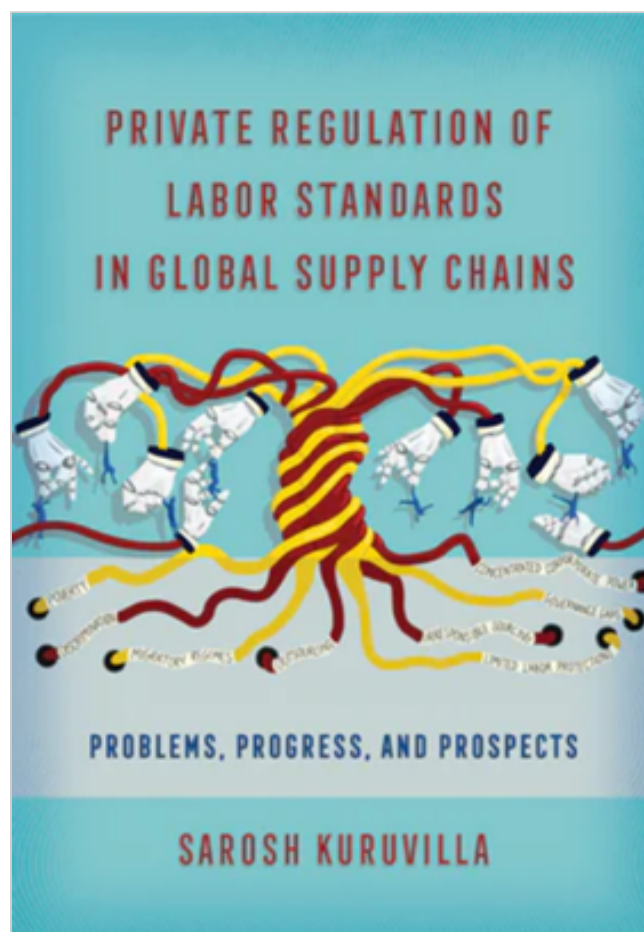


## Why do labor standards in global supply chains fail to improve?

In 2013, the collapse of the Rana Plaza garment factory in Bangladesh's Dhaka District killed 1,134 workers. As global outcry over the incident condemned the harsh conditions faced by Bangladeshi workers, corporations began to reevaluate the private regulation of labor standards in their supply chains. In 2015, a segment of the comedy TV show *Last Week Tonight with John Oliver* exposed deficiencies in this type of regulation, eventually motivating Sarosh Kuruvilla's new book, *Private Regulation of Labor Standards in Global Supply Chains: Problems, Progress, and Prospects*. In the book, Kuruvilla examines questions such as the following: How is private regulation of labor standards carried out? How effective is it? What can be done to improve labor conditions for workers in global supply chains? Using new quantitative and qualitative data, the author offers a thoughtful analysis of private regulation systems and presents a path forward for these systems.

Kuruvilla's book takes the reader through every aspect of private regulation of labor standards. It starts by explaining how a private regulation system is implemented. Global buyers, who source their goods from privately owned suppliers, establish codes of conduct for labor standards that suppliers must implement. These codes of conduct cover areas such as wages, worker health and safety, and collective bargaining rights. The global buyers then perform audits to ensure that their suppliers adhere to the set rules. Suppliers often provide goods to multiple global buyers and thus must follow multiple codes of conduct. The main incentive for compliance with these codes is the threat that a global buyer would stop sourcing goods from a supplier if that supplier has many code violations. In addition, by incorporating themselves as benefit corporations or by seeking certifications as B Corps, global buyers attempt to show to the public that strict enforcement of labor standards is important to them. Kuruvilla tests and challenges



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certain assumptions of private regulation. Among these are the belief that the existing system of incentives will compel suppliers to comply with the codes of conduct imposed on them, and the belief that such compliance will improve labor outcomes.

Instead of revolving around one central argument, the book exposes various deficiencies of private regulation systems. The theory of behavioral invisibility, which posits that global buyers are not able to accurately measure supplier compliance, points to one such deficiency. Using data from a trusted company, Kuruvilla shows that audits of suppliers are often unreliable or falsified, finding that audits in certain countries are unreliable over 50 percent of the time. In one of the most compelling sections of the book, readers are presented with an analysis of the audit consulting industry in China. That case involves instances of audit coaches working with supplier factories to help them pass audits, even when working conditions at those factories do not meet established codes of conduct.

Kuruvilla also discusses the theories of practice multiplicity and causal complexity, which point to another problem with private regulation of labor standards—the ambiguity that exists in determining how to achieve effective labor outcomes. Because suppliers must adhere to different codes of conduct and because laws and cultures differ across countries (practice multiplicity), a cause-and-effect relationship that could inform a strategy for improving working conditions is difficult to determine (causal complexity). This section of the book also analyzes the variables that purportedly lead to greater supplier compliance with codes of conduct. This analysis finds that variables expected to increase compliance, such as audit scores and length of buyer–supplier relationships, do not predict how well a supplier complies with established rules. I think this finding is intriguing and partly explains why problems with labor standards persist and are not easily remedied.

To provide insight into how labor standards have changed over time, Kuruvilla examines developments in wages, freedom of association (FOA), and collective bargaining (CB). In most codes of conduct, global buyers require that suppliers pay their workers a livable wage. However, after observing considerable variation in wages (by country and industry) and in the way the term livable wage is defined, the author concludes that while wages in each country have risen over time and are consistently higher than the minimum wage, they fall short of what is considered a livable wage. This conclusion left me wondering whether the goal of a livable wage is achievable given the various ways in which the concept can be defined. Kuruvilla's analysis of FOA and CB is more persuasive. The author asserts that FOA and CB are some of the most effective vehicles through which labor standards can be improved, but he finds that global buyers continue to source goods from suppliers in countries that do not support such vehicles. Additionally, the audits of global buyers fail to effectively seek out FOA and CB violations, preventing improvements to labor practices.

Kuruvilla suggests that one way to improve labor outcomes is to give more resources to global buyers' compliance departments, which tend to be underfunded. These departments also face the problem of being kept separate from sourcing departments and of having little influence on sourcing decisions. Kuruvilla proposes that, by integrating these organizational structures, global buyers can better align their sourcing and compliance practices. The author also suggests a range of other approaches for improving outcomes, including the creation of predictive models for compliance (a data-driven approach), increased process transparency (necessitated by behavioral invisibility, practice multiplicity, and causal complexity), and large structural changes. In my view, it has become apparent that it will take more than the work of individual actors to achieve better labor outcomes, and the entire industry will

have to shift its current practices. I am skeptical that these changes are possible, especially without proper incentives for global buyers.

*Private Regulation of Labor Standards in Global Supply Chains* is an important read that reveals the need for change in private regulation of labor standards. The data used by Kuruvilla draw a sobering picture of just how deep these problems go, and how little has been done to remedy them. However, the insightful analysis provided in the book shows that private regulation systems can be improved. The book is well written and will appeal to audiences ranging from policymakers to inquisitive laypeople. After reading it, readers may consider their own purchasing practices and whether they should pay more attention to the origins of their goods. Hopefully, Kuruvilla's book will motivate further research into private regulation of labor standards in global supply chains, as there is still much to be added to this topic.