantially raising the incomes of many impoverished workers and their families. On the other hand, outsourcing has also been associated with poor working conditions, industrial accidents, and environmental pollution in export-oriented industries in developing countries where the enforcement of national labor and environmental laws has either been lax or absent (Mayer and Pickles 2011). Since the early 1990s, these developments have led to widespread concerns that an international social and environmental race-to-the-bottom might be occurring. Critical media reports, NGOs, and trade union activism have thus compelled many internationally branded companies to adopt social and environmental guidelines – so-called codes of conduct – and require that their suppliers in developing countries abide by these guidelines (Seidman 2007). In theory, suppliers that complied with these guidelines were to be rewarded with more business while suppliers that did not live up to the requirements stipulated in these guidelines were to be excluded from the global production networks (GPNs) of leading international brands (Locke et al. 2009).

There is now an increasing awareness that the implementation of such guidelines might have positive effects on tangible issues such as the reduction of overtime and the payment of minimum wages at supplier factories. However, they do little or nothing to improve the ability of workers to freely join trade unions and bargain collectively in order to ensure improvements in their working conditions (ETI 2006, Barrientos and Smith 2007). Hence, in recent practitioner-oriented literature, there is now talk of moving towards a new approach to working with corporate social responsibility (CSR)1 in global supply chains that will ensure better social outcomes at the bottom of GPNs in developing countries (Posthuma and Nathan 2010). One suggestions, for instance, is that better coordination between brands’ purchasing and CSR departments may help to avoid a situation in which sourcing personnel demand constant price declines while the CSR staff of the same corporation demand that suppliers increase workers’ wages (Oxfam 2010). Capacity building in the area of human resource management is also seen as a way of improving the interaction between

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1 CSR is here defined as the integration of economic, social, and environmental concerns into the core business practices of companies.
management and workers in developing country suppliers (Locke et al 2009). In addition, training of workers may heighten their awareness of their rights under national labor laws and the brands’ code of conduct. Finally, instead of conducting only one, two, or three-day ‘snapshot’ social audits of developing country factories, brands are now being encouraged to work together with local NGOs and trade unions to ensure that work conditions at production sites are monitored all year round (IDH 2009).

In this article, our main aim is to explore whether this new approach to working with CSR in GPNs will enable or constrain workers’ ability to collectively organise and demand improvements in their work conditions. In other words, under what circumstances do the CSR initiatives of internationally branded companies facilitate or constrain workers’ agency in export-oriented industries in developing countries? The literature on labor agency in GPNs has usually conceived of labor agency as workers acting collectively through trade unions with the aim of defending their rights and improving their conditions of work (Cumbers et al. 2008, Riisgaard 2009, Riisgaard and Hammer 2011, Coe and Jordhus-Lier 2011). As Riisgaard and Hammer (2011) point out, however, the ability to construct associational power is ultimately driven as much by local and national institutional context – often termed the ‘horizontal’ dimension – as it is by GPN structures – the ‘vertical’ dimension. More recently, labor agency in GPNs has also been understood in terms of unorganised workers opting in and out of particular work forms and kinds of employment. In this literature, the focus has been on how the decision-making processes of workers in relation to their choice of work form/occupation has been facilitated or constrained by their embeddedness in local socio-economic contexts (Carswell and De Neve 2013, Lund-Thomsen, 2013). In this article, we contribute to this emerging literature on labor agency in GPNs by investigating the circumstances under which the CSR policies of internationally branded companies, in this case Nike, may facilitate or undermine worker agency at the level of supplier factories. We believe that our article is the first to explore how measures advocated in the new approach to working with CSR in GPNs described above (policy coordination between sourcing and CSR personnel, improved human resource management practices, training of workers, and year-round monitoring of work conditions at supplier sites) affect labor agency in GPNs. In line with recent research, however, we find that worker agency can only ultimately be understood in relation to the local institutional and regulatory context.
We use an experiment carried out by Nike in the football manufacturing industry of Pakistan in 2008/9 as our case study. In this case Nike attempted to coordinate its sourcing and CSR policies, improve human resource management practices by providing workers with productivity incentives, training workers in their rights under Pakistani labor law and the Nike code of conduct, and conducting year-round monitoring of work conditions at its supplier factory in Pakistan. Our main line of argument is that Nike’s policy experiment seems to have been undermined by the eruption of the global financial crisis in 2008 that made it financially unviable for Nike’s supplier factory to fully comply with Nike’s new CSR approach in 2009. At the factory level, worker agency was not facilitated by the integration of Nike’s sourcing and CSR policies, its added productivity incentives or year-round monitoring of work conditions. However, training factory workers in their rights under Pakistani labor law and Nike’s code of conduct appeared to raise their level of awareness to such an extent that they organised strikes and were partly successful in having their demands met.

The article is structured as follows. In the next section, we develop an analytical framework that conceptualises the circumstances under which internationally branded companies facilitate and/or constrain workers’ agency in export-oriented industries in developing countries through the use of the new approach to working with CSR in GPNs. We then briefly introduce the methodology than underpins this study. Our empirical analysis is subsequently divided into two sections. We first introduce the Sialkot cluster and Nike’s role within it before exploring the impacts of CSR imperatives transmitted through the vertical dimension of the production networks on the potential for labor agency. Second, we explore the role of local and national Pakistan-based actors – constituting the horizontal dimension – arguing that the role of these actors is crucial in shaping worker agency and ultimately the effectiveness of Nike’s recent interventions from the worker perspective. Finally, the conclusion outlines the main findings and the policy implications of our analysis.

2 Analytical framework: conceptualising labor agency in global production networks

Our analytical framework seeks to explain how a multinational company’s sourcing and CSR policies may facilitate and/or constrain labor agency at the level of local supplier factories in developing countries. We broadly place ourselves within the GPN approach that conceptualises how goods and services are designed, manufactured, marketed, distributed, consumed, and recycled on a world-wide basis (Coe et al. 2008). The GPN approach is often discussed in relation to two
other strands in the literature on GPNs. In the early 1990s, the term global commodity chains (GCCs) was coined to understand how global production systems were organized (Gereffi 1994). However, as global production was increasingly involving the manufacturing of high-tech products and services, the term commodity was replaced with the idea of global value chains (GVCs) since value addition at each stage of the production chain was crucial to global economic organization. Against the backdrop of the GCC/GVC literatures, the so-called Manchester school of economic geographers developed an alternative conception of GPNs. Whereas the GVC literature mainly focused on inter-firm relations, the GPN approach emphasized that a broader network of actors including nation states, international organizations, trade unions, NGOs, and communities played a crucial role in the organization of GPNs. In addition, whereas GVC literature has tended to look mostly at governance dimension of GPNs (i.e. power in inter-firm relationships), a central project of the GPN approach has been to incorporate the embeddedness of GPNs in particular local socio-economic and socio-cultural environments that play key roles in structuring GPNs from the bottom-up (Henderson et al. 2002, Coe et al. 2008).

In this article, our use of the GPN approach reflects our wish to explore how CSR and labor agency are embedded in wider networks of relationships. These include not only global lead firms and suppliers in developing countries but also other actors such as international and national regulatory authorities, international NGOs, trade unions, and the media. We see these wider networks as playing crucial roles in determining what is produced, where, when, in which quantity, and at what price in GPNs. In addition, we are concerned with how the relationship between CSR and labor in GPNs is embedded in local socio-economic contexts. Hence, both formal (in the form of national laws and implementation agencies) and informal institutions (such as values, norms, and beliefs) are seen as important in structuring the way in which GPNs are governed. This factor also has to be taken into account when analyzing the gains or loses accruing to local firms, contractors, and workers from GPN restructuring, including the kind of restructuring that follows from the implementation of CSR policies in GPNs.

In our analytical framework we also draw a distinction between vertical and horizontal relations in the analysis of GPNs (Neilson and Pritchard 2009, 2010). We follow Riisgaard and Hammer (2011) in arguing that labor agency within GPNs can only be understood in terms of the intersection of these two dimensions. Through their research on the cut flower and banana sectors, they posit that
‘the governance of inter-firm linkages, while crucial in structuring the terrain for labor, is always mediated by the specific social relations of local production and labor control regimes as well as the histories and orientations of the respective actors’ (p.183). They argue that the potential for worker agency is shaped by the intersection of three factors: the overall ‘drivenness’ of the network, whether it is a producer or buyer driven system, and the nature of the local labor control regime.

The vertical dimension of GPN analysis thus has to do with the role that internationally branded firms play in determining the terms of GPN participation for local firms, contractors, and workers. If orders from international buyers are stable, and if buyers supply workers with a range of CSR benefits including bonus incentives, overtime payments, and social insurance, workers are in a better position to bargain for higher wages and demand more benefits associated with their employment in a local supplier factory (Selwyn 2008, Oxfam 2010). However, paradoxically, providing workers with a range of CSR benefits might also be part of the strategies used by international brands to undermine the potential for labor agency in GPNs and instead create a stable, loyal, and productive workforce. Hence, as Selwyn (2009) demonstrated in his analysis of fruiticulture exports in North-East Brazil, many exporting farms introduced a range of real benefits (e.g., subsidised housing and welfare benefits) for workers, with the aim of reducing their links to the relatively militant rural trade unions in the area. This reflects the concern in the CSR literature with securing a business case for CSR through which companies maintain their profitability by incorporating social and environmental concerns into their core business operations (Blowfield and Frynas 2005).

Hence, if curbing labor agency is an intended outcome of brands and their suppliers introducing CSR schemes in GPNs, an unintended consequence of introducing a range of CSR benefits to workers at the bottom of GPNs may be to stimulate worker agency in instances where brands and suppliers fail to deliver on their CSR promises. For example, if buyers do not provide regular orders to their suppliers, this places local producers in a situation where they might not able to run a financially profitable operation during those times when their order books are low (Ruwanpura and Wrigley 2011). In turn, this might trigger the agency of workers as they realize that they are not provided with the promised CSR benefits.
GPNs also play an important role in determining the scope for labor agency to the extent that international buyers operate with stringent CSR requirements. In instances where these buyers demand strict compliance with such requirements, local manufacturers are likely to be under greater pressure to listen to the demands of the workers they employ (Riisgaard and Hammer 2011). Conversely, if local manufacturers are serving international customers that are not concerned about CSR compliance, the scope for workers to have their voices and demands heard is likely to be more constrained. In such instances, workers may have little or no influence in terms of co-determining the conditions under which they labor.

The horizontal dimension, in turn, refers to the local socio-economic and community contexts in which developing country export industries are embedded (Neilson and Pritchard 2010). In a study of aquaculture unionism in Chile, for example, Oseland et al. (2012) argue that worker agency in GPNs is heavily conditioned by national factors, with three domains being scaled heavily at the national level: the organization of labor networks, the regulation of economic and employment affairs, and the sphere of public discourse about work and its regulation. Similarly, as authors such as Brammer et al (2012) and Gond et al (2011) recognize, CSR is also interpreted and ‘translated’ into national contexts where it is embedded in social networks, business associations and political structures. It is within these national contexts that the sourcing and CSR policies of internationally branded buyers play a crucial role in facilitating or undermining labor agency at the ‘bottom’ of GPNs. Accordingly in the horizontal aspect of our analytical framework we identify four factors that are likely to mediate how the sourcing and CSR policies of internationally branded companies affect the scope for workers’ agency in local supplier factories. These are the use of private sector consultants, trade unions, NGOs, and the presence/absence of an independent national media.

First, private sector consultants are often portrayed as requiring high fees for conducting rapid, superficial, and non-participatory audits of supplier factories in developing countries (Auret and Barrientos 2004). As the consultants tend to be paid by either the international brand or local supplier companies, they are seen as primarily being accountable to and serving the interests of these firms instead of workers in GPNs. In addition, their reports are rarely published in the public realm, which means that it is not possible to independently scrutinize the quality of their work and the performance of individual supplier factories (O’Rourke 2006). In other words, the use of private sector consultants may be seen as an attempt at substituting traditional forms of industrial relations,
with labor rights consultants supposedly ‘voicing the concerns of workers’ instead of workers jointly organizing themselves and defending their rights vis-à-vis their employers. On a more positive note, other consultants may employ more participatory methods, have greater knowledge of the contextual setting and the native languages of workers, and conduct both on-site and off-site interviews with workers. These worker interviews may highlight labor rights violations at local factories. At least in theory, using more participatory social auditing methods could also help workers in articulating their concerns in ways that might help them collective organize and influence their employers (Auret and Barrientos 2004).

Second, trade unions have often been highlighted as a key vehicle for strengthening workers agency in GPNs. On the one hand, trade unions provide the means through which workers can articulate their joint interests and engage in collective bargaining vis-à-vis their employers. The rights to freedom of association and collective bargaining are therefore seen as critical in relation to improving workers’ scope for influencing their employers. This is also known as ‘associational power’ (Wright 2000) which arises from the collective organization of workers in trade unions and political parties (Selwyn 2008). On the other hand, levels of unionization are often low in developing countries, potentially limiting their effectiveness as fora through which workers can jointly organize themselves. Trade unions in developing countries have also been criticized for being male-dominated, sometimes corrupt, and representing the interests of their leaders rather than the workers in whose name they speak. In these circumstances, their potential as a vehicle for articulating workers’ demands may be quite limited. However, low levels of associational power do not necessarily translate into low levels of what Wright (2000, p. 962) describes as ‘structural power’, i.e. that which arises out of the strategic position of workers in the production system. Drawing on the work of Wright, Silver (2003) further subdivides structural power into two sub-categories: marketplace bargaining power and workplace bargaining power. The former arises in demand-supply relations, for example in instances where there might be a shortage of skilled labor in particular industries which accordingly increases the bargaining power of workers. Workplace bargaining power has to do with the ability of workers to stop production flows which can have wider spill-over effects on employment relations (see also Selwyn 2008). To this, we may add that labor agency is likely to be enhanced if workers labor in a central production site where they might be in a better position to organise themselves, and undermined if workers are situated in dispersed, subcontracted employment units – for example, small-scale workshops or home-based work.
Third, NGOs are also an important factor that may facilitate and/or constrain worker agency in GPNs. On the one hand, the literature on public-private partnerships has emphasized that NGOs’ may help in terms of providing knowledge, resources, and context sensitivity to the work of corporations whose operations affect the livelihoods of local communities in developing countries. In particular, the ability of NGOs to interact with and organize communities in developing countries may provide an opportunity for corporations to improve their relations with local-level stakeholders (Rein and Stott 2009). In theory, NGOs might thus open a channel through which workers can communicate or articulate their demands in relation to their employers. On the other hand, the literature on public-private partnerships also emphasizes the risk of NGOs getting ‘too close for comfort’ when interacting with corporations. NGOs may lose their independence and legitimacy by working together with corporations as they adopt their values and ways of viewing the world (Baur and Schmitz 2012). In this way, NGOs may become an actor that constrains the agency of workers in export-oriented industries in developing countries.

The final part of our framework deals with the role that local and international media may play in relation to facilitating and/or constraining worker agency in developing country export industries (cf. Oseland et al., 2012). On the one hand, if the local media is independent of government control in developing countries, news reports may play a key role in highlighting the plight of workers that are engaged in struggles with their employers over their work conditions. Bringing such struggles into the public realm may raise the stakes for their employers. Not only do they risk losing their public legitimacy, but they might also face regulatory action from local authorities and/or losing their international customers if they do not heed their workers’ concerns (Tran 2011). On the other hand, if the local media is tightly controlled by government authorities, press freedom non-existent, and critical journalists persecuted, this is likely to constrain workers’ ability to voice their concerns in the public realm. In this way, it may be difficult for workers to form alliances, either domestically or internationally, that might help them in bringing pressure on their employers to rectify their grievances. Hence, local media may be a critical factor in either facilitating and/or constraining worker agency in local supplier firms.

In sum, this paper seeks to make two distinct contributions to the embryonic literature on labor agency in GPNs. First, we seek to evaluate the potential of new modes of CSR transmitted through
the ‘vertical’ dimension of GPNs to facilitate worker agency in developing country suppliers given wider cost and competitive pressures within a context of global economic crisis. Second, while granting worker rights may be an element of such CSR initiatives, their ultimate effectiveness is shaped by the activities of a variety of local and national actors in the production context. Both analytically and empirically, we map out the ‘horizontal’ elements that codetermine the scope for worker agency in combination with wider GPN dynamics.

3 A note on methodology

Our article draws upon a comparative study of the work conditions in the football manufacturing industries of Pakistan, India, and China (see Lund-Thomsen and Nadvi 2010; Lund-Thomsen 2013; Khara and Lund-Thomsen 2011, Lund-Thomsen et al. 2011). This study concentrated on mapping the GPNs linking international football brands, suppliers in the three countries, contractors, and football stitchers engaged in factory, stitching centre, and home-based work. A mapping process was also undertaking of the work conditions of football stitchers engaged in factory, stitching centre, and home-based work across the production locations.

At the time of our fieldwork in late 2009, the Pakistani football manufacturing industry consisted of approximately 390 enterprises, many of which were small and medium-sized firms with 250 employees or less. Only a handful of companies could be considered large with 250 employees or more located at the factory site. The process of football stitching was outsourced to approximately 20,000 football stitchers at the beginning of our fieldwork when the financial crisis had affected the cluster the worst. This number increased to approximately 22,000 stitchers at the end of our fieldwork in November 2009. Out of these stitchers approximately 400-500 were working in Nike’s main supplier factory, Silverstar, while the rest of the stitchers were laboring in village-based stitching centres in the supply chains of other international brands. These village-based stitching centres had been established to facilitate the process of child labor monitoring within the cluster. The centres would usually consist of a centrally located building or demarcated outdoor space which could either be rented by a contractor, owned by the factory or individual stitchers.

Interviews were undertaken with the sourcing and CSR personnel of leading international buyers from the Sialkot cluster including the international and local representatives of brands such as Nike, Adidas, UK-based Mitre, Danish Select Sports, and alternative brands such as Fairdeal Trading.
These interviews focused on the history of the brands’ involvement with the cluster, their perception of the competitive strengths and weaknesses of the cluster, their relationship with individual suppliers, their CSR requirements, and how they monitored the enforcement of these requirements. We then traced their supply chains to Sialkot, interviewing 11 local suppliers, including some suppliers in our sample that supplied footballs to non-branded international buyers in markets in the developing world. These interviews mostly focused on how their business was affected by their buyers’ sourcing and CSR requirements, and how they monitored the presence/absence of child labor in their own stitching supply chains. We then took one further step down the supply network, interviewing eight contractors about how they carried out their work, supplying stitchers with panels and thread to stitch footballs and returning the stitched footballs to the factories in the center of Sialkot. Finally, we undertook 51 individual interviews and 11 focus group interviews with stitchers engaged in factory, centre, and home-based football stitching.

Individual interviews focused on football stitchers basic conditions of work including issues such as salary payments, work hours, occupational health and safety, work intensity, and levels of social protection. Our focus group interviews explored what football stitchers saw as the pros and cons of stitching footballs in factories, stitching centres and/or home-based locations.

The evidence presented in this paper draws primarily on interviews with Nike’s CSR staff in the United States and via telephone, internal Nike policy documents, the CEO and CSR staff of its main supplier factory in Pakistan, Silverstar, the NGO Pakistan Institute of Labor Research and Education, Matrix Sourcing (a sourcing company working for Nike in Pakistan), Just Solutions (an international labor rights consultancy working for Nike), and 14 interviews as well as two focus groups that we carried out with male workers from Nike’s main supplier factory, Silverstar, in 2008 and 2009. In addition to the issues identified above, the individual interviews with Silverstar stitchers also touched upon on workers’ level of awareness of Nike’s CSR requirements, their perceptions of the consultants hired for CSR monitoring, their impression of the training sessions they attending regarding their rights under Pakistani labor law and Nike’s code of conduct, as well as how they collectively organized themselves to have their demands heard from Silverstar’s management.
4 Nike’s football manufacturing operations in Sialkot: the vertical dimension

Our article is certainly not the first to focus on labor issues in the Pakistani football manufacturing industry. A substantial body of work has investigated the role of industry led approaches to eradicating child labor in the Sialkot cluster (Hussein-Khaliq 2004), multi-stakeholder initiatives aimed at combating child labor (Lund-Thomsen and Nadvi 2010, 2012), local manufacturer perceptions of Western CSR policies (A. Khan 2007, F. Khan 2007, Khan and Lund-Thomsen 2011), work conditions in Nike’s football supplier factories (Siegman 2008), and the decision-making processes of unorganized stitchers in regard to opting in and out of particular work forms (Lund-Thomsen 2013). In an earlier article, one of the current authors also argued that Nike’s CSR policies systematically excluded female football stitchers from participation in Nike’s GPN. In fact, Nike’s CSR approach did not take into account how the local socio-economic context affected the participation of females in the football manufacturing workforce. In particular, Nike’s CSR policies did not recognize how factors such as geographical distance, local patriarchal values in the stitcher community, modes of recruitment, and a diversity of livelihood strategies facilitated and/or constrained female stitchers’ possibilities for engaging in factory-based work. In this article, we therefore concentrate on investigating how Nike’s CSR policies affect labor agency amongst the male football stitchers employed at its main football supplier in Pakistan, Silverstar. Our focus is on football stitching as this is the most labor-intensive aspect of the football manufacturing process.

Nike’s involvement in the Sialkot football cluster can be traced back to the mid-1990s where the company began sourcing footballs from a supplier known as Saga Sports. The company’s arrival in the cluster coincided with the emergence of international media reports that children were involved in football stitching in Sialkot’s villages. As a result an international multi-stakeholder initiative, the Atlanta Agreement, was formed including internationally branded manufacturers, the International Labor Organization, the United Nation Fund for Children (UNICEF), Save the Children, and the Sialkot Chamber of Commerce and Industry (Hussein-Khaliq 2004). The Atlanta Agreement introduced a child labor monitoring mechanism in the cluster and several social projects aimed at transferring children from football stitching to school. Saga Sports played a key role in designing the Atlanta Agreement and initiated the switching of home-based stitching to the designated stitching centers described above (A. Khan 2007). However, several years later, in late 2006, Nike announced that it would pull-out from Saga Sports due to labor rights violations occurring at the Saga Sports factory site and the unauthorized outsourcing of football stitching from centres to
home-based locations. In early 2007, Nike re-entered the Sialkot cluster with a new supplier, Silverstar, introducing a new production and CSR model in the cluster (Lund-Thomsen and Nadvi 2010).

Although the new production and CSR model included lean manufacturing principles, Nike’s main requirements were that all workers had to be registered full time employees with aligned social benefits. Their pay should be based on an hourly wage with related performance bonuses. The new model also included worker and management training programs to educate workers on Nike’s code of conduct/core labor standards, their legal rights under Pakistani law, and the importance of human resource management as the best way to maintain worker management dialogue and communication. Compliance with Nike’s production and CSR requirements was to be closely monitored by Nike’s agent in Pakistan – a sourcing company called Matrix Sourcing. CSR audits were also to be occasionally carried out by other third-party monitors. Training of workers was undertaken by the Pakistan Institute of Labor Education and Research – a well reputed NGO based in Karachi – in cooperation with the UK-based labor rights consultancy company, Just Solutions. In this way, Nike’s sourcing and CSR policies in relation to Silverstar sought to facilitate the agency of male factory-based workers in this factory.

At the time of our fieldwork in 2009, the male stitchers in Silverstar were all in their 20s or 30s, locals from Punjab province, engaged in full-time stitching eight hours a day (9-5), and the main bread earners of their families. The monthly salaries levels (PKR 7540; US$263) and the working hours (nine hours a day) of the factory-based, Silverstar stitchers included in our sample tended to be slightly higher and longer than those of the centre (PKR 5460; US$191) and home-based stitchers (US$2275; US$191) we interviewed. All of the stitchers were hired after mid-2007 when Silverstar began producing footballs for Nike. The workers had either completed primary or secondary education, allowing them to understand Nike’s production and CSR requirements, and were capable of keeping up with Nike’s production requirements of having to stitch at least four match balls a day. The work was physically demanding, with each ball sometimes requiring more than 800 individual stitches. Sometimes the football stitchers would also suffer from work-related injuries such as needle pricks, deformed fingers, and backache from long hours of stitching in the same position (Lund-Thomsen 2013). However, the value of their earnings (US$263 a month), while above the minimum wage and the highest offered in the industry, could hardly cover even the
most basic amenities required to sustain a family. For example, an estimate of the NGO, the International Labor Rights Forum, indicated that a football stitcher heading a family of five would need PKR 12,000 a month to sustain that family if food, education, electricity/gas, medical, housing, and miscellaneous expenditures were to be covered (ILRF 2010). Nevertheless, the workers were supposed to be covered by social insurance (old age pension, medical insurance, and a one-off compensation in case they were laid-off).

In our analytical framework, we argued that vertical relations within the production network might be used as a driver for enhancing worker agency. Importantly, the ability of international brands to supply stable order volumes may facilitate the ability of workers to extract higher wages and fringe benefits from their employers. Conversely, if international brands could not provide regular orders to their supplier in the developing world, this may have constrained their ability to negotiate with their employers for improvements in their work conditions. The latter process turned out to be the most important in our case study.

At the time of the research in 2009, the global financial crisis had recently erupted and was affecting the global football manufacturing industry. In practice, Nike was not able to place the order volumes that the factory owner had initially expected (around 300,000 footballs a month). Instead production levels were down to 60-70,000 balls in June/July 2009. As the volume of orders was low, the factory was ‘bleeding’; i.e. not able to make any profits. This placed considerable pressure on Silverstar’s owner to reduce the factory’s running costs. One way to reduce costs was by laying-off 500-700 workers. According to the local sourcing company, Matrix Sourcing, workers were being paid the full gratuity that Silverstar was required to offer under Pakistan’s labor laws. However, some of the our individual worker and focus group interviews indicated that laid-off workers were not paid their compensation in full;

“Some people have been fired. Some have got their full payment, gratuity etc. Some are not paid in full.” (Interview with Silverstar Worker)

The reduced amount of work also had other consequences for the implementation of Nike’s production and CSR model in Silverstar. Some of the fringe benefits associated with stitching footballs were not paid in full either. This was the case with the stitchers’ lunch money, for
example, where football stitchers were supposed to be paid PKR 21 daily that would allow them to buy their food at the Silverstar canteen.

“Then we used to get 21 Rs for the meals but now they have reduced that amount to 10 Rs.... They say our factory is in crisis situation so you wouldn’t get the whole amount unless the factory’s situation gets better.” (Interview with Silverstar stitcher)

The financial crisis also affected Nike’s production model in other ways. For example, workers who were stitching more than the required four balls a day were no longer receiving any bonus payments. One of the male Silverstar stitchers expressed how this happened;

“Around 30-40% of the people are facing this problem. These are the people who stitch five balls daily and every month they get 500-1000 Rs less salary somehow. When we go to them regarding their calculation, they ask us how many days have you worked for? This much. So they just complicate it and confuse us. The issue is that many people are not educated here so we facing a lot of problems due to that. Whatever we are getting, we are thankful to Nike that apart from being the most renowned brand of the world, it asks for the quality work and also tries to give many facilities to workers. But unfortunately these facilities don’t reach us.” (Interview with Silverstar stitcher)

In summarizing this section on vertical relations, we can state that Nike’s sourcing policy of reducing orders to Silverstar in mid-2009 had the effect of reducing workers’ wages, fringe benefits, and gratuity payments. In order words, it appeared as if Nike’s sourcing policy constrained the ability of Silverstar’s male workers to extract higher wages and fringe benefits from their employer. This raises the question of the extent to which Nike’ CSR policy might have facilitated the ability of Silverstar’s workers to engage in labor agency within this wider macro-economic context. We explore this question in the next section that investigates how Nike’s sourcing and CSR policies interacted with the local context of work and employment in Sialkot – the horizontal dimension – in creating particular labor agency outcomes.

5 Constrained agency? Horizontal relations in Sialkot, Pakistan

In this section, we use the horizontal element of our analytical framework to explore how private sector consultants, trade union activities, NGOs, and national media in Pakistan facilitated and/or constrained labor agency at the Silverstar factory. We start out by looking at the role played by the
private sector consultants hired by Nike to monitor the implementation of its production and CSR requirements.

5.1 Private Sector Consultants
Our analytical framework highlighted that private sector consultants might play a role in constraining labor agency in circumstances where they were paid to conduct rapid and superficial audits whose results remained unpublished. At the same time, this negative assessment saw such consultants as primarily being accountable to the multinational companies that hire them and not shop-floor workers. However, if private sector consultants were to employ more participatory, worker-centered methods to auditing, these might embody the potential for serving as a channel for raising workers’ concerns with their employers and end customers.

At the time of our fieldwork in Sialkot in mid-2009, a local sourcing company, Matrix Sourcing, was functioning as Nike’s ‘eyes and ears’ on the ground in Pakistan (and Sialkot where Matrix had opened an office). However, the frequent presence of the Matrix production and CSR monitoring staff in the Silverstar factory did not appear to make any difference to the workers’ ability to voice their concerns. As one male stitcher stated,

“…we have this Matrix team … they assured us in the beginning that if you have any problem, related to work, or related to your payments, you should come to us and complain. We go to them but they are not that helpful either, they just listen to us nicely but give no results.”

The Silverstar football stitchers also mentioned that other CSR compliance monitoring teams (i.e. not Matrix Sourcing) would sometimes visit the factory. Usually, these consultants would spend time with the factory management of Silverstar before being taken on a tour of the factory accompanied by its management. They would rarely, if ever, directly attempt to speak to the workers. Hence, it appeared as if the visits of these monitors made little, if any, difference to the workers’ ability to communicate their concerns related to their work conditions.

“Interviewer: What difference does it [the monitor’s visit] make to your work conditions?
Silverstar Stitcher: It does not make any difference to us. We work as a routine. They visit, they watch, and they leave.”
In a similar way, some of the Silverstar stitchers indicated that the visits of these monitors might be helpful if the monitors were to speak directly to the workers. However, in practice, this did not happen and monitors tended to speak only to the Silverstar management as the two quotes from different workers illustrate below:

“*They don’t really let us access them……No one has asked us whether we have any difficulties or trouble….. they just visit briefly. They could, for example, ask the factory management to let them speak to a couple of workers.*” (Interview with Silverstar stitcher)

“I have seen that whenever the foreigners come for inspection, there are so many people of haji sahib [i.e. the owner] designated all around the team that no one dares to talk to them. If these problems could be communicated to them, workers would be in better position. They will know then that the factory is taking all the facilities from us but not passing it on to the workers.” (Interview with Silverstar Stitcher)

In other words, it appears as if the CSR monitoring and audits conducted by private sector consultants in the Silverstar factory did not facilitate the ability of Silverstar’s workers to exercise labor agency in Nike’s GPN. In fact, as described in the section on ‘vertical’ relations, some of the male Silverstar workers praised Nike’s for its progressive policies towards workers. However, as the workers had no direct line of communication with Nike, they could not formally voice their concerns to the US brand.

5.2 Trade Unions

Another factor that might facilitate labor agency in Nike’s GPN could be the existence of a local trade union in Silverstar that could help workers to organize collectively and negotiate their demands *vis-à-vis* the Silverstar management. However, our analytical framework also emphasized that levels of unionization amongst factory-based workers are often very low in developing countries, trade union officials may in reality represent their own or their employers’ interest, and are sometimes also corrupt, thus limiting the potential for labor agency in such factories.

The management of Silverstar was against the idea of introducing a trade union in the factory. Instead the NGO PILER proposed to utilize the institution of ‘shop stewards’ and the mechanism of a Joint Works Council under the Industrial Relations Ordinance 2002 (operative in 2008) which was
accepted by the Silverstar management. Shop stewards were to act as a link between labor and management and to coordinate their interaction but did not have the right to engage in collective bargaining under the Industrial Relations Ordinance. The elections of shop stewards (two from each department) were held through secret balloting and the workers participated and elected about 25-27 shop stewards. These shop steward elections were organized by PILER and Just Solutions. Our worker interviews indicated that the elections were held in a transparent way. As one of the male Silverstar stitchers put it;

*Interviewer: What do you say about that [elections being held]?*

*ML: I think positively about that. Elections must be held. In every firm or factory the labor workers must have a representative.....they [the elections] were fair. The representatives were elected on the basis of votes. There was no issue with the elections.”* (Interview with Silverstar stitcher)

However, similar to the role that private consultants played in the factory, our worker interviews indicated that the presence of the elected shop stewards made little or no difference in relation to workers voicing their concerns *vis-à-vis* management or Nike for that matter. As another stitcher explained;

“*Yes, there were elections and members were elected. But the members are poor and weak like us. When they are offered some money, they just become inactive and keep their mouths shut. Otherwise, we are well aware of how influential members can really be in an issue like this.*”

As the elected workers came from poor backgrounds, it appeared to be relatively easy for the management to dissuade them from taking any action. In fact, management pressure appeared to be an additional factor explaining why the shop stewards did not play any significant role in advocating workers’ rights *vis-à-vis* the Silverstar management. One of the Silverstar stitchers explained;

“*Because if these representatives speak in favour of the company, the owner of the factory is happy. And if these representatives talk in favour of the workers and labor, the owner of the factory is unhappy. What would they [the factory management] say? These people are not really good. These people create disturbance. This is what they do. They incite fellow workers. Right? They will say these things and as a result the factory owner will threaten these people.*”
Hence, it would appear as if neither Nike hiring private sector consultants to monitor work conditions in Silverstar nor the election of shop stewards amongst Silverstar’s stitchers had a positive impact on what Wright (2000) calls the associational power of workers. This raises the question of whether involving local NGOs in training workers in their rights under Pakistani labor law and Nike’s code of conduct might be more successful in facilitating labor agency amongst Silverstar’s stitchers.

5.3 Non-Governmental Organizations

As argued in our analytical framework, local NGOs may facilitate labor agency at local supplier factories by bringing knowledge, resource, and context sensitivity to the work of corporations whose operations impact on workers and local communities in developing countries. This could occur, for example, through opening a channel of communication between the workers and their end customer, the internationally branded company. However, NGOs may also be co-opted into the worldviews of corporate managers, losing their critical approach and independence in instances where they come to rely on financial contributions from multinational companies to undertake their work. In this case, Nike’s new CSR approach included a component that involved PILER providing training to Silverstar’s workers about their rights under Pakistani labor law and Nike’s code of conduct. Some Silverstar stitchers were quite critical of the training provided by PILER, indicating that the PILER staff and the Silverstar management appeared to be too close for comfort.

“The PILER people come here. We have meetings with them but they are just for the name sake. If we tell any problem in those meetings, 70% of the time, they take the owners side....Although they claim that we are here to tell you about your rights and how can you get those but on the other hand, if we raise our voice, they just speak the owner’s language and don’t listen to us.”

However, while some workers indicated that they were skeptical of the PILER staff, most of our worker interviews indicated a very high level of awareness of the exact salary levels and fringe benefits that workers were supposed to obtain as part of their employment at the factory. Crucially, some workers indicated that they had achieved this awareness through PILER’s training. Now they were able to calculate their exact wage and identify whether they had been paid the right amount or not. One of the workers explained how this worked in practice;

“You see this is my salary slip. The detail that appears here, you see. I stitched 87 footballs in about 20.5 working days. This is because they gave us leave during Fridays, Saturdays and
Sundays due to shortage of work. We were scheduled to work for 18 days. So having worked for 18 days and completing the week 23 working days out of which I took leave for two days. This way I worked for 20.5 days, as one day I did not feel well and so I came home after 12 [and worked for half a day]. They show here that they have paid me for that day. They show there that I have received Rs. 6760. [However,] this was not the amount I was paid.”

While none of the Matrix Sourcing team, the shop stewards and PILER appeared to be directly helpful in channeling the workers’ demands vis-à-vis the Silverstar management, this increased level of awareness of their rights and responsibilities appeared to facilitate joint action amongst the workers. With all other communication channels blocked in the workers’ perception, they began to organize spontaneous strikes when their wages and fringe benefits were either not paid in full or not paid on time. The leaders of these strikes turned out to be some of the more well-educated workers that were willing to stand up to the Silverstar management and were less afraid of losing their jobs.

In practice, these strikes would involve several workers. For example, in one instance, one of the workers explained how 70-80 workers had filed separate complaints about the manager that was in charge of salary calculations, some of them demanding that he be removed from this position. In another instance, some of the workers explained how they jointly engaged a strike when they discovered that their salaries had not been calculated correctly.

“They had told us that they would pay us, as you know that they used to pay us Rs. 20 for roti (bread for lunch), but then they reduced it to Rs. 10 and at the same time they had told us that they would pay us Rs. 5 as extra bonus with each football.

When the month ended on the 7th [July 2009], they did not pay anyone Rs. 5 bonus. So, the annual bonus of Rs. 500 was not paid. That means that they deducted the money from our wages but never paid it back. And the stitchers had expected it. Even though the stitchers are illiterate but they can calculate that they have stitched such and such number of footballs and so they must be paid the fitting amount.

When they calculated with the number of footballs they had stitched they realized that they were not paid in full. So, they all gathered together and thus this strike continued till the 12th. They were told
that they would be paid from the 12th day of the month. And the stitchers warned them that only if their wages would be from the 12th of the month, they would continue their work.”

Several of the interviews we conducted with the Silverstar stitchers indicated that these strikes were an effective way of having their demands met. As one of the workers stated, “...they only accept our demands when they are left with no choice. Had one or two persons approached then, you see the usual pattern is that if a couple of us approach them about something, as he [the owner] tells us that we should be at the most two people approaching him and discuss the matter with him.... But if around 1000 workers gather together about a matter then he realizes how serious the matter is.”

Hence, compared to the time when Nike’s footballs were stitched in the decentralized stitching centres of Saga Sports in the villages around Sialkot, making it very difficult to organize workers, it appeared as if strikes were now a frequent phenomenon at the Silverstar factory. In other words, it seems that the centralization of football stitching and the training of workers in their rights and duties played a vital role in facilitating labor agency at the Silverstar factory.

5.4 National Media
The final part of our analytical framework pointed to the potential of national media in facilitating labor agency at the suppliers of internationally branded companies in developing countries. By highlighting the plight of workers in the public sphere, national media may pressurize local factories to respond positively to workers’ demands. However, if freedom of press is lacking, and journalists persecuted by national authorities, this might act as constraint on labor agency at the suppliers of internationally branded companies. The national media in Pakistan has traditionally been controlled by the ruling government whether this was a civilian or a military government. However, President Musharraf, the former military ruler, decided to liberalize the media laws of Pakistan in 2004. This led to a mushrooming of private television channels out of which the GEO news channel is perhaps the most prominent. One of the workers explained how GEO had played an important role for the workers in terms of having their demands met during one of the strikes. “There were about 250 to 300 employees protesting. Then someone phoned people from Geo (the media channel) as well. Actually the problem was not being resolved. Everyone was getting like Rs.1,000, Rs.1,500 or Rs.1,800 as salary but they issued only Rs.200, Rs.250 or at maximum around
Rs.500 or Rs.700 to the same people. They kept everyone like that. Although, some people were
given salary after 5:00pm but if was too late. So, the workers went on strike the very next day. [the
Geo people ] phoned the owner of the factory and told him that they got a call from a worker and
that they are coming to cover the news. The owner told them that the issue was resolved and there
was no need for them to come now.” (Interview with Silverstar Stitcher)

Our interviews indicated that the issue was indeed solved. As another worker put it:
“Now you see recently there was a strike, the GEO {TV channel} representatives reached the
factory gate. But they were held outside the gate and were not allowed inside. Meanwhile the strike
had come to an end. By 12 o clock they had accepted our demands and the strike had come to an
end.” (Interview with Silverstar Stitcher)

In other words, when workers were aware of their rights under national labor laws and a
multinational company’s code of conduct, and when they were able to gather together in a central
production site, a free national media may enforce the structural power of workers, or more
specifically the workplace organizing power to stop production, as publicizing worker unrest
through the national media may cause embarrassment for local factories and challenges in relation
to their international buyers. This may have implications for the ways in which international brands,
NGOs, and trade unions seek to empower workers in GPNs. This is an issue that we touch upon in
the conclusion below.

6 Conclusion: CSR alone is not enough
In this article, we set out to investigate the circumstances in which the CSR policies of
internationally branded companies facilitated or undermined workers’ agency in export-oriented
industries in developing countries. Using the case of Nike’s production and CSR model in the
Pakistani football manufacturing industry, our analysis has demonstrated that most of the
company’s production and CSR requirements tended to have a limited impact on facilitating worker
agency. In theory, Nike had attempted to coordinate its production and CSR policies by paying a
premium price for the footballs it sourced, which would – at least partly – cover its suppliers’ added
costs of abiding with Nike’s code of conduct. However, as Nike was not able to place the envisaged
orders, its supplier factory, Silverstar, had to reduce its costs in order to stay afloat. This meant that
many of the salary payments including added bonus incentives were not paid in full to the factory’s
football stitchers in 2009. This severely restrained the scope that workers had for reworking the system in ways that allowed them to extract extra benefits from their participation in Nike’s GPN.

At the same time, Nike’s use of private sector consultants, the election of shop stewards, and training of workers in their rights under Pakistani labor law and Nike’s code of conduct had differential outcomes. Nike’s use of private sector consultants appeared to block any possibilities of the workers directly communicating their concerns to Nike. The election of shop stewards had little effect on the ability of workers to collectively organise themselves and defend their rights vis-à-vis management. Most of these representatives were elected on the basis of friendship/kinship with workers from particular areas/villages in and around Sialkot. They tended to be quite weak and poor, and without the clout to challenge the management on non-compliance with Nike’s code of conduct. However, the training of workers in their rights under Pakistani labor law and Nike’s code of conduct appeared to raise the awareness of workers in such a way that they spontaneously began to organize strikes when their wages were not paid in full. And the publicizing of such strikes in local media had the potential to help facilitate labor agency in GPNs.

With respect to our theoretical framework, we have highlighted the structural limitations that internationally branded companies face in relation to facilitating labor agency in export-oriented industries. As they are not directly responsible for managing the most intensive labor aspects of production, they not only outsource the financial risks associated with production to their suppliers but also the labor management function which means that workers – instead of turning to Nike for proper payments of their wages – are left to bargain with a supplier firm that receives a relatively small share of the valued added in the GPN for football manufacturing. However, to the extent that internationally branded companies may facilitate labor agency vis-à-vis their own suppliers, it appears that training workers’ in their rights is an efficient way of incentivizing them to collectively organize and extract benefits from supplier firms in the GPNs of internationally branded companies. As such, the various kinds of place-based actors that constitute the horizontal dimension of GPNs become critical to facilitating worker agency.
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