



Upholding labour standards through corporate social responsibility policies in China

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Abstract

The use of corporate social responsibility (CSR) concepts and practices including voluntary codes of conduct in China has grown considerably over the past decade, providing an opportunity to examine the dynamics and impacts of codes of conduct in stemming labour abuses. This article uses an in-depth case study of the implementation of codes of conduct at a Chinese supplier factory for Reebok, a leading brand in the global athletic footwear industry, to explore how and why codes of conduct, as a privatised form of global labour regulation, are effective in some respects but also ineffective in other respects in terms of improving labour standards in the global production system. This article sheds light on the influences of a variety of related factors that are embedded in overlapping international, industrial, national and local contexts to contribute to a more comprehensive understanding of the effectiveness of codes of conduct at curbing labour abuses.

Keywords

Case study, codes of conduct, corporate social responsibility, supply chain, workers' right

Since the early 1990s, a global anti-sweatshop movement has emerged attempting to pressure corporations to take 'voluntary' social responsibility to combat sweatshop conditions and labour abuses in the global production system. In response to this new crisis of profitability, corporations have embraced corporate social responsibility (CSR) policies to regulate labour practices in their overseas subsidiaries and supplier plants. The most prominent component of the CSR movement is the development and implementation of corporate codes of conduct, which consist of a list of labour standards that corporations are committed to promote in their global production chains.

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China has become the world's factory for many labour-intensive industries over the past several decades because of its unbeatable comparative advantage in a readily available supply of cheap labour. Nevertheless, the 'Made in China' label has increasingly been synonymous with sweatshop working conditions and labour abuses. Since China joined the *World Trade Organization* (WTO) in 2001, the country's labour practices have been more closely monitored by international governing bodies and the Chinese government has become more intent on using CSR initiatives to address labour standards issues. This trend was clearly illustrated in 2005 at the United Nations (UN) Global Compact Summit held in Shanghai. Thereafter, the Chinese government and government-organised non-governmental organisation (NGOs), such as the China Enterprise Confederation and the All-China Federation of Industry and Commerce, began making considerable efforts to urge Chinese enterprises to adhere to the UN Global Compact. As of 24 June 2014, 203 Chinese companies and 80 non-business stakeholder organisations were listed as UN Global Compact participants (The United Nations Global Compact [UNGC], 2014). In addition to the proliferation of 'imported' CSR standards, domestic players, both industrial associations and governmental agencies, played active roles in creating 'Made in China' CSR standards and codes of conduct. For example, the China Social Compliance 9000 standards (CSC9000T), the first industry-wide codes of conduct for the textile and apparel industry that specifically addressed labour issues in China's garment and textile sectors, were introduced in 2005 by the China National Textile and Apparel Council, which is a quasi-governmental industrial association. Moreover, in the following years, more CSR guidelines and programmes were initiated by Chinese central and local governments to foster the engagement of Chinese enterprises in CSR initiatives, especially in the state-owned sector and among publicly listed, export-oriented companies.¹

This article examines whether and how labour standards in China's export-oriented industry have been upheld as a result of the implementation of multinational's CSR policies. Through an in-depth case study of the impact of CSR practices of Reebok at one of its major footwear-supplier factories located in Fuzhou city, Fujian Province of China, the author found CSR policies have worked effectively as a tool for ending sweatshop abuse if sweatshops are defined as extremely exploitative labour practices violating Chinese labour law and regulations and the moral norms of concerned consumers in key markets in developed countries. However, in exchange for the minimum labour standards (on which they had nearly no voice and agency), Chinese workers were forced by an authoritarian and arbitrary management to work harder and faster but to earn less pay, pay that was no longer sufficient to meet the basic needs of the workers themselves and their dependants. Moreover, although an employee-elected trade union was installed at Fortune Sports (FS) as required by Reebok, the union brought limited hope for workplace democratisation and failed to enhance the workers' bargaining power in demanding better working conditions and pay.

The impact of codes of conduct on labour standards: Current debates

The use of corporate codes of conduct as a new tool to regulate labour practices in global production systems has provoked considerable discussion among observers and

practitioners in academia, business and the government. Common concerns that are hotly debated include the effectiveness of codes in combating sweatshop factory conditions and upholding labour standards. The literature on this topic falls into two categories: (1) descriptive assessments of codes' effectiveness and (2) explanatory analyses of why and how codes are effective or ineffective at improving labour standards.

Descriptive assessment of codes' effectiveness

Generally, in assessing the effectiveness of codes, arguments centre on several crucial issues.

1. Coverage of issues

Existing studies show that companies are generally quite selective in determining the scope of labour issues covered by their codes. According to the *International Labour Organization's* (ILO) review of 215 labour standards codes that address a wide range of labour issues, particular problems receive different emphasis: 66% of the codes address workplace discrimination; 45%, the elimination of child labour; 40%, wage levels; 25%, prevention of forced labour; and 15%, freedom of association and collective bargaining (Diller, 1999). Unfortunately, there is a general tendency to design codes around issues that matter to wealthy consumers and well-intended stakeholders in developed countries, rather than around issues that concern workers in developing countries (Seidman, 2008: 1001). Despite the positive effects of codes on curbing the most inhumane violations of workers' rights, codes have not provided solutions to all labour problems that arise from the process of neoliberal globalisation and especially not to issues that jeopardise corporations' profitability (e.g. providing a 'living wage', ensuring workers' rights to freedom of association and collective bargaining).

2. Scope of application

The number of workers that corporate codes and their monitoring systems actually affect is another area of debate. Sceptics argue that codes primarily influence 'enclaves' in the global economy, rather than universally affecting workers (Pearson and Seyfang, 2001). Corporate codes often focus on labour practices among first-tier suppliers and large-scale factories, but rarely reach informal-sector or home-based workers (Pearson and Seyfang, 2001). Additionally, codes are not designed to reach many other types of markets that lack ethically inclined consumers including business-to-business commodities and production for domestic consumption in developing countries (O'Rourke, 2003).

3. Implementation challenges

Currently, monitoring or compliance audits are the main mechanisms employed by companies to implement their codes within their supply chains. However, both internal and external monitoring mechanisms have been criticised to varying degrees by

labour activists and other stakeholder groups for various limitations in assuring the effective implementation of codes. Serious questions have arisen as to whether monitors are capable, objective and independent enough to provide an accurate account of the performance of a given factory in the developing world (Lund-Thomsen, 2008). Critics of monitoring schemes argue that they are vulnerable to corporate manipulation; that they are top-down procedures with limited stakeholder participation; that there is weak quality control of monitors; that monitoring can only provide sporadic snapshots of labour conditions through scheduled, short factory visits; that monitoring systems have low levels of public transparency and that their limited scope and coverage lead to a lack of credibility, accountability, and effectiveness (Diller, 1999; Esbenshade, 2001; O'Rourke, 2003; Sethi et al., 2011). Additionally, a fundamental drawback of monitoring systems is that they focus on uncovering and assessing the occurrence and severity of labour problems, but do not offer solutions to problems (Santoro, 2003: 410). Moreover, codes are generally toothless because they are voluntary and make little reference to the consequences of non-compliance such as sanctions and corrective actions (Hepple, 1999: 360). Finally, the long and mobile nature of global supply chains enables firms to move production quickly between factories and to hide behind multiple layers of subcontracting, which makes systematic inspections extremely difficult (O'Rourke, 2003).

4. Unintended impacts

Critics point out that codes and monitoring systems may have several unintended negative effects on workers' interests and rights. The use of monitoring to implement codes can hurt workers directly. For example, monitoring reports can cause firms to terminate contracts with poor-performing factories, leading to job loss. Firms may also reduce overtime at a factory where workers are working longer than the limits specified in codes, despite workers' reliance on overtime wages to survive. Workers may also be punished after complaining to auditors because these systems often have limited protections for workers who complain. Even when monitoring is effective, some of the most hazardous jobs may be shifted further down the supply chain or into the informal sector to avoid monitoring. Moreover, because monitoring fees usually come out of contractors' pockets, the financial cost of monitoring may lead contractors to pay their workers even lower wages (Esbenshade, 2001; Liubicic, 1998). Critics assert that codes and their monitoring systems can indirectly undermine the two most important conventional labour regulation mechanisms: state intervention and trade unionism (Diller, 1999; Esbenshade, 2001).

In short, previous studies show mixed findings about the impact of corporate codes on labour standards. Yet, the implementation of codes of conduct has also notably improved labour practices that address certain types of sweatshop issues that concern ethical consumers and labour activist groups. Nonetheless, little progress has been made on other crucial labour issues that are less publicised and evoke less public outcry. The ineffectiveness of codes is specifically delineated along four dimensions: selectiveness in the choice of issue coverage, limited scope of application, inadequate compliance and implementation, and unintended negative impacts.

Table 1. Summary of explanatory analysis of codes' effectiveness.

Explanatory factors	Source
<i>Organisational level</i>	
Market-driven motivation	Diller (1999) and Pearson and Seyfang (2001)
Selectiveness in codes compliance emphasis	Merk (2009)
Non-existence of substantial incentives	Hoang and Jones (2012) and Sethi et al. (2011)
Work organisation and employment practices	Locke et al. (2007)
Other operational factor	Schwartz (2004)
<i>Industrial level</i>	
The composition of global production network	Ballinger (2008), Hoang and Jones (2012), Merk (2009) and Wells (2009)
Inconsistency in the social and economic governance of supply chains	Barrientos and Smith (2007), Hoang and Jones (2012), Mather (2004) and Wells (2009)
<i>National level</i>	
Regulatory environments	Wells (2009)
Institutional mechanisms	Barrientos (2008) and Kaufman et al. (2004)
Structure of labour markets	Prieto-Carrón (2006)
<i>Global level</i>	
Perils of ethical consumerism	Featherstone (2003), Frank (2003) and Johns and Vural (2000).
Limitations of consumer-centred social activism	Brooks (2003)
Tension between commercial and social agendas	Sum and Pun (2005)
Internal rifts and challenges in coalition building within the movement	Sethi et al. (2011)

Explanatory analysis of codes' effectiveness

Due to differences across disciplinary boundaries and theoretical orientations, prior studies have offered different explanations for the effectiveness of codes, which focus on a variety of factors that affect workplaces, industries, countries and the world. As summarised in Table 1, existing studies shed light on explaining factors embedded in organisational industrial, national and global contexts, respectively.

First, embracing a microanalytical perspective, numerous studies attribute the effectiveness of codes to various operational/organisational factors related to the motivations and behaviours of companies adopting codes and their suppliers. Global corporations are motivated to adopt codes by concerns about market share, brand reputation and future commercial prospects, rather than by any direct identification with or responsibility for the interests of the global workforce (Diller, 1999; Pearson and Seyfang, 2001). Moreover, when companies monitor code compliance within their global manufacturing networks, they generally take a 'zero tolerance' stance towards suppliers' violations of issues addressed in their codes that are highly media-sensitive (e.g. child labour, forced labour,

minimum wages). In contrast, most companies put little emphasis on the exposure of violations of freedom of association or collective bargaining in their supply chains (Merk, 2009). Furthermore, companies that adopt codes and enforce them throughout their supply chain are usually unwilling to reward highly compliant supplier factories with larger orders or higher prices to offset the cost of code compliance (Sethi et al., 2011). Consequently, suppliers normally view code compliance as a matter that primarily concerns buying companies and usually lack the motivation to make continuous improvements in code compliance. Also, research reveals that variation in the impact of codes on workplace labour conditions is related to whether supplier factories introduce new production systems (NPSs) that enhance production efficiency and quality (such as lean manufacturing system) and human resources management policies that provided workers with greater autonomy and power on the shop floor (Locke et al., 2007). Previous studies also identify other more general factors that make codes effective, such as code relevance, senior management support, training, attainability of standards and enforcement (Schwartz, 2004: 323).

Second, as discussed previously, codes with labour-related provisions are frequently concentrated in consumer goods industries where branded retailers and merchandisers assume greater control of their supply chains. A growing number of studies take a 'buyer-driven commodity chain' (Gereffi et al., 1994) perspective that explains how the composition of global production networks and governance patterns of supply chains impact the implementation of codes. Specifically, in apparel, athletic footwear, consumer electronics and other outsourcing industries, suppliers' ability to hire and fire flexibly, force excessive overtime, increase the speed of work and pay low wages are intrinsic to competition over typically low profit margins in supply chains driven largely by Northern retail buyers (Wells, 2009). Global capital, which seeks ever-cheaper sources of production through well-organised global production networks, is the root cause for deteriorating labour practices and a crucial factor undermining the effectiveness of codes (Ballinger, 2008; Merk, 2009). Moreover, a fundamental inconsistency emerges between the governance of economic and social aspects of global supply chains (Hoang and Jones, 2012) or, more specifically, between commercial imperatives and code compliance (Barrientos and Smith, 2007). The purchasing practices of buying companies clearly illustrate this inherent contradiction. Numerous studies document that buying companies' demands for aggressive pricing, quality, variety and safety requirements, which are a consequence of the competition in the marketplace, have weakened code effectiveness in a variety of global outsourcing industries (Barrientos and Smith, 2007; Mather, 2004; Wells, 2009).

Third, the dynamic process by which labour standards are improved is embedded in wider political, economic and social contexts of countries where codes are implemented. Governments in many developing countries often support non-enforcement of labour standards as part of their export-oriented industrialisation policies (Wells, 2009), and thus, codes' effectiveness is undermined by an existing regulatory environment. Also, as argued in a number of studies, the extent to which codes effectively improve labour standards hinges on a variety of institutional mechanisms that enable the active participation of various types of conventional social actors that champion workers' interests, such as trade unions and local civil society organisations (Barrientos, 2008; Kaufman et al., 2004). Moreover, empirical studies show that, from a feminist perspective, codes have

considerable limitations in improving the conditions of women workers in the contexts of gender-segregated labour markets and prevailing social-cultural traditions in which women are negatively perceived (Prieto-Carrón, 2006).

Finally, the proliferation of codes originates largely from the global anti-sweatshop movement, which has gained momentum from ethical consumerism and transnational social activism. However, the anti-sweatshop movement has also several inherent limitations that restrict codes' effectiveness as a means of improving labour standards in the context of globalisation. Proponents of the anti-sweatshop movement believe that the alliance between consumers and workers is a powerful and enduring one, whose potential to threaten profits may offer the best hope for justice at this particular stage of global capitalism (Featherstone, 2003). However, sceptical observers argue that the powerful alliance between consumers and workers in their struggle for higher labour standards may be derailed by differences or even conflicts between consumers and workers with respect to class, nationality and their positions in the production and consumption regimes of global capitalism (Frank, 2003: 373; Johns and Vural, 2000). Moreover, consumer-centred activism cannot fully address fundamental issues that are associated with the structural and sustainable improvement of labour conditions (Brooks, 2003). Furthermore, the success of the anti-sweatshop movement hinges on the skilful exercise of mixed strategies of engagement and confrontation between civil society groups and branded companies, creating opportunities for negotiation and compromise between commercial and social purposes. However, the problem is that the creation and implementation of codes, the main regulatory tool advocated by the anti-sweatshop movement, are frequently directed towards corporate interests (Sum and Pun, 2005). Also, the extent to which the anti-sweatshop movement can provide long-lasting support for the development of codes of conduct also depends on the resolution of internal tensions within the movement. One crucial challenge is how to build a coalition between diverse civil society groups with different strategies (e.g. prioritising workers' rights to unionisation over women's rights or citizenship), identities (e.g. based on race, gender, class, nationality) and ideological orientations (e.g. legacies of the Cold War era).

Limitations in previous studies

First, previous studies have discussed the effectiveness of corporate codes from various interpretive perspectives, shedding light on a variety of causal factors determining codes' effectiveness in workplaces, industries, countries and transnationally. However, most studies have offered one-dimensional examinations of codes' impacts, and none have provided a comprehensive understanding of the issue through the construction of an analytical framework that integrates micro- and macroperspectives as well as local and global points of view. Nevertheless, different, seemingly unrelated factors that affect code implementation neither exert their influence independently nor can they be substituted for another. Rather, many determinants often work simultaneously and constantly interact. This gap in the literature highlights the need for a holistic analytical framework that integrates different insights from previous studies and offers more opportunities to explore how diverse factors interact.

Second, when issues related to codes' effectiveness have been considered in the literature, they have not been based on empirical research. The majority of studies either make normative assertions about codes' effectiveness or draw on insights from the existing literature. Until recently, the number of empirical studies providing evidence about the implementation and effectiveness of codes remained surprisingly limited (Barrientos and Smith, 2007; Hoang and Jones, 2012; Locke et al., 2007; Merk, 2009; Rodriguez-Garavito, 2005; Sethi et al., 2011; Sum and Pun, 2005; Yu, 2008). In short, research about the effectiveness of codes of conduct has lagged far behind empirical reality. Regretfully, there is a risk that academic rhetoric on the topic is divorce from reality. Therefore, more empirical research is needed to give academia a greater role in exploring, describing and explaining the complicated and ever-changing terrain of codes implementation. Because this research topic addresses understanding processes and causal issues, it is necessary to draw on qualitative studies to design a sound research agenda.

Third, existing studies have neglected country-based peculiarities. As discussed above, a variety of country-specific factors play an important role in determining the direction and extent of codes' effectiveness. Therefore, it is crucial to examine codes' effectiveness with an analytical focus on the impact of country-specific contexts. There have been an increasing number of studies on codes' effectiveness in the developing countries of Latin America, Southeast Asia and Africa (Esbenshade, 2004; Hoang and Jones, 2012; Kaufman et al., 2004; Lund-Thomsen, 2008; Mather, 2004; Prieto-Carrón, 2006; Rodriguez-Garavito, 2005). However, studies that focus specifically on China are fairly limited (for notable exceptions see Egels-Zanden, 2007; Pun, 2005; Sum and Pun, 2005; Taylor, 2011; Yu, 2008, 2009) because of the size and diversity of China's labour-intensive industries and its enormous influence over the global production system. Although more academic attention has been devoted to CSR, business ethics and corporate citizenship in China (Cooke and He, 2010; Darigan and Post, 2009; Krueger, 2008; Hulpke and Lau, 2008; Ip, 2009; Kolk et al., 2010; Lin, 2010; Lu, 2009; Moon and Shen, 2010; Sardy et al., 2010; See, 2009; Wang and Juslin, 2009; Wong, 2009; Xu and Yang, 2010), the lack of in-depth research into the implementation of codes of conduct and their impacts on labour standards in China represent a notable gap in the literature.

Fourth, although studies have shed valuable light on the impact of industry-specific factors on codes' effectiveness, not all industries have attracted sufficient academic attention. The existing literature consists largely of studies about the garment and textile sectors (Esbenshade, 2001, 2004; Hoang and Jones, 2012; Kaufman et al., 2004; Locke et al., 2007; Merk, 2009; Rodriguez-Garavito, 2005), as well as other consumer goods industries, such as toy, electronics and agriculture (Egels-Zanden, 2007; Mather, 2004; Oehmen et al., 2010; Prieto-Carrón, 2006; Sethi et al., 2011). Surprisingly, very little work is available on codes' effectiveness in the athletic footwear industry (Frenkel, 2001; Frenkel and Kim, 2004; Tulder and Kolk, 2001), although the sector is constantly at the centre of debate in the contemporary anti-sweatshop and CSR movement because almost all top branded merchandisers in this industry have adopted codes of conduct and are engaged in various monitoring initiatives. Relevant studies on codes of conduct in the athletic footwear industry are mainly produced by labour NGOs and corporate-consultant groups

(Clean Clothes Campaign, Global Unions and Oxfam, 2004; Connor, 2002; National Labour Committee and China Labour Watch, 2004, 2006; Yimprasert and Candland, 2000). These non-academic studies provide rich information about the implementation of codes on the ground; however, few of these studies systematically examine codes' effectiveness with academic rigour and credibility.

Pursuing a holistic perspective through an in-depth case study: Research strategy

The previous literature provides us with a strong foundation to assess and explain how and why codes of conduct impact labour standards in the global production system. However, there are still various empirical, analytical and methodological shortcomings in existing studies, which have been discussed above. This article aims to address these deficiencies, using an elaborately designed research strategy.

Conducting an in-depth case study

Using a strategic sampling method (Mills et al., 2010), the author selected the CSR discourses and practices at Reebok in one of its major footwear-supplier factories located in Fuzhou city, in the Fujian Province of China, as a critical case (Yin, 2003), which is used to confirm, challenge or extend existing theories. First, China is selected as the location for this case study because it is the production centre for the global athletic footwear industry, it receives the most intensive criticism regarding sweatshop labour abuses and it has increasingly been put in the spotlight by the contemporary CSR movement. Second, the case study focuses on the athletic footwear industry not only because this sector has showcased the global production system to the world but also because the industry has been criticised most intensively by journalists and anti-sweatshop activists. As a result, the athletic footwear industry has become a leader in the areas of CSR and codes of conduct. Third, Reebok is purposefully chosen because the company has been so successful in realising a sophisticated 'strategic CSR' formula – a powerful instrument for long-term profitability that hinges heavily on improving the brand's reputation through CSR practices. Since the late 1980s, Reebok has employed a strategic CSR approach to portray itself as a conscientious promoter of human and labour rights. Seeking to improve its human rights-focused CSR reputation, the company established the Reebok Human Rights Foundation, sponsored the 'Human Rights Now!' concert tour, set up the Reebok Human Rights Awards, adopted codes of conduct addressing labour standard issues (the 'Reebok Human Rights Production Standards'²) and went to great lengths to achieve an industrial leadership position in the current CSR movement against sweatshops. A close examination of the Reebok case enables a critical analysis of the paradoxical effects of a 'strategic CSR' formula that is driven by commercial motivations for long-term profitability, but improves labour standards.

Fourth, Reebok's second largest footwear supplier in China,³ a Taiwanese-owned company (referred to anonymously as Fortune Sports) located in Fuzhou city in China's Fujian Province, is selected as the research site to collect empirical data. FS is selected as the fieldwork site because this factory underwent the process of implementing the

Reebok codes, which has impacted a wide range of labour practices throughout the factory, ranging from working schedules, wage systems and working conditions to workplace employment relations. More importantly, an employee-elected trade union was established in this factory as a requirement imposed by Reebok, which positioned itself as a brand committed to workers' rights to freedom of association. A close examination of the implementation of Reebok's codes of conduct at FS will allow us to obtain a deeper understanding of the effectiveness of codes on-the-ground as a negotiated result of multi-faceted exchanges between various local players (e.g. the buying company, supplier factories, local governments and factory workers).

Constructing a more comprehensive analytical framework

Integrating multiple perspectives from previous studies, I develop an analytical framework that consists of a matrix of interrelated factors embedded in overlapping international, industrial, national and local contexts to conduct a systematic examination of the effectiveness of codes at improving labour standards in the supply chain of the athletic footwear industry in China. At the international level, I delineate how the global production network is organised in the athletic footwear industry, how this production network results in the deterioration of labour standards and how the anti-sweatshop movement emerged from global civil society to combat sweatshop abuses. At the industrial level, I map out the terrain of the CSR movement in the athletic footwear industry and explain how the effectiveness of codes at upholding labour standards is affected by the stringency of codes' content, discrepancies between corporation's sourcing policies and labour-related codes, and competition in the marketplace. At the national level, I shed light on the impact of labour regulations on workplace labour practices and how the approach employed by the Chinese government to address labour abuses and CSR influences codes' effectiveness. At the local level, I explore how a 'despotic factory regime' (Burawoy, 1985) results in rampant labour abuses in supplier factories and how a variety of workplace-level factors (such as prevailing employment relations, NPSs and management attitudes towards the implementation of codes) impact codes' effectiveness.

Using multiple research methods to collect empirical data

Empirical data were collected using three methods: participant observation, in-depth interviews and content reviews of documents. I started fieldwork at FS in October 2002, observing the election process for the FS trade union. Over several years, I conducted interviews with 2 Reebok human rights managers, 2 FS managers, 6 FS production line supervisors, 2 officials at local branches of the All-China Federation of Trade Unions (ACFTU), 9 FS trade union committee members and 13 FS production workers to present the perspectives of multiple parties holding diverse positions and interests in the implementation process of Reebok's codes of conduct. I also drew on secondary sources for data including news reports, internal documents and the company's and other key stakeholders' websites (e.g. industrial organisations, labour NGOs and anti-sweatshop groups).

Codes' effectiveness in upholding labour standards in China: Empirical findings

The implementation of the Reebok Human Rights Production Standards has recently had contradictory impacts on labour standards at FS. When sweatshop labour abuses (e.g. child labour, dangerous and unhealthy working conditions, excessive overtime), which were considered the most morally outrageous abuses by mainstream consumers, were curbed, the vast majority of production workers found that they were required to work harder and faster while receiving less pay. Meanwhile, as a consequence of the implementation of Reebok's code, an employee-elected trade union affiliated with the local branch of the ACFTU was established at FS in 2002. However, operating under China's labour regime, wherein enterprise-level trade unions are dependent on management and prohibited from collective bargaining, the employee-elected union achieved little in the way of providing workers with a greater voice in decision making and did not engage in collective bargaining activities to demand better pay and working conditions.

Intensified exploitation and wage decreases

Although Reebok positioned itself as a corporate champion of human rights and achieved industrial leadership in the contemporary CSR movement against sweatshop working conditions, the company continued to treat its CSR policies and codes as instruments for long-term profitability. If upholding labour standards jeopardised Reebok's goal of profit maximisation – for example, providing a 'living wage' – even this 'progressive' brand was quite conservative. Similar to other branded merchandisers who compete with each other in markets characterised by declining prices, Reebok merely required its suppliers to pay the legal minimum wage or the prevailing industry wage (whichever was higher), but not living wages. Reebok's 'legal minimalist' stance towards wages found fertile soil in the labour regime of China where legal minimum wages were set at below-subsistence levels to maintain the country's low-wage competitiveness to lure in foreign investment. In addition, out of concern for its profitability, Reebok did not commit to sharing the costs of code implementation with FS or to amending its sourcing policy to make improved labour standards more 'financially' manageable to FS management. On the contrary, when the average retail price of athletic footwear declined, Reebok lowered the piece price of orders to FS accordingly. In short, Reebok's 'legal minimalist' stance towards wage issues, refusal to commit to sharing the costs associated with code compliance and price-cutting practices all had negative effects on improving labour standards at FS, especially with regard to workers' wages.

To solve the problem of implementing Reebok's codes of conduct while maintaining its profitability, FS management reorganised the production process by implementing a 'NPS', which combined Tayloristic labour control methods with a 'lean production system'. The NPS at FS resulted in a significant increase in productive efficiency and shortened manufacturing time, enabling Reebok and FS to respond more quickly and flexibly to market trends. However, the NPS also resulted in negative outcomes for production workers who were required to work in a more stressful environment to complete higher

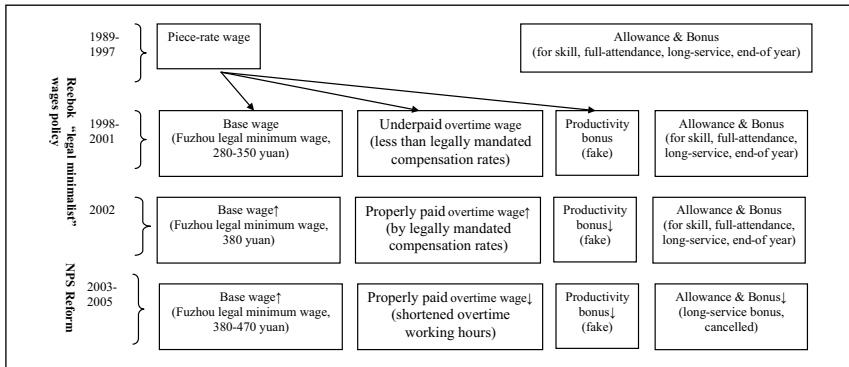


Figure 1. Wage structure of FS production workers (1989–2005).

Source: Pay slip of about 20 production workers in cutting, stitching, assembling, stock fitting and quality controlling departments (2001–2005); interview with FS Taiwanese manager and FS personnel department manager, October 2002; and interview with production workers, 2002–2005.

production tasks during a shortened workweek. As a female worker in assembling department complained,

After NPS reform, we felt that the work became more stressful. One assembling line was linked directly with four stitching lines and there was no inventory buffer in middle. The normal daily production volume of an assembling line was about 2000 pairs of shoes, but the maximum production volume of four stitching lines could reach about 2800 pairs. As a result, very often assembling workers were driven to break their backs to keep pace with stitching lines. (Interview with production worker, Mrs Zhang, 20 January 2004)

The implementation of Reebok's 'legal minimalist' wage policy at FS, combined with the efficiency-oriented NPS reform of the production line, merely made an elusive amendment of the wage structure, but delivered no real economic benefits to workers. As illustrated by Figure 1, from 1989 when FS started its operation in Fuzhou to 2002 when Reebok fully implemented its 'legal minimalist' wage policy at FS, monthly payment of the majority of production workers was largely piece-rate-based (taking up 80–90%). By 2002, the company was forced to 'amend' the wage structure of FS production workers to include the following: (1) base wage equal to Fuzhou legal minimum wage and (2) overtime wages properly paid at compensation rates stipulated by China Labour Law. However, the wage structure of production workers was modified merely 'formalistically'. Although the new payroll showed that production workers began to earn both base wages and properly paid overtime wages, substantially, FS production workers' payment was continuously determined by the preceding piece-rate-based wage system. Production workers knew clearly that their payroll records were fraudulently made by the management. As one stitching worker described,

Since 2001, I found the pay slip became questionable. It was recorded that our base wages were 'increased' to 350 yuan, and overtime time work were paid by more than 3 yuan per hour, but I

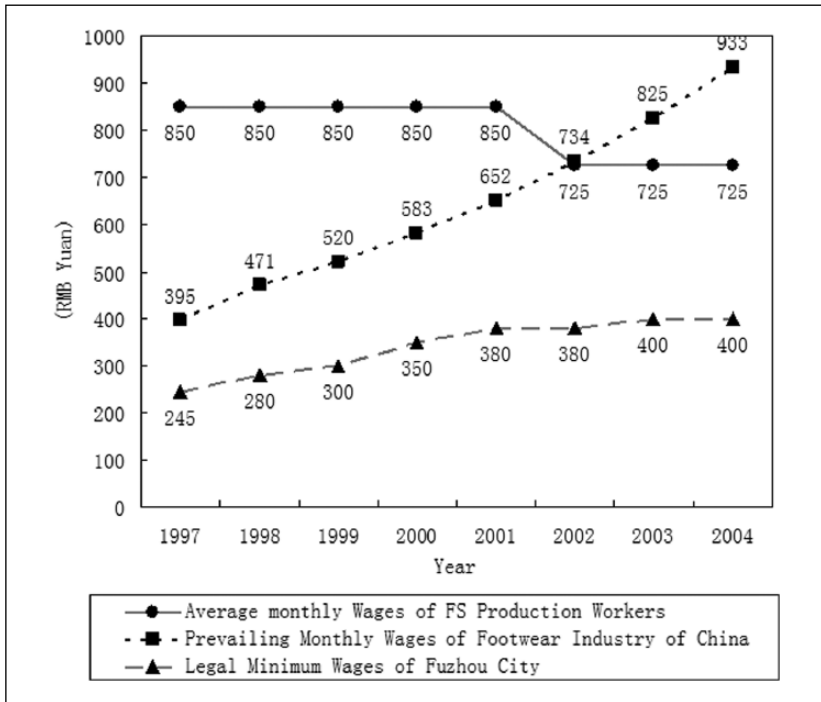


Figure 2. Decline of FS workers' incomes in comparison with industrial wages and legal minimum wages, 1997–2004.

Source: Zhongguo Laodong Tongji Nianjian (*China Labour Statistics Yearbook*) 2003–2005; Fujian Ribao (*Fujian Daily*), 6 July 2005; Fuzhou Wanbao (*Fuzhou Evening News*), 23 October 2003; Fujian Ribao (*Fujian Daily*), 7 July 2001; Zhongguo Laodong he Shehui Baozhang Nianjian (*China Labour and Social Security Yearbook*), 2000; Jingji Cankao Bao (*Economy Reference News*), 26 July 1995; interviews with FS production workers 2002–2005.

doubted that the company had paid worker any additional money, and I thought the 'increased' part simply was some part of workers' piece-rate-wages. (Interview with production worker, Mrs Liang, 24 January 2004)

Consequently, to the disappointment of FS production workers, the implementation of Reebok's codes of conduct resulted in a significant drop in production workers' wages. As shown in Figure 2, during the pre-reform years (1997–2001), the average wage of production workers in all departments was 850 yuan, while during the post-reform years (2002–2004), the figure declined to 725 yuan, a level lower than the prevailing wage of footwear industry in China.

Many production workers found that they could hardly make ends meet with declined wages. As one production worker who is the mother of two kids complained,

I had two kids, one is 12, the other is 8, and both of them live with me in Fuzhou city. My husband also works in this company. In previous years when we earned 800–900 per month, the payment

can meet the basic needs of my family. But now, being paid merely 600–700 yuan per month, I find it became harder and harder to make ends meet, especially when spending on children's education grew so much. (Interview with production worker, Mrs Dan, 23 January 2004)

Limited progress regarding workers' rights to freedom of association

Unlike other branded merchandisers in sportswear industry, Reebok addressed actively worker's right to freedom of association, launching 'worker representation initiatives' in Indonesia, Thailand and China where independent trade unions are restricted by law. As part of its 'worker representation initiatives', in 2002, Reebok facilitated a secret ballot election of trade union in FS. Although the employee-elected trade union affiliated with local branch of the ACFTU, it was headed by chairman and vice-chairman elected from production workers.

However, a closer examination of the election process and the operation of the FS trade union revealed that very limited progress was made with regard to worker's freedom of association. First, the election of the FS trade union was initiated by Reebok, supervised by local branches of the ACFTU and manipulated by FS management, which violates two of the most important principles regarding freedom of association: worker's autonomy and non-interference by management. Second, far from being an autonomous democratic union organisation representing workers' interests, the FS union operated in a power relationship characterised by dependence on and subordination to FS management, local branches of the ACFTU and Reebok. Third, in contradiction to Western trade unionism, which involves adversarial collective bargaining strategies, the FS trade union was established and dominated by capital/management with the goals of strengthening the legitimacy of managerial authority, stabilising workplace relations and boosting productive efficiency. As illustrated in Figure 3, at two of the most salient conceptual dimensions of 'workplace democracy' – the scope of issues over which democratic practices have influence and the actual influence which employees exercise over decisions – the FS trade union only advanced 'workplace democracy' to a very limited extent. First, FS union was only allowed to play communicative and consultative roles, having no decision-making power over critical issues concerned commonly by production workers (e.g. transparency of wages system and managerial abuses). Moreover, FS union's rights to making recommendation were restricted to trivial welfare issues, and FS management remained the single governor of key issues in the labour process (such as work organisation, working schedule, piece-rate, bonus, discharge and fines). Furthermore, although FS Union Charter vaguely authorised Mediation Team to participate in workplace disputes settlement as mediators between management and workers, in practices, union's roles in mediating labour dispute was dampened by FS management. As one Mediation Team member explained,

It was true we were elected by workers, but the management did not recognise our roles. We were simply an ornament. The key problem was when we investigated the cases of worker-management disputes we had no authority to handle the case, e.g. to punish the abusive managerial staff. (Interview with Mediation Team member, 22 January 2004)

Fourth, in terms of trade unions' roles in representing workers' needs and protecting their rights, the FS union functioned largely as a managerial organ to construct 'welfare

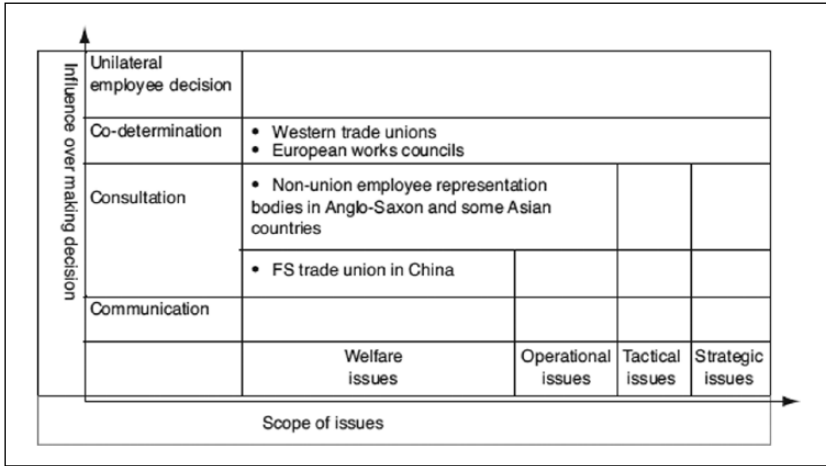


Figure 3. Degree of workplace democracy achieved by FS trade union.

capitalism’ on the basis of a purely despotic factory regime, but played no role in fighting for better pay and working conditions or in resolving labour disputes. As one Union Committee member described,

Many production workers in my department were unhappy that their piece-rate wage was not clearly marked in the pay slip. However, when I aired workers’ grievances to the union chairman, he simply asked me not to get involved in such troublesome matters and even blamed me by saying, ‘Stop stirring up troubles for me! In eyes of the management, we union guys already became nasty. I had no time to handle these issues. (Interview with FS union committee member, Mrs Yuan, 15 December 2002)

The limited achievements made by the FS trade union are rooted not only in China’s contemporary labour regime but also in negotiations about the responsibilities, roles and power of the FS trade union between Reebok, the local ACFTU, FS management and FS workers.

Chinese law and Fujian’s local regulations assigned union organisations affiliated with the ACFTU in foreign-funded enterprises (FfEs) three roles: (1) protecting employees’ legal rights and interests, (2) supporting state reforms and policies that represent the overall interests of the people and (3) respecting investors’ interests in promoting enterprise development. To abide by China’s national and local laws and regulations for trade unions, the FS trade union was required to play a subordinate role in non-confrontational collective consultation or ‘democratic management’ activities with FS management, local branches of the ACFTU and Reebok.

Although Reebok attempted to enlighten FS’s authoritarian management using ‘human resource management’ and ‘participative management’ discourses, FS continued to rely on a despotic factory regime to manufacture high-quality shoes by purchasing highly productive labour at low costs. To safeguard its long-term relationship with FS, Reebok withheld support for union committee members who had radical ideas and struggled for

workers' autonomy and decision-making power in labour processes after FS management failed to replace its authoritarian management style with a more participatory model.

Albeit FS management was unable to reject Reebok's worker representation initiatives, it was powerful enough to manipulate the election process and the operation of the FS trade union. During the election process, FS management used its disciplinary power to secure votes for managerial and office staff. FS management also used various techniques to co-opt the elected union into a tool for management, including bribing union leaders with cash and benefits and intimidating and punishing union committee members who sought fundamental reforms of the despotic factory regime. As a result, the elected trade union was fashioned as a management-controlled union that largely served enterprise interests.

The local branch of the ACFTU colluded with FS management to restrict the FS trade union's power and capacity to play an independent role in representing workers' interests. The collusion of the local branch of the ACFTU with FS management was driven by two concerns: strong trade unions with bargaining power could destroy the local investment environment and local branches of the ACFTU depended on FS for union income. Local branches of the ACFTU frequently coached FS union committee members to be cooperative with management and avoid taking any confrontational actions. Meanwhile, to curb the manipulation of Chinese trade unions by external forces with political motivations, local branches of the ACFTU played active roles in severing supportive ties between Reebok and the FS trade union and in pre-empting Reebok's intervention when FS management engaged in union-busting activities.

Conclusion

Through an in-depth case study, this article examines the dynamics, possibilities and limitations of CSR policies in improving labour standards in China. Based on the comprehensive analysis of empirical data, the author draws several conclusions. First, the implementation of the Reebok labour-related codes at FS resulted in a 'race to ethical and legal minimum' regarding labour standards. Specifically, the most inhumane labour practices that morally outraged mainstream consumers in the developed world (for instance, the use of child labour, forcing workers to work in unsafe and unhealthy conditions and imposing corporal punishment to discipline workers) have been curbed. Moreover, labour practices violating Chinese labour laws and regulations, for example, forcing workers to take overtime working hours longer than the legal maximum work-week or not paying legal minimum wages, have also been eliminated.

Second, such a 'race to ethical and legal minimum' approach has protected Reebok from being attacked by anti-sweatshop activists and even contributed to Reebok's long-term profitability, but rarely has it met Chinese workers' expectations of labour practice improvement. Quite the contrary, in exchange for the minimum labour standards (on which they had nearly no voice and agency), Chinese workers at FS were forced by an authoritarian and arbitrary management to work harder and faster but to earn less pay, pay that was no longer sufficient to meet the basic needs of the workers themselves and their dependants. Similarly, although an employee-elected trade union was installed at FS as required by Reebok, the union operated more like a 'company union' rather than

as an autonomous worker organisation representing workers' interests. The union brought limited hope for workplace democratisation but failed to enhance the workers' bargaining power in demanding better working conditions and pay.

Third, the limited effectiveness of the Reebok's CSR policies in improving labour standards at its supplier factory was determined by various interconnected structural forces embedded in industrial, international, national and local contexts, and in the negotiated agency of the international labour right advocacy groups, consumers, Reebok, the FS management, and the local branches of the ACFTU. At the industrial level, the CSR movement in the athletic footwear industry centred on the creation and implementation of codes of conduct is dominated by branded merchandisers, such as Reebok, that are driven by commercial incentives for long-term profitability. The commercialisation agenda of the CSR movement put a ceiling on the effectiveness of codes of conduct in improving labour standards, especially on issues of wages and workers' rights to freedom of association and collective bargaining, which could jeopardise a corporation's pursuit of profit maximisation. At the international level, the contemporary anti-sweatshop movement and the CSR movement, designed largely to eliminate sweatshop labour practices, posed no challenges to capital mobility nor prompted any radical changes in neoliberal capitalism. As illustrated by the case study of the implementation of Reebok's labour-related codes at FS, the limited improvement of labour standards at FS could evaporate completely when Reebok and its suppliers begin to switch production to Vietnam or to other low-wage countries from south China, where labour shortage problems have recently arisen. At the national and local levels, China's newly emerging CSR movement was tailored by the Chinese government as a tool for achieving a better international reputation, enhancing competitiveness in the global capitalist economic system and maintaining domestic social stability rather than as a vehicle for upholding labour standards.

To summarise, the effectiveness of CSR policies in upholding labour standards may be constrained by unsolved tensions between corporations' impetus for profit maximisation and social responsibility, hard-nosed competitive realities in the marketplace, insufficient or even non-existent state regulation and the unbalanced power relations between labour and capital that are further enhanced by capital mobility and the decline of trade unionism. This case study has also illustrated that it was unrealistically optimistic to expect codes of conduct to work effectively as a third-way regulatory approach to labour practices that acts as an alternative to both state regulation and workers' empowerment and labour organisation.

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Notes

1. In 2007, China's Banking Regulatory Commission issued 'Guidelines for Social Responsibilities of Financial Institutions in the Banking Industry'. In 2008, the State-owned Assets Supervision and Administration Commission of the State Council issued 'Guidelines on Fulfilling Social Responsibility for Enterprises Owned by the Central Government'. At local governmental level, in 2007, a multi-stakeholder corporate social responsibility (CSR) standard, 'Guidelines and Principles for CSR in Pudong New Area of Shanghai City', was jointly initiated by related local governmental agencies, firm federations, consumer rights groups, and environmental nongovernmental organisations (NGOs). In 2008, the government of Zhejiang Province issued 'Several Instructions on Promoting Enterprises to Fulfil Social Responsibilities'.
2. These standards include provisions forbidding discrimination, forced labour, child labour and harassment, as well as provisions addressing freedom of association, wages, working hours, safe workplace conditions and a non-retaliation policy.
3. In China, Reebok has 17 primary footwear suppliers and 11 subcontractors. All these supplier factories are located in China's eastern coastal areas: 20 in Guangdong Province, 6 in Fujian Province, 1 in Jiangsu Province and 1 in Shandong Province.

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