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**ECONOMIC AND SOCIAL UPGRADING
IN GLOBAL PRODUCTION NETWORKS:
THE CASE OF THE GARMENT INDUSTRY IN MOROCCO**

Thesis submitted for the Degree of Doctor of Philosophy

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Declaration

I hereby declare that this thesis has not been and will not be submitted in whole or in part to another University for the award of any other degree.

Signature:.....

Abstract

The conditions under which *social upgrading*, i.e., the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment, takes place in global production networks [GPNs] have not been sufficiently explored. This research addresses the following research questions: how is social upgrading defined? Under which conditions does social upgrading occur? How does economic upgrading influence social upgrading? How does the local and global social and institutional context influence social upgrading opportunities? First, the thesis establishes a definition and categorisation of social upgrading. Then, it answers these questions by analysing the empirical case study of the garment industry in Morocco. The analysis of key informant interviews, semi-structured interviews with factory managers and focus group discussions with workers shows that participation in GPNs can deliver opportunities as well as challenges for developing country workers. The main argument and contribution of the thesis to the existing literature is that the attainment of social upgrading is hindered by the tension existing between commercial embeddedness and social embeddedness of GPNs. All actors in GPNs find themselves caught in between commercial dynamics and the subsequent need for competitiveness, and the need of considering workers as social agents with rights. In particular, supplier firms in developing countries have to respond to international buyers' pressures to lower costs, increase quality and productivity, as well as deliver products on short notice and with great flexibility. At the same time, they have to comply to labour standards set by national and international regulations and by private buyers' codes of conduct. These pressures are contradictory and create a critical dilemma for suppliers. Struggling to reconcile buyers' requirements and faced with this tension, they attempt to mitigate it by employing two types of workers: *regular workers* who guarantee high quality and continuity, and are the recipient of social upgrading; and *irregular workers*, who ensure low costs and a high degree of flexibility, and are largely excluded from social upgrading opportunities and are often socially downgraded. Therefore, participation in GPNs delivers a mix of social upgrading and downgrading depending on the type of worker under consideration.

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List of Acronyms

AMITH	Association Marocaine des Industries du Textile et de l'Habillement – Moroccan Textile and Clothing Industry Association
ANPME	Agence Nationale Petites et Moyennes Entreprises – National Agency for Small and Medium Enterprises
CDD	Fixed-term contract
CDI	Permanent contract
CFA	Centre de Formation et d'Apprentissage – Training Centre
CGEM	Confédération Générale des Entreprises du Maroc – General Confederation of Enterprises in Morocco
CMT	Cut-Make-Trim
CNSS	Caisse Nationale Sécurité Sociale – Social Security
CPME	Centre Marocain de Promotion des Exportations – Moroccan Export Promotion Centre
CSR	Corporate Social Responsibility
ETI	Ethical Trading Initiative
FACB	Freedom of Association and Collective Bargaining
FC	Fibre Citoyenne
FGD	Focus Group Discussion
GPNs	Global Production Networks
GVCs	Global Value Chains
ILO	International Labour Organization
ITGLWF	International Textile, Garment and Leather Workers' Federation

MIC	Ministère de l'Industrie, du Commerce, et des Nouvelles Technologies – Ministry of Industry and Trade
OBM	Original Brand Manufacturing
ODM	Original Design Manufacturing
OEM	Original Equipment Manufacturing
SMIG	Moroccan non-agricultural minimum wage

Chapter 1: Introduction

1.1 Introduction

Globalisation of production has brought about significant changes for developing countries, creating new opportunities and challenges for their firms and workers. The last decades witnessed the emergence of new forms of coordinated trade between firms based in different countries, transcending national boundaries. Global production networks [GPNs] are characterised by multinational companies outsourcing their production to low-cost locations in developing countries, while retaining the higher value added, intangible activities as their core business. The implications that GPNs have on developing countries are mixed from an economic and a social perspective.

From an economic point of view, developing country participation in GPNs can result in important improvements in terms of technology, innovation and learning, knowledge transfer, as well as the possibility to expand to new diversified markets, leading in turn to higher returns. However, it can also lead to an intensification of inter- and intra-country competition and to the abuse of a comparative advantage based on low production costs, eroding both profits and labour conditions without any long lasting benefit for learning and development. Similarly, from a social perspective, GPN outcomes for developing countries are also not clear-cut. On one side, GPNs have increased the scale of employment in developing countries, and have provided new opportunities for waged labour for previously marginalised groups of workers, such as women and migrants. In addition, wages in factories producing for GPNs are typically higher than their domestic counterparts (Robertson et al 2009). On the other side, the quality of employment generated in GPNs often provides a less optimistic outlook, with jobs characterised by a high degree of flexibility, uncertainty and precariousness, as well as by the persistence of discrimination and exploitation.

The impact of developing country participation in GPNs has yet to be addressed in a comprehensive way that provides insights about the interplay between economic and social realms.

1.2 Purpose of research

The existing literature on labour and global production has either focused on the economic consequences of participation in GPNs, or on the impact that this has on workers' livelihoods, but hardly any attempts have been made to link these two sides and to analyse their interaction. The purpose of this research is to address this gap by investigating in a comprehensive way under which conditions participation in global production can not only deliver economic benefits for developing countries, but also concurrently improve their workers' wellbeing and deliver social upgrading, i.e. *the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment*.

As it appears clear from countless advocacy reports, social improvements do not automatically follow participation in GPNs. In particular, even when suppliers in developing countries are able to reap benefits and higher value added in production through economic upgrading, these positive outcomes do not automatically trickle down to workers. It is therefore critical to investigate under which conditions social upgrading occurs, and to understand why improvements in working conditions and workers' wellbeing, i.e. social upgrading, are often difficult to attain for workers in GPNs.

This research offers a novel outlook on the social implications of developing country participation in GPNs for their firms and their workers by addressing the following research questions:

- HOW CAN SOCIAL UPGRADING BE DEFINED AND ASSESSED?
- UNDER WHICH CONDITIONS DOES SOCIAL UPGRADING TAKE PLACE?

The emphasis of this research is therefore on social upgrading. Whilst not focusing on economic upgrading per se, the research addresses the economic analysis of GPNs by considering aspects of the impact that economic upgrading, as well as the

commercial requirements embedded in GPNs, have on the attainment of social upgrading. In particular, this research takes into account the aspects of economic upgrading that are particularly related to labour (i.e., an increase in labour productivity, reorganisation of production from straight assembly lines to modular production, skill upgrading). However, the thesis does not address the broader implications for economic upgrading, which include an analysis of technology and knowledge innovations, which are beyond the scope of the dissertation.

1.3 Outline of the dissertation's main argument

This research formulates a definition of social upgrading as the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment. This definition implies a comprehensive approach to the entire workforce, encompassing all workers operating in supplier factories participating in GPNs. This research argues that social upgrading for all workers is rendered unattainable due to a crucial tension between commercial embeddedness and social embeddedness in GPNs. All actors in GPNs find themselves struggling to mitigate the contradicting pressures between economic performance, competitiveness and profits on one side, and the need to consider workers as social actors with rights, embedded in a wider social, institutional and cultural context on the other.

Developing country participation in GPNs translates into setting up mechanisms to cope with this tension. More in detail, suppliers based in developing countries are the recipients of the unresolved tension generated at the top of the production chain at the buyer level. In order to be able to respond to increasingly demanding buyers' requirements in terms of low cost, high quality and labour standards compliance, research indicates that suppliers often employ two separate workforces working often side by side. On one hand, *regular workers* guarantee high quality and productivity, are relatively well paid and are the recipients of interventions aimed at improving labour standards. On the other side, *irregular workers* employed with informal arrangements keep production costs to a minimum and are highly precarious, allowing suppliers to remain flexible and capable of adapting to last-minute changes in orders. The concurrent presence of

regular and irregular workers is the only instrument that suppliers have to cope with the intrinsic tension between commercial embeddedness and social embeddedness.

This thesis explores the tensions that occur because GPNs have become disembedded from the wider social context in which they operate. This argument stems from Polanyi's seminal contribution during the Second World War, in which he states that "[...] to allow the market mechanism to be sole director of the fate of human beings and their natural environment indeed [...] would result in the demolition of society." (Polanyi 1944: 76). Evolving from this analytical foundation, this research argues that not only arms' length market transactions, but GPNs as well have become disembedded from the social context in which they are situated. As a consequence, they have become increasingly entrenched in global commercial dynamics, exerting dramatic pressures on the lower segments of the production chain and hindering social upgrading from taking place for all workers. Indeed, whilst GPNs will remain disembedded from their social context, irregular workers will continue to exist, and they will carry on to be not only denied access to social upgrading, but often socially downgraded.

1.4 Overview of the case study choice

In order to explore this analytical argument, this research focuses on the empirical case study of the garment industry in Morocco. This case is particularly well suited to provide insights on the conditions that enable or hinder social upgrading because of several aspects connected to its commercial and social embeddedness.

The garment industry in Morocco is well integrated in GPNs, after undergoing radical changes in the past years because of its newly established openness to exports. The relatively recent export orientation has forced the industry to change its production structure and to accept new market drivers. In particular, garment producers in Morocco mainly interact with lead buyers based in the European Union, especially in Spain, specialising in the fast fashion segment of the apparel industry. Fast fashion is increasingly becoming the emerging business model throughout the world, being characterised by high responsiveness to the latest

fashion trends and customers' demands, high quality and low cost. This particular mix of commercial requirements exerts pressures on suppliers in terms of low cost, short lead times and high quality and productivity. At the same time, the Moroccan garment industry association, following pressures from international buyers, has established a sector-wide code of conduct, called *Fibre Citoyenne*, to ensure compliance to labour standards. Lead buyers have committed to this code and require their suppliers to be in compliance with it. While compliance to the *Fibre Citoyenne* can bring benefits and improve the relationship between managers and workers, it also automatically raises costs for suppliers. In order to dissipate this tension, suppliers employ both regular and irregular workers, favouring social upgrading only for the first group while using the second as a buffer for production uncertainty. The case of the garment industry in Morocco is therefore a crucial example of the tension between commercial and social embeddedness in GPNs, and it provides valuable insights in the struggle that suppliers and workers face in their attempts to reconcile these contradicting pressures. It must be noted, however, that the case study is not intended to be representative of the garment sector as a whole or even of all garment factories in global production networks. It does offer an in-depth understanding of the specific challenges existing in the factories in which interviews and focus groups were conducted, and it provides insights into the analysis of social upgrading and its drivers.

1.5 Structure of the thesis

The present dissertation is structured as follows.

Chapter 2 sets the context in which this research is situated, setting out the main problematic, highlighting the key knowledge gaps and formulating the research questions leading this investigation. It then proceeds to illustrate in detail the case study of the Moroccan garment industry and the rationale for its selection. Then, it presents the inductive methodological approach undertaken in the research, detailing the qualitative research methods used throughout the field work.

In order to guide the reader throughout the dissertation in its efforts to address the research questions, the dissertation gradually introduces the conceptual framework around the definition of social upgrading in Chapter 3. Chapter 3 analyses the existing literature on global production networks and labour illustrating the different attempts to describe and measure labour standards and working conditions, with a special emphasis on production chains. It highlights the analytical gaps that the present research aims at filling, in particular in terms of the linkage between commercial pressures and embeddedness in the social context of GPNs. Stemming out of the literature on rights and entitlements pioneered by Sen (1999), the chapter formulates the definition for social upgrading. It then offers insights on categorisations and measurements of social upgrading, reiterating the choice of a qualitative methodology that does not compromise the breadth of data analysis.

After having established this definition, the concept of social upgrading is used as the key variable in the subsequent empirical chapters.

Chapter 4 dives into the case study of the garment industry in Morocco, and sets out to investigate the conditions endogenous to the firm that may influence social upgrading. More in detail, it addresses how within the firm, commercial and social pressures coexist and have to be mitigated. Recognising that economic and social upgrading can sustain each other in a virtuous circle, but that this is often not the case, the chapter investigates the two-way relationship between different types of economic upgrading (process, product and functional upgrading) and social upgrading, providing an argument for social upgrading rooted not only in ethical and moral grounds but also on a business rationale. It also investigates the relevance of firm size as a potential driver for social upgrading. Furthermore, the chapter concludes by providing insights in the perceptions of social upgrading by different stakeholders in GPNs, focusing in particular on managers' and workers' perspectives, highlighting how social upgrading priorities may greatly differ depending on the actors' commercial and social embeddedness.

Highlighting the key debate about embeddedness in the global and local context, Chapter 5 first presents the conceptual framework used to analyse this issue by drawing upon the literature on GPN embeddedness in the local social and

institutional context. Through an analysis of the case study, it then investigates the role of local conditions in shaping opportunities for social upgrading. In particular, it focuses on analysing why social upgrading is more likely to occur in one region instead of another, highlighting different cultural backgrounds and their relevance in regard to social upgrading. Then, chapter 5 investigates the potential of the Moroccan industry-wide labelling initiative Fibre Citoyenne [FC] in fostering social upgrading, underlining its benefits and its limitations. The chapter shows that the GPN embeddedness in the local social context is strongly linked to the global actors governing the production chain.

Consequently, following up on the findings in chapter 5 showing the critical role played by global buyers in shaping social upgrading and downgrading patterns, chapter 6 first frames the discussion by presenting the analytical literature on corporate social responsibility [CSR]. Then, the empirical findings provide insights on how private social compliance initiatives have impacted social upgrading, highlighting their limitations, as well as the similarities and differences of private social auditing and the FC initiative. The chapter then focuses on how commercial pressures created by buyers' purchasing practices play a fundamental role in paving the way for social upgrading or in creating hurdles that may exacerbate working conditions towards social downgrading.

Chapter 7 draws the conclusions highlighting the key contributions that this research has provided to the existing literature. It underlines the novel definition and categorisation of social upgrading and derives the lessons learned from the case study. In this chapter it is argued that the tension between commercial embeddedness and social embeddedness in GPNs, left unresolved at the buyer level, is only exacerbated at the supplier level, and in turn translated into the co-existence of regular and irregular workers, with very different opportunities for social upgrading. This is the only instrument that suppliers have to mitigate the tension created upstream in the production chain, and caused by the GPN disembeddedness from the social context in which it operates. The chapter ends by outlining implications for policy actors as well as for future research.

Chapter 2: Problem Setting and Research Methodology

2.1 Problem Setting

Global production networks and international outsourcing from industrialised to developing countries have become a staple of our times. In this research, I focus on the implications that participation in GPNs has on developing countries' firms and workers. This chapter sets the context in which the investigation is embedded, highlights the main problematic and research gaps and formulates the research questions that guide the remainder of the dissertation.

On the base of the identified research gaps and questions, the chapter then presents the research methodology chosen illustrating the different research methods used in the field investigation.

2.1.1 *Setting the Context*

Global production networks have become a distinctive feature of the global economy in the last decades, integrating productive activities across countries and regions, as an ever increasing number of brand name manufacturers and retailers outsource their production processes to offshore locations in developing countries (Gereffi 2006, 1994), benefiting from their comparative advantage in terms of lower production costs. Nowadays, the production process of most consumer goods can be traced across the globe with tangible and intangible components being put together in a network of different enterprises performing different tasks, from product conception and design, to supply of raw materials, to assembly, packaging, distribution, sales and marketing. Production is coordinated by 'lead firms' mainly based in the North, but increasingly also in emerging economies, retaining most of the intangible, high-value added activities, while low-value added manufacturing activities are performed in developing countries. In GPNs, international buyers have a crucial role to play both in terms of commercial decision-making, setting the 'what, when and how much' of production, and in

terms of labour standards requirements imposed on the actors involved in actual production. One question that is crucial to address is how does participation in GPNs impact developing country suppliers and their workers?

The predominance of these industrial structures has critical implications for firms and workers in developing countries. Exporting firms in the manufacturing South are faced not with the question of *whether* participating in GPNs, but *how* to participate in a manner that delivers sustainable positive outcomes for the firms themselves and for their workers.

Case studies across the globe show that participation in GPNs may result in a range of possible outcomes for developing countries, both from an economic and a social perspective. From an economic point of view, the issue of developing country participation in global production has gathered considerable attention (Gereffi 1994, 2001; Humphrey and Schmitz 2000; Gereffi et al 2005; Kaplinsky 2000, Dicken 2003). On one hand, supplier firms may manage to upgrade their production and accrue a higher share of value added through knowledge and technology transfers and learning-by-doing, developing a competitive advantage based on skills and training aimed at improving skills and capabilities of employees. In this scenario, successful from an economic point of view, the implications for workers are not clear-cut. On one side, the emergence of exporting factories supplying to lead buyers in GPNs has created new employment opportunities for women and migrant workers, who gain access to wage labour and to new sets of transferrable skills. On the other side, the increased value added in the supplier firm does not necessarily trickle down to workers, who may remain in flexible, precarious and even exploitative situations. This ambivalence of outcomes for workers is intensified when supplier firms struggle to upgrade economically. Indeed, outsourcing of production to developing countries is often spurred by low production costs based on low wages. This comparative advantage does not imply any type of learning or increase in value added, and leads to a race to the bottom that does not deliver any benefits beyond firm survival and may lead to a vicious circle of immiserising growth in which an increase in output does not correspond to an increase in workers' income (Arrighi et al 2003; Kaplinsky 2005). Often, the employment generated in GPNs is characterised by a high degree of

flexibility, precariousness and uncertainty. Under these circumstances, workers find themselves treated as a productive factor whose cost can be minimised to an extreme, often with exploitative and demeaning working conditions.

Developing country participation in GPNs follows a wide variety of paths ranging between these extremes, and there is no conclusive evidence on whether participation in GPNs in itself is beneficial or detrimental for workers. The early literature on GPNs has not dealt with labour and workers, and especially it has not focused on the quality of employment generated in GPNs. While it is clear that a race to the bottom would have a direct negative impact on workers especially in terms of wage exploitation, it was so far implicitly assumed that economic upgrading and higher value added for the supplier firm would also translate into better employment for its workers. However, while economic gains may be transferred to workers as well, there is no evidence to support that this automatically and always occurs. Only until very recently, there have been few attempts to understand the relationship between economic upgrading and social upgrading, and in particular to analyse why the achievement of economic upgrading does not automatically deliver social upgrading. In order to fully understand the complexities related to developing country participation in GPNs, it is critical to analyse the dynamics that favour improvements in labour rights and working conditions and those that hinder them, in order to understand how to harness the potential of economic upgrading to bring about simultaneously social upgrading.

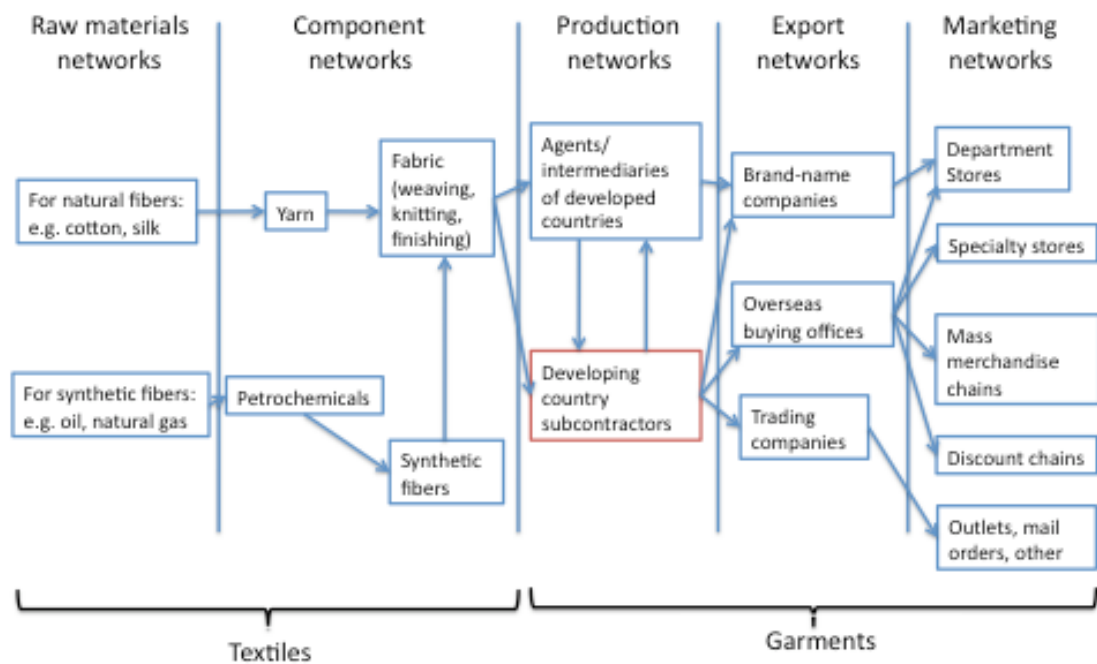
2.1.2 The garment GPN

The garment GPN is best suited to provide insights on the dramatic changes in global production patterns and the impact that these changes have had on developing country participation in the global economy. Garments are the typical example of a buyer-driven production chain (Gereffi 1999, 1994), where labour-intensive goods are produced according to the specifications and design of 'manufacturers without factories', brand-name manufacturers and global retailers that retain the product's high value added activities, but do no longer own manufacturing plants. Despite being largely studied both in the framework of GPN

analysis and from the perspective of ‘sweatshop’ analysis highlighting lack of labour rights and poor working conditions, as well as being the subject of numerous civil society and multi-stakeholder campaigns, a comprehensive analysis of what are the consequences of economic upgrading on workers’ wellbeing has not been carried out. Selecting garments as the case study for this research thus allows learning from the extensive examples already existing in the literature, as well as to provide a novel perspective on the subject of social upgrading in global production.

This research starts with a mapping of the textile and garment GPN (Figure 1), which exemplifies the networks linking raw material suppliers, manufacturers, subcontractors and lead firms. This research does not address the textiles segments of the production chain but instead focuses on garments, and in particular it concentrates on the opportunities and challenges for economic and social upgrading for supplier enterprises in Morocco, which fall in the segment highlighted in red in Figure 1, keeping in mind the synergies and linkages with the other actors of the GPNs such as international buyers, social partners, government and civil society.

Figure 1: The textile and garment global production network

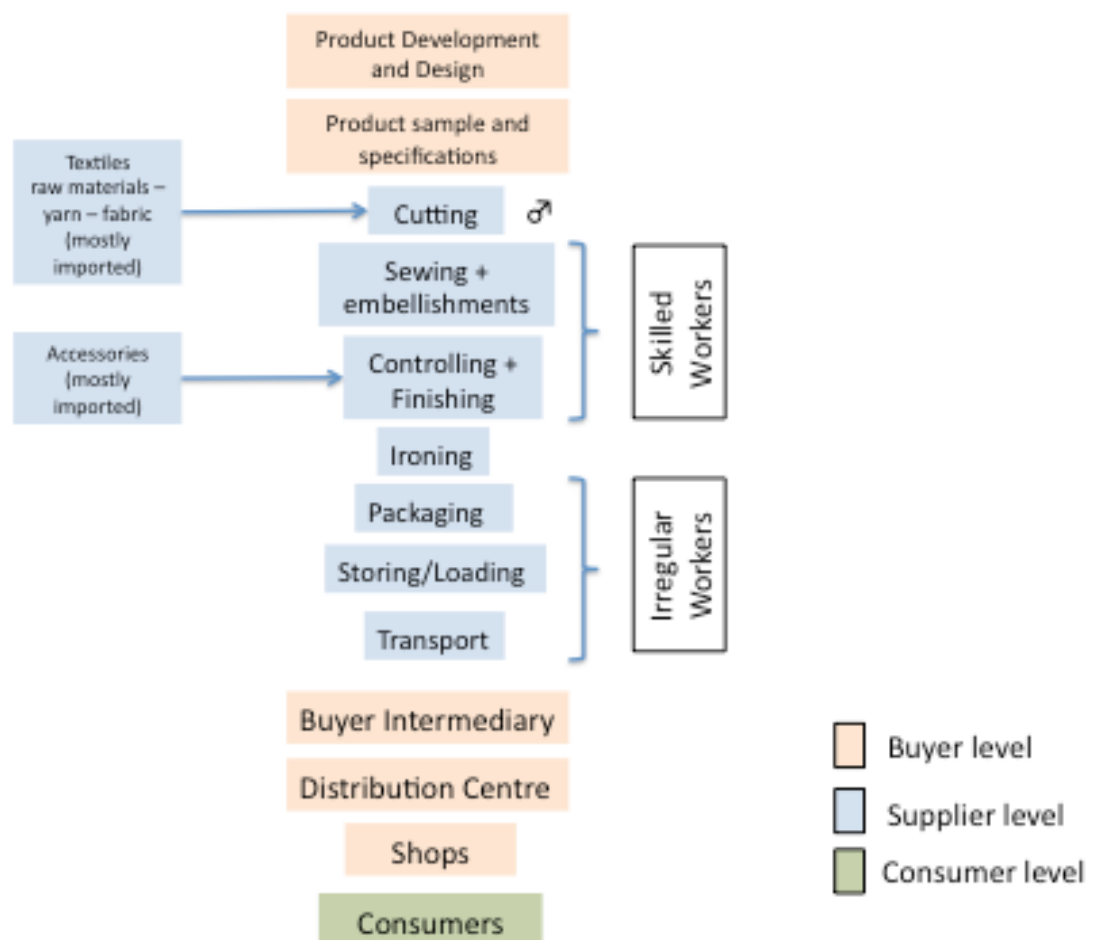


Source: adapted from Appelbaum and Gereffi (1994).

Developing country suppliers like Morocco tightly interact with international buyers and their intermediaries at different stages of the production process, as they usually receive product specifications and design from them. Figure 2 shows how a piece of garment is produced from its conception to its arrival in shops. At the international buyer level (in pink) the product is developed and designed. A product sample is produced and its specifications are codified. The sample is either physically sent to suppliers or photographed and scanned and sent electronically. Once suppliers receive the product sample and specifications, they proceed to acquire the raw materials needed. The supply of textile yarn is either managed by buyers and their intermediaries or by suppliers themselves. When the fabric arrives, the cutting department of the supplier factory takes it quite literally into their hands and proceeds to cut the materials according to the product specifications. The cutting department is traditionally where the few male workers are usually found. The cut pieces of fabric are then brought to the production lines of sewing machine workers. These workers are exclusively female and they are often senior workers who have developed a relatively high degree of skill. This is especially valid in the case of delicate, elaborate garments that require particular techniques in their embellishments, pleating, patchwork, applications, embroidery, etc. Relatively higher skilled workers are also employed at the end of the production line in controlling and finishing the garment. Accessories are also imported from outside the supplier factory and their purchase is usually the responsibility of the supplier. Labels and price tags are attached at this stage. Once the garment has been controlled and approved, it is ironed and brought to the packaging units. Here, the garment is usually hung on wire hangers and covered with cellophane, or folded in plastic-covered packages. This segment of the production chain is characterised by low-skilled, very young female workers that may have more casual forms of employment. Irregular workers also characterise the following two segments of the chain: storing and loading of garments and their transport. In the fast fashion segment of the garment GPN, there is a very limited amount of inventory. Suppliers tend to produce according to the needs and orders of buyers, and they use less and less their storage capacity. Production takes place on an ad-hoc basis following buyers' orders. Storing is done throughout the day, and trucks for transport usually collect merchandise once or twice a week. On

those days (usually a Friday), irregular workers are particularly under pressure because they have to wait for the trucks to come to the factory gates and they cannot advance their work without them. Transport trucks often collect items in more than one factory in the industrial area, and therefore delays are the rule rather than the exception, with direct consequences on loading workers' working hours and overtime. Transport is usually outsourced and carried out by a third party employed by buyers or their intermediaries.

Figure 2: Links of activities in the garment GPN



The loaded trucks reach the buyers' intermediaries in the supplier country or directly in the destination country. The intermediary is in charge of the transport to the distribution centre in the destination country, which then ships the items directly to shops, where consumers will buy them.

The GPN framework highlights how garment production is constituted of rather discrete, yet interconnected segments in the production chain, and this allows a thorough analysis of the opportunities and challenges for workers in each of the segments. From this brief description of the conception, manufacture and travel of a garment item it appears clear that there are intrinsic tensions on suppliers and workers to produce on time and to be flexible enough to adjust to last minute changes to buyers' orders. That is why using the GPN framework of analysis is the most suitable analytical instrument to carry out the present research.

2.1.3 Gaps and Research Questions

The existing literature provides limited attempts to link the economic and social realms of participation in GPNs. This research aims at addressing this analytical gap by investigating under which conditions social upgrading takes place, and what are the enabling and hindering circumstances for its attainment.

In particular, to what extent do efforts towards economic upgrading also lead to social upgrading? If so, how and under which conditions? What are the circumstances that sustain social upgrading and those that hinder it? How does the tension between the economic and social spheres in GPNs shape social upgrading and downgrading patterns? Whilst examining the interactions between economic and social spheres, this research places its emphasis in understanding the dynamics and the drivers of social upgrading.

At the beginning of this research in 2006, there were very few attempts to link the literature on GPNs to the one of labour and working conditions (Barrientos 2007; Knorringa and Pegler 2006) and a clear gap in the literature was a lack of agreed definition of what is meant by social upgrading. My first research question aims at filling this gap by answering:

HOW CAN SOCIAL UPGRADING BE DEFINED, CATEGORISED AND ASSESSED?

It is important to notice that, within the last three years, several efforts have been undertaken in order to find a definition and measurements for social upgrading (Barrientos et al 2008; Mayer and Pickles 2008; Milberg and Schoeller 2008; Plank et al 2009; Polaski 2008). In this research, social upgrading is defined as *the*

process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment. The path towards the establishment of this definition is discussed in depth in Chapter 3.

After establishing a definition for social upgrading, it is crucial to understand how it plays out in the context of global production and under which circumstances it is stimulated or hindered. My second research question is:

UNDER WHICH CONDITIONS DOES SOCIAL UPGRADING TAKE PLACE?

The outcomes in terms of economic and social upgrading for workers in GPNs depend on a number of factors, such as whether they are regular or irregular workers and the type of job they occupy in the GPN (Barrientos et al 2008; Raworth and Kidder 2009; Gereffi and Guler 2008); on several factors connected to the internal dynamics of the GPN, such as the type of economic upgrading taking place and the type of lead firm at the top of the GPN; and on the social and institutional context in which it is embedded, both at the local and at the global level, including private and multi-stakeholder initiatives aimed at social upgrading. More in detail, I will concentrate on a number of secondary questions:

- WHAT IS THE RELATIONSHIP BETWEEN ECONOMIC AND SOCIAL UPGRADING?
- HOW DOES THE LOCAL SOCIAL AND INSTITUTIONAL CONTEXT INFLUENCE SOCIAL UPGRADING?
- HOW DO GLOBAL BUYERS SHAPE SOCIAL UPGRADING AND DOWNGRADING PATTERNS?

The analysis will focus both on the enabling conditions for social upgrading and on the potential pressures that may hinder social upgrading from occurring.

2.2 Research Methodology

The identified research gaps and questions outlined above create challenges to be addressed in analytical and empirical terms. From an analytical standpoint, they require the establishment of a definition for a new concept, which has been addressed in a number of different strands of literature. The new definition of social upgrading aims at reconciling the basic ambivalence of how labour is perceived in the literature on GPNs, that is both as a factor of production, and as

the manifestation of human activities by workers entitled to core labour rights, by using the analytical framework of GPNs. Following the trend carried out in the traditional literature on global production chains and networks, this research addresses the analytical gap by using an inductive, case-study approach. The complexity and commercial confidentiality of GPNs hinders the ability of collecting strong quantitative data that fully represent their reality, making data gathering very challenging, especially at the aggregate level. Surveys at the national levels do not capture which aspects of production are directed to the domestic market and which are part of GPNs, and trade data do not capture the complexity of coordinated trade in intermediate goods.

A case study is the best opportunity to address these crucial research questions in a detailed and thorough manner. As Wallerstein argues (2009: 89), “Studying commodity chains is [...] like observing the operations of the human body by means of multiple tests for the physician. [...] We are measuring indirectly and imperfectly a total phenomenon that we cannot see directly no matter what we do”. The proliferation of case studies in this field of research is indeed a proof of the needs of ‘multiple tests’ to assess real phenomena and to draw conclusions produced logically from the available data. For the particular purpose of this research, GPNs are defined underlining the importance of the social and institutional context, and in order to cover the highly pertinent contextual conditions, this research relies on a case study, defined as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin 1994: 13). The case study method will allow the appreciation and analysis of the embeddedness and interaction of the case with its context (Stake 1995: 16). The case study analysis is based on the selection of a small sample within a population that provides a useful variation of the dimensions object of the investigation (Seawright and Gerring 2008).

In order to address the research questions, this research will utilise the empirical case of Moroccan garment factories participating in GPNs and their workers. While not representative of the garment sector at the global level, the Moroccan garment sector is particularly well suited to investigate the central questions at the core of

this research. On one side, Moroccan suppliers are faced with constant commercial pressures from their buyers, not only in terms of cost, high quality and productivity requirements, but also in terms of short lead times, flexibility and responsiveness to last-minute demands. This is due to their feeding into the fast fashion segment of the global garment sector. The commercial embeddedness of the Moroccan garment sector in the GPN poses specific challenges in terms of labour. Participation in global production has had documented impact on wages and working conditions in terms of precariousness and flexibility of labour arrangements. In addition to the commercial pressures on factory performance imposed by the fast fashion strategy and their implications for labour, the Moroccan garment industry is also a striking example of social embeddedness in the local context because of the existence of a sector-wide code of labour practice, *Fibre Citoyenne*, that aims at improving labour rights and working conditions in the garment sector. Factories are therefore constantly faced with the dilemma of responding to commercial pressures to increase cost efficiency, and of increasing their compliance to labour standards at the same time. Due to this contradicting tension, the Moroccan garment sector represents a key case for this research.

2.2.1 A profile of Morocco and its garment industry

This section illustrates why the Moroccan garment industry is the most suitable case study for this research.

Figure 3: Map of Morocco



Figure 3 illustrates a map of Morocco. This research focuses on four urban areas: Casablanca, the main commercial and industrial city and leading port; Rabat, the capital and administrative centre; Tangier, the emerging port and gateway to Europe; and Fez, the first capital of Morocco which has retained its imperial legacy. Historically, Morocco was ruled by Moorish dynasties established after the Arab conquest of North Africa. In the late nineteenth century, it was occupied by Spain, and it became a French protectorate in 1912. Its colonial history ended with its independence in 1956. Because of the French and Spanish occupations, French is the language of business and administration in Morocco, and Spanish is widely spoken as well. These characteristics facilitate commercial relationships with France and Spain. As of 2009, it had a population of over 31 millions with a median

age of 25 years old¹. Morocco has the reputation of being a 'young' country and there is an overall benevolent attitude towards youth.

Morocco is a kingdom ruled by King Mohammed VI since 1999. Unlike his father Hassan II, who was a conservative, Mohammed VI has brought about significant changes to the Moroccan society, fostering a higher degree of democracy, reforming the family Code to give more power to women, and keeping Islamic fundamentalism at bay.

Morocco's currency is the dirham, which at the time of the field work had an exchange rate of approximately 0.09 euro². The Moroccan economy relies heavily on agriculture and primary goods exports, particularly phosphates, and on the garment sector, which has a great significance in terms of employment, exports and value added. Historically, Morocco has an established reputation in high quality textile and leather handicrafts. Indeed, the French word for fine leather goods, *maroquinerie*, derives its name from Morocco. In the 1980s, the Moroccan economy opened up to follow an export-oriented development strategy, and the textile and garment industry thrived and become involved in GPNs, receiving orders especially from Europe. Despite a slowing down in the export market growth and a decline in domestic demand since the end of the 1990s, the industry remains the most important source of employment in the economy, especially for women and young unskilled workers (Table 1).

In the period 2003-2007, 89.3% of garment production was directed to the export market. These exports constituted 23.2% of total manufacturing exports (MIC).

¹ Haut Commissariat au Plan: www.hcp.ma

² Office des Changes: <http://www.oc.gov.ma/index.asp>

Table 1: A Snapshot of the Moroccan Garment Industry

	2003- 2007
Value of exports (thousands USD)	3,108,254*
Share of production directed to exports (%)	89.3
Exports as a share of total manufacturing exports (%)	23.2
Registered employment	158 358 ¹
Share of garment employment over manufacturing employment (%)	31.2
Share of female employment	83.60%
Number of enterprises	865 ²
Share of manufacturing value added (%)	10
Share in world market (%)	0.89*

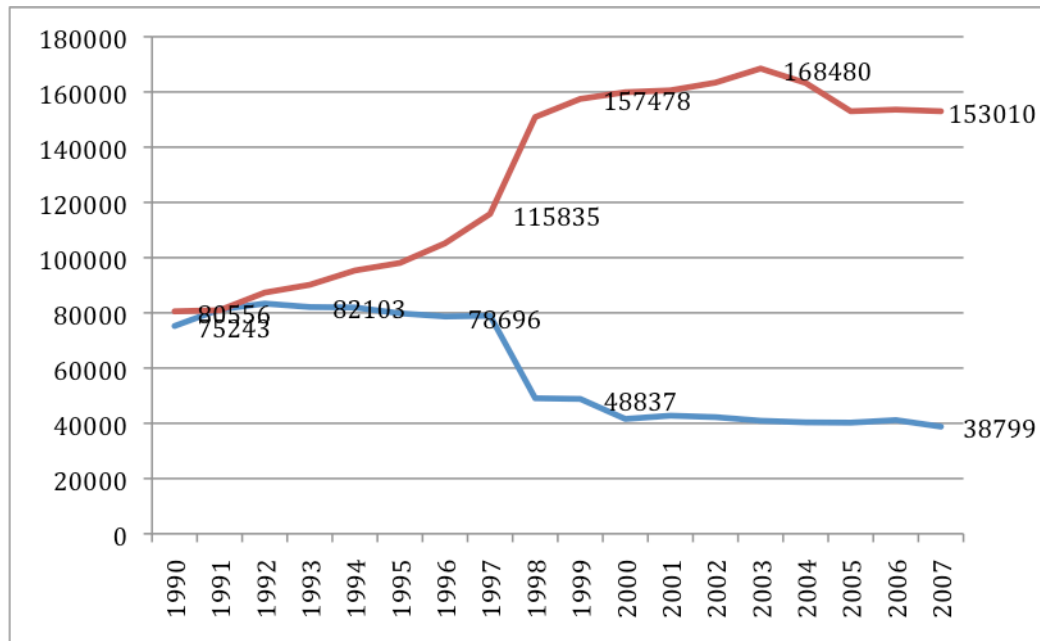
¹ Yearly average 2003-2007

² 2007 data (MIC)

³ 2008 data (ITC)

In the same period, total registered employment in the garment sector had an average of 158,358 workers.

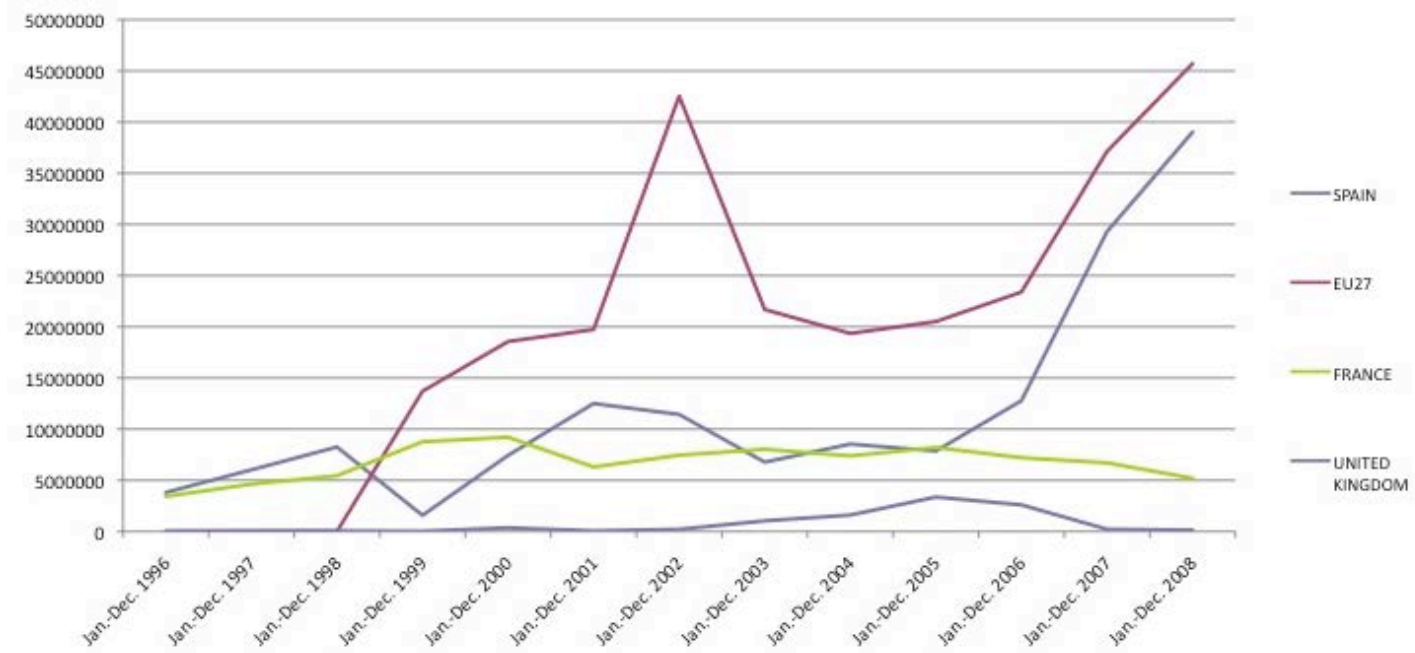
Figure 4 shows the evolution of employment in the textile and garment sector. In 1990, the two branches had similar scale of employment, but in the following decades the garment sector (in red) witnessed a dramatic rise in employment, reaching a peak of 168,480 workers in 2003. In parallel, the textile sector has witnessed a decline in employment.

Figure 4: Evolution of employment in textiles and garments

Source : MIC, adapted from Bensaid and Ibourk (2009)

In 2006, Morocco entered a Free Trade Agreement with the US, and in 2008 entered into an advanced status in its 2000 Association Agreement with the EU. Due to these preferential trade agreements, Morocco has become an important supplier in the garment sector, with its main export partners being Spain and France due to geographical proximity and historical ties. Spain in particular has emerged in recent years as the key export market for Moroccan products (Figure 5), constituting the vast majority of Morocco's garment imports to Europe. In 2007, Moroccan garment products constituted 3.7% of total EU imports (UN Comtrade).

Figure 5: Morocco's exports to the European market, 1996-2008 (Eur)³

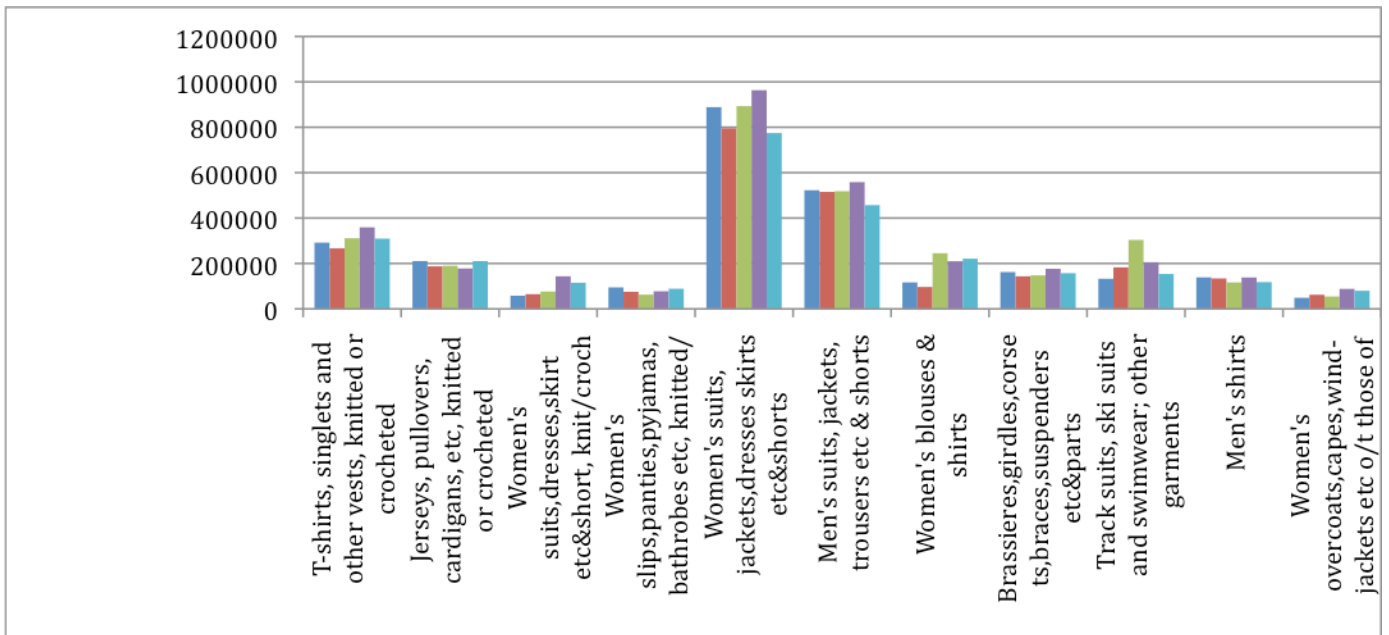


Source: Eurostat.

As shown in Figure 6, the industry specialises in woven men's and women's trousers, shirts, blouses, T-shirts and undergarments⁴.

³ The observed peak in 2002 is explained by a rise in exports to Germany.

⁴ Data collected by the AMITH, www.textile.ma

Figure 6: Exported products, 2004-2008 (thousands USD)

Source: ITC

Moroccan exporting enterprises participating in GPNs are particularly attractive for the fast fashion segment of the garment industry, which requires fast delivery times, reactivity to the market needs and the ability to work on very small orders on a short notice. Thanks to its proximity to Europe and its well functioning ports of Casablanca and Tangier, Morocco offers an ideal platform for this kind of orders. The main buyers active in Morocco are emerging Spanish brands pioneering fast fashion, such as Inditex (Zara) and Mango, large French companies, such as Decathlon, and British buyers with a consolidated history of attention to quality and labour standards, such as Marks & Spencer. American lead firms such as Nike and Disney are also sourcing from Morocco, albeit only a limited range of products with a high lead time sensitivity.

Due to its characteristics, fast fashion poses specific challenges for economic and social upgrading and is therefore a crucial example to analyse, because it exacerbates the tension at the core of this research between commercial embeddedness on one side, and considering workers as social actors on the other. The case study of the Moroccan garment industry is therefore particularly well suited to explore this dichotomy.

Workers in the garment industry are predominantly female. Women constituted 83.6% of the workforce in 2007, and men are usually found in specific segments of the production chain such as the cutting department, or in supervisory roles, highlighting an intrinsic gender imbalance. Women workers are usually very young and relatively unskilled, and they work in garment factories to contribute to their household subsistence. They often live at home with their parents or their married siblings, waiting to save enough money to get married and retire from waged work (Mellakh 2007, Joeques 1985). When the primary breadwinner does not guarantee the subsistence of the family, or in the case of divorces, women continue or go back to work in garment factories, where after some years achieve a different status in terms of seniority due to the experience and skills they built up (Mellakh, personal communication).

In terms of literature on workers' rights, there are several studies (Amri 2005, Belghazi and Baden 2002, Joeques 1985, Intermon Oxfam 2004, Clean Clothes Campaign 2003, Arco 2008) that have brought evidence on the poor social standards in the garment sector in Morocco. They examine this as a result of fast fashion, with emphasis on working conditions and working hours, informality, use of temporary and casual labour, gender disparity and wages. Freedom of association and collective bargaining are still particularly problematic issues (ICFTU 2006; Amri 2005; Clean Clothes Campaign 2003; ITUC 2009), with unionisation rate at around 3 per cent throughout the sector and having largely male participation, not reflecting the gender composition of the labour force in the sector which is largely female. Moreover, Morocco is yet to ratify ILO Convention 87 on freedom of association and protection of the right to organise.

The garment industry in Morocco has seen specific ad-hoc intervention from the Government as well as from the AMITH aimed at addressing economic and social upgrading. In 2002, the government and the AMITH signed a framework agreement that among other provisions established an upgrading fund, *Fonds National de la Mise à niveau* (FOMAN) to support modernisation and restructuring at the firm level. In 2005, the government, in collaboration with business associations, promoted the Plan Emergence prioritising the textile and garment sector and promoting Morocco as a key export platform for Europe (Cammet

2007). In terms of social embeddedness, Morocco represents an important case study because of the Fibre Citoyenne initiative. The AMITH has in fact played an important role also in terms of compliance to labour standards. In 2003 it has issued an industry-wide code of conduct and a related label Fibre Citoyenne (Citizen Fibre) to be awarded to factories passing a social audit. The FC has garnered a considerable success among exporting factories and international buyers alike, and has been used as a platform for discussion in the MFA Forum, a multistakeholder initiative aimed at supporting apparel exporting countries in the aftermath of the phase out of the quota system in 2005. The FC initiative garnered particular relevance in 2007, when Inditex pledged to source exclusively from FC-certified factories as part of the International Framework Agreement signed with the ITGLWF (Pfeiffer 2007). From this viewpoint, the Moroccan garment industry is caught in between the commercial pressures arising from the fast fashion model, and the pressures to comply to labour standards deriving from the FC. This tension plays a crucial role in economic and social upgrading patterns.

In addition to the FC initiative, the relevance of the garment sector in Morocco and the challenges that workers encounter in achieving decent working conditions was reinforced by the ILO, which established a Decent Work Pilot Programme in the sector. The programme was aimed at encouraging social dialogue between employers and unions as well as at improving competitiveness. The Global Compact has also been active in Morocco through an awareness raising campaign on corporate social responsibility⁵.

Furthermore, it is important to notice that despite the increasing relevance of the Mediterranean area as a key outsourcing platform for European multinationals and the specific policy initiatives for economic and social upgrading in Morocco, there are very few studies addressing the opportunities and challenges of the region's participation in the global economy from a GPN perspective. This provides an additional rationale for choosing Morocco as the case study for this research.

My research aims at using this empirical case to address the gap between the literature on poor working conditions (focusing on workers' rights) and the GPN analytical framework (highlighting commercial pressures and focusing on labour

⁵ Key informant interview with Saad Filiali Meknassi, Global Compact Morocco.

as productive factor), allowing an understanding of the opportunities and challenges for firms and workers deriving from participation in global production.

2.2.2 Research methods

Due to the nature of the concepts of economic and especially social upgrading, this research is largely based on a qualitative approach. The main research methods used to collect primary data are semi-structured interviews and focus group discussions [FGDs]. The field work took place from January to June 2008 in four areas in Morocco: Casablanca and its vicinities (*Grand Casablanca*), Rabat-Salé, Fez and Tangier.

First, in order to grasp the perspectives of all stakeholders involved, I carried out 26 semi-structured interviews with key informants such as government agencies, the AMITH, trade unions, the Moroccan employers' association [CGEM], auditing companies, NGOs, international organisations and international buyers sourcing from Morocco⁶. These interviews provided important information about the social and institutional context in which the GPN operates, as well as the perspectives of the different actors involved in garment production. The key informant interviews were also very valuable in triangulating the information collected through the interviews with factory managers and the focus group discussions with workers. By verifying the information from different sources and linking their different accounts, I could draw conclusions on the subject matter with a certain degree of confidence: for example, the key informant interviews with two Moroccan academics specialising on labour rights and the garment sector, Prof. Filiali Meknassi and Prof. Kamal Mellakh, confirmed the issues raised in focus group discussions by irregular workers who stated the recurrence of marginalisation and discrimination. Several observations made by irregular workers, such as for example not being paid the minimum wage and being treated harshly by their direct supervisors, have been triangulated through interviews with the local NGO Alliance des Droits des Travailleuses, which cooperates with Oxfam in the

⁶ A complete list of the key informants interviewed can be found in Annex II.

investigation of working conditions in the garment sector in Morocco, as well as with the UN Global Compact Morocco representative.

Secondly, I selected a purposive sample of 19 enterprises. Given that from the outset of the research I had set out to systematically target enterprises according to the key drivers of social upgrading under examination, the methodological choice of a purposive sample allowed me to select enterprises in a strategic way. As a result, the choice of the sample criteria was driven by the research questions I aimed at addressing (Seawright and Gerring 2008). Therefore, in selecting the enterprises part of the sample, I was driven by my research questions and in particular by the variables that I expected to play a role in influencing social upgrading opportunities:

- 1) The enterprises' *geographical location*, following the indication that the embeddedness in the local context may influence the development of GPNs and the conditions under which upgrading takes place (Coe et al 2004, Hess 2004, Hess and Yeung 2006);
- 2) The *type of international buyer* enterprises were sourcing to, based on studies showing the importance of sourcing practices in shaping social upgrading and downgrading (Belghazi 2005, Amri 2005, Acona 2004, Clean Clothes Campaign 2003, Oxfam International 2004);
- 3) *Adherence to the industry code of labour practice Fibre Citoyenne*, as a governance instrument explicitly aimed at influencing social upgrading.

Within this framework, as further discussed in section 2.2.3, the sample selection was also influenced by practical constraints and in particular by the difficulty in securing access to factories and in particular to workers. In order to overcome this hurdle, the enterprise selection was made in consultation with members of the AMITH (both at its headquarters in Casablanca and at its local offices in Rabat and Tangier), the Moroccan centre for export promotion (CMPE), and the ILO Casablanca office. This methodology is consistent with a case study selection, as shown for example in Gereffi and Bair (2010).

While the sample size may seem small, the case study approach based on research methods such as semi-structured interviews and focus group discussions provides a large number of detailed information for each unit of data collection. As with all

case studies, the sample is not intended to be statistically significant: “[...] statements about incidence or prevalence are not the concern of qualitative research. There is therefore no requirement to ensure that the sample is of sufficient scale to provide estimates, or to determine statistically significant discriminatory variables. [...]” (Ritchie and Lewis 2003: 83). Furthermore, conducting interviews with factory workers is a particularly challenging endeavour, since many factory managers were highly reluctant to provide me with this opportunity.

As discussed above, purposive sampling laid the methodological foundation for the selection of enterprises on the following criteria. Following the first selection criterion, *geographical location*, the selected enterprises are located across four industrial areas: Casablanca, Rabat, Fez and Tangier. These four areas are characterised by a high level of garment production for the export market and of employment in the garment sector. The area of Grand Casablanca alone employs more than half of registered workers in the Moroccan textile and clothing sector, and Tangier is rapidly emerging as a crucial industrial hub due to its proximity and good transport connections to Spain. Rabat has a long history of export orientation especially towards the UK, and Fez is the traditional centre where the textile and garment production has originated, formally oriented towards the domestic market and nowadays struggling with export orientation.

Table 2 presents the geographical distribution of the sample. I had initially set out to select five enterprises for each of the four selected locations; however, I was not able to establish sufficient contacts in Fez, whereas I was encouraged by factory owners, academics and the AMITH in Casablanca to have more interviews in this location.

Table 2: Sample geographical distribution

Casablanca	Rabat	Fez	Tangier
1. C1	1. R1	1. F1	1. T1
2. C2	2. R2	2. F2	2. T2
3. C3	3. R3		3. T3
4. C4	4. R4		4. T4
5. C5	5. R5		5. T5
6. C6			
7. C7			
Total: 7 factories	Total: 5 factories	Total: 2 factories	Total: 5 factories

Following the second selection criterion, *type of buyer*, I built upon the analytical categories developed by Belghazi (2005) specifically for the Moroccan context defining buyers according to two different sourcing models: a continuous relationship with suppliers and a more discrete model exemplified by the fast fashion strategy. These categories will be discussed in detail in Chapter 6.

Table 3 presents categorises the sample enterprises according to the type of buyer they predominantly source to (i.e. sourcing more than 50% of their output):

Table 3: Sample according to type of buyer

Predominance of buyers in a continuous relationship	Predominance of buyers in a fast fashion model
C1	C6*
C2	F2
C3	T1
C4	T2
C5	T3
C6*	T4
C7	T5
F1	
R1	
R2	
R3	
R4	
R5	
Total: 13 factories	Total: 7 factories

* Factory C6 exports 50% of production to continuous relationship buyers and 50% to fast fashion buyers.

Following the third selection criterion, *adherence to the FC initiative*, enterprises were selected keeping in mind whether they already received the FC label, they were in the process of obtaining it, or they were not participating. Table 4 presents the sample participation in the FC initiative.

Table 4: Sample participation in the FC initiative

<i>FC labelled</i>	<i>FC in progress</i>	<i>No FC</i>
C1	C2 (<i>later obtained</i>)	C3
C4	F1 (<i>later obtained, then suspended</i>)	R2
C5 (<i>later suspended</i>)	F2 (<i>later obtained</i>)	R3
C6 (<i>later suspended</i>)	R4 (<i>later obtained</i>)	T4
C7	T1 (<i>later obtained</i>)	T5
R1	T2	
R5	T3	
<i>Total: 7 factories</i>	<i>Total: 7 factories</i>	<i>Total: 5 factories</i>

Table 5 below shows a summary of the purposive sample criteria used for the selection detailing the number of factories under each criterion.

Table 5: Purposive sample summary table

		Casablanca	Fez	Rabat-Sale	Tangier
Total # of factories		7	2	5	5
Type of buyer	CR	7*	1	5	0
	FF	1*	1	0	5
Adherence to the FC	FC	5	0	2	0
	In progress	1	2	1	3
	No FC	1	0	2	2

* Factory C6 exports 50% of production to continuous relationship buyers and 50% to fast fashion buyers.

Furthermore, in order to provide a complete picture of the sample characteristics, it is relevant to also show the sample distribution in terms of firm size, as represented by the number of employees. Representing the predominance of small and medium enterprises in the Moroccan garment sector, the sample is constituted of 9 factories with less than 400 employees, of 7 factories with between 400 and 1000 employees and of 3 factories with more than 1000 employees, as shown in Table 6.

Table 6: Sample composition according to firm size

<i>< 400 employees</i>	<i>Between 400 and 1000 employees</i>	<i>>1000 employees</i>
C2	C1	R5
C3	C6	T3
C4	C7	T4
C5	F2	
F1	R2	
R1	T1	
R3	T2	
R4		
T5		
<i>Total: 9 factories</i>	<i>Total: 7 factories</i>	<i>Total: 3 factories</i>

The case study approach facilitated in-depth research within each of the factories. I conducted semi-structured interviews with the company presidents, production managers and human resource managers with a total of 30 interviews. Such interviews had the objective of investigating in detail both economic upgrading efforts, such as process upgrading, change of product range and functional upgrading, as well as the hurdles that the companies have to face when participating in GPNs and interacting with global buyers. Secondly, they addressed the opportunities and challenges for social upgrading, in particular tackling in detail the changes that have occurred on the factory floor, the drivers for social upgrading and the issue of compliance to codes of labour practice.

In 9 factories, I conducted small focus group discussions with workers, with a total participation of 47 workers. Given the research questions that I set out to address in this research, it was critical to approach workers on the workplace in order to be able to analyse their social upgrading experiences in conjunction with their factory's characteristics in terms of economic upgrading, location embeddedness and type of global buyer. In addition, in two factories I was able to contact workers during their breaks and I carried out short FGDs outside the factory. All the interviewed workers were female, representing the almost totality of female workers in the visited factories. Members were chosen randomly on the factory floor, among workers operating at sewing machines, cutting machines, serigraphy,

finishing, ironing and packaging. Both senior workers (with more than 15 years of experience in the factory) and recently hired workers were interviewed.

Table 7 indicates the factories in which I carried out the FGDs.

Table 7: FGD Composition and Geographical Distribution

<i>Location</i>	<i>Factory</i>	<i>Number of FGDs and participating workers</i>
Casablanca	C4	FGD 1: 3 workers FGD 2: 3 workers
	C6	FGD: 4 workers
	C7	FGD 1: 4 workers FGD 2: 3 workers
Fez	F1	FGD: 3 workers
	F2	FGD 1: 4 workers FGD 2: 3 workers
Rabat	R1	FGD: 4 workers
	R4	FGD 1: 4 workers FGD 2: 3 workers FGD 3 (outside factory): 3 workers
	R5	FGD (outside factory): 3 workers
Tangier	T1	FGD 1: 3 workers FGD 2: 3 workers
	T2	FGD: 3 workers
<i>Total: 53 workers</i>		

Most of the FGDs were conducted in Arabic with the aid of a translator who then transcribed the discussions for me. The FGDs outside the factories were more spontaneous and I was alone. In these occasions workers spoke French.

In the discussions I raised the issue of working conditions in general, and witnessed a debate between workers in terms of their perception of the factory, usually also using comparison with other factories where they had worked before. Then, changes and improvements in working conditions in recent years were discussed. If they took place, I tried to investigate what the workers perceived as successful interventions. Finally, in order to assess their general satisfaction with their work and their social upgrading priorities, the discussions focused on

whether they were generally content with their current employment and the issues that they would like to change if they could.

Given this was a case study, triangulation was important in order to cross check information provided from different sources. As in the case of key informant interviews, the FDGs helped triangulate the information collected by factory managers and human resource managers especially in terms of their perceptions of social upgrading. Where both managers and workers, as well as other actors such as academics and NGO representatives, reported the same information, this helped to verify its validity. For example, workers in factories C4, R1 and T2 confirmed the managers' statements in terms of improvements on the factory floor, such as new ventilation systems and the reduction of excessive overtime and night shifts. The empirical analysis in Chapter 4, 5 and 6 clearly states the cases in which the information was collected only from one source.

Economic and social upgrading are both processes that imply a temporal dimension. However, since I did not have the opportunity to carry on interviews in the same factory over a period of time significant enough to record economic and social upgrading, the analysis of my case study compares in retrospective the situation in the factory at the time of the interview and in the past five years. The interviews aimed at understanding the role of the factory in the GPN throughout the five years, highlighting changes in efficiency and productivity, in product mix and in the type of activities that the factory takes on beyond manufacturing. At the same time, the interviews and FDGs focused on the perception of social upgrading ex-ante/ex-post certain interventions, such as types of economic upgrading, changes in the end buyers, and the introduction of codes of labour practice. Interviews and FGD guidelines can be found in Annex I.

2.2.3 Practical and ethical challenges

The field work entailed a number of practical and ethical challenges.

From a practical point of view, the biggest difficulty was to gain access to enterprises. At the beginning of the field work, I encountered many problems in

establishing contacts with managers and factory owners, because they would not agree to talk to me without knowing me or without an introduction by someone known and respected. My requests for interviews were not only often viewed as a waste of time in the management's eyes, but also given the sensitive nature of my research subject and my requests to talk to workers about working conditions and labour rights, they were also considered threatening.

Being aware of this challenge from the start, I had a preliminary visit to Morocco in order to establish contacts with a local academic institution before starting the actual field work. I found a good partnership with the Institute of Applied Economics and Prospective Studies [IEAPS] at the Al Akhawayn University in Ifrane. Ifrane is a small town in the Atlas mountains, relatively isolated from industrial areas and far away from the Atlantic coast, but I was able to use an office at their subsidiary in Casablanca. Most importantly, Al Akhawayn University is very highly regarded among Moroccans and especially among managers because of its strong business administration program; thus, it provided me with invaluable entry points to contact the employers' association and many factory managers. Once I was recommended by the vice-president of the employers' association, all contacted enterprises agreed to see me.

The relatively slow start of my field work, featuring a large number of unreturned phone calls and frequent unanswered knocking on factory doors, is also explained by a cultural difference in terms of perception of time and urgency. Whenever I tried to schedule an appointment, it was fixed at least one week after. In many circumstances, it was postponed or rescheduled to a later date without particular explanations. I soon discovered that there was no point in getting frustrated about this but rather I tried to organize my time differently in order to have little wasted time.

A second important challenge that I faced is related to the need to establish a trusting relationship between the interviewees and myself, given the highly sensitive nature of the issues to be discussed. This was sometimes made more difficult by cultural and language differences as well as gender aspects. My status as a junior European female created sometimes some difficulties, especially because I felt I was not taken seriously at times. In factory interviews with

managers, the most probing questions were occasionally dismissed and not followed through because of a feeling of superiority due to seniority and gender. However, my relative young age and limited work experience also helped me. I was facilitated by the fact that Morocco has an overall very young population and most professionals, such as factory managers and government officials, look with a benevolent eye towards young people showing professionalism and motivation and were often well-disposed towards me and my questions.

The issue of confidentiality was also raised many times during the factory interviews. I soon abandoned the idea of taping the interviews because I realised that the recorder was making interviewees uncomfortable and that they would talk much more freely off record. In particular, managers were sometimes reluctant to disclose information about their clients and their competitors. By quoting examples from other factories without mentioning their name I provided some common ground for discussion as well as showing that I would keep the factory's name and details confidential; usually this helped the conversation to become more informal and relaxed, and eventually most of them shared sensitive information with me.

The FDGs with workers also presented a number of challenges. As explained above, I aimed to interview workers in the factories because I wanted to be able to directly tie their experiences in terms of economic and social upgrading to the specific characteristics of each factory, in order to be able to draw some conclusions concerning the drivers of social upgrading and the relationship between economic and social upgrading. As a result, it was particularly important to ensure that workers were comfortable in talking during their working hours and in expressing their feelings and concerns. For this purpose, it was critical to find a suitable space in the factory that would keep them away from the prying eyes of managers and supervisors and allow them not to be overheard. In most cases, the FDGs were conducted in the canteen or in side rooms in the factory.

Another challenging issue related to the FDGs with workers was that of language. Whilst all the key informant interviews and the managers' interviews were carried out in French or in English, workers in most occasions do not speak fluent French, but only Arabic. For the FDGs, I relied on the help of a Moroccan-Arabic speaker

who then transcribed the discussions for me. While I am aware that this solution may have created an additional filter between the discussants and myself, I also believe that it helped workers to feel more comfortable, not only for the obvious language issue but also because of the advantage of having an intermediary who is used to Moroccan customs and knows how to address sensitive issues in a polite and appropriate way.

2.3 Conclusions

The present chapter set the scene for the investigation of social upgrading in GPNs. It has contextualised and problematised the research questions at the core of this research by identifying the main problematic and has highlighted the knowledge gap leading to the formulation of two main research questions:

1. How is social upgrading defined?,
2. Under which conditions does it occur?

These two research questions and the numerous subquestions that I aim to answer in this research are going to be addressed analytically and empirically.

Chapter 3 will provide the analytical framework in which this research is situated, highlighting analytical gaps and leading to the establishment of a social upgrading definition. The following chapters address the research questions by utilising the empirical case of the garment GPN in Morocco. The choice of this type of methodology has been detailed in the chapter, as well as the selection of this particular case, which constitutes in itself an empirical gap in the literature and allows a deep understanding of the opportunities and challenges that participation in GPNs can bring about, as well as of the crucial tension between commercial pressures and social embeddedness.

Chapter 3: Analytical framework

3.1 Introduction

This research investigates economic and social upgrading in GPNs. This chapter lays out the analytical framework in which these concepts are situated. First, it analyses the existing literature on global production and the different conceptual tools that have been used to describe international outsourcing, illustrating the rationale for the choice of the GPN framework. Secondly, it looks at the debates in the literature on different perceptions of labour in global production, highlighting challenges and the knowledge gap in terms of social upgrading definition. In this research, social upgrading in GPNs is defined as the process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment. The chapter illustrates the establishment of this definition based on the existing literature. It then addresses the issue of measurements for social upgrading, presenting both quantitative and qualitative approaches and explaining the choice of the present research to pursue a qualitative analysis of social upgrading.

The issue of measuring social upgrading has been addressed in the existing literature in the context of establishing a business case for labour standards, i.e., providing an economic rationale to justify efforts to comply to national and especially international labour regulations. The last section of the chapter illustrates the existing contributions in the literature highlighting the questions that will be investigated in the empirical analysis in the following chapters.

3.2 From commodity chains to global production networks

The literature on production networks and their increasingly predominant role in the international trading system has analysed these structures using different theoretical frameworks. Bair (2009) provides a thorough review of some of the

different approaches found in the literature. In 1986, Hopkins and Wallerstein defined them as 'commodity chains', i.e. "a network of labor and production processes whose end result is a finished commodity" (Hopkins and Wallerstein 1986: 159). In this approach, the chain links together different productive activities and agents. It specifically puts emphasis on labour as a critical input in commodity chains, highlighting its function of factor of production. Branching out of the world-systems theory, the commodity chain approach described by Hopkins and Wallerstein identifies them as being a manifestation of the emergence of modern capitalism, and not a distinctive feature of the last decades. Indeed, they tend to consider globalisation as a cyclical phenomenon of the world economy that continues to represent itself periodically since the 1800s.

Parallel to the world-systems theory approach, globalisation of production was garnering attention also among business and management circles. Porter (1985) proposed the 'value chain' definition as a practical tool to analyse the relationships between various actors and activities within one specific organisation. His analysis focused on the internal functions of the organisation and on how each single element of the production chain could achieve maximum efficiency. This, in turn, would deliver a successful overall management of the organisation. Porter's value chain approach contained an element of international coordination defined as 'value systems', recognising the inter-firm linkages between each individual firm in the chain and its suppliers (backward linkages) as well as its distributional channels (forward linkages). Porter does not explicitly mention labour as an element of value chains, but it is inherent in his approach an assumption of labour as a factor of production that can facilitate the increased efficiency of each activity of the chain.

Neither the world-systems approach nor Porter's definition of value chain were sufficiently encompassing the complexity of activities and relationships among different actors in production networks. Gereffi (1994) introduced the global commodity chain [GCC] definition in his seminal contribution to the edited book *Commodity Chains and Global Capitalism*. From this new perspective initially stemming out of the world-systems theory, actors not only interact with each other but also with world markets, making them the "infrastructure of international

trade” (Bair 2009: 9). According to this approach, global commodity chains are defined by three analytical dimensions: (i) an input-output structure that characterises the transformation of raw materials into a finished commodity/product; (ii) a territoriality aspect that ties them to a particular geographical location; and (iii) a governance structure that defines the power relationships among different firm actors across the chain, as well as the ‘lead firms’ that control the production process and outcome and capture the highest shares of value. The global commodity chain approach became very popular among scholars due to its more comprehensive attempt at studying globalisation of production. In the years following this contribution, the definition shifted towards that of global value chains [GVCs], that explicitly highlighted the relevance of value creation, value distribution and value capture in the production process. This new definition also allowed the analysis to go beyond commodities (associated to agriculture and light manufacturing) and expand also to high tech products and global services (Barrientos et al 2008). Furthermore, the GVC framework in general refers to a broader intellectual project than global commodity chains, including more complex forms of governance and a broader institutional context (Sturgeon 2009).

Whilst it was stated early on that “[...] these networks are situationally specific, social constructed, and locally integrated, underscoring the social embeddedness of economic organisation” (Gereffi 1994: 4), over the years, most of the studies utilising the GVC framework have focused on their input-output structure and/or on their governance structure (Bazan and Navas-Alemán 2004). Subsequently, the GVC framework has been object of some criticism because of its lack of attention to the spatial and territorial dimension of the chain. The so-called ‘Manchester School’ provided then the definition of global production networks based on the integration of the GVC framework with territorial considerations and on the embeddedness of the production chain in a social and institutional context. This literature stems from the early recognition that economic activity and actors’ behaviours are strongly influenced by the social context in which they operate (Granovetter 1985). The definition of GPNs goes beyond that of GVCs in that “GPNs do not only connect firms functionally and territorially, but also they connect aspects of the social and spatial arrangements in which those firms are

embedded and which influence their strategies and the values, priorities and expectation of managers, workers and communities alike” (Henderson et al. 2002: 451).

Hence, since the GCC/GVC framework focuses largely on the commercial dynamics between lead firms and suppliers and the value that is created and distributed during production, its analytical scope stops at the factory level, and does not reach workers as social actors. In the GVC framework, labour is not explicitly taken into consideration. Because of the evolution of the concept in the literature, this research uses the definition of GPNs because it is wider than the previous concepts existing in the literature, and because its definition encompasses not only the economic and commercial actors of the production chain, but also the whole range of actors operating in the social and institutional context that surrounds and influences global production (Bair 2009; Henderson et al. 2002). The GPN analytical framework therefore allows an analysis of both commercial dynamics and of social embeddedness.

The involvement of developing countries in GPNs has important implications both in economic and in social terms. Whilst these have been analysed separately in the literature, the linkages are insufficiently explored.

Given the dramatic rise of GPNs across countries and sectors, developing country producers face not a question of whether to participate in the global market but rather under which conditions to do so (Kaplinsky 2005). In the literature, most attention has been devoted to exploring the economic outcomes of developing country participation in GPNs. Traditionally, the outcomes for developing country supplier firms have been assessed in terms of their shares of economic profits and value added, and have been connected to their ability to upgrade their production.

From this perspective, some firms manage to upgrade the quality, skill-intensity and value added of their production, entering a virtuous circle of sustained growth. However, the new international division of labour is often spurred by the cheap labour costs found in developing countries. Some firms are stuck in low value added activities and rely on static comparative advantage in terms of low labour cost. This may lead to a vicious circle of race to the bottom and immiserising growth in which an increase in output does not correspond to an increase in firms’

share of value added or in workers' income (Arrighi et al 2003; Kaplinsky 2000, 2005). Evidence ranging between these two extremes, there is no conclusive indication in the literature on whether participation in global production is beneficial or detrimental for developing country firms and for their workers.

In the early GVC literature, there is a wide consensus on the fact that outcomes of participation in GVCs largely depend on the firms' opportunities and capacity to upgrade. Upgrading in GVCs has traditionally been described in economic terms and using the firm as the unit of analysis, therefore implicitly assuming that labour is a productive factor contributing to the firm's upgrading efforts. Upgrading can refer to a more efficient process of production along different links of the chain (*process upgrading*); to a change in the type of the product produced by the firm, or the introduction of a new one (*product upgrading*); to a change in the mix of activities performed by the firm, i.e. the inclusion of higher value added tasks such as design, logistics and testing (*functional upgrading*); as well as to a move to a more technologically advanced production chain altogether (*chain upgrading*) (Humphrey and Schmitz 2000). In most of the GVC literature, there is no reference to labour in its incarnation of workers as social actors. At best, there seem to be an implicit assumption that economic upgrading will automatically deliver social benefits for workers operating in them by raising the value added in the production and hence the gains for supplier firms. However, there is no strong evidence to support this causal relationship (Barrientos 2007; Barrientos et al 2008). Even when workers have been mentioned when referring to upgrading, such as in a more recent definition of economic upgrading as "the process by which economic actors – nations, firms and workers – move from low-value to relatively high- value activities in global production networks" (Gereffi 2005: 171), the impact of such process on workers' wellbeing and livelihoods is not addressed. It is therefore crucial to understand under which circumstances economic upgrading also delivers social upgrading.

3.3 Social upgrading and labour in global production

The impact of participating in global production on firms and workers in developing countries is a highly disputed issue. As discussed above, in the last decades considerable attention has been dedicated to the economic, financial and trade effects of globalisation. However, significantly less attention has been devoted to the social dimension of globalisation and, particularly, to the interaction between the economic and social spheres. Indeed, it seems that scholars use two different languages to address the economic and the social dimensions of development, creating a tension that impedes a comprehensive analysis of reality. This abstract dichotomy assumes that there is on one side a defined economic sphere operating according to some 'scientific' economic logic, and on the other side a social sphere, where the economic logic may be overridden in the name of ethical considerations, despite the inefficiencies that this may create (Chang 2004: 248). However, since in the real world people do not live their lives in two separate domains, the aspects of life labelled 'economic' and 'social' are intertwined (Elson 2004: 63). Sen also stresses the fact that since people do not live in 'compartmentalized environments' it is crucial to link economic, political and social aspects of life in order to achieve an analytical framework that stimulates the attainment of workers' rights (Sen 2000: 127).

More in detail in the framework of GPNs and labour, the literature on GVCs/GPNs and international coordinated trade often fails to fully grasp the impact of economic upgrading on workers, and to consider social outcomes alongside economic outcomes. On the other side, the literature on working conditions for workers in developing countries carried out mainly by civil society organisations often fails to address their role in production within GPNs and the link between labour and competitiveness.

These diverging bodies of literature on the economic and social aspects of global production have not been conducive to addressing the issue of labour within GPNs. In order to support the exploration of this dimension, it is useful to analyse the main debates that have addressed labour in production, highlighting how the

perception of labour as a factor of production or as workers entitled to rights strongly influences their analytical angle.

Despite more recent efforts trying to integrate ethics and social sciences in economics (Basu and Kanbur 2009; Broome 2009), in conventional economic literature labour is treated as any other factor of production, focusing on labour productivity and labour costs as contributing factors to profit-making. This means that an economy's output is written as a function of inputs, among which is labour: "(t)he mathematics treats labour like a commodity, lulling one into thinking of labour like an ordinary commodity, such as steel or plastic." (Stiglitz 2002: 10). In particular, neoclassical economics, whose precepts have become strictly associated to the globalisation wave of the 1980s and 1990s, usually sees the market, including the labour market, as a "neutral arena" in which buyers and sellers interact, regardless of their endowments, preferences, and gender (Elson 1999). However, markets in general and the labour market in particular are not neutral arenas, but rather structures in which exchanges do not happen on equal terms, due to imbalances in power relations and to asymmetric information. This assumption was long ignored, especially at the height of the neoliberal wave of globalisation. During this period, labour market flexibility has been paired to capital market liberalisation, theoretically freeing up the labour and capital market respectively; however, the consequences of such policies have had a detrimental impact on the welfare of workers (Stiglitz 2002: 14). The initial assumptions may be explained by the fact that globalisation was still a relatively unknown phenomenon. Capital mobility at the global scale proved to have a much larger scope than that of labour (Munck 2002). Hence, even though in many aspects, such as the employment scale, more flexible labour markets could be beneficial, these changes have brought mainly persistent social and economic insecurity (Standing 1999; Kabeer 2004).

As observed above, the literature on commodity chains and global value chains also tends to consider labour as a factor of production. In particular, the upgrading process can be measured at the country or firm level, without taking into consideration workers as part of the firm. Labour productivity and skill intensity are integral part of the GVC analysis, but only in their capacity as conducive

elements towards the upgrading of the firm and ultimately of the country. The implications of increased labour productivity or skill levels for workers are not taken into account. Similarly, attention has been devoted to the scale of employment generated in GPNs (Gereffi 2006), but not to the quality of the employment generated.

Considering labour as any other commodity sheds light on only one aspect of labour in global production. Marx's definition of labour power is useful in framing this discussion: "By labour power or capacity for labour is to be understood the aggregate of those mental and physical capabilities existing in a human being, which he exercises whenever he produces a use-value of any description" (Marx 1920: 145). The owner of labour power – the worker – can sell it on the marketplace as a commodity in exchange for a price, and he can put his labour power at the disposal of money owners for a definite period of time. In this definition, labour can be measured and sold, and therefore broadly considered as a commodity. However, Marx's approach also places a strong emphasis on the owner of labour power as a conscious actor who sells his own 'property' on the labour market, and it does not equate labour power with the labourer herself. The realisation that labour plays a crucial role in the lives of workers as social actors, and not only in its labour power, 'commodified' form, leads to the recognition that it is not possible to consider labour as any other commodity. In Polanyi's words, labour is "[...] the technical term used for human beings, in so far as they are not employers but employed" (Polanyi 1944: 79). Polanyi also helps to frame the disconnect between labour as a commodity (i.e., as a factor of production) and labour as human activity, by stating that "[...] as the organisation of labour is only another word for the forms of life of the common people, this means that the development of the market system would be accompanied by a change in the organisation of society itself. All along the line, human society had become an accessory of the economic system" (ibid., 79). These observations lead to the affirmation that labour is not a commodity, as explicitly stated in the first paragraph of the ILO's 1944 Philadelphia Declaration, which outlines the aims and purposes of the organization (ILO 1944).

In the post-war period, the trend of 'labour decommodification' prevailed in many countries, where state benefits and non-wage benefits were associated to money wages, recognising the important role that labour plays in workers' livelihoods. More in detail, this trend seemed to recognise the status of workers as social agents with needs and entitlements, and not only as inputs in the production process. However, during the last decades of the 20th century, this trend has gone into reverse, with increased labour flexibility and informality due to neoliberal market policies. Such changes have occurred in particular in the segments of the labour market which is the preserve of casual labour (Edwards 1979). Here, "labour power comes closest to being treated simply as a commodity unfettered and unencumbered by any job structure, union, or other institutional constraints" (ibid., 167). The trend has been defined as 'labour recommodification' (Standing 1999: 2).

So far, traditional economic theory provides an incomplete view of what labour represents, because it hardly takes into account the importance that labour has in the lives of people. Conversely, acknowledging the fact that "wherever workers enter into production, they bring with them their needs for subsistence, the needs of their families, their commitments to affairs outside the workplace and their ideas of what is right and fair" (Collins 2003: 151), allows a comprehensive understanding of the economic and social implications that globalisation has on people's lives.

A separate strand of literature on labour in global production follows a 'bottom-up' perspective presenting testimonies of working conditions in supplier firms focusing on the export market, highlighting the often dramatically poor working conditions in which workers operate, and the many challenges they face. They argue that on one side, globalisation has undoubtedly created new employment opportunities for previously marginalised groups of workers, such as women and unskilled workers, who did not have the chance of receiving an income beforehand and can now contribute to their family's subsistence and struggle out of poverty. Nevertheless, at the same time, globalisation of production and especially commercial pressures deriving from buyers' purchasing practices and their search for ever shrinking costs often equate to an overwhelming pressure to lower prices

and reduce time of production, and is often associated to the exploitation of cheap labour costs and to a dramatic increase in flexible and vulnerable labour arrangements, such as temporary, contract and migrant labour. For these categories of workers, participation in global production has led to increased vulnerability and insecurity and is associated to a social race to the bottom (Barrientos 2007; Barrientos et al 2008; Carr and Chen 2004; Chen et al 1999; Collins 2003; Hale and Wills 2005; Oxfam International 2004; Raworth and Kidder 2009; Standing 1999). This body of literature has provided important insights in the working lives of marginalised groups of workers: informal, casual and home-based workers, who are the categories most at risk, with an emphasis on women workers (Barrientos 2001; Barrientos and Kritzinger 2004; Carr and Chen 2004; Carr et al 2000; Chen et al 1999; Hale and Wills 2005; Lund and Nicholson 2003; Tallontire et al 2005; UNDP 2002). This literature has been embraced and sustained by civil society as a basis for advocacy campaigns about poor working conditions in global supply chains (ActionAid 2005; Oxfam International 2004).

These studies are valuable in understanding the challenges that workers face on the workplace as well as the implications for their households. However, they also often bring forward arguments without considering the productive role of workers within factories. It is important to underline that there has been limited effort so far to try to reconcile these diverging bodies of literature. Part of the difficulty found in linking these two literatures is due to the different definitions of labour and of the improvements in working conditions, which in this research are referred to as social upgrading. Also the literature on international labour studies finds a challenge in reconceptualising the role of labour in global political economy (Stevens 2009), in particular because of the emergence of new forms of labour characterised by marginalised workers. The increased informalisation of the labour market in developing countries – ‘Brazilianisation’ as described by Munck (2002) – requires a shift in the paradigm used in scholarly studies, as well as in the strategies of labour actors such as unions and labour movements.

In the attempts to consider and analyse labour in the context of the social relations that define and shape production, and in recognising the embeddedness of production and economic activities in social and labour relations (Granovetter

1985, 2005; Munck 2002), the work of Amartya Sen plays a crucial role. Sen not only considers workers as integral part of the productive activity at the core of production, but also establishes the foundations for a rights-based approach, recognising the importance of rights, entitlements and capabilities. Sen famously brought the spotlight on wellbeing not only from a strictly economic point of view, but also considering workers and people in general as social actors. He stresses the fact that an individual's wellbeing is comprised not only of increases in their income, but also of their capability to achieve alternative combinations of 'functionings', i.e. things that a person values doing or being (Sen 1999).

Sen's approach is directly related to the definition of social upgrading proposed in this research. Social upgrading can be seen as an expansion of capabilities for the individuals that work in global production systems. In Sen's view, civil and human rights are instrumental in achieving such expansion (Sen 1999, 2005). Labour rights are recognised as a subset of human rights (*Universal Declaration of Human Rights* 1948); thus, they are instrumental to the achievement of the expansion of capabilities, as clarified by Sen in his address to the ILO's International Labour Conference (Sen 2000). Also, within the UN human rights framework, articles 6 and 7 of the International Covenant on Economic, Social and Cultural Rights stipulate the right to work and to enjoy 'just and favourable conditions of work' (*International Covenant on Economic, Social and Cultural Rights* 1976). The link between labour rights and the expansion of capabilities is easily understood. If for instance workers are not granted protection on the workplace against occupational hazards, or work long hours, or are discriminated against, they cannot enjoy their optimal combination of functionings. Also Nussbaum (2003: 42) lists labour among the ten central human capabilities, which she believes to be the requirements for a life with dignity.

3.4 Social upgrading definition and measurements

3.4.1 Social upgrading definition

Drawing upon the different approaches to labour in global production and in particular on Sen's approach, in this research social upgrading is defined as *the*

process of improvements in the rights and entitlements of workers as social actors by enhancing the quality of their employment. This can occur by having access to a better job as a result of economic upgrading, as will be explored in the next chapter, but it could also occur independently from the firm's upgrading efforts if workers are granted a higher degree of social protection or full respect of their rights is ensured through broader government economic and social policies.

In this definition, social upgrading encompasses the vision of labour at the core of the ILO's definition of 'decent work', i.e. work taking place under conditions of freedom, equity, security and human dignity, in which rights are protected and adequate remuneration and social coverage is provided (ILO 1999). Decent work is constituted of four pillars: employment, standards and rights at work, social protection and social dialogue, which provide the operational avenues to implement programs for the ILO to pursue its 'Decent Work Agenda'. Decent work represents a very useful tool to frame social upgrading, as it manages to combine attention on the quantity of jobs with considerations about the quality of jobs in an approach that is both quantitative and qualitative (Ghai 2003). This vision allows a comprehensive view of society, and recognises that "[t]he linkages between economic, political and social actions can be critical to the realization of rights and to the pursuit of the broad objectives of decent work and adequate living for working people" (Sen 2000: 127).

Drawing upon Sen's literature, Barrientos and Smith (2006) produce a multi-dimensional definition of wellbeing based on different categories of labour rights. They distinguish *income and security* (e.g. living wage, regular employment, freedom to choose employment and no excessive working hours), *physical and social wellbeing* (e.g. health and safety, no child labour and no harsh treatment) and *empowerment* (freedom of association, collective bargaining and no discrimination). This choice of grouping reflects the distinction proposed by Portes (1994), according to which labour rights can be articulated in *basic rights* (e.g. abolition of child labour and forced labour), *survival rights* (e.g. living wage, accident compensation, limited work week), *security rights* (e.g. protection against arbitrary dismissal, retirement/survivor compensation) and *civic rights* (freedom of association and collective bargaining) (Portes 1994). In other attempts to

classify labour standards and working conditions, Sen (2000: 123) states that the rights that are applied internationally beyond the scope of national legislations can be seen as being prior (rather than posterior) to legal recognition, since their acknowledgement can be considered as an invitation to states to catch up with social ethics. The definition of labour rights as human rights allows to place the debate at the core of the right-based approach that focuses not exclusively on economic arguments (Luce 2005; Palley 2004). Luce (2005) argues that labour rights create processes by which labour market outcomes, connected to labour costs, are determined. Such labour market outcomes correspond to what she defines labour *standards*, e.g. minimum wage, health and pension benefits, paid annual and maternity leave, which vary from country to country. A similar distinction among labour standards is made by Elliott and Freeman (2003), who identify *core* standards that can be applied universally, regardless of a country's development status, and *cash* standards, which mandate particular outcomes that raise labour costs, varying by country and by sector, and which therefore cannot be readily applied globally.

The definition of social upgrading used in this research aims at building on the approaches presented above, while providing a broad categorisation as tool for empirical analysis.

Based on the categorisations already existing in the literature, social upgrading is composed of two broad elements:

- *Measurable standards*, which are easily measured and quantifiable. They are also easier to observe during factory visits and social auditing, and they are easier to tackle through policy interventions, because the outcomes are effortlessly visible (Barrientos and Smith 2007). Within measurable standards, the categories of wages, physical wellbeing (e.g. health and safety, working hours) and employment security (e.g. type of contract, social protection) are found.
- *Enabling rights*, that are much more difficult to measure and quantify. They include freedom of association and collective bargaining, the right to freely choose employment, non discrimination and voice. Enabling rights "[...] would allow sweatshop workers to decide for themselves

what issues to pursue, tradeoffs to make, and battles to conduct with their employers and would probably do more for improving labor standards than anything else.” (Elliott and Freeman 2003: 31).

The distinction between measurable standards and enabling rights reflects to a certain extent the different perceptions of labour at the core of this research. Measurable standards provide the possibility to assess and measure outcomes of policy changes and interventions. They record changes in labour practices that are aimed at making labour more stable and more efficient (e.g. by respecting working hours and reducing overtime, or by ensuring an efficient and safe working environment). While measurable standards also represent rights and entitlements of workers and are as important as enabling rights in the framework of social upgrading, it could be argued that they are also geared to maintain good quality in labour as a productive factor. Conversely, enabling rights are the full expression of the rights and entitlements of workers as social actors, and also because of this they are more difficult to attain.

Opportunities for social upgrading in terms of measurable standards and enabling rights differ greatly depending on the type of worker under consideration (Barrientos et al 2008; Barrientos and Smith 2007, 2006). Globalisation of production has brought about significant changes also in the type of relationship existing between workers and their employers. Whilst in the realm of nation states and domestic economies, workers’ rights and protection are traditionally conveyed through the employer on behalf of the state, globalisation of production has created new types of employment relationships characterised by a much less formalised connection between workers and employers. In these instances, workers do not take advantage of the official set of rights and legal benefits provided by the state via the employers, but rather they are employed with highly flexible, precarious arrangements that provide a limited scope for the achievement of rights, or do not provide any type of guarantee or protection at all. This evolution in the type of employment relationships existing in GPNs leads to a crucial distinction between regular and irregular workers, who coexist and operate often in the same factory. *Regular workers*, who have a close relationship with their employers, usually have permanent contracts, are covered by social

protection and are paid at least the minimum wage. For these workers, upgrading in measurable standards is relatively easy to obtain as a result of interventions aimed at improving working conditions; they also have more opportunities to engage with unions on the workplace. *Irregular workers*, on the other side, usually have temporary or casual contracts, have variable wages often below the legal minimum and they are often excluded by social protection coverage. Irregular workers find difficulties in upgrading their measurable standards, but even more they face discrimination in their enabling rights and they have very limited scope to organise and be represented. Table 8 exemplifies the different opportunities for social upgrading for regular and irregular workers with some examples of the challenges they may face.

Table 8: Social upgrading opportunities and challenges for regular and irregular workers

	Regular Workers	Irregular Workers
Measurable Standards	Physical wellbeing, wages, employment security	Insecure employment, no formal contracts, lack of information on wages and benefits
Enabling Rights	Some problems of discrimination, freedom of association limited, union organisation low	High levels of discrimination, no freedom of association, lack of respect

Source: adapted from Barrientos et al (2008)

3.4.2 Assessing social upgrading

The assessment of social upgrading for regular and irregular workers as presented in Table 6 assumes that social upgrading is measurable empirically. More in detail, when moving from the conceptual framework outlined above to the empirical analysis, several issues related to measurements of social upgrading arise. As more

recently noted by Milberg and Schoeller (2008), social upgrading poses a number of methodological questions because it covers both the scale and the quality of employment. Possible measurements include employment and wages, labour productivity as well as observance of international labour standards. At the multilateral level, the ILO has prioritised four core labour standards in its Declaration on the Fundamental Principles and Rights at work (ILO 1998). The elimination of forced and compulsory labour; the abolition of child labour; freedom of association and the right to collective bargaining [FACB]; and the elimination of discrimination in respect to employment and occupation are the fundamental principles that should be respected by every ILO member country regardless of their ratification of specific conventions.

The issue of social upgrading poses the methodological question of whether a quantitative or qualitative approach is more appropriate for its assessment. There have been attempts to measure working conditions and labour standards with quantitative methods, but they have encountered a number of limitations that prevent these measurements to be agreed upon. Among the attempts to measure working conditions, the ILO has provided insights on measurements of decent work and on the creation of a 'decent work index' (Anker et al 2003; Bescond et al 2003; Bonnet et al 2003; Ghai 2003). Anker et al (2003) in particular attempt at objectively measure decent work with statistical indicators, proposing eleven measurement categories, each composed by a number of specific indicators. The proposed categories are: employment opportunities, unacceptable work, adequate earnings and productive work, decent hours, stability and security of work, balancing work and family life, fair treatment in employment, safe work environment, social protection, social dialogue and workplace relations, and economic and social context of decent work. Within these, the proposed indicators attempt to measure labour standards at the aggregate (country) level, provided the necessary data is available. While these efforts may be useful to the ILO to attempt a cross-country comparison of decent work, they have a number of limitations: measurements of indicators within countries follow different definitions, and the scope of coverage of the national surveys differs largely, hampering international comparisons. In addition, the informal sector is largely ignored by these measurements, providing an incomplete picture. Moreover, data availability is very

limited, especially in developing countries. In addition, a composite index for decent work would entail a number of problems in terms of missing specific indicators for certain countries and of the subjectivity of weighting indicators. There is also a political rationale that speaks against a composite decent work index, that is the subsequent possibility of ranking countries. This type of exercise is not welcome at the ILO because of the lack of acknowledgement of different development levels across countries. Furthermore, another reason why these suggested attempts are not suitable to measure social upgrading in GPNs is that they aim at measuring decent work at the aggregate level, therefore missing out the reality of GPNs.

The ILO/IFC Better Work Programme, aimed at improving competitiveness and labour standards in garment supply chains, has developed a set of quantitative indicators to monitor compliance in factories. These measurements are suited to describe and assess the reality of GPNs because they are collected at the factory level through observation, documentation, employers' and workers' interviews. They are grouped in eight compliance clusters, of which four represent the ILO core labour standards, and four capture elements specific to the national labour legislation in each country (compensation, contracts, occupational health and safety and working hours). This compliance assessment tool has the ambitious aim of measuring labour standards and provides non-compliance rates for each visited factory. Notwithstanding the relevance of these measurements and the usefulness for the operationalisation and implementation of labour standards, the main obstacle to a quantitative measure of social upgrading is that quality of employment requires qualitative data that cannot be extracted from the existing measurements at the national aggregate level, or even by quantitative surveys. Enabling rights are not quantifiable and hardly captured by a 'yes or no' answer, and this characteristic makes them more difficult to achieve, because outcome is harder to measure. For example, freedom of association and voice cannot be measured by unionisation rates, since a worker could be free to join a union but could choose not to. This type of information is intrinsically qualitative in nature and cannot be quantified. As discussed in Chapter 2, this is the rationale behind the methodological choice of this research to follow a qualitative approach based on a case study conducted on the base of interviews and focus group discussions. The

depth of the data collected through these research methods allows a comprehensive understanding of the process of social upgrading.

3.5 A business case for social upgrading?

The debate concerning measuring and assessing social upgrading is very relevant when considering the attempts at studying correlations between compliance to labour standards and competitiveness. Indeed, in this context most of the existing studies in the literature rely on proxies to measure labour standards. If analytical and empirical evidence could unmistakably prove that social upgrading is instrumental in raising productivity and increasing competitiveness, the tension between commercial and social embeddedness in GPNs could be dissipated. However, as underlined above, the relationship between economic and social upgrading is still largely unexplored, and there is no conclusive evidence to sustain this claim.

The need to find a business case for social upgrading, i.e. a rationale to comply to labour standards and to invest in social compliance initiatives, has long been object of academic debates (Ruggie 2007; Zammit 2003), as well as part of policy strategies at the international level (e.g., the ILO/IFC Better Work Programme).

The academic debate concerning compliance to labour standards and its impact on competitiveness, trade and investment has long been heated. At the global level, the evidence about the impact of introduction of labour standards on employment scale and costs is ambiguous (Kabeer 2004: 7) because, as Freeman (1993: 122) puts it, “economic theory is rich (weak) enough to provide arguments for interventions as well as against them”.

Proponents of market neoliberalism argue that the introduction of international labour standards constitutes a wedge producing distortions in the labour market preventing it from functioning correctly. International labour standards are also often seen as a protectionist measure from industrialised countries against developing countries. Especially when discussing international trade agreements, for example in the WTO arena, developing country representatives argue that their comparative advantage lies in low labour costs, and therefore international labour

standards aimed at regulating wages and FACB have an implicit intention of curbing their competitiveness in the global market. FACB is indeed the most controversially debated core labour standard. The debate arises from the effects that it has on labour costs. It has been argued that FACB provides workers with the opportunity to increase their bargaining power with respect to employers, and therefore allows them to negotiate higher wages, therefore increasing the cost of labour, with the possibility of reducing overall employment (Belser 2001; Rodrik 1996). However, there are ambiguous empirical results on this matter. Research has shown that unions, and FACB in general, change work relations in socially beneficial ways (Freeman 1992): Freeman argues that the determinant of higher productivity is not unionisation itself, but a good climate in the relations between unions and management. Workplaces with a better industrial relation climate tend to have higher productivity. This is consistent with the findings of research on the relationship between FACB and FDI (Kucera 2001; Singh and Zammit 2000). While the wage effect of unionisation might be a deterrent for investment⁷, it is offset by its positive non-wage effects. Countries with stronger FACB rights are generally estimated to receive greater FDI inflows. Palley (2004) also recognises the need to consider unions beyond their effect on labour costs. He argues that by increasing their wages, unions give workers voice and a greater stake in the firm, inducing a greater provision of efforts raising productivity of labour and consequently output. From this overview it appears clear that the relationship between globalisation and labour standards is much more nuanced than what the ideologically charged debate explores. There is in fact no conclusive evidence to support either of the more extreme streams of arguments.

The role of wages and compensation has also been widely debated in terms of its potential to create profitability for the firm. Scholars argue that there is not only a moral obligation to consider labour beyond its role as input in production, but also economic arguments. Akerlof (1986) shows that workers that are paid higher wages will as a consequence acquire a sentiment of loyalty for the firm, and these feelings may lead them to become more motivated and productive. There is an additional argument for paying wages that are higher than workers' opportunity

⁷ Nevertheless, Kucera argues that there is no strong evidence that low labour standards attract foreign direct investment.

costs, that is a reduction in turnover as well as an increase in workers' effort levels. This is explained by the fact that workers are encouraged to perform well as a result of the potential cost of job loss (Krueger and Summers 1988). In efficiency wage models, it is in the interest of firms to provide employees with higher wages (Akerlof and Yellen 1986), as considering social and behavioural aspects of labour alongside economic ones brings benefits not only to workers but to firms as well.

From a policy perspective, the international community has also built successful programs anchored to the foundation of a business case for labour standards. The ILO/IFC Better Work Programme is based on the assumption of simultaneously raising competitiveness and labour standards in garment factories. The programme stems from the successful pilot project of the ILO in Cambodia with its Better Factories program, that saw the Cambodian garment industry gaining preferential market access to the US through a 1999 bilateral trade agreement which had as a requirement improved labour standards as monitored by the ILO. After almost ten years of operation, Better Factories provides interesting data that link compliance to labour standards to increased employment as well as higher financial and commercial viability in terms of increased probability to survive the crisis⁸ (Polaski 2006, 2009). Nevertheless, the Cambodian garment industry suffered greatly during the economic crisis in 2008-2009, while other garment exporting locations characterised by low wages and rather exploitative conditions, such as Bangladesh, have not experienced dramatic declines in their exports (Better Work 2009). This seems to suggest that the business case for ethical sourcing and labour standards is still not sufficiently solid to ensure sustained commitment from global buyers. This is strictly connected to the tension that underlies the GPN between commercial pressures to lower costs and increase efficiency, and social demands to improve labour standards. The case of Cambodia, while successful in improving compliance to labour standards, still shows that commercial pressures may drive factories away from the achievement of social upgrading.

⁸ For more information, www.betterwork.org

3.6 Conclusions

This chapter has provided the analytical framework in which this thesis is situated. It shows that the different approaches existing in the literature mirror the tension between commercial and social embeddedness in GPNs. Indeed, the early literature on global production, focusing on GCC/GVCs, largely analyses the commercial linkages and dynamics between firm actors, focusing in particular on the relationships between buyers and suppliers. This type of analysis puts the emphasis on the commercial embeddedness of actors in GPNs. On the other side, the vast literature looking at rights and working conditions at the factory level focuses on social embeddedness, but often fails to acknowledge the role of workers as inputs in the production process.

This chapter highlighted that the attempts to link these two bodies of literature have been limited. This research provides an analysis of social upgrading linking its attainment to both commercial and social embeddedness, taking into consideration how economic upgrading, the local and the global contexts influence its achievement.

The chapter provided an analytical framework for the analysis of social upgrading, establishing a definition that is anchored in Sen's work on capabilities and entitlements as well as in the ILO definition of decent work. After establishing a definition for social upgrading, a classification between measurable standards and enabling rights has been discussed. Measurable standards are easily observable and quantifiable, and are 'low-hanging fruits' because they are relatively easy to fix. Enabling rights, on the other hand, are difficult to quantify and to measure because they refer to intangible aspects, and they are the real expression of workers as social agents.

Different attempts at measuring working conditions and labour standards in the literature have often adopted a quantitative approach. However, recognising the intangible nature of enabling rights, this research adopts a qualitative approach aimed at understanding in detail the complex aspects that constitute social upgrading.

Having established a definition and a way of assessing social upgrading, the chapter examined the attempts existing in the literature to prove a positive correlation between compliance to labour standards and competitiveness in global production. Evidence of a strong business case for social upgrading would provide a powerful tool in dissipating the tension between commercial embeddedness and social embeddedness. However, as shown in the chapter, there is no conclusive evidence that this is necessarily the case. The following chapters will analyse the empirical evidence of the case study of the garment industry in Morocco in the framework presented in this chapter, highlighting the linkages between the economic and social spheres.

Chapter 4: Conditions within GPNs that influence social upgrading

4.1 Introduction

The present chapter investigates the conditions within the GPN that influence social upgrading. This makes reference in particular to the GPN commercial embeddedness, and to the pressures that suppliers face to increase productivity, cost efficiency and competitiveness in order to remain in business with their buyers. As shown in chapter 2, commercial embeddedness is directly linked to economic upgrading. However, it is still unclear how economic upgrading influences social upgrading. Therefore, this chapter aims at addressing the overarching question of this research:

UNDER WHICH CONDITIONS DOES SOCIAL UPGRADING TAKE PLACE?

ARE THERE ENABLING FACTORS, OR IS SOCIAL UPGRADING OCCURRING REGARDLESS OF THE FACTORY'S BUSINESS AND ECONOMIC CHOICES? ARE THERE FACTORS THAT ARE HINDERING SOCIAL UPGRADING FROM TAKING PLACE?

Whilst this research does not directly aim at analysing economic upgrading per se, since this has been widely explored in the existing GVC literature, it seeks to understand how economic upgrading can create the conditions for social upgrading to take place. A central question is to understand whether economic upgrading leads to social upgrading, and what the relationship between the two is. This question is crucial from an academic, policy and business perspective.

From an academic point of view, it was underlined how most of the GVC literature implicitly assumes a 'trickle down' from a firm's gains in value added resulting from economic upgrading to its workers, improving their livelihoods. However, the influence of economic upgrading on social upgrading has not been properly analysed so far in the literature, and this implicit positive relationship assumed by GVC scholars is not based on specific evidence. The first section of this chapter therefore aims at investigating the influence of different types of economic

upgrading on social upgrading, based on the empirical data collected during the field work.

As discussed in the earlier chapter, from a policy and business perspective, governments, international organisations and civil society have become increasingly active in finding a business case for labour standards and for corporate social responsibility initiatives, in order to show that there is not only a moral obligation to respect labour standards as human rights, but also a business interest, since improved working conditions will translate into increased labour productivity, and hence increased efficiency. The chapter also presents the findings concerning the influence that social upgrading may have on economic upgrading in the short and long run, based on the opinions gathered in the interviews.

Lastly, due to their different stakes and priorities in GPNs, factory managers and workers have very contrasting perceptions of social upgrading itself. The last section of the chapter investigates the priorities of managers, directly subjected to commercial pressures, and workers, by definition embedded in a wider social context in which they play a role beyond factor in production, acting as social agents.

4.2 The relationship between economic and social upgrading

In the GVC literature (Gereffi 1999; Gereffi et al. 2001; Humphrey and Schmitz 2000), upgrading refers to the learning process that supplier firms have to undergo in order to obtain a higher share of value added in their production. Upgrading has a four-fold definition based on the different opportunities to increase value added in production. This may happen through:

- increased efficiency in the production process due to increased productivity and reorganisation of the production system, and/or to the introduction of new superior technologies (*process upgrading*);
- shifting towards the production of a more sophisticated, higher value added product (*product upgrading*);

- the change in the mix of activities performed by the supplier towards a higher value added supply relationship involving not only manufacturing and assembly but also services (*functional upgrading*);
- the shift towards a higher value added production chain altogether (*chain upgrading*), which takes place when the firm applies the knowledge and competences gained in one segment of the chain to a new, higher value added sector. This type of economic upgrading is not the focus of this research.

Given the incremental increase in value added that is generated in each upgrading step, there is an assumed temporal dimension for the upgrading process, with firms starting with process upgrading, moving to product and successively entering functional upgrading (Dicken 2003). However, empirical observations show that this is not necessarily the case, as firms may for example skip product upgrading and shift directly to functional upgrading. Moreover, it could be argued that upgrading does not necessarily mean moving up the production chain, but rather doing things different from competitors (Van Tulder 2009; van Wijk et al 2008).

In Gereffi's definition of upgrading as "[...] a process of improving the ability of a firm or an economy to move to more profitable and/or technologically sophisticated capital- and skill-intensive economic niches" (1999: 52) there is an explicit mention of the importance of technology in upgrading. Also Giuliani et al focus on technology and innovation in their definition of upgrading as "the capacity of a firm to innovate to increase the value added of its products and processes" (Giuliani et al 2005: 550). While recognising the importance of technology and innovation in the different types of economic upgrading, this research takes into consideration the relationship between economic and social upgrading by addressing only the aspects of economic upgrading that make reference to labour, which from this perspective is considered as an input in the production process. Certain aspects, such as for example skills upgrading, fall in both economic and social upgrading categorisations: while skills are directly linked to higher productivity and economic upgrading (Gereffi 1999), they are also linked to empowerment and higher bargaining power for workers, who gain a wider

range of employment options and see their entitlements enhanced, following thereby the definition of social upgrading.

Tables 9 and 10 illustrate in detail the way in which this research operationalises the concepts of economic and social upgrading.

Table 9: Empirical indicators of economic upgrading

Type of economic upgrading	Empirical indicator derived from interviews
Process upgrading	Increased efficiency in the production process in the past five years due to higher labour productivity and/or to reorganisation of production, excluding any changes deriving from the introduction of new technologies and/or innovations
Product upgrading	Change in the product range in the past five years towards a higher value added product mix
Functional upgrading	Shift in the past five years from CMT to including additional higher value added activities (e.g. logistics, textile sourcing, design) with emphasis on the shift from CMT to full-package supply

Table 10: Empirical indicators of social upgrading

Measurable standards	Wages	Payment of at least the minimum wage to all workforce
	Physical wellbeing	Observed improvements in working environment and health and safety standards (e.g. heat, ventilation, comfort in working position, number of accidents, etc.)
		Reduction in systematic excessive overtime
	Employment and income security	Written contracts, reduced incidence of temporary and casual contracts
		Registration to the CNSS of the entire workforce
Enabling Rights	Dignity and empowerment	Improved social climate, i.e. improved communication between management and workers, perception of a good trusting relationship
		Reduction in the incidence of harsh treatment
		Non discrimination against different types of workers
		Improved freedom of association

Given that it is assumed that there is an increasing share of value added destined to the supplier firm as it advances in the upgrading process, it is crucial to understand whether these gains trickle down to workers. Despite some efforts to highlight the risks of a race to the bottom in lower income countries as a result of participation in global production (Kaplinsky 2000, 2005), the traditional literature on GVC maintains an implicit optimistic approach that see the actors involved in production benefiting from the increased value added accrued by the firm. Elaborating from this assumption, it could have been expected to find empirical confirmation that firms that have undergone the different types of upgrading along their development path are also experiencing different stages of social upgrading.

However, the empirical data at hand does not necessarily support this hypothesis. In particular, the field data show that supplier firms that have upgraded their product in the recent years shifting towards a more sophisticated product range do not necessarily show more significant achievements in terms of social upgrading than those firms that have focused on process upgrading. Also, it emerges that functional upgrading seems to represent a double-edged sword for social upgrading: while it creates important opportunities to upgrade socially for regular, high skilled workers, it also brings about new challenges for irregular, low skilled workers who are necessary to provide a full package supply with short lead times.

The existing disconnect between the different types of economic upgrading and their uncertain impact on social upgrading may be explained by the fact that the above definition of economic upgrading implicitly considers labour as one of the productive factors whose efficiency should be heightened, without acknowledging the role of social embeddedness. This assumption is instrumental in explaining why the different economic upgrading opportunities may bring improvements in measurable standards, especially for regular workers, who represent the higher skilled, more 'precious' resource for production; and may not have a significant impact on enabling rights. This perception of labour as a productive factor also provides an explanation to the role of irregular workers as a buffer for uncertainty in buyers' orders and as a mitigating tool for commercial pressures in GPNs.

Table 11 systematically presents the empirical observations in all the visited factories according to the indicators underlined in Tables 9 and 10 above. Functional upgrading is described more in detail in Table 12 in Section 4.2.3. When applicable, Table 11 presents the empirical findings for both regular workers (RW) and irregular workers (IW).

Table 11: Economic and Social Upgrading indicators by factory

Factory	Economic Upgrading			Social Upgrading								
	Process Upgrading	Product Upgrading	Functional Upgrading	Measurable Standards					Enabling Rights			
				Wages	Physical wellbeing		Employment and income security		Dignity and empowerment			
					Working environment, H&S	Overtime	Contracts	CNSS	Social climate	No harsh treatment	Non discrimination	FACB
C1	X	X	X		X				X			
C2	X	X	X		X							
C3	X		X						X			
C4	X		X	X	X	X						
C5				X					X			
C6	X			X	X			X	X			
C7	X							X	X			
F1	X				X				X			
F2	X		X	RW +	RW +		IW -	RW +	RW +	IW -	IW -	

Factory	Economic Upgrading			Social Upgrading								
	Process Upgrading	Product Upgrading	Functional Upgrading	Measurable Standards					Enabling Rights			
				Wages	Physical wellbeing		Employment and income security		Dignity and empowerment			
					Working environment, H&S	Overtime	Contracts	CNSS	Social climate	No harsh treatment	Non discrimination	FACB
				IW -	IW -			IW -	IW -			
R1	X				X	X	X	X	X			
R2	X								X			
R3	X	X			X							
R4	X	X	X		X	X			X		RW +	
R5	X		X		X	X						X
T1	X				X	X	X	X	X			
T2	X		X	RW + IW -	X	RW + IW -	IW -			IW -	IW -	
T3	X				X							
T4	X	X	X			IW -			X			

The relationship between economic and social upgrading will be discussed more in detail in the following sections. First, the influence that these different types of economic upgrading have on social upgrading opportunities will be investigated. Process upgrading and its relationship to social upgrading will be analysed. Then, findings concerning product upgrading and its relationship with social upgrading will be explored. Thirdly, the research investigates the positive and negative influences that functional upgrading presents for different types of workers. Finally, the influence that social upgrading has on economic (particularly process) upgrading will be analysed, highlighting the elements that support the creation of a business case for social upgrading.

4.2.1 Process Upgrading and Social Upgrading

Process upgrading refers to improvements in the efficiency of the production process, through the introduction of new technology and/or through increased productivity. Dicken (2003: 107) describes process upgrading as “[...] increasing the efficiency of internal processes such that these are significantly better than those of rivals, both within individual links in the chain [...] and between the links in the chain”. By undergoing these changes, factories’ improved process efficiency results in lower costs of the final product, enhanced quality and shorter time-to-market, and improved profitability.

Process upgrading is normally encouraged by global buyers, who have their own interest at heart in stimulating more efficient production processes in their supplier factories and as a consequence can profit from lower production costs and faster delivery times (Bazan and Navas-Alemán 2004; Humphrey and Schmitz 2004). A medium- or long- term purchase commitment by global buyers constitutes an enabling element for process upgrading (Gibbon and Ponte 2005).

In terms of the relationship between process upgrading and social upgrading, the empirical investigation shows that process upgrading is the prime example of a directly positive influence on social upgrading efforts. Also, it is in this realm that it is possible to observe a virtuous circle between process upgrading and social upgrading, witnessing how a two-way relationship takes place with one leading to

the other and vice versa. All the enterprises that explicitly praise their achievements in terms of process upgrading have also witnessed dramatic improvements in working conditions, especially in terms of measurable standards (see Table 11). This type of upgrading is also the one that is most easily recognized by workers as a source of change having direct impact on their working conditions.

Process upgrading was easily identifiable in the field investigation by enquiring about improvements in efficiency of the production process in the past five years. Having established that process upgrading is the first step in the firm's development path, it was observed that all the enterprises in the sample have witnessed it in the observed period. Some firms mentioned the introduction of new technologies, which are not the focus of this research, but all of them mostly underline their achievements through a rationalisation of production, a better work organisation and higher labour productivity (Table 11). More in detail, these improvements in rationalisation of production and of internal processes were in most cases supported the services offered by the ANPME to sustain upgrading efforts combined with the introduction of the FC⁹. In this framework, the ANPME provided assistance and an in-factory support cabinet that worked alongside the managers over the course of six months, providing advice on reorganisation of the production systems and consequently of work. This advice ranged from practical solutions such as relocation of certain machines in areas where they would not obstruct passage, to the distance between different machines and positions in the production line, to a better use of storage and inventory space.

The influence of process upgrading on social upgrading can be mostly observed in measurable standards. The most impressive influence that process upgrading, intended as improvements in work organisation and in working methods, has had on social upgrading is in terms of overtime. Rationalisation of production and a better work organisation have led to increased efficiency and a better knowledge for the human resource department to foresee how many workers will be required, of which type and when. T2 manager in Tangier affirms:

⁹ The impact of the introduction of the FC on social upgrading, as well as the role of the support cabinet in influencing economic and social upgrading, will be discussed in detail in Chapter 5.

Before they used to work more than the legal limit, also 12 or 14 hours per day, because the flow of work was not regular from cutting, making, controlling and finishing. Management was not efficient and the workers at the end of the chain sometimes had to stay long hours to wait for the others to finish their tasks. Cutting and machine workers are usually making 9-10 hours while it is the finishing people that can take longer. Now we have reorganised the chain so it goes more regularly: we have established a time and study office, which calculates exactly how much time and how many people are required for each operation, so we are sure that no one is overloaded. We did that for our own increase in productivity.

For machine workers and cutting room workers, overtime has reduced, and also it is paid regularly by hour, instead of the situation beforehand when workers were paid a fixed wage regardless of how many hours they worked:

The company is much better than before. It is better organised. There is a difference before and after the changes they made in the factory especially for overtime. We don't do much overtime anymore and that is a very important point that changed. Before, we used to stay until 10pm.

Also, before we used to be paid a fixed amount per month so there was not a record of our overtime. Now we are paid on a hourly basis and everything is recognised. *[Focus group in T2, Tangier]*

In the case of factory C4 in Casablanca, reorganisation of the production chain on the factory floor has also meant that the shift system has been abolished, and there are no longer night shifts: they used to be 12 hours and they did not involve transportation to and from the factory and therefore were strongly disliked by workers, who are a near totality of women.

Workers recognise that a process upgrading has taken place, praising the new working methods and the general reorganisation of production, because they have less interruptions in their work. As one machine worker in Rabat says:

We can see the difference because we don't have to stop working one day and work double another day. Before, there were more lay-offs and more temporary work with people coming to work for some days during the very busy season. *[Focus group in R1, Rabat]*

A worker in factory R5 in Rabat credits the existence of a labour committee to ensure that the restructuring of production involves more regular workflows:

The labour committee is useful to make sure that there is a logical production and a constant flow of work, without interruptions. This way we have regular working hours and we don't have some times when there is not enough work and then times when we have to work long hours. The labour committee helps this way.

This is one of the few instances in which labour representatives inside the factory are mentioned in a positive light, underlining their proactive role of bringing forward workers' interests. The labour committee provides in this case an opportunity to communicate directly with the management concerning production targets and human resources management.

The reorganisation of the factory floor also brought about a more efficient use of the available space. Changes in the position of machines and workers' workplaces led to improved efficiency and reduced waste or misuse of space. This also meant that factories are generally cleaner and safer, with clear access to emergency exits. For example, in factory C4 in the area of Casablanca, which specialises in serigraphic prints, serigraphy and weaving of fabrics used to take place in the same warehouse, which became very hot and insufficiently ventilated. The very large machines used for weaving were also noisy and bulky, and this limited the room for manoeuvre, the agility and speed of the workers in charge of serigraphy. Process upgrading for this factory meant the opening of an additional warehouse in which the weaving takes place, and this change has brought about significant changes in social upgrading for serigraphy workers:

The conditions of work in the new building are much better in terms of space and ventilation. It was very hot and smelly before because of the dye fumes, and because the serigraphy took place in the same area as the weaving. The weaving process requires drying of the fabric and therefore it becomes very hot in the room. Now it is separated and there is a much better air. *[Focus group, C4, Casablanca]*

Moreover, the general restructuring and reorganisation of the production methods have also greatly improved the administrative aspects of supplier firms, especially in human resource management. The FC support cabinet played a crucial role in improving written regulations and thorough documentation in the recruitment and human resource management in factories. Recruitment documents, contracts and salary slips often did not exist before, because the relationship with workers

was largely oral, also due to a high rate of illiteracy. Now, as T1 manager in Tangier points out, this has greatly changed:

We had a very impressive change in the factory, I would say a 90% change, in terms of work organization and update of all human resource documents and details. Now there is an internal auditor within the factory. Before, we did not keep track properly of the new employees, their status, and their contracts because everything was dealt orally. Now that we have to record everything in writing it is much better.

This aspect is particularly important to make sure that contractual obligations are respected, that seniority is calculated correctly and compensated accordingly. From interviews with key informants, it emerges that workers, especially in Tangier, often oppose written contracts because there is a misunderstanding about how their seniority would be calculated. Workers who have been in the factory for several years with an oral contract are worried that having a written contract would automatically erase their employment record with the factory, and that they would not receive their salary bonuses. Having written contracts therefore solves many disputes, but it must be noted that it is not a straightforward welcome option for senior, almost illiterate workers.

Rethinking the production process has sometimes led firms to rationalise their workforce and therefore to lay off workers. In particular, as it happened in factory F2 in Fez, low-skilled workers in assembly lines (the *petites mains*, i.e. 'small hands') were dismissed in favour of those workers that can deliver semi-finished or finished products and can adapt to different production functions. Process upgrading can therefore have a negative impact on the scale of employment.

From this analysis of the empirical data on process upgrading and its implications for social upgrading, it is possible to observe the positive influence that process upgrading has on measurable standards. In particular, better human resource management systems and a rationalisation of production have brought a reduction in overtime, more regular workflows and less interruptions, more accurate documentation and payments of wages and overall better working conditions on the factory floor in terms of cleanness, reduced heat, better ventilation and less noise pollution.

Moreover, it is particularly significant to point out that many managers credit social upgrading as a crucial component of process upgrading, initiating a virtuous circle. This two-way relationship will be discussed further in section 4.2.5.

However, it is key to highlight the limited impact that process upgrading has on enabling rights. Workers and their wellbeing are conceived in terms of their role in the production process. While most managers praise the improved social climate with their workers (see section 4.2.5), they are keen on making improvements in measurable standards because they are aware that these will directly affect efficiency and productivity, while they do not take into account enabling rights as a priority, due to their intrinsic approach to labour as a factor of production. From the available evidence, it can be concluded that process upgrading has a limited influence on the achievement of enabling rights.

4.2.2 Product Upgrading and Social Upgrading

Product upgrading refers to the change in the product range of the supplier firm towards a higher value added product, by improving the existing product and/or by introducing new ones. In the highly competitive garment industry, the choice of product specification plays an important role in ensuring competitiveness and survival on the export market. Product upgrading may lead to an increase in the relative unit product price without sacrificing market share (Dicken 2003: 109).

Supplier firms were asked whether they have changed their product mix in the last five years, and if so, the reasons for such change and whether it has brought the desired increase in profits. The interviews show two different strategies related to the product range that firms have undertaken in order to remain competitive and to gain higher profit margins. The first strategy, particularly applicable to large firms, involves the ability to produce a very wide range of products on a short notice, depending on buyers' demands:

We try not to specialise in order not to lose any opportunity. We are very diversified in order to be more stable and to avoid the seasons that characterise the sector. At the moment we produce lingerie, women's knitted wear and sportswear; we are planning to produce woven womenswear next year. (*Factory manager, R5*)

In this case, the new product mix introduced by the firm is not necessarily involving a higher value added, more sophisticated product; the competitive advantage that is sought after is in terms of reactivity to the market and the ability of responding to buyers' demands on a wide range of products.

The second strategy is at the opposite end of the spectrum, and it is an exemplification of product upgrading. It is based on the shift towards highly specialised production for the high-end market of luxury brands. This choice seems to be particularly important in the wake of the phase-out of the quota system, which opened competition especially in standardized products from low cost locations in Asia:

[Changing the product range] was a necessary choice. We used to have a low-medium range of products, but with the phase out of the MFA we had to have a change in strategy because we could not compete with the Asian countries on these products. So we moved towards high-end products (among our clients Dior, Burberry, Chlo  ) because this is still a range of products where we can be competitive since there aren't yet Asian competitors. *[Manager, C2, Casablanca]*

In addition, this strategy seems to be favoured by small firms that cannot achieve the volumes of production necessary to stand a chance to compete in the standardized product market. Small and medium sized firms represent the vast majority of the sample and the majority of garment producers in Morocco. As C1 manager states:

We have changed it because it is necessary to find a niche in the market. With the new product range we are much more specialized, with higher quality. Since we are smaller we are also more reactive to the requests of buyers' intermediaries, we are more flexible and we can absorb all requests.

An important finding that has been observed in the factory visits is that very often these firms adopt both strategies at the same time. Alongside production lines producing for the fast fashion segment, producing a wide range of products on a very short notice, are smaller lines producing specific items for luxury brands. These latter lines involve a higher skilled workforce that is trained in specific techniques such as embroidery, pleating, etc. In this case, the highly qualified workers carrying out these techniques are likely to be paid a bonus on top of the

minimum wage, because managers are aware of their value and are keen on keeping them attached to the factory for a long time. Also, if the new product requires the use of specific machinery, then the manager may provide training to a specific small group of workers, who will acquire new skills and as a consequence will be highly regarded in the factory. Training usually takes place directly within the factory. An increasing number of enterprises develop an in-factory training facility called 'CFA', sponsored by the German Development Cooperation. This initiative has been praised by most interviewed managers as well as by the employers' association and unions, because it seems to deliver a win-win situation. The enterprise can train workers specifically on its own competences (e.g. special types of pleating, serigraphy, patchwork), and workers access specialised training which will increase their salary in the factory as well as their potential value on the labour market, should they desire to change enterprise. Therefore, workers that benefit from this type of training within the factory, or that are employed with an already developed set of skills, are usually paid more than the minimum wage. Given the widespread skilled-labour shortage in the sector, managers have to provide these workers with incentives to stay in the factory or to join it from outside. These incentives are usually in terms of salary bonuses. However, it must be noted that the workers receiving this training usually represent a small percentage of the total workforce. For the vast majority of workers, the existence of training connected to a change in product mix does not mean any particular improvement in terms of social upgrading. In addition, it is important to underline that social upgrading for this small portion of highly qualified workers is not always the case, even when a change towards more sophisticated products and markets has occurred. Observations in the visited factories have shown that production for luxury brands sometimes does not entail the use of higher skilled workers, and the production process itself does not differ greatly from lower cost, standardised production. For example, it has been observed in factory C1 that production of T-shirts and blouses for high-end luxury brands and production for high-street brands take place side by side in the same type of production line. In this case, as observed also by the AMITH and by Prof. Filiali Meknassi at the

University of Rabat¹⁰, there is agreement that the product mix does not seem to have any particular impact on working conditions and social upgrading in general.

The influence of product upgrading on social upgrading is therefore debatable. In the circumstance in which process upgrading effectively occurs, and a new, higher value added product is introduced, higher skilled workers are required to carry on production and they are likely to experience some degree of social upgrading, especially in terms of wages. There seem to be no evidence of impact on other measurable standards and on enabling rights. As in the case of process upgrading, this is explained by the approach to labour solely as a productive factor, whose value increases and is therefore rewarded with a higher wage in the case of high-skilled, specialised workers. Implications for workers as social actors are not taken into consideration at this stage. In the circumstances that may be considered 'apparent product upgrading', in which firms are supplying for high-end, luxury brands but the production process itself is not dramatically different from that of standardised products, even these few positive outcomes in terms of wages and training are not observed. This is explained by the fact that, although producing for a luxury brand with higher quality requirements may be considered product upgrading, and suppliers may receive higher profit margins on their product, the production process for such product does not require particularly skilled workers, and does not deliver the benefits in terms of learning and knowledge transfer that may be expected by product upgrading. In this case even more, product upgrading does not seem to influence social upgrading.

4.2.3 Functional Upgrading and Social Upgrading

Because functional upgrading is considered to be the crucial step to accrue a higher share of value added in GPNs, it is key to understand whether the potential improvements in profit margins and value added translate into social upgrading for workers. This section investigates the opportunities that functional upgrading creates for workers, taking into account the crucial divide between regular and

¹⁰ Personal Communication, 26 March 2008, Rabat.

irregular workers. It also focuses on the different impacts on measurable standards and enabling rights.

Functional upgrading is defined as the change in the activities performed by the supplier firm towards a higher value added combination which includes not only manufacture, but also services such as pre-production, product conception and development, costing, packaging, logistics and transport.

In the garment sector, the functional upgrading process has been described as the shift from mere assembly tasks, to 'full package' supply or Original Equipment Manufacturing [OEM], in which the supplier provides all the services connected to product development until its distribution; to Original Design Manufacturing [ODM], which includes design capabilities; to Original Brand Manufacturing [OBM], in which the supplier firm develops its own brand for the domestic or export market, taking over distribution, marketing and sales activities (Bair and Gereffi 2003; Gereffi 1999; Gereffi and Memedovic 2003).

The Moroccan garment industry is largely based on basic 'cut-make-trim' [CMT] production, i.e. it is largely limited to assembly and manufacture of garments that are conceived and designed elsewhere. Among the visited factories, all are involved in CMT subcontracting, 6 are also in full package supply arrangements, 3 of them are in the process or already focusing on developing their own design, and two of them have as a mid-term objective the development of a brand for the domestic market (Table 12).

Table 12: Type of activities in GPN by factory

Factory	CMT	Full package supply	ODM	OBM
C1				
C2			In development	mid-term
C3				
C4				
C5				
C6				
C7				
F1				
F2				
R1				
R2				
R3				
R4			In development	mid-term
R5				
T1				
T2		In development	In development	
T3				
T4				
T5				

All the interviewed managers pointed out that basic subcontracting is not sustainable any longer and is bringing Moroccan suppliers in direct competition

with Asian suppliers. They all recognise the relevance of functional upgrading, and they see the shift towards full package production as the means to establish a competitive edge. Factory R1 manager says:

There is no future for factories like us at the moment, which do only sewing and assembly work. Maybe there are more chances for more integrated firms, with finished products, but for firms like us at the moment it is very difficult. Our strategy is to try to move to full package supply. The situation will not be sustainable for a long time, unless one can move to finished products with his own fabrics and designs. For all the others, the days are counted. We have to face reality and the fall can be catastrophic.

Both the AMITH and the Moroccan employers' association [CGEM] confirm the need to move towards higher value added production, away from CMT, relying on the competitive advantage of proximity and reactivity to market demands. As a representative of the CGEM states,

We cannot count on CMT in order to be competitive, this has been clear for a while. We have to provide alternatives, especially services, to create loyalty with our clients. We have to focus on fast fashion. We can emphasize our reactivity and our skills that are much more advanced than the ones in Asia.

The shift toward full package supply does not come without challenges. First of all, it requires a higher level of skills in the labour force. Such important change implies large investment in training and the payment of higher wages to qualified workers. This investment alone is a hurdle for many suppliers:

I would like to move to finished products, but that also requires a lot of skills and the means to be able to achieve them. It means that I would have to invest in hiring skilled people and sending them to salons to understand the trends, that we should get involved in buying fabrics, and especially that we should train people in styling and design. (*Factory R1*)

In addition, functional upgrading is influenced by the attitude of global buyers towards their suppliers. The relationship between suppliers and buyers should also develop in order to become more stable and long lasting. Outsourcing to OEM companies implies that buyers greatly trust their suppliers, both in terms of the

quality of the product produced, and in terms of speed of production and reactivity to changes in demands. Full package supply is increasingly welcomed by global buyers instead of a number of layers of subcontracting relations, because the number of intermediaries is reduced, as are transaction costs.

Interestingly, most interviewed suppliers are not interested in developing their own design or their own brand. Whereas conventional GVC literature would identify design as the next step in the functional upgrading pattern (Gereffi 1999; Humphrey and Schmitz 2000), most managers feel that they belong to the full package supply segment, where they are most competitive because of their attractiveness for the 'fast fashion' niche. Besides practical skills, design requires a deep knowledge of the consumer market and the ability to foresee fashion trends.

Factory T4 manager in Tangier states:

We can make small changes and modification to the sample that the clients send us but we feel we don't know enough about style here in Morocco. There was a lot of pressure with the end of the quotas in 2005 with the fear that the firms that did not do design would have to close. That was because the fast fashion segment was then around 30% of the market. It was not true that we had to close, because the market has changed a lot. Now fast fashion is 70% of the market, and this works very well for us because it is our advantage.

The theoretical path of assembly-OEM-ODM-OBM is not necessarily meant to be for all firms in the industry (Bair and Gereffi 2003; Gereffi 1999). Indeed, the more sophisticated the production process becomes, the more competition there is; and not all suppliers will deem it worth it the investment and the risk. In the case of T4 in Tangier, firms have moved back from ODM/OBM to full package supply, because they were satisfied with the profits and did not see the advantage of further functional upgrading (Barrientos et al 2008; Pickles et al. 2006). This decision is well understood given the location of Tangier, which is emerging as the most profitable location for fast fashion production for Spanish buyers, as will be discussed in Chapter 5.

Among the visited factories, three are doing limited or full-fledged design activities. Usually design on the suppliers' side involves the development of a

prototype, normally based on existing designs from previous seasons, that is sent to the buyers for approval. C4 manager in Casablanca in particular affirms:

We also do our own design manufacturing. We have our own product that we propose to our clients. Sometimes they accept it as it is, sometimes they change something; and then we have the agreement of not selling the same design to other clients.

Factory T2 in Tangier is investing heavily in specific training and machinery e.g. in screen printing and dyeing of fabrics, to develop a competitive advantage in full package supply and design in the next two years.

Only two of the visited factories (C2 and R4) expressed interest in developing their own brand, and therefore expanding to the final step of functional upgrading (OBM). C2, based in Casablanca, plans to develop the brand in order to serve the domestic market, but at the moment does not foresee any export orientation. R4, in Rabat-Salé, is part of an export consortium constituted of seven firms in the area that are currently totally exporting. The consortium employs 3800 workers altogether, and among the founding firms are at present both full package suppliers and CMT producers. This consortium is often hailed as a success story of upgrading in the Moroccan garment industry.

Functional upgrading has been identified, perhaps more than process and product upgrading, as the successful strategy to increase the value added in production (Humphrey and Schmitz 2000; Schmitz 2006; Bazan and Navas-Alemán 2004). Also in the Moroccan case, firms that have managed a successful transition towards full package supply are highlighted by the employers' associations and by government agencies as best practices in terms of their performance on the export market. Their profit margins are higher and they are able to withhold competition from lower-cost neighbouring countries, because of the higher value added and quality in their production and in the related services that they are able to provide to the buyers.

As observed by one government official, functional upgrading towards full package supply often offers a more conducive environment for better working conditions, because of a tighter relationship with the global buyers:

There are differences between subcontracting, full package supply and

finished products. In subcontracting, there is more risk of bad working conditions especially concerning the contracts, because the enterprises themselves are not certain of their relationship with the buyers. Therefore they use a lot of occasional work. In full package production, firms are more attached to the local market where they buy raw materials and accessories. It is convenient for practical reasons.

In terms of suppliers' engagement in social compliance initiatives, the ANPME believes that firms that have functionally upgraded towards full package supply are more motivated to become involved in corporate social responsibility programmes. The interviewed representative points to the different type of strategy and relationship existing between suppliers and buyers. In subcontracting, suppliers are obliged to conform to labour standards by their clients, seeing these requirements as one of a set that they have to provide in order to continue the supplying relationship with their buyers; whereas firms who produce full package see investment in social compliance as a part of a strategy to remain competitive in the long term.

4.2.4 Functional upgrading impact on regular and irregular workers

The implications of successful functional upgrading for social upgrading, similarly to what has been observed for process and product upgrading, greatly depend on the type of worker. Functional upgrading provides important opportunities for social upgrading especially in terms of skill and knowledge upgrading, but it also poses additional challenges on certain categories of workers due to the complexity of the services offered, paired with the required speed and flexibility of production.

The impact of functional upgrading on social upgrading is strictly connected to the crucial tension identified in this research between commercial and social embeddedness. Indeed, the ambivalence in opportunities and challenges brought about by functional upgrading is explained by the tension that the supplier firm faces between providing high quality and labour standard compliance together with low production costs, speed and flexibility (Barrientos et al 2008). The firm employs different types of workers with different contracts: the polyvalent workers, trained within the factory and hired on a permanent basis (regular

workers), provide high quality products; while low-skilled, younger workers are employed on much worse terms often as irregular workers with shady contractual forms such as repetitions of short-term or training contracts and are discriminated against especially when it comes to wages, benefits and general respect. This ambivalence is particularly relevant for the fast fashion segment, because full package supply intensifies the need for speed and flexibility not only in manufacturing but also in packaging, transport and delivery. It is the relatively low skilled workers operating in these activities at the end of the production chain that are squeezed in terms of hours of work, wages and general working conditions.

Similar to the other types of economic upgrading, functional upgrading has direct implications on measurable standards. Within this category, outcomes can be very different for regular and irregular workers.

The main benefits associated to the shift to functional upgrading are in terms of training and skill upgrading. Managers point out the need to train the young labour force to use all types of machinery and to be able to shift work in different segments of production, i.e. to work both on sewing machines and on embroidery or printing machines. This type of 'polyvalent' worker is always in demand and represents a high investment for the enterprise.

Training specialised and polyvalent workers automatically creates a wedge in the labour force. Irregular, unskilled workers do not benefit from any training and do not have opportunities for skill upgrading. The lack of opportunity to increase their competences and their value on the workplace directly affects their opportunities to upgrade socially as well, i.e. they do not have access to wage bonuses and they do not develop experience that would allow them to bargain more effectively for their wages in their factory or in a new one.

The different treatment that regular and irregular workers receive as a result of functional upgrading translates also in their contracting arrangements. In all the visited factories, the type of contract offered followed a similar pattern: after a probation period with a short-term contract (CDD), which varies from 6 months (in most cases) to two years (abusing what is prescribed in the Labour Code), provided the worker performed well, she is offered a permanent contract (CDI). In the case of polyvalent workers, it is fair to assume that they are on a CDI

contractual basis. Full package production involves a sophisticated mix of activities, and therefore relies on highly skilled workers. The polyvalent workers are those that ensure a high quality production that complies with buyers' demands in terms of quality standards. Given the investment in training undertaken in order to train them, the management wants to ensure that they will be loyal to the firm and will not change jobs.

Both the managers' interviews and the discussions with workers provided a picture of almost totality of CDI workers (Table 13). The CDD workers that are accounted for in the table were recently employed, and the managers underlined their willingness to follow up on their fixed-term contracts with CDIs.

Table 13: Types of contract and workforce composition

Factory	Type of contract (%)		Workforce composition by gender (%)	
	CDI	CDD	Female	Male
C1	50	38 + 12% temporary	88	12
C2	100		80	20
C3	N/A		60	40
C4	100		60	40
C5	100		78	22
C6	100		90	10
C7	60	40	80	20
F1	100		N/A	
F2	100		95	5
R1	90	10	90	10
R2	100		85	15
R3	100		80	20
R4	N/A		94	6
R5	95	5	87	13
T1	N/A		75	25
T2	100		60	40

T3	100		65	35
T4	100		60	40
T5	100		80	20

Concerning contract types, there are two observations to be made to fully understand the picture in factories. First, both CDD contracts and training/apprenticeship contracts may easily be abused by the management in order to avoid the payment of benefits associated to the CDI contract. A local NGO and the AMITH agree in saying that the in-factory training provided in the CFAs is not abused, because this is where the specific competences of the factory are developed. Workers who benefit from this type of training end up being highly regarded in the factory and generally better treated than the average workers. Conversely, young apprentices coming in the factory from external training schools are at high risk of being exploited through their training contract, without being paid accordingly:

The problem is with the trainees coming from external training schools: they do exactly the same work as the other workers, with the difference that we don't have to pay them. It is exploitation! And it does not help employment in general at all. (*AMITH representative*)

Secondly, factories may still employ irregular workers with informal oral contracts. These arrangements do not foresee any social protection and they are often paying less than the minimum wage. The magnitude of this phenomenon is difficult to assess. According to Amri (2005), 90.5% of workers in the clothing sector (including factories that produce only for the domestic market) has no formalised contract. Presenting the results of a survey of 253 women workers in the textile and garment sector (also here including production for domestic market), Mellakh (2007) shows that 85% of workers work without a contract. In the focus group discussions, only three workers in Fez were found to have completely informal oral contracts.

Highlighting the tension between commercial pressures and compliance to labour standards, all managers interviewed point out that it would be impossible to comply with working hours and overtime regulations if they want to continue the supplying relationship with the buyers. The ambivalence is particularly noticeable

when looking at working hours and overtime in modern, well-kept factories in Rabat. In factory R4, a sophisticated system of proximity badges controls hours of work and overtime and automatically calculates the corresponding salary (including the additional 25% per overtime hour). Machine workers, controllers and supervisors all have these badges, whereas packaging workers and those who load the trucks for the final shipment do not have them. The factory owner admits that these workers have much more irregular hours, because they depend on the readiness of the products as well as on the punctuality of the trucks, which make rounds in the industrial areas where all garment companies are located, and are often late. Friday evenings are the examples of the longest hours.

In factories C1 and C3 in Casablanca, managers state that overtime is compulsory when urgent orders come in – i.e., almost all the time. It must be noted, however, that only a few workers complain about overtime; the majority would rather work longer and be paid more, as will be discussed in section 4.4. The regular workers interviewed confirm that they are paid overtime according to the Labour Code, whereas the few irregular workers interviewed complain about lack of payment for extra hours.

C1 manager in Casablanca says that the firm prefers to have compulsory overtime rather than resorting to employ casual workers for a few days, because in this way quality can still be ensured. This is the only factory in the sample in which dialogue with unions is mentioned in a positive, constructive way:

Our workers can't refuse to do overtime, as it would create problems for the firm to fulfil the orders. We had long discussions with the unions about it, but it is better this way so we don't get temporary workers just for some days, which would diminish quality as well as working conditions.

In terms of enabling rights, regular workers gain a higher degree of respect in the factory. Being valued and rewarded goes beyond compensation with a higher wage, but also includes being respected and having the opportunity of participating in a constructive way to the factory's decision making in terms of production targets through improved communication with the management. Also from the functional upgrading perspective, labour is largely perceived as a factor of production whose value is increased through training. Skill upgrading results in a more valuable factor of production. This approach to labour is even starker

when considering irregular workers. They do not experience social upgrading in measurable standards, and sometimes as a result of functional upgrading they actually experience social downgrading in terms of increased overtime and instable or nonexistent contracts. Even more so, they experience social downgrading in terms of enabling rights, because they are highly subjected to discrimination. A packaging worker in factory F2 says:

We have to work very long hours because working here at the warehouse means that we have to wait for the lorries to arrive to pick up the production. We work very hard to load the lorries for exports two or three times per week, and boxes are very heavy¹¹. We are all girls and there is no man helping us. Besides the problems with my back, the main problem is that I am paid very little. I am not paid smig. All of us here in the warehouse are not paid smig because the patron thinks our work is not worth as much as the others and so we don't deserve being paid smig. It is frustrating because workers of the cutting department have got a wage increase but not us the warehouse workers who do a harder job. Everybody in the machines is paid smig – even the cleaners are paid smig and not us.

Functional upgrading, usually seen as the necessary upgrading strategy to substantially increase value added in production and change the positioning of the supplier in the production chain, therefore has an ambivalent impact on social upgrading. Functional upgrading creates opportunities as well as challenges for social upgrading, depending on the type of worker that is the object of analysis. The reason behind this ambivalence is the presence of regular, high skilled workers, likely to be the prime beneficiaries of improvements in social upgrading, of training programs and of policy interventions, working side by side with irregular, lower skilled workers that are employed on a less formalised basis, with few or no benefits attached, lower wages (often below minimum wage) and subjected to most of the pressures deriving from the fast fashion production. The rationale for the supplier firm to continue having both regular and irregular workers is to be able to respond simultaneously to contradicting buyers' pressures: high quality is required – ensured by regular workers – alongside

¹¹ They made me try the boxes they have to load, which were certainly heavier than 10 kg. In addition they showed me that in order to collect the packed clothes on the highest hangers they have to climb on top of the loading machine and keep their balance while collecting the clothes, in a very hazardous manner.

responsiveness to quick changes in demand, reactivity to changes in scale and time of orders, and the ability to provide the full range of activities that characterize the higher value added full package supply at a low cost – all of this ensured by the exploitation of irregular workers at the end of the production chain. Managers in supplier firms are aware of this contradiction and they discuss it relatively openly because they feel they do not have a choice. In order to remain competitive, and even more in order to accrue a higher share of profit margins by functional upgrading, they face this overarching tension in everyday production decisions. The potential positive influence of functional upgrading on social upgrading is therefore hampered by the tension between commercial embeddedness and social embeddedness.

4.2.5 Social upgrading and economic upgrading

The empirical data at hand provide valuable insights also concerning the role that social upgrading has in stimulating and influencing economic upgrading. These observations feed in the debate concerning the establishment of a business case for social upgrading.

The main struggle to empirically prove a business case for social upgrading is related to the temporal framework under consideration. If only considering the short term, the investment in social and labour standards constitutes a significant financial commitment for the factory and does not necessarily offset the benefits deriving from it. However, in the middle- and long- term the benefits, especially in terms of increased labour productivity, higher motivation and harmonic relationship between workers and management, offset the monetary costs. The empirical evidence collected in the interviews with managers confirmed this perception, and has been made explicit by both the auditing firms interviewed, which have direct and continuous access to enterprises all over the country:

Seeing CSR and social compliance as a competitive advantage is a matter of perspective. For the people in the business in Morocco, compliance costs a lot of money and the large majority of people see it as less profits that they make. Only a few can see the long term effects [*Auditing Firm A, Casablanca*].

R3 manager in Rabat exemplifies this widespread doubt on the long-term benefits of investment in social upgrading:

Social compliance is a huge investment for us, and maybe in the long term it will deliver a higher productivity, but for the moment, who knows. Anyways it is a lot of money.

The Global Compact office in Morocco also confirms this trend, based on a large-scale survey carried out in 2007: it appears clear that enterprises are not going to commit to the Global Compact principles or to CSR initiatives unless they have an economic interest in it – and such interest is usually stimulated by buyers' requirements in the short run.

The interviewed union representatives agree that improvements in social conditions for workers are 'the best answer' for competitiveness, given that workers represent an integral part of the enterprise's performance. Besides a moral and social motivation, they argue there is a strong materialistic motivation based on the fact that if social conditions are bad, workers will not be motivated to perform at their best but they will be inefficient and slow, and this will have a detrimental effect on the factory as a whole.

The empirical investigation carried out in Morocco shows that in the factories where social upgrading did occur, whether out of moral obligations or due to pressures from international buyers and local initiatives, significant steps forward have taken place also in terms of economic upgrading. The most direct link between social upgrading and economic upgrading manifests itself in the form of process upgrading. In all factories where forms of social upgrading have occurred, managers have pointed out the influence that the improvements in social standards had on their economic performance (see Table 11). In particular, what has clearly emerged as a major driving factor for process upgrading is the increased stability in the factory and the improved social climate and relationship between workers and management. This is because social relations are closely linked to productivity (Granovetter 2005). With written contracts, agreed duties and benefits and a solid track record of wage payments, the working relationship in factories is more codified and more stable. In Casablanca, C5 manager states:

The main advantage is stability in the factory. Workers know about their

rights, they are paid the right amount and they feel secure. I have a very good relationship with my workers, because I know how important they are.

Stability on the factory floor is very sought after by managers all over Morocco. The fear of conflict and strikes is what drives most managers' aversion to unions. A stable, positive relationship with the workers is therefore highly welcomed.

Social upgrading efforts aimed at improving social climate on the factory floor derive both from the presence of a new generation of open minded factory owners, as well as from ad-hoc programmes by the international community¹² aimed at improving social dialogue and at establishing a functioning relationship between the management and workers' delegates. More in detail, it has been observed in the factory visits that there is a new wave of younger, European- or North America- educated owners and managers who are increasingly aware of the potential deriving from social upgrading in terms of business benefits. As the young owner of factory T4 in Tangier puts it:

I have been long aware of the fact that working conditions are very important not only for human reasons but also for the good of the enterprise. If workers are happy they will stay in the factory for many years and they will be more and more experienced, and therefore more productive. Our workers with 20-25 years of seniority are our strength.

Also the manager in factory R4 in Rabat states:

I became president of the company in 2003, after I had studied in the US and worked in Canada, so I know about human rights and about the importance of workers feeling affiliated and loyal to the company. When they feel associated to the company they produce better. So I have been committed to comply with the law before clients started to ask about it.

An improved climate on the factory floor eliminates tension and potential conflicts thanks to better communication and better clarity on what is expected by both parties. As will be further explored in section 4.4, enabling rights such as voice, representation, dignity and respect at work are highly valued by workers and rank very high in their priorities. Thus, workers greatly appreciate the managers' efforts towards improvements in their working conditions because these are a

¹² In Morocco, the ILO Decent Work Pilot Programme had social dialogue as one of the main objectives and provided training for employers and unions.

manifestation of their respect towards their work. R1 manager in Rabat is also confirming this attitude highlighting the issues that are most relevant in ensuring a good social climate in the factory:

Social climate is not about applying the law by the book and not necessarily about material things like paying the smig, but more about how we treat our workers, if they are listened to, if they feel good in the factory and if they are respected. Efficiency is better because workers understand that we care about their wellbeing.

As consistent with efficiency wages theory, many managers have stated in the interviews that the improvements they carried out in working conditions for their employees highly motivated them to be more productive and more efficient, because they recognise the management's efforts and investment to improve their situation and wellbeing. Therefore, they develop a higher stake in the firm's performance and potential success. An increased productivity leads to a higher output per worker per hour, and therefore process upgrading for the whole firm.

Workers are believed to become more attached and loyal to the firm that values them and treats them well, and this is particularly important in the current times of labour shortage. C3 manager in Casablanca affirms:

Social standards in general are a good thing because they motivate workers to be affiliated to the firm and they create confidence and loyalty. Having social standards is not an "if" but a "must" because workers have to be motivated and ready to struggle for the company, they have to believe in the company and have a good relationship with the management. If we show that we respect the law, they will respect us. It is very important now because workers have the choice to move, the world is open, information travels fast so they can choose another place to work. It is not like before when there was no choice. Through social standards we can show workers that the company is their company, and they become loyal.

Social upgrading is therefore recognised by managers as instrumental in reducing workforce turnover, and therefore costs. The focus group discussions with workers highlighted the same trend. Many workers explicitly say that they could easily find another job in a different factory, if they were not satisfied with the working conditions. In Rabat in particular there seems to be a very synergic relationship between workers and managers; in the case of factory R1, workers

have followed their boss from Salé to Rabat when the factory was relocated, and they profess their trust and loyalty to the factory owner in a manner that is reminiscent of the familial relationship between fathers and daughters (Cairolì 1998).

Improvements in health and safety provisions have also a direct impact on productivity, and subsequently on process upgrading. Because of a tragic accident in a mattress factory in Casablanca in April 2008 that took the life of 55 workers, attention was brought to emergency procedures even more than during social audits, and managers became very keen on improving them and on ensuring that they are in compliance with the law. In terms of increased productivity, the introduction of protective gloves and goggles and ergonomic chairs in particular has ensured that there are less accidents in the machine room and less defective items. Besides the obvious improvements for workers' wellbeing, these changes also reduce the number of interruptions in the workflow as well as optimising the production, thereby making the production process smoother and more efficient.

Finally, as discussed above when analysing functional upgrading, there is a clear relationship between skill upgrading and functional upgrading. Managers as well as the AMITH and the ANPME target training as one of the key issues for competitiveness and they highly value the trained skilled workers in the factory. However, as noted above, training is not accessible to all workers, exacerbating discriminatory practices based on skill level and the perception of the worker's usefulness for the overall production.

The empirical evidence presented in this section shows that enhancements in enabling rights, such as voice and representation (albeit non-unionised), create a positive environment on the factory floor, and have direct implications on motivation and on the effort put into work. From this viewpoint, enabling rights can be seen as a component of a worker's productive effort. The search for a business case for social upgrading is connected to the perception of labour in global production and the reconciliation of the roles that labour plays in commercial and social embeddedness. By realising that when workers are recognised and established as social actors they are also likely to increase their productive effort, one can establish a linkage between the commercial pressures

and social embeddedness. A worker whose enabling rights are recognised and protected performs better in her capacity as productive input in the production process. This provides a business case not only for labour standards in general, but in particular for recognising workers as social agents with enabling rights.

4.3 Social upgrading for workers and managers

Throughout the chapter, social upgrading and its components of measurable standards and enabling rights have been discussed, highlighting how the achievement of measurable standards is more immediate than that of enabling rights. This section explores the priorities within social upgrading for managers and workers.

Having defined social upgrading as a process of improvements in a wide range of rights and entitlements, it appears clear that empirically subjectivity plays a role in the establishment of priorities among measurable standards and enabling rights by different actors involved in GPNs. The ranking of capabilities and labour rights is a contested issue – Sen was always reluctant to put forward a list of capabilities according to their importance, whereas Nussbaum (2003) proposes ten fundamental capabilities (among which life, bodily integrity, affiliation and control over one's environment) that represent the central requirements for a life with dignity. As mentioned in Chapter 3, the ILO has singled out four fundamental principles (no child labour, no forced labour, freedom of association and collective bargaining and no discrimination) as the core labour standards to be applied and respected across the world regardless of development level or specific ratification of conventions. This section does not aim at ranking measurable standards and enabling rights within social upgrading, but rather investigates how and why different actors touched upon by social upgrading perceive it in different ways and have different priorities. From interviews and focus group discussions, it emerges clearly that perceptions of social upgrading are directly influenced by how managers and workers perceive labour, whether as an input in the production process that has to be kept in good conditions in order to function properly; or whether as rights to which workers are entitled to, that will enable them to participate actively in GPNs.

The interviews carried out on the factory floor show that workers and managers perceive social upgrading and its components in very different ways. Their priorities have direct implications on the type of intervention organised, e.g., they influence the outcomes of initiatives aimed at improving social compliance, such as private CSR initiatives. They also may have an indirect impact on management-worker relations, because managers may be focusing their attention on certain aspects of social upgrading that are not the primary concern of workers.

4.3.1 Social upgrading according to workers

Among the issues raised in focus group discussions with workers was the question of which aspects of their current job they would like to change if they were in the manager's position. This discussion was aimed at identifying the way in which workers prioritise the different components of social upgrading. These observations were also supported by the discussions about complaints and dissatisfaction on the workplace.

All workers pointed at wage as the first issue that they would like to change (increase) about their current jobs, whether they are paid the minimum wage, a premium on top of it, or evidently if they are not paid the minimum wage. This issue is directly related to Marx's concept of labour power (1920) and the exchange of it for an appropriate price that is negotiated in the marketplace. In most cases, there is no opportunity to negotiate the price, because workers have very limited bargaining power relative to their employers. As raised in one group in Rabat in factory R5, one minimum wage in the household is not enough to ensure subsistence for the whole family:

Question: Is the salary enough to sustain the expenses of all the family?

All: It is enough once all the family works.

Salma: My husband works and I live also with my husband's brother's family. They all work while the children go to school.

Karima: I live with my parents and my sisters, they all work. My sister and my mother work in garment.

The importance of wage in workers' priorities is also directly connected to gender aspects, since all the workers interviewed were women. The need to provide for their families and the insufficiency of one salary per household have a direct impact on women's decisions in terms of family planning and on their choices after having children. As one worker in factory R5 points out:

When I was pregnant I got paid maternity leave for 3 months, then I came back to work. Many women don't do that. Once they get pregnant they prefer to leave the job. I can't afford to do that so I came back to work, even though I would prefer to stay with my child. But we need my salary as well.

The relevance of wage as first priority of social upgrading is clearly connected to the basic survival of the workers' household. In this context, considering labour as labour power and therefore as something that can be sold on the market in exchange for a price, workers take labour into account as a commodity. This commodity is indeed crucial to ensure their existence as human beings. However, a very close second priority for workers concerns enabling rights, and in particular voice, dignity, respect and not being discriminated against. In several focus groups, workers stressed the great importance of being considered more than machines, and therefore being considered as social actors with rights and entitlements and not as a means of production. Arguably, if workers were fully informed of the potential of enabling rights by unions and civil society organisations, they would rank them as their first priority. This is explained by the fact that if workers would attain their full enabling rights, and especially their right to freely associate in unions and bargain collectively, they would be able to negotiate with their employers on fair and equal grounds, and they would have a far greater say in the firm's decisions. Through this, they would be able to achieve all aspects of social upgrading, including a higher wage, as a byproduct of their enabling rights.

In the discussions outside factory R4 in Rabat, workers state:

Worker A: I have many friends in other factories that have problems with their supervisors. They do not respect them and I think that is very important. I could not work well without that and I am happy that here supervisors are nice to us. They never shout and they show us respect.

Worker B: We appreciate very much the human attitude of our manager. He is greeting us every day and we can present our personal problems to him. We know him for a long time and we trust him.

Workers highly value being given voice and being respected and understood in the workplace. In certain factories, workers are keen on discussing their good relationship with the management. They feel they are respected and valued for their work, and that they can openly engage with the management for their personal issues, such as preparing weddings or tending to younger family members. Workers maintain their main identity within their families and they tend to recreate this familial environment on the factory floor. When their relationship with supervisors and middle management is good, it can be compared to that of an older sibling or a mother, in whom they can trust and who will be understanding of their needs (Cairolì 1998).

In less idyllic circumstances, like for example those described below in factory T2 in Tangier, besides their concern over their wage and their difficulty to contribute to their household's subsistence, workers highlight their concerns in terms of their relationship with the management, and especially with their direct supervisors, lamenting discrimination and not being listened to and respected:

Khadifa: We would like to be recognized as all the other workers in the factory and be paid the smig. It is not only to earn more money but also because it is not fair to be treated like we do not matter.

Samira: I would like to have more flexibility with the supervisor, to be respected and to be understood when there are personal issues that cannot be postponed.

In terms of representation, in the factories in which a good social climate is praised, there is often a good relationship between management and the internally elected workers' representatives. These representatives in most cases do not have any affiliations with unions. It must be underlined that freedom of association and collective bargaining was not raised as a priority in any of the group discussions. None of the workers who participated in the discussions was unionised. When explicitly asked about unions, workers often dismissed the topic as not relevant, and did not seem interested in their activity or in joining them. In terms of enabling rights, this is a very important finding, because it intrinsically prevents

workers from fully achieve their entitlements and to negotiate on equal power grounds with their employers.

Measurable standards, and in particular physical wellbeing, represent the next priority. In some of the group discussions, workers have also praised the improvements in terms of health and safety, cleanness of the factory, conditions of the toilets and canteens, such as for example the possibility for them to store their own food and warm it up. Overtime is not necessarily perceived as a negative thing, provided that it is compensated accordingly. Indeed, several workers have stated that they would rather work some hours longer in order to have a higher wage.

For the interviewed workers, interestingly employment security is hardly mentioned as a priority in social upgrading. In terms of stability of contracts and the type of contract offered, this may be explained by the fact that at the time of the interviews the situation was rather of a high labour demand, and thus workers felt that they could easily replace the employment in one factory with a similar one in another.

In terms of social protection, registration to the CNSS is sometimes not considered to be a priority at all, since it implies a contribution to be taken from the worker's wage. Although it was not observable in the focus groups, where the large majority affirmed to be registered to the CNSS, it is anecdotally known that, especially in Tangier, young single workers prefer not to be registered and be paid more instead. Even a few dirhams per hour can represent a big difference for a household on the edge of poverty; and the status of these workers as young, childless women makes social security benefits not particularly relevant from their perspective.

4.3.2 Social upgrading according to managers

Interviews with managers provide a different take to social upgrading, placing a very high importance on measurable standards, and being rather indifferent, or at times explicitly against, improvements in enabling rights. This can be explained by managers' approach to labour as a factor of production, that should be taken care

of and kept well functioning (hence the attention to health and safety), but that in many instances does not necessarily recognize workers as social actors to be endowed with rights and treated as equals.

Managers were asked their priorities among the issues they need to address to achieve social compliance to the sector-wide code Fibre Citoyenne and to buyers' codes of conduct. Their priorities seem to reflect the visibility that changes have during social audits. The first things to be addressed are health and safety regulations and emergency procedures. Managers are very aware of potential hazardous conditions and are keen to resolve these problems as their first priority. In terms of visibility, this aspect of physical wellbeing is also the one that is most easily observable during social audits, and is therefore one aspect that has to be successfully addressed in order to pass the audits.

Their second priority concerns both wages and employment security, in terms of minimum wage and CNSS coverage. These two aspects are also easily detected in social audits and they can constitute a problem if they are not respected. However, as will be shown in the next chapters, payment of the minimum wage and CNSS registration represent an important investment for many enterprises, and violations are still taking place regularly. However, they are often somehow overlooked in social auditing.

Attitudes towards enabling rights are mixed, and as a whole these do not constitute a priority for managers. Interviews suggest that managers highly value a good social climate in the factory, but that the vast majority of them are mostly adverse to unions, and in certain cases they explicitly reject freedom of association, like manager of T2 in Tangier asserts:

Many factories close because of unions. They want to have it their way or they go on strike. There is no dialogue. I am against trade unions, and I won't let them in the factory, because it is going to jeopardize the business. In fact we didn't give the list of the workers' representatives to the labour inspectors, because otherwise unions would be able to contact them, and we don't want that.

This attitude is widespread and provides a clear example of how enabling rights, and specifically freedom of association and collective bargaining, are not only sidelined, but actively opposed by a number of managers. As noted above, the

achievement of enabling rights endows workers with a bargaining power on the factory floor that would enable them to obtain measurable standards and social upgrading as a whole as a consequence of their negotiations with the employers. There is therefore an active, conscious choice on the side of some employers to prevent workers from obtaining their enabling rights, because this would result in a reduction of the power that they exert over workers in terms of their role as inputs in the production process.

Another proof of most managers' perception of labour as a factor of production and the implications that this has on enabling rights is the attitude towards discrimination. While it could be argued that managers greatly value high-skilled, regular workers (albeit often only in their capacity as rare and necessary input in the production process), they simultaneously often actively discriminate against irregular workers, who are almost explicitly considered as a commodity to be used in the aspects of production not requiring a high skill intensity.

Table 12 summarizes the differences in priorities of workers and managers for different aspects of social upgrading.

Table 14: Social upgrading priorities

Priorities for Social Upgrading	
Workers: What would you rather change about your job?	Managers: What are your priorities among the things to change to achieve social compliance?
1. Wage	1. Physical wellbeing – especially H&S
2. Enabling rights: voice, dignity, non discrimination and respect (but no mention of FACB)	2&3. Wage and employment security: payment of smig and CNSS registration
3. Physical wellbeing: cleaner, more organised factory	
Not a Priority	
Employment security	Enabling rights, and in particular FACB is often opposed

Managers' priorities echo also buyers' priorities, as noted by the interviewed auditing companies. For one buyer, certain aspects of social upgrading are more relevant than others, possibly because of their potential impact on media and consumers in case of a scandal unveiling violations in labour standards. Their priorities are no child labour (which may be included in physical wellbeing) and wages. Freedom of association is becoming also an important issue to consider because of increased attention of civil society on this matter. Employment security in terms of contract type and employment stability does not seem to be high up in this buyer's priorities.

The highlighted different social upgrading priorities for workers and managers are important to keep in mind when looking at the drivers for social upgrading and at policy interventions aimed at improving working conditions. Indeed, it may

happen that the actions carried out by policy makers and global buyers in their CSR initiatives primarily address social upgrading issues that are not prioritized by workers, who should be the beneficiaries of the interventions.

4.4 Conclusions

This chapter looked at the main factors within the GPN that influence social upgrading, focusing on the commercial strategies that supplier firms need to implement in order to remain competitive in GPNs. In particular, it has explored the relationship between different types of economic upgrading and social upgrading, and it has underlined how, notwithstanding the assumptions of the early GVC literature, such relationship is not linear or straightforward.

Due to the overarching tension that actors in GPNs face in terms of commercial embeddedness and social embeddedness, an important finding of the empirical investigation is that social upgrading outcomes largely differ in relation to the type of worker under consideration. In the same factories, *regular workers*, who are relatively higher skilled, usually senior workers, work alongside *irregular workers*, who are low skilled, young workers. The co-existence of regular and irregular workers side by side is the expression of suppliers' need to react and survive to the GPN commercial embeddedness, which requires them to produce high quality items (through regular workers) while at the same time reducing costs and remaining highly flexible to last minutes changes (guaranteed by irregular workers). Regular workers usually have a written, permanent contract; they are paid the minimum wage (sometimes with a premium) and receive social security coverage; they are entitled to the legal benefits; they do not exceed the legal working hours and overtime and they are valued by the managers because of their skill and experience. Irregular workers, on the other hand, are employed on a temporary or casual contractual basis, or on an extended traineeship; they are often not paid the minimum wage and are not registered to social security; they are often discriminated against and not valued for their work. Due to the nature of their work, which may include finishing, packaging and cleaning, they are also the workers who are most subjected to long hours and excessive overtime. These

different types of workers have different opportunities for social upgrading and different challenges to overcome.

The chapter has shown that different types of economic upgrading may lead to social upgrading, but in some circumstances such influence is limited to social upgrading for regular workers. Based on the empirical data presented in Table 11, table 15 summarises the impact of different types of economic upgrading on social upgrading.

Table 15: Influence of types of economic upgrading on social upgrading

	Social Upgrading	
	<i>For regular workers</i>	<i>For irregular workers</i>
<i>Process Upgrading</i>	Positive influence (measurable standards)	Positive influence (measurable standards)
<i>Product Upgrading</i>	<ul style="list-style-type: none"> - Positive influence if new product requires training - No change if product upgrading is just apparent 	No change
<i>Functional Upgrading</i>	Positive influence	Potentially negative influence: in terms of measurable standards (wages and overtime) and enabling rights (discrimination and harsh treatment)

Process upgrading appears to have an unequivocally positive influence for both regular and irregular workers' opportunities for the aspect of social upgrading

concerning measurable standards. Thanks to a more efficient production process, occasional and temporary contracts are reduced as well as overtime. Therefore, both regular workers and irregular workers are likely to benefit from improved working conditions as a result of increased efficiency in the production process, although it is important to notice that a more rationalised production process may also result in layoffs of unskilled workers. Furthermore, it must be highlighted that process upgrading does not seem to have any particular impact on enabling rights, because process upgrading largely addresses the production process, and as a consequence, largely considers workers only in their role as factors of production and as tools to mitigate the commercial pressures they are subjected to.

Product upgrading does not seem to have an impact on irregular workers' social upgrading. It may have an impact on regular workers, if the new product requires them to be trained in new skills and technologies; however, this seems to be not always the case, as many firms changed their product mix starting to supply for high end, luxury brands, but the production process and the knowledge required to produce the new product did not deliver any dramatic change in terms of skill upgrading or social upgrading.

Functional upgrading provides the best opportunities in terms of increased value added and competitiveness. Full package supply refers to a wide range of activities beyond manufacturing and assembly, and high-skilled workers are required. Functional upgrading allows suppliers to become more competitive, but also increases the commercial pressures to which they are subjected. This in turn leads to an intensification of the tension between commercial embeddedness and social embeddedness, which is mitigated by the employment of both regular and irregular workers. Indeed, functional upgrading translates into significant training opportunities for regular workers, and subsequent higher wages and increased respect on the factory floor, bringing social upgrading in terms of both measurable standards and enabling rights. However, functional upgrading also means taking over a number of activities such as labelling, packaging, logistics and transport that are increasingly volatile and subjected to short-notice changes in the fast fashion segment of the GPN. For workers operating in these segments of the GPN, there may be no change in social upgrading, or the additional pressure on time and

speed of production may even exacerbate their situation, both in terms of measurable standards (e.g., excessive overtime, no minimum wage, casual or no contracts) and of enabling rights (e.g., discrimination). Irregular workers were mostly found in these last segments of the production chains. The conclusions to draw from these observations should not be interpreted as a suggestion not to pursue functional upgrading. On the contrary, this particular type of upgrading seems to be a necessary step to be able to survive on the world market and to have a competitive edge. The analysis shows, though, that the assumed automatic positive influence of higher value added production on workers does not always occur, and measures should be in place to ensure that economic upgrading efforts do not further aggravate a divergence between regular and irregular workers, but rather act as a converging force.

The analysis carried out also shows a two-way relationship between economic and social upgrading. The empirical investigation sustains the approach that highlights the benefits deriving from social upgrading in the medium- and long-term while also recognising the challenges that interventions may pose in the short term. More in detail, factory managers have highlighted the importance of a stable, harmonious social climate in the factory and the relationship between management and workers. From a social upgrading perspective, improving social dialogue at the factory level is part of enabling rights. Therefore, it can be argued that the strengthening enabling rights plays a role in motivating workers to increase their work effort, and their productivity. This finding shows that considering workers as social actors with rights and entitlements is not in conflict with their role as factor of production; on the contrary, it might be the approach that delivers the best outcome for both workers and the firm's competitiveness.

Considering another firm characteristics that may influence social upgrading, the chapter took into consideration firm size as a potential driver for social upgrading. When separating firm size from the status of the firm as a formal or informal structure, it appears that firms of different sizes have different opportunities and challenges for social upgrading, but there is no clear relationship that suggests that one type of firm is facilitated in respect to the other.

The chapter's last section addressed the perspectives and priorities that different actors have on social upgrading, in particular focusing on workers and factory managers. Different priorities in terms of measurable standards and enabling rights have emerged. It is highlighted how these priorities are strongly influenced by different actors' perceptions of labour. Workers rank enabling rights very highly (albeit without mentioning freedom of association), reflecting their perception of labour as rights and entitlements. Managers rank physical wellbeing indicators such as health and safety measures first, reflecting their perception of labour as a productive factor that has to be well regarded and kept well functioning in order to comply to commercial demands. Managers are averse to most enabling rights, and in particular they often oppose freedom of association, because that would provide workers with the instruments to negotiate on their own accord. This is consistent with their view of labour, that only recognises it as a commodity and not as a human activity performed by individuals with rights and entitlements. A reconciliation of these two views of labour, and more broadly a mitigation of the tension between commercial and social embeddedness, is necessary for the achievement of social upgrading for all workers.

Chapter 5: GPN embeddedness in the local context and its influence on social upgrading

5.1 Introduction: GPN embeddedness in the local context

Having examined the factors within the GPN structure, focusing on its commercial embeddedness, and having shown that different types of economic upgrading may have a range of impacts on social upgrading and in certain instances may prevent it from happening, the investigation of the conditions under which social upgrading occurs continues with considerations over the social and institutional context in which GPNs operate.

Given that this research uses the definition of GPNs realising their embeddedness in the institutional and social context, the present chapter focuses on the role of locations and local institutions in shaping social upgrading patterns. More in detail, this chapter focuses on understanding the role of this context by addressing two subquestions:

HOW DO THE GEOGRAPHICAL LOCATION OF FIRMS AND THE RELATED CULTURAL CONTEXT INFLUENCE SOCIAL UPGRADING? WHY SOCIAL UPGRADING IS EASIER TO ATTAIN IN SOME LOCATIONS THAN OTHERS?

HOW DOES THE *FIBRE CITOYENNE*, A LOCAL INDUSTRY-WIDE CODE OF LABOUR PRACTICE, IMPACT ON SOCIAL UPGRADING PATTERNS?

The firm's embeddedness in the local context cannot be divorced from its embeddedness in the broader, global context due to the stringent requirements imposed by global buyers. These requirements include commercial pressures to lower costs and increase productivity while simultaneously complying to labour standards through participating in the FC initiative. In this chapter, I argue that the opportunities for social upgrading as well as the challenges to obtain it are influenced by the location in which firms are situated, both in terms of local institutional, cultural and historical factors, and in terms of their embeddedness in the GPN, which takes different forms according to location.

The concept of embeddedness stems out the work of Karl Polanyi (1944), whose *Great Transformation* seeks to show how, despite current trends of market economies to become disembedded from their social and cultural context, economic activity is enmeshed in economic and non-economic institutions. When describing modern market economies, he warns that “[...] instead of economy being embedded in social relations, social relations are embedded in the economic system” (ibid., 57). This phenomenon is strictly connected to considering labour as a commodity that serves its purpose as a factor of production, instead of being considered as an outcome of human behaviour. As explored in the previous chapters, and as reinforced by the research in this chapter, this disconnect between the economic and social roles that different actors in GPNs play has a crucial impact on social upgrading for workers.

While Polanyi’s seminal contribution to the literature is fundamental to lay the foundations of the analytical framework used in this research, it is nevertheless important to underline in the context of this chapter that embeddedness in his view does not have a spatial scale. As noted by Hess, “His framework is essentially non-spatial, i.e., geographical (pre)conditions do not have any explanatory power.” (Hess 2004: 169).

As famously formalised by Granovetter (1985), economic activity is embedded in social structures and relations increase the degree of trust among actors and therefore improve economic outcomes. Granovetter brought the attention to the analytical scale of actors and networks of interpersonal relationships, allowing an analysis of inter-firm networks as well (Bair 2008). The analytical framework provided by Granovetter also does not focus on spatial locations, but as argued by Bair (2008: 347), it implicitly focuses on the local level because that is where social structures and networks of interpersonal relations are more easily observable. Its analysis therefore covers the social networks and economic policies of the state, that shape organisation at the local and national level (Hamilton and Gereffi 2009).

This chapter aims at understanding the impact of embeddedness in the local level on social upgrading in global production. While recognising that there is an inherent tension between the GVC analysis – focusing on the global level - and the over-territorialised embeddedness theory (Bair 2008; Hess 2004), the analytical

framework of global production networks allows understanding the global, regional and local economic and social dimensions of production processes (Henderson et al. 2002: 445; Bair 2008: 358).

In particular, it recognises the territorial embeddedness of GPNs – how they “(...) constitute and are re-constituted by the economic, social and political arrangements of the places they inhabit” (ibid., 446; Coe et al. 2004; Hess and Coe 2006). Spatial locations are particularly important in terms of development implications because while private actors are able to overcome spatial boundaries and to transcend borders, social and institutional actors are specifically defined and bound by the spatial context in which they operate. From this viewpoint, global networks are simultaneously also local, embedded as they are in the geographical, social and institutional context connected to the locations in which they are based (Bair 2009; Hess and Coe 2006; Hess and Yeung 2006). The existing economic activities and social dynamics in which GPNs locate largely influence the role that GPNs play at the local, regional and global level. For example, as Henderson et al (2002: 452) point out, government policies may direct GPNs to certain specific regions with the hope of generating new networks of economic and social relations and creating positive spillover effects; conversely, if the lead firm of the GPN abandons the region, it may undermine the efforts towards development and value capture. The commitment of lead firms to operate in a certain specific geographical area has therefore important implications for economic and social upgrading.

The empirical findings presented in section 5.2 provide evidence to understand how firm location influences social upgrading and the rationale behind the observed differences in social upgrading outcomes. True to the GPN definition, the research highlights the ties that bind local social structures to international buyers. In particular, it investigates under which conditions local embeddedness of GPNs is influenced by actors, initiatives and choices at the global level, arguing that the tension between commercial embeddedness and social embeddedness is not resolved at the global level and is only transferred and aggravated at the local supplier level. Chapter 6 will discuss more in detail the institutional context in which GPNs operate at the global level.

Locally, the government and its initiatives at the national and regional level, as well as industry associations and trade unions and civil society organisations also have a role to play. However, the case study of the Moroccan garment industry shows that these local initiatives have momentum only when they are sustained by actors at the global level. It is under these circumstances that managers in supplier firms see them as an opportunity to address and possibly mitigate the contradictory pressures they receive from their buyers in terms of cost efficiency and compliance to labour standards.

In Morocco, the local institutional context in which the garment GPN operates is characterised by a local social compliance initiative initiated by the AMITH in 2003, and subsequently embraced by the MFA Forum and its stakeholders, including the Ministry of Industry and Trade, trade unions and global buyers. This initiative, *Fibre Citoyenne*, is based on a code of conduct, very similar to those of global buyers, and an associated label that is awarded to firms after they pass a social audit certifying their compliance to the code. Such initiative has emerged initially as a local response to the increasing number of global and multi-stakeholder initiatives aimed at improving working conditions in the garment sector. The FC initiative has the aim of establishing an international reputation for Moroccan firms that are awarded the label, as well as reducing the number of social audits by buyers in favour of the uniform standard proposed by the FC certification and monitoring system. Being promoted and sustained by the MFA Forum Morocco with the objective of using it as an industry-wide code of conduct, it may or may not replace buyers' codes of conduct in the future. The second section of the chapter investigates the impact that the introduction of the FC has had on economic and social upgrading from managers' and workers' perspectives, and shows that the establishment of the FC has brought about significant changes at the factory level, both in terms of competitiveness and in terms of working conditions.

5.2 The role of firm location in influencing social upgrading

The present section addresses the question of how firm location influences social upgrading opportunities. First, it describes the characteristics of the four locations

in which the field work was carried out, highlighting similarities and differences, in particular concerning local labour markets, traditions and perceptions of labour and work. Then it analyses the different social upgrading statuses in the regions, underlining location-specific challenges, and establishing connections with the different interplay between local and global levels in each location. Indeed, social upgrading in the different areas under consideration is influenced both by the firm's embeddedness in the local context – in terms of cultural and historical diversity – and by its embeddedness in the global context – in terms of different buyers' strategies and different degrees of tension between commercial and social pressures.

The choice of the four field work locations of Casablanca, Fez, Rabat and Tangier was driven by their relevance for the garment sector in terms of production and exports. These four areas are characterised by a high level of garment production for the export market and of employment in the garment sector, as shown in Table 16.

Table 16: Regional distribution of the garment sector, 2007

Location	Number of enterprises in the garment sector	Turnover (in thousands dhm)	Workforce
Fez	78	1,365,310	15,184
Casablanca	431	7,294,573	58,096
Rabat-Salé-Temara	71	2,412,454	25,073
Tangier	166	2,786,680	31,389

Source: Ministry of Industry and Trade

In 2007, there were 865 registered enterprises in the garment sector, with a total registered workforce of 149,477 workers. Casablanca and Tangier are the main employment hubs especially for women and migrant workers. Casablanca is characterised by a strong presence of migrant workers from rural areas, whereas Tangier is the destination of urban migrants from cities in the South and East of

the country (Mellakh 2007). The area of Grand Casablanca employs almost half of the registered workers in Morocco, but given the sustained growth of Tangier as an emerging export location, it is indeed likely that the statistics for 2009 will show a shift towards Tangier in terms of employment.

The Moroccan textile and clothing industry traditionally originated in Fez, before turning to the export market and expanding to Casablanca, Rabat and Tangier. Fez was the first capital city of Morocco. Historically, the textile and garment sector initiated here, where powerful *fassi* families controlled trade from fabrics to finished products. Nowadays, garment production remains largely anchored to the domestic market, and is characterised by traditional garments and styles. When the country's trading strategy changed and opened towards export orientation, there was a shift in production and a substantial relocation to Casablanca, because of its emerging, more modern factories and its port, which guarantees faster and cheaper logistics and transport. Until recently, Fez used to be the second largest garment production pole in Morocco (Belghazi 2005), but is nowadays in a crisis due to a combination of factors that privileged Tangier as a production and export platform. There is now a labour shortage due to the fact that young workers migrate to the coast, mainly to Tangier, where wages are higher. In Fez, factories are increasingly closing down; the majority of workers are unskilled because of a lack of targeted training. In addition, the city administration seems to have chosen a development strategy that focuses on tourism as the main source of income. Most of the available training is directed to develop language and management skills.

Why are wages lower in Fez, and why are training opportunities limited? Historically, firms were concerned with commercial exchanges, and Morocco established itself as an attractive exporting location for garments thanks to its low labour costs. In the early days of export orientation, when Fez was still the second largest production hub, competitive advantages based on knowledge and skills were still far from being considered, and the commercial strategy was intrinsically based on a race to the bottom. Still nowadays, in Fez there is an issue of mentality that clashes with the international community's labour and social agenda, and more strikingly, with the perception of labour beyond productive factor but as social agents. According to a trade unionist in the city, traditional *fassi* families

remain anchored to their noble past of aristocracy; they are old-fashioned and not progressive in terms of respect of labour rights. They seem to consider workers not much different from other means of production which do not need particular attention or caring and whose costs should be minimised, and are not recognised as human beings with rights and entitlements. This perception is hard to reconcile with the efforts being made towards social upgrading, both through national legislation and through private and multilateral CSR initiatives. Because of this approach to labour narrowed to its role in production, social upgrading opportunities are limited, and the situation is exacerbated by the difficult economic and business state of affairs. Due to market pressures to ever reducing prices, managers constantly face the need of cutting costs, and they tend to economise at the expenses of workers' subsistence and wellbeing, for example by keeping their wages below the legal minimum and/or by further cutting them. Indeed, in focus group discussions in Fez, workers point out that in certain cases (namely in packaging and finishing units) they are paid well below the minimum wage, to the point of not allowing them to contribute to their household's subsistence or to provide for themselves. Often they work in hazardous conditions, because protections would slow the production pace down. Furthermore, reinforcing the fact that workers are considered not more than a factor of production and that their enabling rights are not protected, workers openly complain about their managers and the harsh treatment of their supervisors, who do not allow any personal justification (such as weddings or bereavements in the family) to come in the way of the stipulated working time. In factory F2, some workers remark that they are instructed by the management about what to say during social audits.

Another factor explaining the difficulty of Fez to participate in GPNs is its historical ties with the union movement. In the words of a trade union leader, Fez is the "city of struggle": unionisation in the garment sector is higher than in the rest of Morocco (reaching 50 % among males), elections campaigns are very heated, and it is in general politically charged. This also may help explain the increasing reluctance of buyers to engage with supplier firms in Fez. As noted by Coe et al (2004: 472), "(...) the adversarial and confrontational relationship between the state and labour may significantly reduce the region's attractiveness to focal firms

in global production networks". However, it must be noted that unionisation figures mostly refer to men, and the vast majority of workers in the garment factories are non-unionised women.

Fez is the most suited example of how the cultural context in which GPNs are embedded may affect social upgrading, or in this specific case, how it hinders it. The strong influence of artisanal work and the linkage to the domestic market have implications on the managers' perception of workers' rights and entitlements. Managers are involved in social compliance initiatives because of buyers' requirements, and not because they identify social upgrading as a moral obligation, as pointed out by the interviewed managers of factories F1 and F2. Rather, they see social upgrading efforts as one of the factors they need in order to remain in good terms with global buyers. They therefore juggle compliance to a set of measurable standards for regular workers and exploitation of irregular workers to be able to respond to buyers' demands in terms of commercial competitiveness and labour standards. This reinforces the observed perception of labour in Fez as a factor of production and as a condition for economic and business success. However, this is a perception that somewhat hinders the effectiveness of any step taken in promoting social upgrading. This observation shows how on one side, embeddedness in local social networks affects economic activity, but also how embeddedness in the global context of the GPN – represented by the requirements of global buyers – shapes economic and social upgrading, as will be discussed in Chapter 6.

The cultural context also influences workers' behaviour and openness to change: for example, many cutting room workers in factory F2 still go to work in their traditional clothing consisting of a wide-sleeved *djellaba*, not realising that the long sleeves could get entangled in the cutting machines and potentially become dangerous but not accepting the use of factory uniforms.

With a substantial redirection towards export orientation, the garment industry converged to Casablanca because of its modern port and established export routes. Nowadays, Casablanca is the largest textile and garment production pole and the main employment hub in Morocco. The large majority of garment factories in the

area around Casablanca are partially or totally exporting. Efforts towards economic upgrading (the Government's *mise à niveau* programme) and social upgrading started here, because of the crucial presence of international companies. Since integration in GPNs was initiated in this area, social and labour standards have been requested by international buyers for many years, and according to the local AMITH office, most exporting factories are equipped to respond and comply with national legislation and codes of conduct. Casablanca attracts all types of international buyers, largely from France, Spain and the UK, but also from other EU countries and from the US.

However, union representatives and NGOs underline the fact that despite its modern, up-to-date appearance in terms of social compliance, there is a widespread practice of illicit subcontracting to informal factories and to homeworkers in Casablanca, because of very large business volumes that cannot be reached by the factories' capacity. Unionisation, as in Rabat and Tangier, is very low. Workers are typically older than in Tangier, used to semi-formal labour arrangements with oral contracts that for example exclude social security coverage at the benefit of a slightly higher salary. Wages in Casablanca tend to be in average higher than in Fez (Belghazi 2005) and in Tangier (Mellakh 2007), but lower than in Rabat.

In terms of the number of garment factories, the area of Rabat-Salé-Temara is the fourth pole in Morocco but it employs more workers and generates a higher income than Fez. This area has a strong reputation in terms of high quality and respect of social standards. Most of the best practices identified by the AMITH concerning economic and social upgrading efforts (among them factories R2 and R5) are in this area.

The majority of the suppliers are still focused on CMT and mere subcontracting, with only a few (among which R4 and R5 in the sample) performing full package production. However, companies in Rabat tend to be engaged in long-term relationships with their buyers. Traditionally, this area is associated to Anglo-Saxon buyers, which have a longstanding reputation of being concerned with social and labour standards. The AMITH regional office highlights how factories in Rabat

have a long history of compliance to labour standards, being used to strict company codes of conducts that were introduced long before the new Labour Code in 2004. The AMITH regional office believes that companies in the area are less affected by the rising pressure on labour standards than other areas in Morocco, because they already made most of the required investment years ago. This has allowed them to relatively alleviate the tension between commercial and social pressures, because they have had a longer time to work on their compliance to labour standards. Given that they have established a trusting relationship with their clients, factories focus on functional upgrading strategies that will allow them to produce a finished product, including some parts of design. One example of this strategy is the establishment of an export consortium that brings together 7 enterprises in the region (among which R3, R4 and R5) and employs 3800 workers. Currently focusing solely on the UK market, the consortium plans a locally designed collection for 2009-2010 and aims at expanding to the American market.

Of the five factories visited in Rabat, only one had to undertake recent important investment in order to be compliant. All the others discussed labour standards and compliance to codes of conduct as an integral part of their business strategy, and as something necessary to ensure the continued sourcing relationship with the buyers. Importantly, the interviewed managers in Rabat, due to their longer term, more collaborative relationship with their buyers, were able to integrate social compliance in their commercial practices and perceive less the contradicting tension that characterises operations in GPNs.

In factory R2, hailed by the AMITH and by the interviewed auditors as one of the best practices in terms of good working conditions, the manager (who is a woman herself) says:

I have a very good relationship with my workers which even goes beyond our work together. We organize trips for the employees, we make a collection in the factory when one of them has a baby, or a bereavement, or has to undergo an operation at the hospital. Many of them have been in the factory for many years and we consider them being part of a community.

This could be considered as an example of the manager's attitude towards her workers as social agents, recognising their personal needs and desires. This does not automatically deliver enabling rights, but it does suggest that the management is aware of workers' roles beyond their productive activity.

As the fastest growing port in Morocco, Tangier has witnessed a dramatic expansion in recent years as an emerging export hub, also due to the creation of industrial zones in the vicinity of the port. According to the AMITH local office, all of Tangier's garment factories produce for exports. There are no formal factories producing for the domestic market, as all the efforts are directed towards reaping the competitive advantage of the port. In particular, the city has developed tight linkages with Spanish buyers, because of its proximity to Spain – a ferry ride between the port of Tangier and the numerous ports on the Spanish southern coast (e.g. Tarifa, Algeciras, Jerez de la Frontera) takes a mere 30 minutes. In addition, the two Spanish enclaves of Ceuta and Melilla are also in the very close proximity of Tangier and are used as a trading platform. The privileged relationship with Spanish buyers is also aided by the fact that Spanish is widely spoken in Tangier.

In terms of labour rights and standards, the recent expansion of Tangier as an export hub has been paralleled by very high pressure to comply with labour standards by international companies. This has proven to be at times rather difficult. Before the boom of Spanish fast fashion companies, the area was not particularly targeted by international companies and was rather under the radar in terms of labour standards. This situation did not stimulate enterprises towards social upgrading of any kind; but rather, it allowed informal companies to follow a race to the bottom in terms of workers' rights (Clean Clothes Campaign 2003; Intermon Oxfam 2004). As noted by the local AMITH representative, it is only recently that firms in Tangier have started to get involved in social compliance initiatives, and mainly because of the pressure from their main international buyer from Spain. Tangier is therefore a crucial example to understand the complex interplay between local and global embeddedness, as well as the direct impact of

global buyers in shaping commercial opportunities and social compliance requirements, as will be discussed in Chapter 6.

Nowadays, Tangier remains characterised by a number of violations; as reported by a local NGO, here there is “more informality, less rules and less rights”. There are violations in the payment of the minimum wage, abuse of apprenticeship and temporary contracts to avoid paying benefits and paying premiums for seniority. In particular, registration to social security is a significant hurdle, because in earlier times factory managers registered around 60 per cent of workers. Factory T1 manager states:

It is normal here in Tangier not to register all employees; it is them who do not want to be registered sometimes because a part of their salary goes to the CNSS and they would rather keep it. This means that often we have a problem finding workers to work for us at the minimum wage [ca 9.5 dhm], registered with CNSS: they prefer to go to other factories where they are not registered and are paid 11 dhm. We cannot afford to do that.

This lack of social security coverage is explained not only by management choices, but also by the prevalence of a very young workforce that is not concerned with family contributions and would rather not be registered and be paid a higher salary. One auditor in Auditing Company A states:

Workers [in Tangier] refuse to be declared even when the patrons want to. They would rather leave the factory and look for something else. Indeed, for people that live in poverty the amount that the patron pays to the CNSS instead of to them (around 120-130 dhm per month) makes a big difference, and they don't see any particular benefit coming from the CNSS. Only women with children are keen on it, because their children will be able to collect the contributions.

Notwithstanding the internal migration flows that see young workers move from other inland industrial zones (e.g. Fez and Meknes) to Tangier, there is an overall labour shortage. Skilled workers, especially polyvalent workers able to operate a variety of machines, are very much in demand. This may lead to think that working conditions are generally better, because workers have a stronger negotiating power. However, in the case of Tangier, this negotiating power translates into the fact that workers sometimes prefer to remain in semi-formal arrangements

avoiding registration to the CNSS or willingly engage in overtime and be paid a higher wage. This finding is very relevant in the light of the definition of social upgrading and the priorities that workers manifest when talking about aspects of their working life that they would like to change. It is important to keep in mind that the access to wage employment for Moroccan young girls constitutes a dramatic change in their lives, still largely defined by a patriarchal culture which sees them often discriminated against in their own household (Cairolì 1998). A higher wage is not only extremely valuable for the household's subsistence and to support themselves and their family out of poverty, but also it is an opportunity for self reliance, for having a life outside the family home and being integrated in an extended social network, and for increased autonomy (Kabeer 2004, Joekes 1985).

The location in which supplier firms are embedded has significant implications for social upgrading. First, location is related to different local labour markets and different levels of supply and demand for labour. In the case of labour deficits, workers' priorities emerge in terms of their choice of employment. It has been found that in certain cases, especially in Tangier, workers would rather work in informal settings without social security and earn a higher wage, than be registered and lose a percentage of their wage. Because most of the workers operating in Tangier are young women workers, sometimes migrating from rural or inland industrial locations, their priorities are relatively short-term, and therefore at the time they do not value the security that CNSS registration provides in the longer run.

Secondly and most importantly, different locations have different cultural backgrounds and histories, which significantly impact the way in which labour is perceived, and as a consequence the opportunities for social upgrading. The influence of the local cultural heritage is particularly evident in Fez, that is characterised by an imperial past and by an elite of few families that controlled trade and industry in textiles and clothing. The strong cultural and social divide between factory owners and workers has a significant impact on opportunities for social upgrading, because culturally managers tend to consider their labour force as subordinate and socially 'inferior', hence just as one other factor of production. This creates a crucial hurdle in their motivation and willingness to engage in social

upgrading. Furthermore, workers' habits and behaviours are often anchored in traditional methods, not allowing changes that would bring improvements to their wellbeing. Conversely, Casablanca and Tangier have a more dynamic, "Europeanised" approach to management and industrial relations, also because of their younger, foreign-educated factory owners who recognise the potential for economic upgrading through social upgrading. In Rabat, the situation is again different because the labour force is more senior, age-wise as well as skill-wise, and managers and workers often define their relationship as a 'partnership'. It is here that managers seem to establish a longer-lasting relationship with their workers, recognising them as social actors and not only as a productive factor. Based on the empirical data presented in Table 10, observations of social upgrading and downgrading are summarised in Table 17 below.

Table 17: Social upgrading and downgrading in different geographical locations

	Social Upgrading	Social Downgrading
Casablanca	<ul style="list-style-type: none"> • Measurable standards: working conditions, health and safety, wages • Enabling rights: improved social climate 	
Fez	For <u>regular workers</u> <ul style="list-style-type: none"> • Measurable standards: working conditions, wages, social security • Enabling rights: social climate 	For <u>irregular workers</u> <ul style="list-style-type: none"> • Measurable standards: wages, health and safety, contracts, social security • Enabling rights: social climate, harsh treatment, discrimination
Rabat	<ul style="list-style-type: none"> • Measurable standards: working conditions, overtime, contracts, social security • Enabling rights: social climate, FACB 	
Tangier	For <u>all workers</u> <ul style="list-style-type: none"> • Measurable standards: working environment, health and safety For <u>regular workers</u> <ul style="list-style-type: none"> • Measurable standards: wages, overtime • Enabling rights: social 	For <u>irregular workers</u> <ul style="list-style-type: none"> • Measurable standards: wages, overtime, contracts • Enabling rights: harsh treatment, discrimination

	climate	
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While the field work was not aimed at assessing social upgrading and comparing it across regions, it would be misleading to think that working conditions are overall worse in Fez because of the reasons explained above. Factory visits show that there is no observable striking difference among working conditions in the different locations. What emerged instead was that the impact of firm location on social upgrading is heavily influenced by global factors, and namely by the type of buyers operating in the area. Indeed, the main finding of the analysis is that the main driving force is buyers' strategies and the pressures they imposed on their suppliers. This may be explained by the fact that embeddedness in the local context may be crucial to explain short- and medium-term economic outcomes, as argued by Granovetter (1985), but that in order to fully understand the long-term dynamics influencing economic outcomes (as well as social upgrading) it is necessary to avoid the limits of a over-territorialised approach, and rather consider the reality of the GPN as a whole, thereby taking into account the crucial role that global buyers at the top of the production chain play (Bair 2008; Hamilton and Gereffi 2009).

The empirical data collected in Morocco confirms this theory. Factories in Rabat are well-regarded and promoted as best practices in terms of labour standards not necessarily because of geographical characteristics, but because of their historical association with British buyers, who have a reputation for being demanding in this realm. Workers in Tangier may receive a better salary than that of other regions, but they also face the strongest pressure on time and speed of production because of their exclusive supplying relation with fast fashion Spanish buyers. Factories in Fez are now committing themselves to social compliance initiatives in order to attempt to keep global buyers from changing their sourcing location. Local characteristics, including crucial cultural and institutional factors, in turn shape buyers' sourcing decisions – i.e., Spanish buyers are keen on establishing relations with factories in Tangier because of the proximity, easy access and easy communication in Spanish. The role of location in shaping social upgrading is therefore very tightly connected to the global level, underlining the very nature of GPNs.

5.3 Social Compliance at the local level: the ‘Fibre Citoyenne’ label

The Moroccan garment industry is characterised by a rather unique sector-wide code of labour practice, *Fibre Citoyenne*, that is becoming widely applied especially after the explicit commitment of one major buyer, Inditex, to prioritise sourcing from FC-labelled factories. The FC therefore provides a clear link between local and global levels. In addition, it clearly embodies the tension between social embeddedness and compliance to labour standards and commercial pressures to remain competitive and lower cost. It can be argued that through the FC, buyers ‘outsource’ the responsibility to ensure compliance to labour standards at the local level while continuing to impose production targets that render such compliance almost impossible to attain.

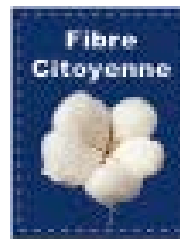
This section analyses in detail the impact of the FC initiative on economic and social upgrading. The investigation focuses on the opportunities that this code of labour practice and its related certification have brought about for regular and irregular workers in terms of improvements in measurable standards and enabling rights. It does so by underlining the aspects that characterise the initiative at the local level as well as the issues that remain challenging and problematic in the wake of buyers’ demands and pressures, both in terms of labour compliance and in terms of production.

Parallel to the emergence of GPNs, the recent decades have witnessed a dramatic growth of social compliance initiatives based on codes of labour practice aimed at improving labour standards in global production. These initiatives have been established and promoted by a variety of different actors, most notably multinational corporations (as will be explored in Chapter 6), as well as industry associations and NGOs. This section explores a locally conceived social compliance initiative, underlining that it was strongly influenced by the international pressure to comply with labour standards, but at the same time generally better received by managers than top-down initiatives from international buyers.

In 2003, the Moroccan government backed a strategic plan for the repositioning of the textile and clothing industry in preparation for the phase-out of the quota

system regulated by the MFA in 2005. The plan stressed the importance of preferential access to the EU market and aimed at targeting high-end market niches and at strengthening flexibility and reactivity to buyers' demands. As part of this overarching strategic plan, the AMITH adopted a charter for the promotion of ethical trading, environmental and social values for sustainable development in the garment sector. This code of conduct, which according to its foreword is based on the principles of civism and compliance with legal requirements, social ethics, protection of the environment and sustainable development, is associated to the label 'Fibre Citoyenne', that is awarded to enterprises in compliance with the code based on independent monitoring.

Figure 7: The Fibre Citoyenne label



In 2006, the FC initiative was taken on board by the MFA Forum Morocco, a multi-stakeholder initiative that brings together the Government, the three main unions (CDT, UDT and UGTM) and the main international buyers active in Morocco (Inditex, Levi Strauss&Co, Mango, Marks&Spencer and Next). This gave a new momentum to the FC giving it a higher profile and media exposure, and at the same time it brought about significant questions concerning its scope, coverage and monitoring system, and especially its interaction with buyers' own corporate codes of conduct. The future of the FC initiative in terms of its potential to become a standard not only for the industry but also for international buyers, who may agree to bypass their own audits in favour of the FC certification, is currently under discussion with the MFA Forum¹³. A crucial step in the direction of the FC code becoming a substitute for buyers' social audits was taken in conjunction to the signing of the first international framework agreement in the textile and garment sector between Inditex, the Spanish owner of the Zara brand, and the

¹³ For more detailed information, see www.mfa-forum.net

International Textile, Garment and Leather Workers' Federation (ITGLWF) in October 2007. As will be discussed further in the chapter, Inditex agreed to source exclusively from FC-labelled firms and to rely on FC audits for its own social monitoring. This commitment from one key global buyer has had an enormous impact on the spread of the FC among factories in Morocco, and constitutes a crucial linkage between the local and global levels.

Umbrella codes promoted by industry associations such as the FC code have been defined as 'second party certification' mechanisms (Gereffi et al 2001) and have largely originated in the North as a response to media exposés pointing out labour rights violations or to stricter codes brought forward by unions or labour organisations (Pearson and Seyfang 2001). From this point of view, the FC initiative is an example of an umbrella code generating from the South without a specific media pressure. Similarly to buyers' codes of labour practice, the FC code has been unilaterally issued by the AMITH without a tripartite discussion with government and workers representatives. For this reason, it has been criticised by local unions and NGOs. Union representatives have praised the initiative as a step forward for awareness of social responsibility in the garment sector, but they have also underlined that the FC should not act as a substitute for the labour code, which was negotiated on a tripartite basis. The Labour Code in Morocco has specific provisions in terms of freedom of association and collective bargaining, even though their implementation at the factory level is debatable. Describing the challenges for unions in Morocco, a representative from the UDT says:

The Ministry of Labour does not play the role it should play when it comes to monitor and enforce the Labour Code. They do not have sufficient means to enforce it, especially in the field of freedom of association. The labour code here in Morocco is very good, among the best in Africa and the Arab world, because it was negotiated with the unions, the government and the patrons; it covers very well social protection and freedom of association. The problem is its application and implementation.

Referring in particular to the FC, one union representative from the UGTM pointed out that the FC code does not devote enough attention to freedom of association

and collective bargaining, and therefore does not encompass all the basic rights outlined by the ILO:

The reason why we are not satisfied totally with [the FC] is that there is not enough attention to freedom of association. The FC to be really “citoyenne” [i.e., citizen] should encompass all aspects of decent work as described by the ILO.

Indeed, in reference to the ILO core conventions, the FC code explicitly covers the bans on child labour, forced labour and discrimination in its first three chapters, as well as the right to freedom of association, but an important omission is the mention of collective bargaining. This lack of social dialogue and unionisation problems represent a serious obstacle in the achievement of enabling rights for workers, and are among the main issues emerged from the interviews and FGDs, as will be discussed further in this section.

Civil society has also been critical of the FC in terms of its scope, because at best it applies to firms that are AMITH members, therefore not focusing on a large number of informal enterprises that still act as suppliers for international buyers on a regular basis. The tendency of a number of international buyers to equate the FC code to the labour code, or even to rely on the FC as the prime mechanism for social compliance, is a very controversial move. This sentiment is present also among managers, as T5 manager argues:

I don't like this term «citoyenne» (citizen) because we are all citizens in Morocco. Corporatism is not an obligation, it is not compulsory to be part of AMITH. And you cannot have the FC certification if you are not part of the AMITH. So I think it is not correct. What does it mean, that if you are not member of the AMITH then you are not a proper citizen? I fear that this initiative of AMITH is a substitute for the state. These things should be dealt by the Labour Code.

The FC code provisions¹⁴ in terms of health and safety, working hours, disciplinary measures and harassment are based on the Moroccan Labour Code and are in line with both the ETI base code and with standard buyers' codes of labour practice. In

¹⁴ For the full text of the FC code, see: <http://www.textile.ma/NR/rdonlyres/667F1996-B880-4F4A-8565-22D7E31991A7/391/REFERENTIELan.pdf>

terms of remuneration and social benefits, the FC code refers to a 'fair' remuneration at least equal to the minimum wage. The chapter on regular employment is aligned to the ETI base code, being detailed in its provisions to avoid misuse of temporary and apprenticeship contracts aimed at keeping the employee in a precarious employment situation. The last three chapters of the FC code contain provisions concerning subcontracting of services, environment and implementation of the code. In accordance to buyers' practices, the monitoring system of the FC code is based on social audits. When the label was established in 2003, a first group of enterprises was accompanied through a support programme and certified by an external audit company. In the following years, new applicants were audited after the completion of the FC support programme. The FC support system consists of a preliminary audit, followed by a plan of corrective actions aimed at achieving full compliance to the code. The enterprise is accompanied by a support cabinet that assists it in the implementation of an action plan over a period of six months, covering issues of health and safety, minimum working age, wages, working hours, discrimination, freedom of association, forced labour and environment. After this period, the enterprise is audited again. The FC label is issued on the base of the results and conclusions drawn on the final audit. Interestingly, the support programme of the FC is carried out by the National Agency for Small and Medium Enterprises [ANPME], which is a government agency established in 2002 in the framework of the national *Mise à Niveau* program¹⁵. The ANPME is however not associated with the Ministry of Employment and is therefore a separate entity from labour inspectorates. In terms of costs, 80 per cent of the costs for the support programme are borne by the ANPME, and the remaining 20 per cent is paid by the enterprise.

After having briefly assessed the FC code, its connections to the ILO core conventions and its monitoring system, it remains unclear whether this initiative succeeds in impacting social upgrading at the factory level. The following sections address such question from the point of view of managers and workers.

¹⁵ The *Mise à Niveau* Fund [FOMAN] was established by a public-private partnership between the Moroccan government and the AMITH to modernise and upgrade firms prioritising the textile and garment sector. The AMITH saw its membership radically increase during this process and became a more 'developmental' business association (Cammett 2007).

5.3.1 Management perspectives on the FC initiative

What is the impact of the FC on economic and social upgrading according to factory managers? This section addresses this question highlighting the different opportunities created by the FC as well as the challenges that it brings about for different types of factories, bringing out the tensions between complying to the FC provisions and responding to buyers' commercial demands.

All the interviewed managers agree that being involved in the FC has been a very positive experience. The overall judgement on the FC certification, as well as on the support programme guided by the cabinet, largely depends on the characteristics of the enterprise. Table 18, shown in Chapter 2 to explain sample selection, shows the sample distribution according to FC certification. The data were collected in Winter/Spring 2008, and the table shows the updated information as of Winter 2009.

Table 18: Sample participation in the FC initiative

<i>FC labelled</i>	<i>FC in progress</i>	<i>No FC</i>
C1	C2 (<i>later obtained</i>)	C3
C4	F1 (<i>later obtained, then suspended</i>)	R2
C5 (<i>later suspended</i>)	F2 (<i>later obtained</i>)	R3
C6 (<i>later suspended</i>)	R4 (<i>later obtained</i>)	T4
C7	T1 (<i>later obtained</i>)	T5
R1	T2	
R5	T3	

For most of the enterprises originally labelled in 2003, the FC represented an extra certification on top of their already established efforts in the field of social compliance. These managers state that they had already made most of the investment before they were FC-labelled, because of the initiatives carried out bilaterally with their clients (in particular with American and British clients). In these cases, managers felt they were already in compliance and they did not take

advantage of the support programme with the cabinet. Because of these circumstances, it was more difficult to assess and isolate the changes in social upgrading brought about by the introduction of the FC. Similarly, those factories that have been involved in the FC for a longer time see hardly any inconvenience with it, because they have observed that disadvantages in the short term – especially in terms of costs – turn into advantages in the medium and long term.

The experience of the enterprises that have only recently joined the FC or are in the process of being certified radically differ from the one of the first group. Indeed, these managers recognise a very impressive change on their factory floors thanks to the involvement in the FC, and especially thanks to the consultancy of the cabinets carrying out the support programme. These changes touch upon both economic and social upgrading, and highlight the relationship between the two.

Managers highlight and appear enthusiastic about the advantages pertaining the economic performance of the enterprise, both in terms of increased business opportunities and in terms of process upgrading. Thanks to the reputation of the FC label among buyers, factory owners have started or are planning to venture in different export markets besides their traditional trading partners, such as the US, Germany and Italy. They also suggest that they do not have to struggle to approach clients to have more orders, but that instead they are actively pursued by clients. Overall, managers of the FC-labelled firms recognise that their enterprises have become more reliable, and therefore that clients are keener on entrusting them with larger or more complicated orders. They have been able to expand their client base towards more demanding, prestigious clients that value social compliance efforts. The advantages in terms of new clients and export markets have been by far the most highlighted in the interviews, showing how managers perceive the FC first and foremost as a competitive advantage useful for their business, embedded in the commercial dynamics dictated by global buyers.

In terms of process upgrading, managers of firms that have recently joined the FC support programme are very impressed by the changes in terms of reorganisation of production and, more generally, about the significant changes taking place on the factory floor. The FC certification and in particular its support programme provided by the ANPME have been instrumental for the firms' process upgrading

and for a complete restructuring of production. Many managers credit the support cabinet as a very useful helping actor in order to improve their management system, to rationalise their production and to sustain their learning process. Through the support cabinet, they have changed their working methods to be more efficient and more productive, in order to counterbalance the heavy investment to obtain the label. This shows that the FC initiative, besides its main objective of improving working conditions and complying with international labour standards, also has positive implications for the firm's productivity and economic upgrading.

In terms of economic upgrading, the main obstacle brought about by the introduction of the FC is related to the costs associated to social compliance in general, and to the FC in particular. The attitude towards this issue largely depends on how far the firm was from compliance, and therefore, on how high the required investment was. In the majority of the visited factories, the investment has been very substantial both in physical terms and especially in terms of wage and social security. Health and safety requirements such as establishment and improvement of the factory canteen, additional toilets separated for women and men, and a well equipped first aid room, account for large sums but they are a one-off investment. The main long standing cost that supplier firms encounter is paying all employees the minimum wage and registering the totality of the labour force to social security. In average, the cost of compliance in terms of minimum wage and CNSS for a medium enterprise of around 300 employees can amount between 100,000 and 150,000 dirhams (c. 15,000 to 20,000 US\$). The highest expense is registration to the CNSS and the penalties for delays in payments, which can reach millions of dirhams. Indeed, the specific issue of CNSS registration has emerged as one of the most pressing concerns. Several factory owners, especially in the area of Tangier, have lamented the very high charges they face with the registration of the totality of their workers to the CNSS: the status quo before their involvement in the FC was to register around 60% of the workers. Hence, compliance with the FC requires a very significant investment, especially for larger firms. This highlights the intrinsic contradiction in buyers' demands for labour standards: compliance directly results in higher costs and poses additional limitations (e.g. in terms of lead times, if one is not to abuse overtime), automatically rendering the compliant

factory less competitive and less cost efficient. This constitutes a tension that works as a disincentive to fully embark in social compliance initiatives. Nevertheless, while being aware of the high cost of compliance, several managers point out that the costs are justified when looking at the long term, when costs become a productive investment and they are balanced by the enhanced organisation of the factory, the improved stability on the factory floor and the stronger motivation of the workforce.

Given that the FC initiative is in great part directed to improving working conditions, its success is measured against its impact in this realm. This research investigated in detail how the introduction of the FC has influenced social upgrading.

As observed in the ETI impact assessment (Barrientos and Smith 2007, 2006) and in a famous Oxfam report on working conditions in supply chains (Oxfam International 2004; Raworth and Kidder 2009), the introduction of a code of labour practice has first and foremost impact on measurable standards such as health and safety standards and contracts, because they are those most easily addressed and observed, and changes are most easily quantifiable. The empirical research carried out in Morocco confirms these findings. The most observable improvements that the introduction of the FC brought about have been recorded in measurable standards, and in particular in security and hygiene issues, as underlined by R1 manager:

[The FC] brought a new conception of work in the factory, because everyone from workers to the management and also the clients realise the impact it has had, especially for safety issues. The difference is very palpable.

Managers state that, even though they thought they had a good level of security in the factory prior to the start of the FC support programme, many changes had to be made in order to comply with the FC code, and now they recognise that they needed improvements. The manager of F2 factory states:

We have changed working methods and we have learned many things that we didn't know before. For example concerning security I always thought we were doing well, but there were many things we had to change.

Other managers commend the progress in terms of keeping track of workers' dossiers, legal documentation and medical files. The reason why the introduction of the FC is particularly effective in improving measurable standards is easily found. These aspects are relatively easy to address and tackle, even when they require substantial investment (such as the renovation of a canteen, or the installation of new ventilation systems), and it is evident when changes have been made. Similarly to private monitoring initiatives by global buyers, it is mainly according to measurable standards that the success of the initiative is measured against.

The impact of the FC on enabling rights is by definition much more challenging to assess. From the managers' perspectives, it is possible to identify what aspects of enabling rights they value (i.e., a good climate in the factory) and what aspects they are intrinsically against (i.e., unionisation). These perspectives offer insights into the way in which managers relate to their workers.

Mostly, managers identify as an important advantage the improvements that the FC brought to the social climate within the factory. The relationship between management and workers has improved greatly with the introduction of the FC. Also in this instance, it is mainly thanks to the support cabinets, which initiated communication groups and health and safety committees in companies that had no workers representatives.

The FC seems to have improved workers' representation within the factory. In Morocco, due to its past as a French colony, the Labour Code follows a 'French model' of workers' representation based on the role of the *délégués du personnel* (workers' representatives) who may or may not be union members. It is these representatives that have a seat in the Committee that, according to the law, meets every month in the factory and is presided by the factory owner. Also, it is their role that is explicitly mentioned in the FC code, leaving the role of the unions at the factory level somewhat unclear. The improved representation described by managers in the interviews has therefore to be read with a pinch of salt, keeping in mind the limitation of this form of representation.

Managers describe how the FC has advanced communication with their workers, how it has improved clarity and simplified their relationship with workers'

representatives. Underlining how the FC support programme has shed light on the Moroccan legislation and has raised awareness on workers' rights and benefits, managers believe that workers are more motivated in their jobs, and therefore more productive, because they know their rights and feel secure and respected. In factory C1 the manager stated:

Also, [the FC] has built trust in workers, now that they know the rules they develop loyalty to the company, and there is a better climate in the factory. FC is a guarantee of impartiality, transparency and equity so workers are more satisfied. Psychologically it makes them understand that they are better off in a firm like ours, and they become more motivated improving their performance.

In reality, the extent to which this improved communication with workers' representatives actually translates into enhanced enabling rights and increased negotiating power for workers is questionable. Very often the workers' representatives are not elected but are appointed by managers, who avoid 'troublemakers' and as a rule discriminate against the few unionised workers.

Confirming this crucial problem with unions, in several instances, factory owners have explicitly expressed their negative attitude towards unions and unionised workers. When discussing the adherence to reality of the FC code, freedom of association has been mentioned as an unrealistic expectation. Among managers there is a widespread suspicion towards unions¹⁶, and there seem to be a belief that allowing unions in the factory will mean going out of business because of strikes. The interviewed AMITH officer in Tangier is very explicit about this, actually praising the fact that social dialogue in the FC code does not make explicit reference to the ILO core conventions concerning unionisation:

Unions are not objective towards workers, they don't really defend them but they are just about politics. The mentality is different and that is why employers are annoyed by unions. It is then good that the referential of FC does not foresee unions explicitly but just social dialogue which means good communication with workers.

Factory T2 manager also confirms:

¹⁶ Specific examples of trade unions rights violations can be found in ICFTU (2006).

[The presence of unions] is a mentality issue. The reality is that if you let trade unions in the factory you are sure to close because there is no dialogue. It can reach a deadlock and it's not the fault of the workers but of the unions. They want it their way and if not, they go on strike and the factory closes. So we are against trade unions because they jeopardize the business and we don't let them in the factory.

This excerpt is one of many examples in which managers have manifested their mistrust or plain opposition to unions. In most cases, they have referred to the lack of maturity of industrial relations in Morocco and the need for a change in mentality in unions. In particular, they believe that unions are not open for discussion and they do not have the workers' best interest at heart. It has emerged that several managers believe that commercial success of the factory will automatically benefit workers, and therefore there is no need of unions. This links back to the concept, backed by hardly any evidence, that economic gains will automatically trickle down to workers. From this point of view, there is a change in mentality required in order to ensure that the provisions of the FC in terms of social dialogue are put into practice.

Going more in depth into the implications of the opposition to unions on enabling rights, there is an important gender dimension to be taken into account. In the visited factories, an average of 78 per cent of workers were women. According to the NGO Alliance des Droits des Travailleuses:

Freedom of association is not existing at all. Women are afraid to join unions, because most of times they come from very poor backgrounds and they absolutely need the job to sustain the family. Patrons are totally against unions. In the case of demonstrations or strikes, they appeal to the Penal Code at the art. 288 that says that patrons can sue workers when they engage in activities that disrupt the normal functioning of the working day. Since the strike is an interruption of the working day, everyone that is associated with unions or goes on strike is likely to end up in prison.

The lack of freedom of association for women is also stressed by a union representative from CDT:

The large majority of patrons are against unions. In the clothing sector there is very large majority of women workers, sometimes

the totality. Women cannot afford losing their jobs, so they would rather say nothing in order not to upset the patron. They want to keep a good relationship with the patrons, to gain premiums and have time off during festivities, so there is a lot of competition among the workers. This makes it impossible for them to get together and aggregate, so it is very difficult for them to think of unionisation.

Thus, despite the presence of the workers' representatives and the improved communication and social climate on the factory floor, it is debatable whether these changes have a deep impact on workers' (especially women workers') enabling rights. This is due to the likely willingness of managers to maintain a status quo in which workers do not share their same negotiating power, and can therefore be treated in certain circumstances as a factor of production, ignoring the social functions that workers hold as social agents. The aversion towards unions is explained by the tension that managers face between providing workers with rights and good working conditions while at the same time ever reducing production costs. Knowing that allowing unions in factories would automatically provide workers with stronger negotiating power, and therefore increased costs for the firm, managers pre-empt this from happening by restricting access to unions in the first place. Hence, in this regard the FC has so far been intrinsically not successful, given that it does not acknowledge the right to bargain collectively in its code and that it uses a rather vague language in describing freedom of association and unionisation rights. Analytically, the attainment of enabling rights, and especially unionisation rights, represents the social embeddedness of GPNs, i.e. the recognition of workers as social actors and of labour as a human activity. The increased costs of social embeddedness are in stark contrast with the pressures to reduce costs deriving from commercial embeddedness. It is therefore the tension between these two aspects, created at the top layers of the GPN and transferred to its lower segments, that prevents social upgrading, and in particular enabling rights, from being achieved.

Lack of freedom of association has emerged as one main problematic issue that stands in the way of obtaining social upgrading through the FC. There are other issues that have been identified by managers as disadvantages or constraints deriving from the introduction of the FC. Some of the managers interviewed point

out that some of the requirements of the FC are not realistic, because as argued throughout the thesis, the tension between commercial and social embeddedness makes it impossible for them to be in compliance with labour standards. Buyers' pressures to deliver on a very short notice and lead times reduced to a minimum paradoxically do not allow suppliers to fully comply with the FC provisions, especially in terms of legal working hours and overtime. Interviews show that in order to fulfil clients' orders on a very short notice, enterprises are not able to follow the legal requirements concerning working hours and overtime, because if they did, they would not be able to deliver the products and they would lose their supplying contracts.

There is also an issue concerning the time frame of the FC certification and its related support programme. Managers underline that they, as well as their workers, need longer time in order to be able to assimilate the information provided by the support programme. Since many of the adjustments required involve not only physical investment but a change in mentality, they underline that implementation is rather slow.

This section analysed on which aspects of social upgrading the FC had a positive influence and the issues that still remain unaffected by the initiative, as well as identified the difficulties that the FC causes to managers. Keeping in mind that the FC is a voluntary initiative, it is important to understand the motivations behind managers' decisions to join the initiative and to obtain the label in light of the above analysis. The interviews show two main factors as sources of motivation, one external and one internal to the enterprise, as summarised by F1 manager:

There are two reasons why we have become involved in social compliance initiatives and we applied for FC. The first is to give assurance to our clients for good working conditions, something that we have started with audits from our clients. The second is the principle of civic education within the company and within society in general. Our workers have learned how to work safely in a good environment, and this has become the main motivation.

Hence, the first very strong motivational factor is external to the enterprise and strictly business- and client-related. As discussed above, being FC-labelled is seen as a competitive advantage by managers, who see through it the opportunity to

acquire a larger number of clients, to diversify their client base by attracting more prestigious brand names and to expand their exports towards unexplored, more demanding markets. Managers believe that having the FC label reassures their clients because it guarantees a minimum standard of compliance with international and local labour laws. Some managers see it as an obligatory move to continue to work with large orders in a sustained way. In some cases, clients (namely Inditex) have directly demanded suppliers to engage in the FC certification process, due to its bilateral agreement with the AMITH of July 2007 (Pfeiffer 2007). This is particularly valid for those enterprises that have recently joined the FC support programme.

Still in the realm of commercial embeddedness, it has been suggested that the FC support programme provided by the ANPME serves as an additional motivational factor for enterprises that may join the certification process in the future. A large number of managers stated that they recommended to other enterprises to become FC-labelled because of the benefits that they have drawn from the support programme not only in terms of social compliance issues, but also for human resource management, restructuring and reorganisation of the factory. As T2 manager says:

We realised that [the FC] is very good for the enterprise in terms of organisation and quality, and that it is a necessity for the firm's competitiveness. We realise the difference even after a few months. The cabinet was very helpful not only for strictly social compliance issues, but in general for human resource management, restructuring and reorganisation of the enterprise.

Thus, the FC and the measures taken to achieve the certification have been instrumental in the achievement of process upgrading, providing a business rationale for managers to invest in social upgrading, as noted in Chapter 4.

Therefore, it emerges quite clearly that the motivation to apply for the FC label is strongly influenced by global factors, such as the prospect of attracting more clients and expanding to new foreign markets and the pressures to comply to labour standards. The FC, albeit being a locally conceived initiative, seems to derive a strong motivational push from the global context, and more in detail, from the commercial embeddedness of suppliers in GPNs.

This analysis is sustained by the exploration of managers' expectations for the future. When asked about their expectations concerning the FC, most managers referred to economic and business opportunities, without including explicitly expectations regarding social upgrading. Although they have praised improved social climate, as noted above, managers do not list this as an expectation from the FC, probably because they believe it has already been achieved and that it does not need further considerations. From a business perspective, due to the nature of the FC code as a sector-wide code, there is a widespread hope among managers that it can become a unified standard consolidating all existing codes of labour practice, setting a single implementation system to replace the high number of social audits from each client. For the time being, managers recognise that the FC facilitates the buyers' audits, because it helps improve knowledge and awareness of the labour law. This aspect is also important in terms of changing the reputation of Moroccan firms abroad towards a more socially conscious image.

Furthermore, all the managers are highly concerned with the priority/exclusivity that buyers have hinted (or officially stated, as in the case of Inditex) related to the FC. As mentioned above, several managers have joined the FC initiative moved by the expectation of more and bigger orders and of establishing a long-lasting priority sourcing relationship with buyers. They now are concerned that, despite their investment to bring their factories in compliance to the FC code, some buyers will continue to source from non-compliant firms that would still offer lower prices, especially in the busy times at peak season. Some managers also expect, or rather hope, that their clients will reward their investment in social compliance by increasing their prices, thereby mitigating the tension between their business demands and their labour standards demands. They underline how social upgrading is a shared responsibility, and their efforts and subsequent costs should be compensated by an increase in the prices they are offered. However, most managers do not rely on this to happen, recognising that most buyers are not willing to make this step. The tension between buyers and suppliers in terms of cost of production and cost of social compliance will be discussed in depth in Chapter 6.

Alongside the external factors, several factory owners have engaged in the FC certification because of reasons that are independent from external pressures they may receive. This motivation factor is deeply rooted in the local environment and is particularly important to analyse vis à vis the highlighted tension between economic and social pressures, as it links directly to the social embeddedness of the GPN. The internal motivation to engage in the FC is embedded in the social context and refers to the concept of “citizenship” and civic responsibility, not only at the enterprise level, but also in the larger context of the Moroccan society. From this perspective, managers’ engagement in social compliance was a personal, voluntary choice driven by the awareness of human and labour rights and rooted in the realisation that labour is part of social agency and human activity. In particular, some young managers point out that they have developed a higher awareness about these issues during their studies in Europe, Canada and the US, as opposed to more traditional, “old fashioned” management approaches. They underline that being socially compliant is not a matter of discussion but a necessary factor in order to be good citizens and advance the Moroccan society as a whole. This group of interviewees agree that, while it might not have been their first motivation to start the certification process, this awareness has become increasingly important in their efforts towards the FC certification.

Parallel to this driving force, there is also a locally rooted motivation (albeit not mentioned by all managers) that sees the FC as an opportunity to improve labour rights and standards regardless of external pressures, and to advance the Moroccan society in general.

From this analysis of managers’ perspectives of the FC, it has emerged that the FC has had significant positive impact on measurable standards, especially health and safety, and has been positively received by managers across Morocco, who highlight its role in creating new business opportunities as well as in raising the profile of the country in the global market. The FC however does not deliver the promised benefits in terms of enabling rights, and in particular does not support or guarantee collective bargaining. This hostile approach towards unions on the management’s side may be explained by the fact that at the moment there is a clear power imbalance that allows managers to squeeze workers in the production

chain in terms of working hours, wages and social protection. Freedom of association, and even more collective bargaining, would entrust workers with the ability of negotiate with managers and would therefore reduce this power imbalance. It is important to note that the power imbalance between managers and workers is not the only one. Managers themselves are in a power imbalance with their buyers. It is therefore due to this original tension imposed on managers in terms of cost reduction and efficiency on one side, and compliance to labour standards on the other, that the attainment of social upgrading is prevented.

5.3.2 Workers' perspectives

In this section I present workers' point of view on the FC, in particular focusing on the changes they may or may have not witnessed as a result of the introduction of the FC both in measurable standards and in enabling rights.

Workers were aware of the FC label only in one factory (F2), which was applying for the label at the time of the interviews. The awareness is explained by the numerous signs on the factory walls proclaiming *"Tous solidaires pour l'obtention de la Fibre Citoyenne"*, a slogan inciting workers to be 'united' in order to obtain the label. Incidentally, this is also the one factory where workers were forced to lie in audits concerning their minimum wage (or better, lack thereof) with the threat of losing their jobs. In all other visited factories, workers were not aware of the FC name, but they usually did recognise significant improvements as a result of the certification and its support programme. Also from the workers' point of view, social upgrading has largely taken place in terms of measurable standards. The most noticeable areas of improvement are related to tangible issues, such as access to the canteen, having the possibility to store and reheat homemade food, availability of clean toilets separated between women and men, benefiting from a cleaner and safer environment, and an improved ventilation system that reduces heat and dust in the factory.

As a result of the changes brought about by the FC in terms of process upgrading, workers believe that the factory now supplies for "better" and more stable clients, which in turn brings benefits to them because it translates into a steady, continuous workflow. In former times there were frequent lay-offs and more

temporary work because there was no security over the amount of orders received. Nowadays, with more established clients, there are more regular working hours. For machine workers and cutters, overtime has reduced. However, not all of the interviewed workers were satisfied with their situation. Especially among packaging and finishing units, where workers tend to be in more irregular working arrangements, they are often working long hours and feel often discriminated, as they are told that they have a lower status on the factory floor when compared to machine workers.

In terms of social security and wages, serigraphy, controlling and machine workers interviewed were already paid the minimum wage before the introduction of the FC. However, in certain occasions they underline that they used to be paid a fixed wage, no matter the hours worked, whereas nowadays they are paid on hourly basis. In terms of registration to CNSS, all workers interviewed were registered. Some of them notice an improvement due to the FC because the registration to the CNSS takes place when they are hired by the enterprise, whereas before there used to be a 6-month probation period which was not covered by the CNSS. Finishing and packaging workers once again have a different experience. Describing the situation in the factory in the wake of the investment for social compliance, they say that the head of the enterprise cannot afford to bring every salary to the minimum wage. Since operators at the sewing and cutting machines are believed to be worth more than those at the packaging and finishing units, the manager chooses to raise their salary first. Workers interviewed in the packaging and finishing units were not paid the minimum wage. As mentioned above, in one specific circumstance in factory F2 workers were instructed by their supervisor about what to say in order to pass the certification audit, and they were threatened layoffs if they did not comply. Their salary is often calculated on a fixed time basis, regardless of how many hours of overtime they work.

As crucial components of social upgrading, enabling rights have emerged as a priority from the focus group discussions with workers. Whilst in the same factory certain groups of workers (mostly senior machine workers) have direct access to the factory owner and they feel that they are listened to, many of them (especially finishing, packaging and warehouse workers) can only talk to their direct

supervisor, who is often not interested or not helpful in listening to their concerns, taking advantage of the strong hierarchical structure and establishing a rather hostile climate. These workers are the same ones raising the problem of discrimination, pointing to the fact that they are considered to be less worthy than other workers in the factory, because their tasks are believed to be less complicated and skill-intensive. Discrimination takes places not only in terms of harsh treatment and feeling undervalued, but also, as noted above, has direct repercussions over wages, contracts and occupational safety.

In terms of representation, workers' representatives have been mentioned in the discussions as a source of information to the management and as a reliable counterpart for the negotiations on deadlines and order volumes with managers. However, as mentioned above, registered unions are usually met with a high degree of mistrust and opposition. It must be noted that there were no unionised workers among those interviewed, and although not explicitly asked¹⁷, it seems highly unlikely that there were unions present in any of the visited factories. Workers have not raised the issue of unionisation during the discussions and none of the interviewed workers were elected representatives.

5.3.3 Conclusions

The FC code was discussed in great depth during the interviews and there are some important conclusions to be drawn from the empirical analysis. In particular, it has clearly emerged that the impact of the FC on social upgrading is greatly connected to the global context. More in detail, it is unmistakably interconnected to the tension generated by global buyers on suppliers in terms of pressure on cost, efficiency and delivery times on one side, and pressure to be in compliance to labour standards (which inherently increases costs) on the other. Therefore, as analysed in this chapter, the FC has had a considerable impact on social upgrading in terms of measurable standards, but unless this tension is dissipated at the global level, the FC would fail to deliver social upgrading, and especially enabling rights, to regular and irregular workers alike.

¹⁷ The question of unionisation was not explicitly addressed during focus group discussions following the suggestions of Moroccan academics, who advised me against raising the topic directly. Unions and union members are regarded as troublemakers not only by managers, but often also by workers.

The introduction of the FC code and label has been undoubtedly a positive push towards increased awareness of the implications of participation in GPNs on social and labour aspects. It has raised the understanding of corporate social responsibility initiatives by Moroccan enterprises and has provided workers with improved knowledge about their rights and entitlements. More in detail, the introduction of the FC code has had a number of impacts on both measurable standards and, with some caveats, on enabling rights. The most significant changes have been recorded in terms of measurable standards, in particular health and safety standards. Improvements have been made also in terms of wages and social security, in particular paying wages correctly by the hour and registering workers to the CNSS from the moment of recruitment. However, it must be noted that wages and social security remain challenging issues, and there should be continuing efforts on the managers' side to pay the minimum wage to all workers and to register the totality of the workforce to the CNSS. In many cases, overtime, especially for regular machine workers, has been reduced, although it is still recognised by both managers and workers as a problematic issue.

Whilst improvements in measurable standards are easy to observe and were the first priority for managers to tackle once they joined the FC initiative, enabling rights are considerably more difficult to address. Notwithstanding the improved social climate on the factory floor witnessed by both managers and workers, and the increased worker representation through non-unionised workers' representatives, a number of fundamental issues remain unaddressed. Discrimination towards certain categories of workers remains, as well as a hostile attitude towards trade unions that undermines the rights of freedom of association and collective bargaining. The introduction of the FC, confirming other findings in the literature on codes of conduct, has a considerable positive impact on the measurable standards within social upgrading, and in particular on large investment in infrastructure, but has a very limited impact on enabling rights. The FC code, unilaterally conceived by the AMITH and only at a later stage discussed in a multi-stakeholder arena, intrinsically keeps the business perspective of labour as a factor of production. The aspects connected to the well functioning and to the safety of workers become a priority, also because they are easily identifiable and relatively easy to tackle. All the aspects connected to workers as social agents – i.e.,

enabling rights such as non-discrimination and freedom of association – are either placed as lower priorities or explicitly opposed, because they would provide workers with a stronger negotiating power that would allow them to carve a better status for themselves.

A crucial aspect emerging from the analysis of the impact of the FC code on social upgrading is that the advantages, disadvantages and expectations that the FC brings are very tightly connected to global buyers, and in particular to the commercial embeddedness of GPNs. In particular, most of the managers have mentioned the priority to be given by buyers to FC-labelled enterprises. They rely on the agreement signed by Inditex and the AMITH in July 2007, which states that the Spanish retailer will only work with FC-labelled suppliers, and they hope other international buyers will adopt the same strategy. Managers highlight the importance of the role played by the AMITH in negotiating and securing such commitment from international buyers. Some are doubtful that buyers will actually work exclusively with FC firms, stating that there is not sufficient capacity to respond to their orders. They suggest that, notwithstanding their willingness and involvement in social compliance, some international buyers will still resort to non-compliant suppliers at the peak of the season. Managers of enterprises that are not FC-labelled yet are particularly aware of the issue of priority/exclusivity. They state that, should it become compulsory for firms to be FC-labelled in order to be able to work with certain clients, they would apply and obtain the certification without further ado, even at the cost of dismissing a considerable portion of their workforce in order to be able to register every worker to the CNSS. As a result of the FC label, managers also expect to have regular orders from their clients, involving larger quantities. Since the competitive advantage of Moroccan enterprises largely involves their ability to deal with very small quantities, suppliers sometimes find themselves accepting orders for very small replenishment orders, consisting of just a few pieces of a certain size. This arrangement hinders the management's possibilities to invest in technology, materials and even further improvements on the factory floor, strongly undermining the opportunities for economic upgrading. Several managers believe this expectation will be realised, since certain clients are already repeatedly asking them to increase their productive capacity. It remains to be seen how this forecast

has been affected by the current economic downturn. The vast majority of managers see the FC certification first and foremost as an opportunity to attract more clients. They believe that the certification attracts big retailers and brand-name companies that are especially concerned with the social compliance of their supplying base. The FC also provides an opportunity to diversify the client base. In particular, many plan to reach out to Spanish buyers such as Inditex, which has been very vocal about their participation in the FC initiative; as well as to renowned demanding markets such as the UK and USA.

Given the very high expectations in terms of business opportunities, supplier firms seem to be equally concerned by a scenario in which these business opportunities do not concretise. The main concern is that clients will not exclusively work with FC enterprises, but that they will continue to supply from non-certified, and possibly non-compliant, factories. This is a very widely perceived risk, and factory owners point out that competition with these uncertified firms would be unfair and would compromise their survival on the market. Many lament that international buyers still supply consistently from factories in Moroccan regions that are notoriously not in compliance with social standards in order to take advantage of the lower production costs.

Hence, the first impression emerging from the discussions carried out with managers concerning the FC is that the emphasis is greatly placed on the global level and in particular on the FC as a competitive advantage to attract more and 'better' clients. Confirming the tight relationship between the local and the global level, it is crucial to stress that while the FC is a locally conceived initiative, it most likely would not have existed without the rising pressures on labour standards in the garment industry, and in particular without the media and civil society pressures on multinational enterprises to comply to labour standards along their supply chain. The embeddedness in the local context described in the first section of this chapter also in this case has to be paired with considerations covering the global scale in which local actors operate. Embeddedness at the local level has a clear role to play in explaining how and why the FC initiative has been embraced with more enthusiasm than buyers' codes of conduct. Indeed, it is important to highlight that the local origin of the FC and the fact that it is rooted in the Moroccan

milieu are crucial aspects that differ from other social compliance initiatives at the global level, such as buyers' codes of conduct. The FC label is often seen as a source of prestige and pride for the enterprise and is considered instrumental to raise the profile of the recipient enterprises and to promote the image of Moroccan firms abroad, reassuring buyers in their investment. Managers expect the AMITH to widely publicise the label in order to be able to reap the expected benefits in terms of business opportunities. The different impact of the FC compared to buyers' audits will be further discussed in chapter 6.

Chapter 6: The role of global buyers in shaping social upgrading/downgrading patterns

6.1 Introduction

The analysis so far suggests the importance that the role of global buyers has in creating favourable conditions for social upgrading, as well as in posing challenges for suppliers that may trigger social downgrading.

Global buyers are a crucial driver for social upgrading, as well as a source of underlying tensions between commercial and social embeddedness in GPNs.

Suppliers' choices in terms of economic upgrading are shaped by the influence of their relationship with global buyers. Furthermore, the local institutional context of GPNs is also highly affected by decisions and strategies taken at the global level. This chapter looks at the embeddedness of GPNs in the global institutional context, which, as argued by Gereffi (1994), is 'buyer-driven', i.e., dominated by lead firms that shape the who, what, where, when and how of production (Kaplinsky 2005). In particular, this chapter focuses on behaviours and initiatives by global buyers that have direct or indirect implications on social upgrading opportunities.

The present chapter focuses on two main subquestions:

WHY DO PRIVATE CSR INITIATIVES FAIL TO FULLY ACHIEVE SOCIAL UPGRADING? WHY DO THEY HAVE A POSITIVE IMPACT ON MEASURABLE STANDARDS BUT NOT ON ENABLING RIGHTS?

HOW DO PURCHASING PRACTICES BY GLOBAL BUYERS INFLUENCE SOCIAL UPGRADING OR DOWNGRADING?

Firstly, reference is made to corporate social responsibility and the whole array of initiatives that have developed since the early 1990s. The question of their effectiveness in improving working conditions has been widely discussed in the literature. In particular, there has been criticism about the extent to which CSR has been tackling different social and labour aspects (Barrientos and Smith 2007; Merk 2009; Miller 2004; Rodriguez-Garavito 2005). Following this criticism, this section

focuses on the different impact that codes of conduct have on measurable standards and enabling rights. While they seem to have a definite positive impact on measurable standards, also due to their original focus on occupational safety and health, they often fail to substantially address violations in enabling rights. This research argues that this may be explained by how codes of conduct, and especially their monitoring mechanisms, perceive labour, and that in most cases there is not enough attention devoted to their role as social actors. This section empirically explores these questions, and highlights the similarities and differences with the FC code discussed in chapter 5.

The second subquestion underlines the overarching debate concerning social upgrading in GPNs and the contradictory pressures that suppliers face when they participate in GPNs. In particular, could buyers' purchasing practices be actually exacerbating social downgrading? Empirical evidence supports the argument that buyers send mixed messages to their suppliers, and actually transfer their own intrinsic tension further down the production chain to their suppliers, who in turn transfer the pressure on workers. The tension at the buyer level is readily understood. On the one hand, their sourcing department is concerned with high quality, fast delivery times and low costs. On the other hand, their CSR department is pushing suppliers to be in compliance with labour standards, thereby potentially increasing their production costs and reducing labour flexibility. This underlying divide among buyers' requests reflects different approaches to labour. Throughout the GPN, buyers, supplier firms and their workers are faced with the ambivalence between labour as productive factor, whose costs should be minimised in order to remain competitive, and labour as social agents, who are entitled to rights. This section provides empirical evidence of the everyday struggle that suppliers face between staying competitive at a low price while at the same time providing good quality products and respecting labour rights, highlighting the responsibility of buyers' purchasing practices. The mitigating strategy to cope with this tension is to employ simultaneously regular and irregular workers. Regular workers provide high quality production and are the beneficiaries of social compliance initiatives, while irregular workers serve the purpose of cost efficiency, being paid very little and exploited for long hours.

6.2 Private CSR initiatives and social upgrading

The prominent role of GPNs and the overcoming of national boundaries have meant that national regulations in terms of labour rights can no longer grasp the magnitude of these production networks or adequately regulate them (Ocampo 2010). The rise of GPNs occurred in an institutional environment characterised by neoliberalism, trade liberalisation and market deregulation. This means, in Polanyian terms, a disembeddedness of the market from the social and institutional context in which it operates (Polanyi 1944). Going beyond the analysis of simple market transactions, GPNs are also in turn disembedded from their social and institutional context. This disembeddedness has significant implications for social upgrading because global commercial embeddedness seems to control and direct the functioning of society itself. The ever growing relevance of GPNs and the corresponding lack of regulatory mechanisms at the global level leads to a so-called 'global governance deficit' (Gereffi and Mayer 2006), as there is no national or international actor that alone has the regulatory capacity to ensure fair outcomes as a result of globalisation. As stated in the ILO's WCSDG Report, "Global markets have grown rapidly without the parallel development of economic and social institutions necessary for their smooth and equitable functioning" (ILO 2004: xi). However, Polanyi argues that market disembeddedness is part of a 'double movement' that creates new regulations, institutions and governance actors. Indeed, the past decades have witnessed the emergence of a variety of public and private governance actors that aim at ensuring a fair distribution of the gains deriving from globalisation and GPNs (Mayer and Pickles 2008). Many initiatives have been launched in order to ensure that globalisation and economic development take place in accordance with human rights and international labour standards. Such initiatives have occurred both at the international level and the national level, by a variety of actors, such as international organisations (e.g. the ILO), multi-stakeholder initiatives (e.g. the ETI) and private companies operating in a multinational environment. When looking at the reality of GPNs, private governance initiatives are particularly relevant, because they are consistent with the increasingly important role of lead firms in the production network. It must be noted that as part of the Polanyian 'double movement', lead firms in GPNs occupy a regulatory role that is in opposition to their commercial, profit maximising role, as

their primary concern remains that of increasing returns. Initiatives aimed at social upgrading are therefore by default ancillary to their core business.

Gereffi (1994) first described the governance of commodity chains, and provided the seminal distinction between producer-driven and buyer-driven chains. In the former, global production is controlled by hierarchical, vertically integrated transnational corporations in capital- and technology-intensive sectors such as automotives and aircraft. Buyer-driven chains, on the other hand, have become a symbol of globalisation itself, where the lead firms are 'manufacturers without factories', global brands and retailers outsourcing their production to low-cost suppliers. These production networks now account for a vast proportion of workers in developing countries' export-oriented industries. Buyer-driven GPNs themselves are strongly related to social upgrading for the workers that operate in them, because arguably lead firms' outsourcing decisions are driven by the search for a low-cost, highly flexible labour force (Barrientos et al 2008). Initially they characterised labour-intensive commodity chains, such as garments and footwear, but are now increasingly found across all sectors and industries.

Parallel to the decisive role they play in the economic governance of production networks (Gereffi et al 2005; Mayer and Pickles 2008), lead firms have increasingly taken up a role of private regulatory mechanism, in certain cases providing a 'private layer of governance that moves beyond state borders' (Gereffi et al 2001: 65). Multinational corporations started to pursue corporate social responsibility [CSR] as an enterprise policy in the 1990s, largely as a response to civil society pressures (Jenkins et al 2002; Klein 2000; Locke 2003). In this decade, criticism by civil society towards their outsourcing decisions gained more and more relevance in the international arena. Attention was directed especially to the working conditions in light manufacturing industries, such as textiles and clothing, sportswear and footwear (Jenkins 2005). In particular, global garment companies started to be increasingly under the spotlight because of the unfair and unhealthy working conditions in their suppliers' firms in developing countries. Facing huge damages in terms of public relations and branding (Klein 2000), global garment companies became increasingly alert to the pressures of activists for incorporating societal demands into their routine business activities and to make themselves

accountable for their performance (Locke 2003; Pearson 2007). Therefore, since the early 1990s, the increased awareness of the poor working conditions and lack of respect for labour rights in supplier factories has led multinational corporations to issue a variety of corporate codes of labour practice. Such codes have been object of a wide scholarly debate concerning their content, their scope and their implementation and monitoring systems. In terms of content, in order to compensate for the lack of negotiations with the relevant stakeholders in the sector, it is believed that codes should at least include the ILO Core Conventions (Barrientos and Kritzing 2004; Barrientos and Smith 2007; Hughes et al 2008; Pearson and Seyfang 2001; Jenkins et al 2002). The Core Conventions stipulate the elimination of forced and compulsory labour (n. 29 and n.105), the elimination of discrimination (n. 100 and n. 111), the abolition of child labour (n. 138 and n. 182) and the right to freedom of association and collective bargaining (n. 87 and n. 98). Nevertheless, it has been pointed out that these conventions were conceived for states, and not for corporations, and that therefore they need to be elaborated upon and extended to include also 'non-core' matters, in order to compensate for the lack of capacity to establish additional legal frameworks (Murray 2002: 32). Furthermore, the ETI base code and the Global Compact principles often act as a template for private companies to follow when they issue their own code of conduct.

In terms of scope, there are different approaches. Some corporations limit the application of the code to their first-tier suppliers, whereas others extend it further down the supply chain to cover different levels of subcontracting relations. This aspect highlights one of the weaknesses of CSR initiatives, because given the complexity of GPNs and the multiple layers of subcontracted production, it is very difficult to assess working conditions at each level of the supply chain. Monitoring systems are likely to reach the first tiers without grasping the reality of the lower segments of the production chain (Barrientos 2007, Hale and Wills 2005).

Codes' content and scope are strictly related to the issue of implementation and monitoring to ensure that these initiatives are thoroughly enforced and not only issued as window-dressing to improve the brands' reputation and image with the consumers (Barrientos 2007, Locke et al 2008). Monitoring usually takes place

through social audits carried out either internally or externally. Initially, most multinationals had an internal auditing system, but this mechanism was criticised by civil society showing an intrinsic conflict of interest and potential lack of expertise of auditors (Mamic 2003). More recently, the majority of social auditing is carried out by international auditing companies, such as PricewaterhouseCoopers and Ernst & Young, which have expanded their specialisation in financial audits to social audits. Monitoring social compliance has also implications for the role of civil society, as NGOs operating in developing countries act as “corporate watchdogs” to verify whether the codes are put in concrete action (Zammit 2003: 151).

The effectiveness of the auditing mechanism has been discussed extensively in the literature, with many scholars pointing out the weaknesses of the current system, as auditors often can only scratch the surface of the reality of working conditions in supplier factories, because of limited time and access to the most vulnerable workers (Barrientos and Smith 2007, 2006; Mamic 2003; Zammit 2003; Clean Clothes Campaign 2005; O'Rourke 2002). Locke and Romis (2006) show how two virtually identical factories, producing the same type of product and receiving the same compliance score by auditors at Nike, have in reality very different working conditions. They conclude that codes of conduct and their related monitoring mechanisms do not by themselves improve working conditions, and that the impact of social auditing is limited because of issues of time and depth of the auditing process. The authors recognise that a more systemic approach on the buyers' side, involving interventions aimed at improving efficiency, reorganising work and empowering labour would be a more sustainable strategy to ensure improvements in working conditions. It seems that a collaborative relationship with the buyers aimed at enhancing efficiency and process upgrading is a sound strategy to contextually enhance social upgrading (Frenkel and Scott 2002; Locke et al 2008; Locke et al 2006; Locke and Romis 2006).

Social auditing fails to thoroughly impact social upgrading beyond measurable standards because its process is not socially embedded, but rather a top-down, one-off exercise that falls short of appreciating workers' roles beyond the workplace as social actors. Indeed, central to the question of why private CSR

initiatives are failing to achieve and support social upgrading is the dual nature of social upgrading, constituted of measurable standards and enabling rights. Existing research (Barrientos and Smith 2007, 2006; Rodriguez-Garavito 2005) shows that codes of conduct can be successful in addressing specific 'visible' issues in a short time – they can therefore improve measurable standards such as health and safety provisions, the type of contract offered and the wage paid. At the same time, they have very limited impact on enabling rights, which due to their intangible and subtler nature are more difficult to measure and to assess.

So why do codes have a different impact on measurable standards and on enabling rights? The answer to this question is to be found in the way in which labour is perceived, 'measured' and assessed. Private CSR initiatives and their monitoring mechanisms still fail to consider workers as social actors and to fully engage with them in the establishment and negotiations of the standards that are meant to benefit them (Jenkins 2002; Jenkins et al 2002). From this viewpoint, compliance to labour standards is perceived as compliance to any other standard imposed by buyers, such as quality standards: the product, or the factor of production – in the case of CSR, labour – has to comply with the prescribed standards in order to perform well. Usually, monitoring is carried out through checklists that auditors have to fill in a very short time, and this approach intrinsically favours the coverage and assessment of measurable standards, while enabling rights are either neglected or assessed in a standardised, measurable way¹⁸. This methodological choice has a practical rationale due to time and budget constraints, but is also anchored in a perception of labour that does not entail the attribution of enabling rights to workers as social actors, and therefore is unsuccessful in fully capturing the reality of the situation on the factory floor.

The following subsections, presenting different stakeholders' perspectives on social auditing, support this analysis.

¹⁸ O'Rourke (2002) provides an in-depth analysis of social auditing techniques, highlighting the limitations of the system due to information largely being provided by managers instead of workers.

6.2.1 On the factory floor: managers and workers

Because of the relatively recent insertion in GPNs, Moroccan garment factories are fully accustomed with private monitoring mechanisms. Since one factory usually supplies for more than one buyer, and since each buyer has its own code of conduct, they are subjected to a number of very similar codes and audited very frequently.

In managers' interviews the topic of codes of conduct and monitoring systems has consistently emerged. Overall, the main feeling that transpires is that of a slight bother and frustration over the 'wasted' time on them. Most managers talk about social audits mainly as a nuisance, rather than as an opportunity to improve working conditions. While recognising the utmost importance of passing these social audits in order to be able to maintain the sourcing contracts with their buyers, they do not express recognition of any dramatic effect on social upgrading as a result of the buyers' monitoring systems. They do not show any of the enthusiasm with which they discuss the FC initiative. With buyers' codes of conduct, there is an explicit top-down feeling of imposed social standards without a bilateral discussion or a negotiation. This feeling is not associated to the FC, which is perceived as a Moroccan standard, promulgated by the AMITH and therefore understanding of employers' concerns, and regarded as a source of pride for the garment sector. Such rather negative perception with regard to social auditing can be explained by the phenomenon which has been described as audit or monitoring fatigue (Hughes et al 2008; Locke et al 2006; Mayer and Pickles 2008): factories supply to a number of international clients and they have to comply with each of their codes of conduct, which are indeed very similar but not identical, especially when it comes to details. This sometimes leads to bizarre situations in which specific changes have to be made in order to accommodate every detailed code provision (Locke and Romis 2006). All interviewed managers have complained about too many audits, with one in factory R5 stating that, including financial and customs audits, they have someone visiting the factory every week. Despite growing accustomed to this, from the managers' point of view audits remain disruptions on the factory floor.

Managers' experience concerning social audits is very diverse. Some factories are audited very regularly (between every 6 months to every year) by Spanish, American and British buyers. Other enterprises were not audited very frequently and lamented the lack of appropriate follow-up to the audits, which did not allow them to address the possible problems. The frequency of social audits also depends on the outcome of the previous audits – the manager in factory R2 stated that when they are compliant with the code for a long time, they receive auditors only every two years, and that “[...] theoretically speaking, one could do whatever he wants in between audits”. In all visited factories, audits are carried out by an external, third party company. In most cases it is based in Morocco (in particular audits are carried out by Auditing Company A interviewed), with only some factories receiving international auditors. This seems to make a big difference, as Moroccan auditors are much more welcome than foreigners. This is not only a language issue, as most international auditors speak French (albeit no Arabic), but most importantly it is a cultural issue. Managers believe that Moroccan auditors, still within the realm of their tasks to assess compliance to the codes of conduct, have a more understanding attitude and can much better relate to the issues that managers have in their path to full compliance. For example, T3 manager in Tangier praised the fact that a Moroccan auditor understands the CNSS situation in Tangier, where the status quo is registering 60% of workers, and is not surprised to find out that total CNSS coverage takes longer to occur in Tangier than everywhere else.

It is important to underline that despite their slightly bothered perspective of audits, all interviewed managers seem very used to them. In the newest factories, there simply was not a time in which audits did not exist; they are just part of the business. All managers recognise them as one of the procedures they have to undergo in order to export and be integrated in GPNs. This approach confirms the argument stated above, according to which private monitoring is one among many aspects of production that suppliers have to take into account, and not an effort towards recognising the rights and entitlements of workers as social actors.

Interestingly, only two of the interviewed managers, both in Casablanca, mentioned improvements in social standards as a result of audits: C2, referring to

health and safety standards, and C7, pointing out that they are helpful in understanding labour regulation when it is unclear. It is somewhat surprising that all the numerous improvements described when discussing the FC code are not mentioned when talking about social auditing by buyers.

Furthermore, there are a number of problems that have been outlined in regard to private monitoring systems. The most significant issue recognised by managers, consistent with what has been highlighted in the existing literature, is that clearly there are considerable limits in private monitoring mechanisms. Managers admit that the extent to which labour standards are respected besides the monitoring occasions is largely up to them and their own commitment. Given that audits are normally announced some days in advance to ensure that the human resource manager is at the factory and that all the documents are ready for inspection, managers recognise that in theory, labour rights violations could be hidden in preparation for the audit, and afterwards business could go back to usual, including minor (or major) breaches in labour rights. This attitude also reinforces the main argument that sees private monitoring of labour standards as monitoring of a productive factor, and not as a thorough, effective mechanism to enhance rights and entitlements for workers in the long term.

Another crucial issue that stands in the way of social auditing from being an effective instrument to foster compliance to labour standards is its inability to assess subcontracting further down the production chain. When the pressure for production becomes too intense, unofficial subcontracting to informal factories and workshops by first or second tier suppliers renders the auditing process by the buyers a rather futile effort in the assessment of working conditions. In these circumstances, buyers may carry on audits in their first tier supplier and find satisfactory working conditions and respect of labour rights; however, they are incapable of grasping the full picture without having access to the informal subcontractors that operate in the same supply chain. As T1 factory owner points out:

Subcontracting is very present in Tangier, and a very big problem. There are factories that have the FC, they have audits all the time, with high margins and can pay the minimum wage and [registration to the] CNSS to all their workers, but this can happen

because they subcontract everything to a lower price to another factory or garage, so that they can have high margins.

The manager suggests that buyers are not unaware of this problem, but rather they are hindering transparency in the sourcing process (and therefore also in the monitoring process) by employing a wide range of agents and intermediaries:

[subcontracting] does not happen with us. But I know others that do it regularly. You can find terrible working conditions, even child labour. It happens also with [one Spanish buyer], they know about the problem but they don't know how to control it. It is their fault because they also deal with a lot of agents and intermediaries besides the ones that are officially authorized. They know about informal garages but are not able to deal with the problem. They have all the information but do nothing about it.

The issue of unofficial subcontracting has been raised also by union members. They confirm that it is in these informal factories operating at the margins of GPNs that the worst working conditions are found. There is no union membership at this level and monitoring, both by labour inspections and by private auditors, is basically impossible.

Among other issues connected to social auditing, some managers lament the fact that after the audits they did not receive any feedback for remediation action. In these cases, they did not know what was to be changed and improved on the factory floor. Also, in many cases the supplying relationship continued after the audits without discussing them further. These managers were obviously happy to maintain their commercial relationship with the buyer, but they also felt that the audit was largely ignored. The lack of communication over the audit outcome made it difficult to address the remaining problems to be in compliance with the code of conduct. Other enterprises have pointed out that they are not appropriately informed beforehand about the clients' expectations on certain details, and that they only find out about their deficiencies when the audit takes place. This hinders them to adjust and address potentially problematic areas before the audits.

The manager in factory R5 complained about auditors asking workers provocative questions in order to incite them to "rebel" and complain about the management.

This outcome would be a counter-tendency with respect to the praises of improved social climate in the factory as a result of the FC.

Another problem that has been identified was the issue of double standards in auditing. Also in R5, the manager points out:

What I find not right is the fact that auditors have double standards between Morocco and China. In China they often turn a blind eye on things, and they know very well as everybody knows that they keep two different books, one for the company and one for the audits. But the auditors do not investigate further, while here they are very strict and careful. But that is good for us because it always keeps us in line.

The issue of auditing being socially disembodied from the context appears clear also in the FGDs with workers, who did not raise the issue of auditing spontaneously. When asked directly what they feel about them, they have usually dismissed the issue saying that auditors mostly ask them about minimum wage and social security coverage, and they only answer with the truth (except for one instance in factory F2, where workers were instructed by the management to declare to receive the minimum wage even when they did not). The issues investigated by auditors are key examples of measurable standards, which are easily monitored through the management human resource documentation. However, in the cases at hand, by not engaging workers in more in-depth, confidential conversations, they largely fail to address crucial enabling rights such as non-discrimination and freedom of association. Their assessment is therefore impaired by a narrow vision of social upgrading.

As noted above, the approach to labour as one of the inputs in production that lies at the base of most private monitoring mechanisms fails to consider workers as the ultimate recipients of the improvements in working conditions outlined in the codes of conduct and to engage them in the process (Merk 2009; Rodriguez-Garavito 2005). It must be noted that in all the visited factories, different buyers' codes of conduct were hung on the walls; however, they were usually translated in French and not in Arabic. In addition, it is important to consider the high illiteracy rate among workers, which nullifies the information potential of the displayed codes concerning their rights and entitlements. Also, due to the fact that supplier

factories often supply several buyers, workers are virtually unaware of whom they are producing for, and therefore even less likely to associate the buyer to its code of conduct (Hale and Wills 2005: 13).

Both managers' and workers' perspectives on social auditing confirm that these mechanisms are not only unable to grasp the reality of working conditions and especially of enabling rights in factories, but also reflect intrinsically an unwillingness to do so, given that they are mostly designed as checklists to be carried out quickly and systematically without investigating in depth the situation on the factory floor, and without creating real opportunities for long-term, sustainable social upgrading.

6.2.2 Insiders' perspectives: auditing companies

This section outlines perspectives on private governance initiatives and their monitoring systems by two auditing cabinets based in Morocco, Auditing Company A and B. The testimonies of these auditing companies confirm the analysis of buyers and suppliers commercially embedded in GPNs and the tension deriving from a lack of parallel social embeddedness.

Auditing Company A is a leading international company in the business, with a subsidiary in Morocco. The two interviewed auditors were not Moroccan but had lived in the country for more than twenty years and spoke fluent Moroccan Arabic. Their perspective confirms that audits may have a positive impact on measurable standards, but are not touching upon enabling rights. They believe that audits definitely help improvements in health and safety and general overall working conditions in the factory such as cleanness, heat and ventilation, and that they have a strong influence in ensuring minimum wage and CNSS registration. However, in some occasions these improvements in certain aspects of social upgrading that are easily tackled through social auditing are not paired with economic upgrading, or even they are causing financial losses:

In our audits we have often seen that better conditions do not necessarily mean a better economic turnout. For example, a firm near Kenitra told us that they underwent a lot of investment to be compliant with codes of conduct and to pass audits, by registering all employees

with the CNSS (which meant that they had to pay basically 4 times more the salary they were paying before, including the contributions for the CNSS). They did this because they thought that they would attract global clients ready to pay a higher price in exchange for the assurance on social conditions, but they were wrong. So the firm was in a way regretting the investment since it didn't really correspond to an improvement in their economic condition, on the contrary.

This intrinsic contradiction between efforts aimed at social upgrading and downward pressures on costs is at the core of the debate on the relationship between economic and social upgrading and is where the tension between economic and social embeddedness is most pronounced, as will be discussed in Chapter 7.

Auditing Company B is Moroccan-based with local auditors certified by SA8000. Audits for a particular buyer classify factories on a grid, giving them marks from "A" to "D" according to their compliance to the code of conduct (A being full compliance). Certain issues, such as child labour and failure to pay the minimum wage, automatically label the factory as "D". In the words of the interviewed auditor, the buyer *tries* not to work with D factories and aims at sourcing only from A and B factories. However, for the time being, the required capacity does not make this choice possible and leads the buyer to still continue sourcing from C and sometimes D factories.

Furthermore, this auditor agrees with what reported above about the struggle to pair successful monitoring and social upgrading together with cost competitiveness. While stating that social auditing is the only way of knowing the real working conditions in factories, he also recognises that costs are very low in Morocco because of the lack of 'legal expenses' for social standards, therefore admitting that the impact of social auditing on social upgrading remains rather limited.

6.2.3 Conclusions

This section presented the empirical findings concerning the impact of private monitoring mechanisms on social upgrading. Interviews with factory managers, workers, global buyers and social auditors in Morocco confirmed the limitations

highlighted in the existing literature on CSR effectiveness: while these initiatives may be useful in raising awareness at the global scale and may be in good faith in attempting to improve working conditions in supplier factories, their impact is limited to highly visible measurable standards, such as health and safety procedures, emergency exits, type of contract offered as well as wage payments. However, codes of conduct and their monitoring mechanisms largely fail to enhance or even address enabling rights such as non discrimination and freedom of association. This is explained by the underlying approach to labour that they incorporate. Social auditing is based on an approach to labour as a factor of production, that should be kept in good conditions and should adhere to specific standards. However, it is not socially embedded, and therefore fails to address labour in terms of workers with rights, entitlements, preferences and lives beyond the workplace.

6.3 The influence of buyers' purchasing practices on social upgrading and downgrading

Buyers' sourcing strategies constituted one of the drivers utilised in the sample selection, due to the existing literature supporting the hypothesis that these strategies have considerable impact on social upgrading for workers in supplier factories (Clean Clothes Campaign 2003, Belghazi 2005, Oxfam International 2004, Intermon Oxfam 2004). From the analysis carried out so far, it clearly emerges that global buyers play a fundamental role in shaping opportunities, as well as in creating challenges, for social upgrading. The contrasting influence that buyers exert on social upgrading is explained by a crucial underlying tension within the buyers themselves. Moving beyond considering buyers as a 'black box', different departments within global corporations push for contradicting requirements. On the one hand, the purchasing and sales department searches for low-cost production in different sourcing locations, and favours those that can deliver high quality, short lead times and low unit costs. In terms of its perspective on labour, the sales department tends to consider it as one of a number of production factors, whose cost should be minimised. On the other hand, the CSR department looks to enforce compliance to labour standards through codes of conduct and their

enforcement through social auditing. As discussed in the section above, this does not necessarily equate to considering workers as social actors, because it often falls short of ensuring enabling rights. However, the establishment of labour standards requirements as a condition for suppliers to engage with buyers automatically increases the costs of production, at least in the short term, creating contradicting pressures on suppliers.

The extent to which buyers may influence social upgrading in their suppliers' factories is connected to the commercial and social embeddedness of their relationship. This relationship shapes the type of commitment existing between buyers and suppliers both in terms of sourcing and in terms of CSR strategies and engagement.

Looking at the GPN from a commercial perspective, the existing literature shows that the governance structure may create different opportunities for economic upgrading (Appelbaum and Gereffi 1994; Gibbon 2001; Shrank 2004). Whilst the distinction between buyer-driven and producer-driven chains provides a fundamental starting point to address the issue of governance of GPNs, it does not fully describe the complex types of relationships existing between global buyers and local suppliers in GPNs, especially considering the increasing relevance of buyer-driven structures across industries. Gereffi et al (2005) put forward a more complex typology of chain governance, constituted of five governance types. At the two extremes are market relationships and hierarchical structures, and in between three types of network relationships. More in detail, the authors define:

1. Market relationships, characterised by low buyer attachment and low costs of switching to new partners;
2. Modular value chains, where suppliers make products to a customer's generic or detailed specifications, retaining the full responsibility for process technology
3. Relational value chains; where the complex interactions between buyers and suppliers create a mutual dependency and high levels of asset specificity. This implies a long term relationship in which costs of switching to new partners are high;

4. Captive value chains, characterised by a high degree of control by large buyers on smaller suppliers, which face high switching costs unilaterally;
5. Hierarchical value chains, characterised by vertical integration.

The apparel industry in developing countries has traditionally been associated to captive relationships. Although it has been argued that economic upgrading, especially functional upgrading, may encourage firms to shift towards a more relational form of value chain (Gereffi et al 2005; Locke et al 2008), the interviewed firms in Morocco, including those that experienced functional upgrading, are found to be in captive relationships with their buyers. These categories of GVC governance are useful to understand the narrow commercial dynamics between the different actors in production chains but do not capture the complex interplay between economic and social embeddedness.

Purchasing practices are one of the most important dimensions of a corporation's CSR strategy (Carter and Jennings 2004). In the case of Morocco, the type of international buyer supplying from local factories and its sourcing model have a dramatic impact on social upgrading opportunities. Belghazi (2005) identifies two main sourcing strategies of buyers active in Morocco. He defines them as 'continuous model' and 'discrete model' (ibid.: 108). The continuous sourcing model involves a stable, trusting relationship between buyers and suppliers, which usually involves a formal contract between the counterparts and includes training for workers. They usually have a product range that remains in the shops for the whole season or throughout the year. Suppliers specialise in few product categories and they become highly efficient in this production due to economies of scale. Buyers that source with this continuous model are first of all concerned with ensuring quality of their products. They have a strong presence in their suppliers' factories with frequent visits and controls, and they have been involved in corporate social responsibility initiatives for a long time as part of their business strategy. The buyers' long term relationship developed with the suppliers ensures that they become loyal and more motivated to live up to their expectations in terms of productivity and quality. In terms of global value chain governance, this type of sourcing model would still fall under the captive relationship but with a tendency towards a more relational model which relies on trust.

Table 19 presents the factories in the sample associated to the type of buyers (including the share of production destined to each group) categorised according to their sourcing strategy and the empirical observations of social upgrading.

Table 19: Empirical observations of social upgrading and type of buyer, by factory

Factory	Type of buyer sourcing strategy	Social Upgrading								
		Measurable Standards					Enabling Rights			
		Wages	Physical wellbeing		Employment and income security		Dignity and empowerment			
			Working environment, H&S	Overtime	Contracts	CNSS	Social climate	No harsh treatment	Non discrimination	FACB
C1	continuous relationship (100%)		X				X			
C2	continuous relationship (90%) fast fashion (10%)		X							
C3	continuous relationship (80%) fast fashion (20%)						X			
C4	continuous relationship (100%)	X	X	X						
C5	continuous relationship (60%) fast fashion (40%)	X					X			
C6	continuous relationship (50%) fast fashion (50%)	X	X			X	X			
C7	continuous relationship (80%) fast fashion (20%)					X	X			
F1	continuous relationship (80%) fast fashion (20%)		X				X			
F2	fast fashion (80%)	RW +	RW +		IW -	RW	RW +	IW -	IW -	

In Morocco, buyers that follow the continuous sourcing model are largely British and French. They have traditionally sourced from Morocco, in particular from Casablanca and Rabat, since the early 1990s (Tokatli et al 2008) and they continue to do so, because although price competitiveness is not comparable to Asian producers, they can rely on short delivery times of replenishment orders due to the proximity to the end market. These buyers were the first ones in Morocco to establish corporate social responsibility requirements for their suppliers, establishing standards that until 2004 were stricter than the old Labour Code. The main British and French buyers that are nowadays sourcing from Morocco are Marks & Spencer [M&S] and Decathlon, as well as a number of high-end, haute couture fashion brands that operate through intermediaries. These are brands with a loyal customer base, that have as a crucial priority and business strategy the assurance of quality standards alongside respect and attention to social aspects.

The tension between commercial and social embeddedness is less stark in the continuous sourcing model, because the existence of a long-term relationship with the buyer shows suppliers a commitment that partly alleviates the fear of not covering the investment in social compliance. The collected evidence sustains the hypothesis that a trusting relationship with a buyer may lead to better chances for social upgrading (Locke et al 2008). As in the case of Rabat, where suppliers feel that they can trust their preferred buyer to continue the sourcing relationship for a long time, there is less uncertainty and less fear to engage in investment aimed at social upgrading. The president of the AMITH regional office in Rabat states:

It is an issue of mentality. Some firms are lucky to have a good partnership relationship with the buyers, who realise that their suppliers' problems are also their own problems. In this case they for example take more care that there are no delays on their own side.

Another interviewed officer in the AMITH Rabat office confirms the importance of a long-lasting relationship with buyers:

Some firms in the region have a relationship of partnership with the buyers: they exclusively produce for one buyer, usually British, and in exchange they are paid even when there is low season and they

do not produce. So the buyer pays them also for the inactive time because it is a partnership.

At the base of a long lasting relationship with buyers is good communication. In the interviews with the factory management in all the visited locations, great attention has been devoted to this issue. All managers praise the importance of good communication arrangements with their buyers. Most factories are visited every month or every second month by one buyer representative, and communication is largely taking place by phone, email and Skype. Managers point out that this constant exchange of information is fundamental to be able to adapt quickly to buyers' demands and product specifications. In addition, having frequent contacts also helps to establish productive working relationships. Several managers in Casablanca, Rabat and Tangier define their relationship with the buyers as a partnership, that recognises the mutual need involved and the positive outcomes that can be derived by good, efficient communication and discussions and increased trust.

C2 factory manager states:

I would define them more 'partners' than buyers. In fact we need each other, so to have a good relationship and a good communication is a win-win situation for us.

Experiences in terms of suppliers' overall relationship with their clients may widely differ. Some managers praise their level of communication with the clients, highlighting that there is no imposition of orders or delivery times, and that they are always able to negotiate and discuss time frame and capacity of the orders. In Tangier, T1 manager says:

We discuss about time and capacity. They never just impose orders, because I can always remind them of the capacity of my firm. If they ask double, it is clear that people have to recur to subcontracting.

However, the Moroccan garment industry is widely characterised by a different type of buyers. The 'discrete model' of sourcing does not involve a long-term, codified buyer-supplier relationship (Belghazi 2005). This relationship is more instable and is less direct, often being managed by intermediaries. In this scenario, the buyers' main concern is to have fast delivery times and low costs with highly diversified orders. Initially, outsourcing patterns were largely motivated by lower

labour costs in remote locations, but nowadays there are other additional considerations that influence sourcing decisions, namely geographical proximity, flexibility and reactivity to customers' demands and changes in orders (Abernathy et al. 1999). This type of business strategy has become characteristic of Spanish buyers, which have built their competitive advantage in the 'fast fashion' segment of the garment industry, which adapts production to customers' demands on an almost weekly basis. The emerging Spanish buyers active in Morocco – Inditex, Mango and Induyco (El Corte Ingles) – have acquired increasingly higher shares of the world garment production largely due to the 'fast fashion' strategy.

In particular Inditex, especially through its Zara brand that constitutes one third of its sales and 70 per cent of its income, has been the pioneer of this innovative business strategy and it has become the world's leading retailer (The Economist 19 May 2001, 18 June 2005, 6 November 2008). The Inditex business strategy is based on strong vertical integration of design, just-in-time production, delivery and sales, fast production cycles, virtually no inventory needs combined with strong price competitiveness. Traditionally, product conception and design are carried out in the company's headquarters in La Coruña, in the north of Spain, and its distribution centres are located in the headquarters and in Zaragoza. A large share of manufacturing and finishing is still carried out by cooperatives in the same area and Spain remains its first production location. Manufacturing has expanded to Portugal and Morocco, which has become the third most important cluster in the company's supply chain. It is selected not because of its absolute production costs but rather because of its proximity to the distribution centres. China accounts for only 12.5% of Inditex production, largely in basic standardised garments that are in stores all year round. This represents an exception to the company's successful strategy of changing product lines every two weeks. Over the course of one year, the company (specifically the Zara brand) launches 11000 new items, revolutionising the traditional sales concept based on four seasons per year and large production commitments at the beginning of the season (The Economist 19 May 2001, 18 June 2005, 6 November 2008). Inditex keeps its production commitments very low because of its continuous communication with its shops, which allows it to constantly adapt its supply to customers' needs and requests. There is some replenishment of the stock, but most of the lines are replaced with

new ones. The success of this strategy lies with the ability to produce in a very short time: a new item can reach stores between two and four weeks from its initial design in La Coruña. Orders from Spanish buyers constitute the large majority of the total orders for Moroccan suppliers¹⁹, and the fast fashion strategy has become the most commonly adopted strategy throughout the sector. Such strategy has been pioneered by Spanish buyers, but it extends to other buyers too. Other notable successful retailers following this strategy are the Gap and H&M.

The fast fashion strategy has been adopted in Morocco also by American buyers, which account for a much smaller share of exports than European ones, but are seen as very desirable clients. Large multinational corporations such as Nike and Adidas source very specific items such as football jerseys from Morocco in relatively small quantities. Morocco is chosen as a sourcing location because of its proximity to the European market and to a very specific customer group, national football league fans. Jerseys have to be emblazoned with a serigraphy of the team's sponsor, which can change very suddenly and several times throughout the football season. This prevents the company from sourcing a large amount of jerseys at the beginning of the season from more distant locations.

The fast fashion strategy has important implications for social upgrading. Commercial embeddedness is intensified, and the highly volatile nature of this segment in the garment industry creates additional pressures on workers and exacerbates the tension between buyers' business demands and labour standards requirements. In particular, human resource management is rendered very difficult because of short notice in the orders. This translates into workforce fluctuations depending on the order status: in certain days there may be slow production and no urgent orders, and managers send workers at home early in the day in order not to pay for them being idle (managers' interviews; Acona 2004; Plank et al 2009). R3 factory manager states:

Do clients think we are a machine that they can switch on and off when they need it? No, we are humans and we need to survive all year long, not only when there are urgent orders.

¹⁹ In 2008, Inditex sourced from 150 supplier factories in Morocco, with Tangier as the main production pole followed by Casablanca (Javier Chércoles, personal communication, 28/03/2008).

When the orders arrive, they usually entail a sustained production pace that involves long working hours and excessive overtime, especially for those workers operating in the last segments of the production chain. In certain occasions, it leads to hiring temporary and casual workers and imposing compulsory overtime in order to be able to fulfil the order. Managers are quite open in stating that the legal requirements in terms of maximum working hours and overtime are unrealistic and often not respected. In factory C1 in Casablanca, one human resource manager also talked about enforcing compulsory overtime, saying that workers cannot refuse to finish their job, otherwise the orders would not be ready for the agreed deadline and eventually the factory would close down.

In extreme cases, suppliers resort to unofficial subcontracting to smaller, non-socially compliant firms in order to reach the desired production capacity (Hale and Wills 2005, Oxfam 2004, Acona 2004). This type of business strategy needs a parallel flexible labour force, not only in terms of skills and productive capacity but also and especially in terms of social protection and wages. This aspect of globalisation of production is what Standing (1999) refers to as feminisation of the labour force, through which all workers become more vulnerable as a result of their factory work and are increasingly found in jobs whose characteristics used to be emblematic of women workers.

It must be noted that the fast fashion strategy not only relies on flexibility, fast product delivery and low prices, but also on high quality (Acona 2004). In the particular case of Inditex/Zara in Morocco, factory visits have shown that the product lines produced are the top-end of the brand's range, requiring embroidery, applications, patchwork and pleating (finding supported by evidence in Tokatli 2008: 34). A manager for Inditex confirmed that they source their most expensive items from Morocco. This means that alongside ensuring fast delivery times and reactivity to the buyer's demands, suppliers must provide high quality production. This feature further increases the pressure on both management and workers. C6 manager points out:

Clients ask for complicated designs, for example with embroidery, and difficult fabrics such as silk, where we can have many losses. Also, we have very high time pressure: fabrics arrive on Monday and we have to deliver the order on Friday. It is a very fragile situation.

The only way for suppliers to keep a flexible workforce without compromising quality is the co-existence of a small group of regular, higher-skilled workers, who guarantee high quality, and a majority of irregular workers with temporary or casual contracts, that can be hired and dismissed with high flexibility in accordance to the workload (Barrientos 2007, Barrientos et al 2008). Sometimes, these parallel pressures on quality and time and speed are not equally strong in Morocco. The manager in factory T4 says:

[Spanish buyer] is not concerned with detailed measurements and it doesn't matter if there is a difference of some millimeters within our products. This is good because it is faster for us, and for them too. It also means that they trust us.

Looking at the commercial embeddedness of the GPN, the relationship between buyers and suppliers in the discrete model is the epitome of a captive governance relationship, hence being less collaborative and less of a partnership than what observed in the continuous model. Many factory owners are unable to discuss the capacity and the prices offered for the orders, a situation which puts them in a difficult position. The issue of dealing with intermediaries has also emerged from the interviews. In certain instances, the presence of such intermediaries is problematic, because it hinders direct control of the client on its supplying base. Some managers observe that this situation leads to unauthorised subcontracting to non-compliant factories that offer a lower production costs, therefore causing detrimental effects on the orders directed to their own enterprise. Another issue connected with the presence of intermediaries is the lack of liability of the client in the event of unpaid orders. In Fez, F1 owner pointed out that due to an unpaid order by an intermediary operating for a major client, he occurred in large financial problems. However, due to fears to be blacklisted by the client, he chose not to pursue the order further or by legal action.

The tension between commercial embeddedness of the GPN, involving low costs, short lead times and high quality, and social embeddedness, i.e. the need of considering the GPN within society, is not solved at the buyer level and is aggravated by the fast fashion model. Instead of looking for strategies to mitigate this tension, buyers tend to transfer the same tension down the production chain, delegating the responsibility of addressing these contradicting pressures. It is

central to understand the implications of fast fashion on workers, especially because it has dramatically risen as the leading production strategy in the garment industry. In recent years, this strategy is increasingly expanding to buyers previously characterised by a continuous model. For example, during the 2006/2007 M&S shifted towards fast fashion, increasing the number of seasons produced and reducing inventory (Tokatli et al 2008). However, areas with a high concentration of Spanish buyers seem to have the most striking characteristics associated to the implications of fast fashion on social upgrading. Observations in these areas seem to confirm that buyers' increasing pressure on price, flexibility and time of delivery exacerbate precarious working conditions and in themselves hinder suppliers' efforts towards compliance to codes of conduct and social upgrading in general.

From this viewpoint, buyers' purchasing practices are not only creating hurdles for social upgrading, but they are even encouraging social downgrading. The demand for shorter lead times and a just-in-time delivery practice mean that suppliers need to become more flexible and more responsive to last-minute changes in order changes in terms of production levels or product specifications. In order to do that, they may keep a portion of their workforce on temporary and casual contracts, impose long working hours and mandatory overtime, treat workers harshly due to unrealistic performance expectations, and eventually further subcontracting their production to semi-formal factories or informal garages. The presence and the potential exploitation of irregular workers as a solution available with short notice for unexpected urgent orders is understood in the framework of labour as a factor of production. Exerting inhumane pressures on time and cost of production, buyers and suppliers consider workers as a commodity that has to be input in production that should be highly flexible and as cheap as possible. The AMITH confirmed that the increased requirements in terms of flexibility of production have led to an increase in labour turnover, especially in the region of Casablanca and Tangier. In Casablanca, C3 manager affirms:

We have a competitive advantage on replenishment orders, small quantities and avoiding surplus stock. It is therefore intrinsic in our work, when you have an order coming with one week notice, that

we need workers for one or two months only. Either we subcontract to another local firm, or we employ occasional work.

In this area, several managers provided example of very strong pressure on time and speed of production, where delivery of the finished garment ready for distribution is expected within five days from the fabrics' delivery. Sometimes, as noted in Acona (2004: 23), pressure on time is exacerbated by the buyers' own delays and inefficient management of the production critical path. In these cases, the pressure is squeezed down on the suppliers' production time. In Casablanca, C5 manager confirms:

We had an order from [Spanish buyer] but the fabrics were delayed. So we worked half time during March, but when the fabrics arrived", we had to work 12-14 hours per day in order to fulfil the order.

R2 manager in Rabat mentions the same problem:

Clients are too inflexible and think that human resource management is like a machine. For example, sometimes they delay orders or deliveries and then they ask us to produce with the same deadline or even faster. That puts us under a lot of pressure.

The types of purchasing practices by international buyers described above have therefore clear implications for social upgrading opportunities. It is indeed clear that certain practices connected to fast fashion are intrinsically creating pressures on workers and are creating a perverse dynamic of social downgrading, at least for a portion of irregular workers that are kept in highly flexible working arrangements, performing excessive overtime and experiencing various degrees of discrimination and harsh treatment.

There is an inherent contradiction between the different pressures that international buyers exert on their suppliers. On the one hand, they require high quality, fast production at ever shrinking costs. At the same time, they also expect full compliance to labour standards. These two requirements are in blatant opposition, since complying to labour standards would immediately increase costs for suppliers, and therefore they would not be as price-competitive as before, with the risk of losing their clients. This is the key dilemma with which suppliers are faced every day, and is probably the most significant hurdle in the path towards social upgrading. As an officer in the AMITH Rabat office puts it:

In terms of social compliance the main challenge is the means. Firms need to have the means to be compliant. If they cannot cover the expenses, they ask themselves why they are doing it. One enterprise patron told me that if they have to choose between survival and exports, they will choose survival, which means that they would delay the social compliance and maybe not export as much as they would, rather than close the factory because they cannot afford the expenses.

Indeed, almost all interviewed factory managers discuss their need to have higher margins in order to be able to undergo the investment necessary to sustain social upgrading in the long term. Most of them feel that they do not have a choice if the price they receive from buyers is not enough to cover their costs, let alone to further invest in social upgrading:

The increase in costs and charges we had does not correspond to an increase in price, and this is the reason why sometimes factories have to close down. If clients do not understand that they need to compensate us with higher prices, we have a big problem. That is my situation now. I have big difficulties and very often deficits instead of profits. Take the example of [French buyer]: the price for one polo, with a crazy amount of quality specifications and the need for special machines, is 11 dhm [ca. 1 euro]. The price is nothing! The market does not allow us to be fully compliant. It cannot be expected from us to comply with every regulation when at the end of the day we can't even cover the costs. (*Manager, R1*)

In the words of C5 manager, there is the “law of the Law” and the “law of the client”, and for the immediate survival of the factory, as well as the jobs of the workers operating in it, managers would rather save on social upgrading investment and keep their prices low. This clearly presents a very high risk of initiating a race to the bottom in terms of social standards. The peculiarity in Morocco is that the race to the bottom is likely to apply to a portion of workers and not to the totality of the workforce, because in order to fulfil buyers’ requirements in terms of quality, factories need to be equipped with high skilled workers, who are then the ones benefiting from social upgrading. Unskilled, irregular workers are those who are systematically squeezed by this production strategy.

Another worrying issue connected to buyers' purchasing practices that stands in the way of achieving social upgrading is social dumping within Morocco. Many of the interviewed managers felt a very high risk of unfair competition from factories that have very poor working conditions but also very low prices. At the times of the interviews, it seemed common knowledge that while buyers insisted on compliance to the Labour Code and their own codes of conduct, they also continued to supply from non-compliant factories with at times very poor working conditions (managers' interviews, auditing company A and B interviews). A union member in Fez complains:

Many European clients do not care at all about working conditions, all they are concerned about is low costs. For example [sport brand]: they don't care, they use intermediaries in Europe so they are not directly responsible, but all they care about is being competitive internationally and they can only do that with very low labour costs.

Especially with the momentum of the FC code and the explicit commitment expressed by international buyers to source exclusively from certified factories, many enterprises have launched investment in social upgrading in order to be compliant with the FC code. However, there is a underlying anxiety that this exclusivity will not be respected, as F2 manager says:

I hope our clients will be honest and will keep their promise to actually work only with companies that invested in social compliance like us. If they will keep working with those that did not make all these investments and are not compliant, we cannot survive, because we cannot offer the lowest prices anymore if we want to cover our expenses.

Many stakeholders interviewed argue that being socially compliant should be a shared responsibility among suppliers and buyers, and that buyers should compensate their suppliers with higher prices that would allow them to cover the increased costs they incur into. As T5 manager says:

[Buyers'] wealth is not distributed in a balanced way, and we need to work together in a partnership where costs are shared among us and where there is mutual respect. When there are good working conditions, workers have a better performance. But to improve

socially, you need to have the means to do it, so the clients have to pay a higher price. We need to have a balanced cooperation.

However, sometimes international buyers act as if social compliance to labour standards is a prerequisite that should be in place before the start of the supplying relationship, and is therefore not a responsibility that should be shared by the buyer. Talking about a factory in the Casablanca area, one interviewed auditor stated:

Before starting their investment in compliance, they had a deal with [international buyer], but the buyer came in and gave them a fixed price, very low, stating that they take for granted that social conditions are respected and that the price they offer is not negotiable.

As shown in the previous section, buyers invest not only material resources but also time and energy in creating a relationship with their suppliers. They are aware that labour rights violations may take place and they are usually not terminating the contract right away without giving the opportunity for remediation. However, due to their own pressures from international competition, they are also largely concerned with finding suppliers at the lowest costs, and therefore they do not make compromises on the price they offer, even if it appears clear that this will not cover the supplier's expenses. This shows that buyers themselves are caught in perverse dynamics due to their commercial embeddedness in GPNs. Due to their dominant position at the top of the production chain and their role as setters of standards and requirements, buyers hold the power to pass the tension on to suppliers in the GPN. Suppliers then attempt at dissipating the tension by employing regular and irregular workers, exacerbating inequalities and hindering the achievement of social upgrading as a whole.

Given that international buyers invest a considerable amount of resources in CSR and social auditing, and that these measures have a questionable effectiveness in improving working conditions and labour rights, as shown in section 6.2, it seems appropriate to suggest that some of these resources would be more effectively invested if they were used to pay higher prices that are offered to suppliers. Monitoring of labour standards should not be abandoned, and while at first sight

the decision of increasing prices would mean delegating part of the responsibility of social compliance largely to suppliers, it would also translate into a new way of sharing responsibility, evolving in an active or pro-active form of CSR, through providing the possibility for suppliers to cover their costs for social upgrading.

6.4 Conclusions

This chapter focused on the importance of understanding aspects of the global context in which GPNs are embedded in the analysis of social upgrading. In particular it focused on investigating what is the role of international buyers in influencing social upgrading. It analysed the impact of private CSR initiatives on social upgrading, focusing on understanding why private monitoring mechanisms fail to fully support social upgrading, and on why their positive impact seems limited to measurable standards. Section 6.3 analysed the role of buyers' purchasing practices in shaping social upgrading or downgrading patterns and highlighted the inherent contradiction between buyers' demands in terms of labour standards compliance on one hand, and low production costs, high quality and fast delivery times on the other hand.

Table 20 summarises the findings emerged from the chapter.

Table 20: Impact of international buyers on social upgrading

	Social Upgrading	
	<i>For regular workers</i>	<i>For irregular workers</i>
<i>Buyers' CSR and audits</i>	Positive influence: if social upgrading occurs (measurable standards), they are the beneficiaries	No change
<i>Buyers' purchasing practices: continuous model</i>	Positive influence (measurable standards): attention to quality and labour standards	No change
<i>Buyers' purchasing practices: discrete model, fast fashion</i>	<ul style="list-style-type: none"> • Potential positive influence: high quality requires high skilled workers • Negative influence: compulsory overtime is applied to all workforce 	Negative influence: measurable standards (no minimum wage, informal arrangements, long hours and excessive overtime) and enabling rights (harsh treatment, discrimination)

In terms of perspectives on private monitoring and CSR initiatives, corporate codes of conduct and the related social auditing are seen by suppliers as a necessary condition for a long lasting relationship with international buyers, but hardly any of the interviewed managers reported significant changes as a result of auditing. Rather, social audits are seen as something that has to be done, but that would happily be avoided. From this point of view, compliance to labour standards equates to compliance to any other type of standards related to production, treating labour as yet another factor of production. This shows how social auditing equates approaching labour in a disembedded way, and explains why the positive

impact that social auditing has is concentrated on measurable standards and does not touch upon enabling rights, which are the full expression of workers' consideration as social actors.

Also from the workers' point of view, it is very difficult to attribute changes in their working conditions to buyers' audits, which are not perceived as an opportunity to express suggestions or concerns over working conditions. When noticed, social upgrading has occurred in terms of measurable standards. Several instances of discrimination, as well as a widespread lack of freedom of association, have still been observed, notwithstanding the monitoring systems in place. Suppliers themselves are aware of the limits of social auditing in reaching irregular workers and the lower layers of the production chain created through further subcontracting. The empirical findings suggest that a unified auditing system, be it through the FC or through another uniform standard, would be a dramatic improvement in terms of time and resource management for both international buyers and suppliers. Having only one standardised monitoring mechanism with greater resources would potentially improve also the thoroughness and effectiveness of audits in enhancing social upgrading for all workers involved in GPNs. However, it must be noted that even a unified auditing mechanism would probably fail to capture the reality of working conditions, and especially to tackle enhancement of enabling rights, unless the approach to labour at the core of the existing monitoring systems is changed, expanded and reformed to be more inclusive and more aware of workers and their lives beyond the workplace.

Reinstating the disembeddedness of social auditing from the context in which GPNs operate, private monitoring is often perceived by local suppliers as a top-down imposition and as a commercial requirement. Indeed, whilst most interviewed suppliers (as shown in chapter 5) are actively engaged in the FC and see the benefits not only in terms of social upgrading but also of the impact that this has on their efficiency and economic upgrading, they do not talk about private monitoring mechanisms in the same way. On the other hand, the FC initiative is often discussed with enthusiasm and commitment beyond the imposition by international buyers. One explanation of such difference may be that most of the interviewees feel that the FC is strongly rooted in the Moroccan reality and is

endogenous to the national industry; whereas corporate codes of conduct are unmistakeably perceived as a top-down initiative imposed by buyers. Suppliers do not feel they have a stake in them. As discussed in Chapter 5, embeddedness in the local context, substantiated by this finding, plays a crucial role in sustaining social upgrading.

Drawing upon the findings of the research so far, the chapter specifically focused on buyers' purchasing practices and their influence on social upgrading. In particular, this research has highlighted the contradicting pressures that suppliers receive from their clients: they are pushed to produce high quality products in a very short time at dramatically low cost, while at the same time they are also required to comply with the prescriptions of codes of conduct, which automatically increase their costs and would render them less competitive. The tension between GPN commercial and social embeddedness at the buyer level translates into conflicting demands imposed on production. This ambivalence is explained by the way in which different buyers' departments perceive labour: the sales department sees labour as a factor of production whose cost can be minimised indefinitely, while the CSR department is aware of workers as social actors with rights and entitlements. These radically opposing pressures have a striking impact on the opportunities for social upgrading for workers, and in particular they create social downgrading for irregular workers, who become the buffer necessary to respond to the buyers' requirements in terms of flexibility and cost.

This tension within buyers' demands can be understood by outlining the history of Morocco's participation in the global garment industry: the first international buyers were French and British companies adopting a supply chain model that involved a long-standing relationship with the supplier factory and a relationship based on loyalty and trust. This 'continuous' model was rooted in a garment production strategy focusing on high quality, production commitment decisions at the beginning of each season (two or four per year) and replenishment orders throughout the year. In recent years, the garment sector has evolved towards a fashion- and cost-conscious niche that sees new product lines in shops every few weeks, very low inventory and high responsiveness to customers' demands. Fast fashion has become the prevailing sourcing model in Morocco, because the country

is very competitive for the European market due to its proximity and speed of production. The Inditex/Zara group is the pioneer of fast fashion, and nowadays also the international brands that used to follow the continuous model are shifting towards this highly competitive niche.

The fast fashion strategy has important implications for social upgrading because of its emphasis on time and speed of production, high flexibility and low costs that exacerbates the tension described above. Due to buyers' pressure for urgent deliveries, to change product specifications on a very short notice and to be able to adapt to customers' requests in real time, supplier factories squeeze the pressure down on their workers by imposing long hours and compulsory overtime, by employing a flexible, often casual workforce and sometimes by further subcontracting their orders to informal factories where working conditions are in clear violation of labour rights. Despite the very important steps being made by international brands in terms of corporate social responsibility and their involvement in multi-stakeholder initiatives aimed at improving working conditions, it is important to underline that these efforts are more often than not in stark contradiction with their sourcing practices.

The tension between commercial embeddedness in the GPN and social embeddedness in the wider social and institutional context is only exacerbated at the supplier level. The vast majority of interviewed suppliers indeed point out the intrinsic tension under which they constantly operate: buyers impose a dramatic pressure to reduce cost, produce rapidly and flexibly while at the same time they also push them to be in full compliance of labour standards, threatening to end their contracts otherwise. Suppliers struggle with these contradicting pressures and in most cases lament prices too low to cover their efforts in social compliance. Buyers' purchasing practices are therefore creating a perverse disincentive to invest in improvements in working conditions and are subsequently hampering social upgrading or even initiating social downgrading, at least for a large group of irregular workers at the end of the production chain. What has emerged from the empirical study is that given the importance attributed by buyers to high quality products, suppliers are keen on socially upgrading a number of highly skilled, regular workers, for example through training, permanent contracts and salary

premiums, while at the same time they utilise the majority of the low skilled, irregular workforce to be able to respond to buyers' demands in terms of flexibility, speed and low costs. These irregular workers are used as a buffer to compensate for the uncertainty of orders and for the shrinking margins, and they are therefore the quintessence of perceiving workers only as a factor of production. The co-existence of regular and irregular workers working alongside each other in the same factory is the only strategy that suppliers can put in place in order to mitigate and alleviate the pressures they receive from their buyers. The failure to address the tension between commercial and social embeddedness at the buyer level is therefore crucially influencing social upgrading opportunities for workers' in supplier factories.

Chapter 7: Conclusions

7.1 Concluding remarks and main contributions to the literature

This dissertation has presented the first attempt in the literature to address the issue of social upgrading in global production networks. It has set up a definition and categorisation for social upgrading, and it investigated empirically the question of under which conditions social upgrading occurs. More in detail, this research aimed to provide analytical insights into the definition of social upgrading as well as into the relationship between economic and social upgrading by addressing the following research questions:

- How can social upgrading be defined, categorised and assessed?
- Under which conditions does social upgrading take place? In particular when does economic upgrading lead to social upgrading? How do the local and global social and institutional contexts create incentives or disincentives for social upgrading?

Whilst the research has limitations in terms of its scope in analysing the full global production network in its complexity, as well as the applicability of its empirical findings beyond the realm of the case study of the garment industry in Morocco, it has nevertheless provided original and critical contributions to the existing literature on labour in global production both through its conceptual and its empirical analyses. Through an in-depth analysis of the existing efforts to define, categorise and assess decent working conditions in global production networks by academic as well as policy institutions, this research showed a gap in the existing knowledge on the matter. It is thus addressing an important research gap in GPN analysis. At the beginning of this research, there was a lack of established definition of social upgrading as well as of sound and rigorous indicators to measure it empirically. This research established a working definition of social upgrading as the process of improvements in the rights and entitlements of

workers as social actors by enhancing the quality of their employment. Furthermore, it has developed a categorisation of social upgrading into two broad categories:

- measurable standards, including wages, physical wellbeing and employment and income security, that are clearly observable and quantifiable, and
- enabling rights, encompassing dignity and empowerment for workers, that are intangible and much more difficult to grasp as well as to obtain.

The above definition and categorisation have been then tested empirically through their application on the case study during field work (Table 9, 10 and 11) and the social upgrading indicators developed have been used to drive the empirical analysis presented in Chapter 4, 5 and 6.

This dissertation constitutes the first attempt to study social upgrading empirically. It did so by conducting a case study of the garment industry in Morocco, collecting qualitative data through interviews and focus group discussions with factory managers and workers as well as key stakeholders of the global production network such as global buyers, industry association representatives, trade union officials, government agencies and NGOs.

Table 11 presented in Chapter 4 and reproduced below provides a clear summary of the findings of the field work. While the empirical case study has limitations in terms of the scalability of the lessons learned from it, it nonetheless provides key empirical findings that can be summarised as follows:

- **Social upgrading can occur simultaneously to social downgrading for different workers.** In order to cope with the tension generated by global buyers between commercial embeddedness, i.e. the need to comply to commercial requirements in terms of price, quality and time of delivery, and social embeddedness, i.e. the need to consider workers as social actors with rights and entitlements, suppliers in GPNs resort to employ two types of workers: regular workers, who are higher-skilled, polyvalent and hence guarantee high quality; and irregular workers, who are young, unskilled precarious workers who are squeezed in the last segments of the

production chain, ensuring flexibility and low costs. Regular and irregular workers often work side by side or in different departments of the same factory, but have radically different social upgrading opportunities. These findings are consistent with those of Barrientos and Smith (2006, 2007) and expand their analysis to look beyond the impact of company codes investigating more broadly the opportunities that regular and irregular workers have in terms of social upgrading. Table 11 distinguishes social upgrading and downgrading for regular and irregular workers.

- **The relationship between economic and social upgrading is not automatic:** the case study shows that different types of economic upgrading provide different opportunities for social upgrading for regular and irregular workers. The relationship between economic upgrading and social upgrading remains to be investigated in further detail in order to shed more light on the causality between the two variables, as will be discussed in section 7.2.
- **Process upgrading**, in terms of reorganisation of production and improved human resources management, **has a direct positive impact on social upgrading** in terms of physical wellbeing (improved health and safety and reduced overtime) and social climate within the factory. The improved efficiency in human resources and time management may bring irregular workers into more regular forms of employment, because there is less need for temporary and casual labour. However, process upgrading through a rationalisation of the production process may lead to layoffs of unskilled irregular workers, who as a consequence lose their jobs.
- **The link between product upgrading and social upgrading is not as clear cut.** However, also in this case, regular workers may benefit when they gain access to specific training on new techniques, thereby enhancing their skills, their value within the factory, their relationship with the management and even their future job opportunities.
- **Functional upgrading**, which in the case study translates into producing full package supply mainly for a fast fashion market, **has mixed implications for workers.** While regular workers may experience social

upgrading because of important training opportunities to become polyvalent and able to operate on different machines and in different roles in the production line, irregular workers may experience social downgrading as a result of functional upgrading. The increased pressure deriving from full package production, i.e. from the additional activities taken on board by the supplier firm, is mainly borne by the irregular workers operating at the end of the production chain, and in particular by those involved in packaging, logistics and transport. On the one hand, they are considered to be performing a simple unimportant job, and are therefore discriminated against in terms of pay and treatment. In addition, they are also those who absorb any delay generated in the other segments of the production chain, and are therefore subjected to much longer hours and higher pressures to deliver on time. The potentially negative impact that functional upgrading may have on irregular workers is explained by their commercial embeddedness in the GPN, and in particular by buyers' purchasing practices in the fast fashion segment.

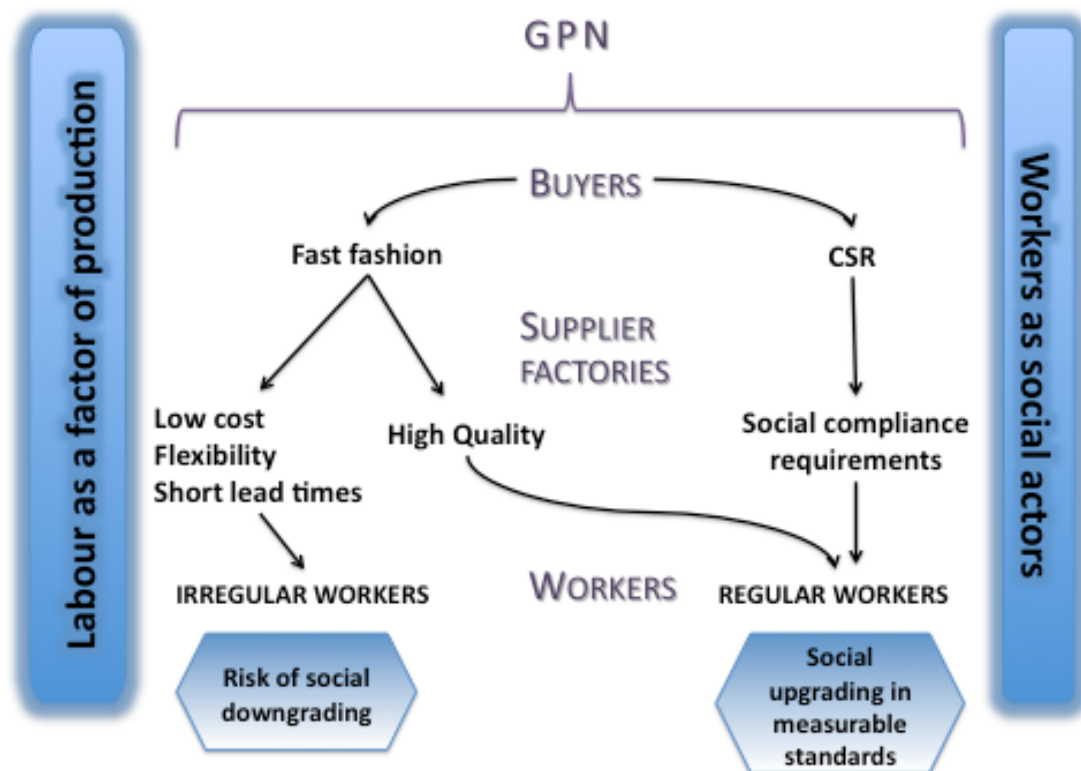
- **Social upgrading priorities are different according to stakeholders:** while factory managers and global buyers are first and foremost concerned with measurable standards such as health and safety, workers list wages as their priority followed closely by enabling rights such as being respected, listened to and valued as a resource to the factory.

Table 11 (repeated): Economic and social upgrading indicators by factory

Factory	Economic Upgrading			Social Upgrading								
	Process Upgrading	Product Upgrading	Functional Upgrading	Measurable Standards					Enabling Rights			
				Wages	Physical wellbeing		Employment and income security		Dignity and empowerment			
					Working environment, H&S	Overtime	Contracts	CNSS	Social climate	No harsh treatment	Non discrimination	FACB
C1	X	X	X		X				X			
C2	X	X	X		X							
C3	X		X						X			
C4	X		X	X	X	X						
C5				X					X			
C6	X			X	X			X	X			
C7	X							X	X			
F1	X				X				X			

- **The local embeddedness of firms plays a role in shaping social upgrading patterns:** the case study provided the opportunity of studying four different geographical locations in Morocco: Casablanca, Rabat, Fez and Tangier. The empirical analysis shows that historically different garment-producing locations in Morocco are associated to different types of global buyers. Casablanca and Rabat are associated to Anglo-Saxon and French buyers following a continuous sourcing model based on long-term relationships, while Fez and Tangier are characterised mainly by Spanish buyers pioneering the fast fashion model. As a result:
- **Global buyers' purchasing practices have a clear impact on social upgrading/downgrading opportunities:** the case study encompassed both factories supplying for global buyers in a continuous model and factories supplying for global buyers following fast fashion. Managers in the first group highlighted the importance of having a trusting, long-term relationship with their buyers. Stability in orders translates in better human resources planning and therefore in social upgrading, as described in the point above on process upgrading. Factories in the fast fashion GPN, on the other hand, directly experience the tension between commercial embeddedness and social embeddedness and as a result are stuck in the conundrum resolved by employing regular and irregular workers. As a consequence, social upgrading, especially for irregular workers, is very difficult to achieve.
- **The key tension between commercial embeddedness and social embeddedness creates social upgrading and downgrading pressures** (Figure 8): global buyers, identified as the lead firms in GPNs, can exert a high degree of leverage on supplier firms, both in their commercial and in their labour standards requirements.

Figure 8: Social upgrading and downgrading pressures in GPNs



Source: author's own elaboration.

The case of Morocco showed that in particular buyers that follow the fast fashion strategy in the garment sector have stringent demands in their sourcing contracts in terms of high quality, high flexibility in production scale and scope, extremely short lead times paired with low prices. This sourcing model has direct implications on workers' opportunities for social upgrading. At the same time, as a result of civil society advocacy and reputational risks, buyers also have in place a number of mechanisms – be them private, multistakeholder or outsourced to the local level like the FC – to monitor working conditions in their production chain. Buyers' CSR demands are in stark contradiction with their sourcing practices, because they automatically increase the costs associated to the production process. Furthermore, this research highlighted that buyers' efforts in terms of CSR have specific limitations because they tend to monitor labour and the process of social upgrading in a disembodied way, i.e. not fully considering workers as social actors, but rather utilising an approach that focuses on measurable standards and provides an easy fix to visible problems, without concentrating on respect of

enabling rights. They therefore fail to support and foster social upgrading as a whole. Buyers experience the tension between commercial and social embeddedness due to the pressures they receive from competitors, consumers, and civil society. The nature and structure of GPNs allow them to postpone addressing this tension by transferring it down the production chain to suppliers. Since the tension is not solved at the buyer level, suppliers receive contradicting pressures from buyers' sourcing and CSR departments. On the one hand, they are required to produce at low cost, to be highly flexible to last-minute changes in order and to comply with high quality standards. At the same time, they are also required to comply to the company's code of conduct, or to the external mechanism that the buyer has chosen to monitor working conditions, such as the FC. The case study has shown that while suppliers perceive private monitoring mechanisms as another commercial requirement, they recognise the local embeddedness of the FC initiative, appreciating it far more than buyers' social audits. However, social compliance initiatives do little to resolve the tension between commercial and social embeddedness, but rather they tend to aggravate it. Buyers' commercial and CSR requirements cannot be met by suppliers without incurring into compromises and suboptimal solutions. The case study has shown that suppliers consistently lament this tension, emphasising the need for higher margins to cover costs of social compliance. However, due to international competition and to the nature of the fast fashion model, which is based on providing fashionable high-quality items at high street prices, buyers are not in the position of negotiating the price they offer. Suppliers are therefore faced with this dilemma. In order to cope with these counteracting pressures, they resort to employ regular workers and irregular workers simultaneously. These latter workers, as discussed above, may have very limited opportunities to experience social upgrading and may even be socially downgraded.

7.2 Future implications of this research

7.2.1 Implications for policy actors

While providing policy recommendation goes beyond the scope of this DPhil dissertation, the research questions addressed during the course of this research do provide insights about the role that different policy actors may play in improving opportunities for social upgrading.

This research has highlighted the tension between commercial and social embeddedness in GPNs as an obstacle to the attainment of social upgrading for all workers in GPNs. As the actors located at the top of the production chain, global buyers (both brands and retailers) have a clear role to play in shaping social upgrading opportunities. Whilst this research has not directly focused on global buyers in its empirical investigation, the following recommendations emerge as a result of the findings:

- Buyers should attempt to reconcile their commercial requirements with their social/labour (CSR) requirements. In practical terms this may involve:
 - to reduce volatility in supplier relationships: establishing longer-term relationships with key suppliers built on trust and loyalty (Volatility factor);
 - to reduce the flexibility of orders by improved forecasting and by planning in advance seasonal peaks (Time/Speed of delivery factor);
 - to move beyond considering labour only as a productive factor by taking responsibility in terms of the price offered to suppliers, ensuring that this allows them to pay at least minimum wages to all the workforce (Price factor).

The contradictory pressures generated by global buyers are transferred to suppliers. At this level, in order to ensure social upgrading takes place, suppliers should:

- increase the effectiveness of their human resources management in terms of workforce requirements in order to limit the use of temporary/casual irregular workers and to reduce excessive overtime;
- recognise that respecting labour rights and providing workers with their entitlements will have a positive spillover on their attachment and loyalty to the factory's stakes, and as a result may increase their productivity;
- participate in multi-stakeholder initiatives that can help them constitute a critical mass in order to have an improved and facilitated dialogue with global buyers with the objective of mitigating the tension between commercial requirements and compliance to labour standards.

The role of trade unions has not been explored in detail in the interviews and focus group discussions. However, responses by interviewed stakeholders seem to suggest that considering workers as social actors beyond their productive role and providing them with enabling rights, i.e. re-embedding the GPN in its social context, may be conducive to higher productivity to their side. Improved social dialogue between workers and managers may increase workers' stakes in the factory's commercial outcomes and as a consequence motivate them to be more productive. Unions can support the attainment of social upgrading by:

- increasing awareness of workers' rights and entitlements through training onsite and offsite with the support of NGOs as well as international and multistakeholder organisations;
- developing tools and strategies to appeal to workers (in particular women and irregular workers);
- ensuring that workers' voices are heard by engaging in social dialogue not only at the factory level, but also at the national and international level by taking on responsibilities in fora provided by multistakeholder initiatives and/or international organisations such as the ILO.

Multistakeholder initiatives have emerged in recent years as fora for dialogue aimed at addressing the key tensions that different stakeholders face in GPNs. The case study provided the opportunity of studying the example of the FC initiative, which is unique to the Moroccan context. As shown in Chapter 5, the FC initiative, as well as global multistakeholder initiatives such as the Ethical Trading Initiative and the ILO/IFC Better Work Programme, have an important role to play in increasing and sustaining opportunities for social upgrading taking advantage of their privileged position that brings together all interested stakeholders by:

- ensuring to engage with global buyers in a comprehensive way that is not circumvented to the CSR department but also includes the sourcing/procurement departments. This is key in ensuring that social requirements become embedded in companies' core businesses and that efforts to monitor compliance to labour standards go beyond window dressing or being marginal side activities;
- Taking into account the heterogeneity of the workforce, and in particular the presence of irregular workers, and by stimulating suppliers to provide all workers with the same rights and entitlements;
- Focusing on the right of freedom of association and collective bargaining as the key enabling right that will endow workers with fair bargaining power when negotiating their working conditions;
- Ensuring that monitoring of compliance to labour standards is thorough and moves away from traditional social audit practices largely focused on measurable standards, which have proven to be less than ideal in capturing the reality of working conditions on the factory floor.

7.2.2 Implications for current and future research

Further investigation on the link between economic and social upgrading is needed. This research began to bring the attention to this link and to the importance that a cohesive approach to commercial and social embeddedness has in order to improve workers' livelihoods in global production networks, as well as firms' competitiveness. When this DPhil research was launched, the concept of

social upgrading had just begun to emerge as an area of interest in the broad literature on global production networks. A definition of social upgrading did not yet exist, and empirical evidence was sparse and difficult to compare due to the different definitions and indicators used. In the last years, the issue of social upgrading and its relationship to economic upgrading has gained prominence in the international research and donor community. In particular, the international research network “Capturing the Gains: economic and social upgrading in global production networks”, funded by the UK Department of International Development and coordinated by the Brooks World Poverty Institute at the University of Manchester, has recognised the challenges involved in defining and researching social upgrading, bringing together an international network of researchers from diverse disciplinary backgrounds in the north and south to address this. It builds upon the social upgrading definition established in this research and elaborated in Barrientos et al (2008) and investigates key research questions related to the link between economic and social upgrading in GPNs through empirical studies that cut across different regions and sectors. The ongoing research conducted by the Capturing the Gains network aims to shed further light on the complex link between economic and social upgrading highlighted in this research and to provide more systematic evidence unpacking this relationship in different countries, regions and sectors investigating at the same time crosscutting issues such as the role of governance in GPNs and the gender dimension of economic and social upgrading.

This research started to investigate also the influence that social upgrading may have on economic upgrading in terms of increased labour productivity. There have been attempts in the literature to provide evidence to establish the business case for labour standards, as discussed in Chapter 3, however robust evidence linking improved compliance to labour standards to productivity gains is still very limited. This is a critical area for investigation in the future. Being able to provide strong evidence that shows that social upgrading is not only a moral obligation but also a thriving business strategy will ensure that the tension between commercial requirements and social embeddedness needs not to exist.

This DPhil dissertation has made a small but valuable contribution to advancing the research on the implications of the ever-changing trajectories of trade, production and employment in GPNs on developing country firms and workers in terms of opportunities and challenges for economic and social upgrading. Further research is needed to fully understand the impact of these continuous global shifts on all GPN actors, including developing countries as a whole, as well as supplier firms, local communities, households and workers.

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Annex I: Semi-structured Interviews and Focus Group Discussions Guidelines

Semi-structured Interview – Factory Manager

1) Tasks in GPN

- 1.1. What is the specialisation of your firm?
- 1.2. What is your core activity?
- 1.3. Is your core activity your only activity? → **If yes, section 2**
- 1.4 Are you involved in other activities connected to global buyers?
- 1.5 Are you involved in packaging?
- 1.6 Are you involved in logistics and transport?
- 1.7 Are you involved in design?
- 1.8 Are you involved in marketing?
- 1.9 In your opinion, does your core activity have a skill- and value added intensity higher than the other activities in the firm?
- 1.10 What are the activities that have a higher value added than your core activity?

2) Product range

2.1. Your company is totally exporting. What types of products are produced?

2.2. Have you changed the product range in the past 5 years? → **if not, Section 3**

2.3. Why did you change the product range?

2.4. Did global buyers influence this decision?

2.5 Do you think that the new product range has a higher value added than the previous one?

3) Work organisation in the factory

3.1. Are workers organised in an assembly line?

3.2. Are they organised in teams in which each worker has a different task?

4) Relationship with buyers

4.2. What nationality are your clients?

4.2. In your opinion, what are the main reasons behind your success in the export market, especially in Europe? And what are the main challenges you face?

4.3. Many suppliers say that buyers have increasingly strict demands in terms of flexibility and speed of production. How can you define your relationship with buyers ?

4.4. Do you receive visits from the buyers? How frequently?

4.5 How do buyers transmit you product specifications?

4.6 What is the most used means of communication with buyers?

4.7 How would you define the level of communication with your buyers?

5) Perception and implementation of CSR initiatives:

5.1 Since you have relationships with international buyers, you are probably familiar with CSR initiatives, e.g. buyers' codes of conduct. What is your opinion on these initiatives?

5.2 Here is a base code of conduct. What are the provisions you find most difficult to comply to?

5.3 What are the main problems you find with monitoring code compliance?

5.4 Is the factory visited by auditors? → **if not, question FC**

5.5 Are the auditors directly from buyers or from external companies?

5.6 Are audits imposed by buyers?

5.7 How frequently do they take place?

5.8 In your opinion, what are the outcomes of these audits?

5.9 Have you noticed any changes since the audits have started? If yes, in which aspects?

5.10 Is it possible to see a recent audit report?

If the enterprise is already or in the process of becoming FC-labelled :

Concerning social compliance efforts, I know that you are already/in the process of being certified with the label Fibre Citoyenne of the AMITH. What is your opinion on the FC ? What are the advantages and the challenges?

If not certified :

Concerning social compliance at the industry level, do you know the initiative Fibre Citoyenne of the AMITH ? What is your opinion about it?

6) Attitude towards unions

6.1. The Fibre Citoyenne label makes reference to the principle of social dialogue. Regarding this, what is your opinion about the presence of unions in factories?

6.2. Are there unions active in your factory? Are they allowed to enter the factory?

6.3. How often do you meet them?

6.4 Sometimes workers' malcontent can be observed through strikes. How often did you experience strikes in the last year?

Semi-structured Interview - Human Resource Manager

1. Basic information

1.1 How many workers work in the factory?

1.2 What is the division of the workforce into:

1.2.1 Permanent

1.2.2 Contract

1.2.3 Intern/Trainee

1.2.4 Temporary

1.2.5 Other

1.3 What is the division of the workforce in:

1.3.1 Female

1.3.2 Male

1.4 What is the division of the workforce in:

1.4.1 Specialised workers

1.4.2 Skilled

1.4.3 Unskilled

2. Recruitment

2.1 What is the most common method of recruitment?

2.2 Do you use intermediaries such as employment agencies? In which case?

2.3 What are the skills you most frequently seek?

3. Type of contract

3.1 In which cases do you offer a permanent contract?

3.2 Are contracts written or oral?

4. Social protection and social security

4.1 Are all workers registered with CNSS (social security)?

4.2 Do you pay shares for pension?

4.3 Is there a difference in treatment of different types of workers?

4.4 What are the regulations for maternity leave?

4.5 How long is the maternity leave? Is it paid?

4.6 Is there any difference in terms of maternity leave for types of workers?

4.7 Is there nursing regulations?

4.8 Is there a nursery/childcare?

4.9 What is the duration of the sick leave?

4.10 Is it paid?

4.11 Is there a difference between workers in terms of sick leave?

4.12 Is there annual leave?

4.13 How long is it?

4.14 Is it paid?

5. Working hours

5.1 In average, what are the standard working hours per day?

5.2 Do workers work every day of the week?

5.3 Are there shifts?

5.4 How many shifts?

5.5 Who organises the shifts?

5.6 In a month, how many times do workers work overtime?

5.7 Are they paid for overtime?

5.8 Can they refuse to do overtime?

6. Health and Safety

6.1 At the factory floor, is there:

6.1.1 first aid kit

6.1.2 toilets for women and men

6.1.3 drinking water

6.1.4 appropriate level of light

6.2 Are there safety precautions? E.g.:

6.2.1 fire extinguishers

6.2.2 protections e.g. gloves, shoes, glasses, masks

6.3 Is there training for emergency procedures?

6.4 What is the incidence of accidents in the factory?

6.5 Is there accommodation connected to the factory?

7. Wage and remuneration

7.1 Workers are paid by:

7.2 What is the procedure to negotiate a wage increase?

7.3 Do you provide salary slips?

Focus group discussions with workers

Discussion sheet

1. Could you please describe a typical working day in the factory?
 - a. Starting from the morning,
 - b. how you get to the factory,
 - c. what type of work you perform,
 - d. how many pauses you have,
 - e. where you eat,
 - f. when you leave,
 - g. any other detail you would like to share.

2. We can see (if it is published) the code of conduct/FC that the factory follows. This probably means you often meet auditors. What is your opinion on this practice?

3. Can you remember what was the situation before the audits started?

4. What are the main issues where things have changed?

5. Are you happy with your work? Is there anything connected to your work or to the workplace that makes you unhappy/uncomfortable?

6. What are the things you would like to change if you could?

Annex II: List of interviewed key informants

- AMITH:
 - o AMITH Casablanca
 - o AMITH Rabat (officer and President)
 - o AMITH Tangier
- ANPME
 - o Hicham Massaoudi, Social Compliance officer
 - o Ahmed Alagui, Director
- Auditing Company A, Casablanca
- Auditing Company B, Tangier
- Buyer 1
- Buyer 2
- Buyer 3
- Buyer 4
- Mohamed El Achab, CDT
- Hammad Kassal, Vice President, General Employers' Association [CGEM]
- Larbi Bourabaa, Centre for Export Promotion [CMPE]
- Mohamed El Amrani, Cleaner Production Centre [CMPP]
- Saad Filiali Meknassi, Global Compact Morocco
- His Excellence Ahmed Lahlimi Alami, Haut Commissaire au Plan (Minister of Planning)
- Dr Mohamed Taamouti, Director, Statistics Department, Ministry of Planning
- Neama Ouazzani, ILO Tra De Morocco
- Prof. Rachid Filiali Meknassi, University of Rabat
- Prof. Kamal Mellakh, University of Mohammedia
- Marouan Sakr, Alliance des Droits des Travailleuses
- Abdellah Hassiane, UGTM and Ministry of Employment
- Mohammed Titna Alaoui, UGTM, Fez
- Abdelali Berrada, UNIDO

Annex III: Excerpts from my field work diary

16 January 2008, Casablanca

Quick recap of my impressions so far: [Saad - Global Compact contact] – I was expecting someone older, but he is actually my age. He is very much on top of things. Also very candid about issues in surveys, e.g. no one wants to be interviewed, lots of companies have trouble with at least some of the Global Compact principles, especially corruption and FACB, and conditions of work are actually really bad. Today was a whole different story when I went to the CMPE, you could tell that I was talking to industry. They were supernice human-wise (they took a lot of time to help me) but tried to orientate me only towards ‘success stories’ of firms fully complying.

7 February 2008, Casablanca

So I had my first two interviews in factories, which were indeed very interesting and also different. [...] It is really interesting to visit the factories, because especially C1 is producing for really high-end market, but shipping to France, so they can put the ‘made in’ label there – basically Morocco is never in the picture for those brands. Makes me really think about the price we finally pay – is it worth it?

[...] Luckily I found this taxi driver Said that gets me to the industrial zones and waits for me while I have the interviews for 300 dhm. I don’t see how else this could be done.

26 February 2008, Tangier

I just had this morning the interview with the first firm here in Tangier. The manager speaks Italian (and many other languages) and was very nice. The factory was really huge this time, producing for [Spanish brands]. So weird to see things in production. I kind of feel a bit voyeuristic when I walk through these factories, because I am looking around and they are working their butts off and they look at me with strange eyes. [...] I can only imagine how weird they must feel when they put the price tag on

the stuff they produce and realise that 1) they are insanely overpriced, and 2) they (workers) are being exploited. I know there is all this compliance talk which is all very nicely put, but let's face it, it is impossible for these people to actually live with dignity with a smig for household. They live in bidonvilles and try to make the best out of it, but I can't see how this is sustainable.

6 March 2008, Rabat

I had my last interview in Rabat. The factory [R5] was very big, with big open office space for employees and different departments. They have three floors, one for lingerie, one for T-shirts and one just for [American buyer]. The manager said that this buyer is very stringent with social audits and they get several audits before even starting production. It looks clean and organised. Next to the canteen there is the buyer code of conduct hung (in English and French but no Arabic).

29 April 2008, Fez

If I were to give a colour to each Moroccan city I have been to so far, Casa would be grey, Rabat green, Tangier blue, Marrakech rusty red and Fez ochre yellow. Fez has a beautiful medina and everything is much narrower than everything I've seen, with tiny streets and huge tall buildings with scaffolding because it's UNESCO protected. We are now on our way to the two firms in Fez.

[...] Just out of the last focus group here in F2. The girls [in packaging] talked a lot. Had many problems. They are scared of their boss and unhappy, I think mainly because they are paid very little. They say they are paid even less than the cleaning ladies. One girl cried. Lots of reality all at once.

10 May 2008, Casablanca

There is so much to discover with the data I got, and I feel very satisfied of myself of having been able to go through this experience, which I believe(d) was the most challenging part of my PhD. We'll see if I was wrong and go nuts writing up! I see every new step opens up so many more questions and opportunities, and it is pretty

scary to realise the scope of my decisions. I wonder if I will be able (or if I will want) to kind of cruise through my professional life's decisions as easily as I have done so far. A part of me hopes so, because I know that the decisions taken with the heart have taken me so far, and I will never have regrets about them.