

Impacts of Corporate Code of Conduct on Labor Standards: A Case Study of Reebok's Athletic Footwear Supplier Factory in China

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ABSTRACT. This study examines the social impacts of labor-related corporate social responsibility (CSR) policies or corporate codes of conduct on upholding labor standards through a case study of CSR discourses and codes implementation of Reebok – a leading branded company enjoying a high-profiled image for its human rights achievement – in a large Taiwanese-invested athletic footwear factory located in South China. I find although implementation of Reebok labor-related codes has resulted in a “race to ethical and legal minimum” labor standards when notoriously inhumane and seriously illegal labor rights abuses were curbed, Chinese workers were forced to work harder and faster but, earned less payment and the employee-elected trade union installed through codes implementation operated more like a “company union” rather than an autonomous workers’ organization representing worker’ interests. In order to explain the paradoxical effects of Reebok labor-related codes on labor standards, I argue the result is determined by both structural forces and agency-related factors embedded in industrial, national and local contexts. To put it shortly, I find the effectiveness of Reebok labor-related codes is constrained not only by unsolved tension between Reebok’s impetus for profit maximization and commitment to workers’ human rights, but also by hard-nosed competition realities at marketplace, and Chinese government’s insufficient protection of labor rights. Despite drawing merely from a single case study, these findings illuminate key determinants inhibiting the effectiveness of labor-related CSR policies or codes in upholding labor standards, and hence two possible ways-out of the deadlock: (1) sharing cost for improving labor

standards among key players in global supply chain; and (2) combining regulatory power of voluntary codes and compulsory state legislations.

KEY WORDS: athletic footwear industry, China, corporate codes of conduct, corporate social responsibility, labor standards, Reebok, trade union, wages

Introduction

Several decades of neoliberal economic globalization has enabled global capital to flow more freely and swiftly across national borders, especially to low-waged developing countries, to reap greater profits. However, manufacturing workers, especially those working in labor-intensive industries, increasingly experience a significant deterioration of labor standards. Extensive media exposures of notorious labor practices in global factories have remade the word “sweatshop” a household item.

Revealing a broad social opposition to the detrimental effects of economic globalization on labor standards, the middle and late 1990s witnessed the simultaneous growth of anti-sweatshop campaigns and corporate governance reform, which cultivated a new enthusiasm for corporate social responsibility (CSR) in global business community. Many large brand-name corporations of the developed world have adopted corporate codes of conduct to regulate labor practices of their overseas suppliers. In general, corporate codes of conduct are written statements of principle or policy serving as the expression of a commitment to particular enterprise conduct (Diller,

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1999). A recent World Bank study estimates that there are 1,000 corporate codes in existence today stipulating the labor, human rights, and environmental requirements for suppliers.¹ Codes of conduct regarding labor standards usually specify norms and rules by which to evaluate labor practices at workplace (O'Rourke, 2003). Currently, most labor-related codes of conduct concentrate in labor-intensive industries. Diller (1999)'s study of 215 such codes reveals that these codes are most likely to be found in industries of textile, clothing, and footwear and also in toy, food and beverage industries. Although the content and format of these codes vary considerably, the bulk of existing codes seek to base themselves on core conventions of International Labor Organization (ILO), including prohibitions on child labor, forced labor, and discrimination in respect of employment and occupation, and protection of freedom of association and collective bargaining and other basic principles regarding the protection of health and safety, wages and hours, and treatment of women (Tsogas, 2001; O'Rourke, 2003).

Impacts of CSR policies or corporate codes of conduct have become objects of studies of different disciplines. Noticeably, majority of existing studies are contributed by business and management scholars, who most often conduct research on relationship between corporation social performance and corporation financial performance, aiming to provide theoretical and practical orientations to corporations on how to pursue long-term profitability with a CSR agenda². As claimed by many CSR theorists, a positive effect of strategic CSR activities on profitability could be realized through various competitive advantages: enhanced brand value and reputation; closer links with customers and greater awareness of their needs; higher employee morale, and hence higher productivity; good relations with government and communities; better risk and crisis management (Berman, et al., 1999; Lantos, 2002; Mahon and Wartick, 2003; Jones et al., 2005; Siltaoja, 2006).

However, until recently, there are much less academic research on social impacts of labor-related CSR policies or codes – for example, their effectiveness in combating sweatshop abuses and upholding labor standards (Elliott and Freeman, 2003; Sethi, 2003; Esbenshade, 2004), transforming

employment relations (Frenkel, 2001; Frenkel and Kim, 2004; Pun, 2005; Sum and Pun, 2005; Wang, 2005), or revitalizing labor movement (Frundt, 2004; Prieto-Carrón, 2004; Armbruster-Sandoval, 2005; Rodriguez-Garavito, 2005; Ross, 2006).

Existing studies on social impacts of labor-related CSR policies or codes conducted in different industrial settings (e.g., apparel, toy, sportswear) and national or local contexts (e.g., in Latin American or Asian countries) draw a similar conclusion that codes of conduct have potential in curbing the most immoral and inhumane violations of workers' rights which frequently are working conditions-related issues such as child labor, sexual harassments, corporal punishments, or occupational safety and health, while provide no solution to problems of low wages, long working hours and workers' rights to freedom of association and collective bargaining. However, the majority of existing researches are descriptive in nature, offering no well-developed analytical framework for deeper explanatory investigation of the complexity of social results of implementation of labor-related CSR policies or codes.

This article aims to fill the research gap, by developing an analytical framework consisting of a matrix of interrelated structural forces and agency-related factors embedded in contexts at industrial, national, and local levels. At industrial level, I examined how codes effectiveness in upholding labor standards are affected simultaneously by content stringency of labor-related codes, discrepancy between corporation's sourcing policy and labor-related codes, and competition trends at marketplace. At national and local levels, I explore how regulation and intervention of central and local state on industrial relations impact workplace labor practices and implementation of labor-related codes.

Basing on this analytical framework, I conduct an empirical and explanatory study of implementation of labor-related codes adopted by Reebok, a top brand-name company in the global athletic footwear industry, at one of Reebok's major footwear supplier factory located in Fuzhou city, Fujian province of China. The representativeness of this case study lies in following aspects. Firstly, since the 1980s, athletic footwear industry has been criticized most intensively by journalists³ and anti-sweatshop activists, and consequently has become a leading industry in areas of CSR and codes⁴. Secondly, Reebok is

selected for the case study because the company has achieved a good reputation for its long-term human rights efforts and has become a corporate leader in contemporary CSR movement against sweatshops abuses.⁵ A close examination of how Reebok deals with sweatshop labor abuses in its supplying factories enables a critical analysis of the effects of “strategic CSR” formula driven by commercial motivation for long-term profitability on improving labor standards. Thirdly, China is the world largest production center of global athletic footwear industry⁶ and received the most intensive criticism of sweatshop labor abuses over the past several decades.⁷ Moreover, since the late 1990s, China’s labor-intensive export processing industries, especially athletic footwear industry has become the lab of various labor-related CSR policies or codes, providing an ideal site for examining the implementation and effectiveness of codes.

My empirical research was conducted during 2002–2005 at Reebok’s second largest footwear supplier factory in China which is referred to anonymously as Fortune Sports (FS) in this article. Data was collected through three kinds of research methods – participant observation, in-depth interviews, and documentary reviews. I started fieldwork at FS in October of 2002, observing the election process of FS trade union. In the following three years, to balance perspectives of parties holding diverse positions and interests in implementation process of Reebok labor-related codes, I conducted interviews with two Reebok human rights managers in China, two FS managers, six FS production line supervisors, two officials of local branches of the All China Federation of Trade Unions (ACFTU), 9 FS trade union committee members, and 13 FS production workers. This article also draws evidences from documentary reviews of three main sources – company documents, online databases, and websites.

The article proceeds as follows. I first examine Reebok’s human-right-focused CSR strategy with a historical perspective, analyzing the contents of Reebok labor-related codes, commercial motivation driving Reebok CSR practices, and financial results of Reebok CSR strategy. And then I move to investigate how implementation of Reebok labor-related codes has changed labor process and workplace labor standards at FS, in terms of working

conditions, workers’ wages and workers’ rights to freedom of association. Next, the article explains how structural forces and agency-related factors embedded in industrial, national, and local context have resulted in “race to ethical and legal minimum” labor standards at workplace of FS. In the end, I suggest two possible way-outs to redefine and reconstruct a balance between financial and social outcomes of labor-related CSR policies or codes of conduct.

Reebok’s human-right-focused CSR strategy

Reebok, a brand established in 1895 and distributed in the U.S. market from 1979, became one of top sportswear brands in the mid-1980s, riding high on the aerobics craze and women’s fitness movement. In 2004, Reebok was the third-largest sportswear brands in the world, taking up 9.6% of the global athletic footwear market⁸, having sales of about US\$ 3785 million and a net profit of US\$ 192 million.⁹

Reebok is a long-term believer of “doing better by doing good”, a business idiom created by “strategic CSR” or “strategic corporate philanthropy” theorists (Lantos, 2001, 2002; McAlister and Ferrell, 2002), premising that the firm’s financial and social objectives are compatible rather than conflicting and better social responsibility performance can improve long-term financial performance. Since the late 1980s, Reebok has begun to employ a “strategic CSR” approach to portray itself as a conscientious promoter of human rights and labor rights.

Reebok launched its human-rights-focused CSR efforts in 1988, underwriting about \$10 million (approximately 50% of the company’s marketing budget of 1988) to sponsor a world concert tour called “Human Rights Now!” to honor the 40th anniversary of the United Nations Universal Declaration of Human Rights. As another central components of Reebok’s CSR strategy, Reebok Human Right Award played vital role in positioning Reebok as a socially conscious company. Since their inception in 1988, the awards have been given to 80 young human rights activists from 36 countries by 2005.¹⁰

Reebok's leadership in the contemporary CSR movement against sweatshop abuses

In 1992 when Reebok was publicly criticized by human rights NGOs for using contractors violating workers' basic rights, Reebok drafted its "Human Rights Production Standards." As the first copy of codes of conduct in sportswear industry incorporating internationally recognized labor rights standards (e.g. core conventions of ILO), the standards include provisions on non-discrimination, no forced or child labor, freedom of association, non-harassment, wages, working hours, a safe workplace, and non-retaliation policy.¹¹

Reebok managed to achieve an industrial leadership during the contemporary CSR movement against sweatshop labor abuses, by addressing "spotlight" issues proactively. For instance, worker's right to freedom of association is one of the most controversial issues negotiated between corporations and civil society groups advocating labor rights in CSR movement. To convince the public of its CSR leadership, Reebok took bold step toward aggressively addressing workers' right to freedom of association in Asian countries where trade unions are either restricted by law and governments or manipulated by factory management. On March 23, one day before releasing the 1999 Reebok Human Rights Awards, Reebok's CEO Paul Fireman made public a letter to Indonesian President B.J. Habibie, calling for the release of imprisoned Indonesian labor rights activist, Dita Sari.¹² Two weeks later, Reebok announced the successful completion of a pilot training program by the American Center for International Labor Solidarity (ACILS), to teach freedom of association skills to workers in five factories making Reebok footwear and apparel in Indonesia.¹³ Moreover, in the past few years, Reebok launched "worker representation initiatives" in Indonesia, Thailand and China under the banner of implementation of its labor-related codes to trumpet its commitment to workers' rights to freedom of association.

Commercial motivations and long-term profitability

As part of Reebok's human-rights-focused CSR strategy, the company's labor-related CSR efforts

are marketing tool designed to enhance its reputation at marketplace. Reebok is clear about the effects of CSR activities on enhancing reputation: "As concern for human rights issues grows among consumers, particularly younger consumers, we believe our leadership and reputation will translate into greater preference for our brands and products."¹⁴ However, before enjoying financial benefits at marketplace, Reebok has to convince the public of its sincerity for improving workers' human rights but hide its real commercial motivations skillfully. As Doug Cahn, director of human rights programs of Reebok said, "Our concern for human rights...has not driven us in our marketing programs. It is a commitment to corporate social responsibility, and a way for us as a company and as individuals to give back to the world in which we live."¹⁵

Has Reebok's long-term, heavily invested, human-right-focused CSR efforts resulted in enhanced profitability? The answer is absolutely yes. In the mid 1990s when Nike, Reebok's main competitor, became the target of consumer boycotts, repeated media investigations, and international protests, Reebok experienced almost none of these things. According to Sethi's studies of Western news reports on sweatshops and human right abuses during 1986–2002, Nike accounted for 61% of total number of news reports mentions, while Reebok took up only 3.1% (Sethi, 2003:35–6). Consequently, in the late 1990s when Nike saw declines in sales, profits and stock values, Reebok financially benefited from being less targeted by negative publicity and anti-sweatshop activism. In current years, the long-term effect of Reebok's CSR efforts on profitability became more significant. Partly as a result of its CSR reputation enhanced during the past decade, Reebok saw its profit increasing from US\$ 11 millions in 1999 to US\$ 192 millions in 2004.¹⁶

Although Reebok's CSR strategy proves to be commercially successful in terms of enhancing reputation and profitability, what is unclear is the social results of the company's CSR efforts. Specifically, how have Reebok's labor-related CSR efforts resulted in similarly impressive improvement of labor standards at workplace of its overseas suppliers? This question will be examined through a case study of implementation of Reebok labor-related codes at one of Reebok's major footwear suppliers located in China.

Case study: the impact of Reebok labor-related codes on labor Standards at Fortune Sports

Company profile of Fortune Sports

Fortune Sports (FS) is a subsidiary firm of a large Taiwanese shoemaker which began its sport shoes manufacturing business in Taiwan in the early 1970s and switched production across the Taiwan Straits to China's Fujian province in the late 1980s for lower cost of land, labor, energy, and transport. During the 1990s, FS grew into Reebok's second largest footwear supplier in China, having 16 production lines, employing over 10000 workers, and producing about 10 millions pairs of shoes in 2002.

The FS is jointly managed by Taiwanese and local Chinese management. Like most large-sized Taiwanese-invested firms, FS has a highly hierarchical management structure, with ten or more levels of supervision of workers at shop floors. High-rank management positions are all filled by Taiwanese men, while middle-rank management (department managers and below) are all local Chinese (largely Fujian local people). Junior rank managerial staff supervising production lines (section leader and lower) are largely women employees promoted from shop floors.

The workforce of FS consists largely of young, unmarried, migrant women from China's poor rural inland provinces, employed basing on annual contract. Over 90% of production workers are female and over 95% of employee are 18–30-year-old.

Tayloristic production process, coercive labor disciplines and rampant labor right violations

The manufacturing of athletic shoes continues to be highly labor intensive – much of the work is done by hand and the degree of automation is low. The production process of a pair of athletic shoes includes the making of the outsole, the midsole, and the upper respectively and then assembling these three main parts together. FS organizes production tasks and workers into separate departments: cutting, stitching, assembling, painting, stock fitting, quality controlling and warehousing.

In order to ensure productive efficiency, the production process at shop floor of FS is organized under Tayloristic principles highlighting the effects of 'scientific' management and tight labor control on productive efficiency. Production workers are paid by piece-rate, basing on reaching and surpassing the quotas set by industrial engineers. Visible, coercive and punishment-oriented labor disciplinary techniques are employed through FS managerial hierarchies to ensure labor productivity. FS requires all workers to abide by company regulations (called "Employee Handbook") filled with disciplinary codes regulating not only employees' workplace activities but also workers' everyday life behaviors (e.g., clothing, shoe-wearing, or eating). Employees violating company regulations for the first time will be educated, have a record of violation for the second, be warned for the third, have a record of demerit for the fourth and be fired for the fifth violations in a year. Besides disciplining workers through their fear of losing job, deduction of wage or bonus is another frequently-used labor discipline method. For example, workers' full-attendance bonus will be deducted if they take leave for any reason (including take sick leave).

Not surprisingly, before Reebok required FS to reform labor practices complying with its labor-related codes in late 1990s, serious labor rights violations occurred at shop floor of FS, including:

Extremely long overtime working

China Labor Law states that standard working hour should be 40 h per week and overtime must be voluntary and can amount to no more than 3 h in a day, 36 h a month. It also requires that workers should be given at least one rest day per week. However, during the whole 1990s, monthly overtime working hours taken by production workers of FS normally reached 104–128 h, obviously exceeding China's legal maximum overtime working hours. It was also common for FS workers to be punished by wage deductions for refusing to work overtime.

Insufficiently compensated overtime working

China Labor Law stipulates employer should pay 150% of the normal rate as overtime compensation during weekdays, 200% on Saturday or Sunday, and 300% on statutory holidays. However, at shop floor

at FS, best majority of production workers earned piece-rate wages, not being paid at proper overtime compensation rates.

Occupational safety and health problems

The factory lacked essential equipments to protect workers from being affected by hazardous chemicals. For example, before ventilation system was installed in late 1990s, workers handling glues and solvents had to routinely work in dangerous conditions, inhaling the toxic fumes of chemicals throughout their shift. Frequently, workers had skin irritations, chronic nausea, respiratory problems, and other symptoms related to hazardous chemicals. Protective equipments such as gloves or masks, if delivered, provided inadequate protections because wearing gloves or masks could result in breathing difficulty in hot summers. Meanwhile, workers were not provided appropriate safety training and in many areas, the factory lacked safety equipment necessary to prevent serious injuries. Reported by workers, serious accidents occurred and workers' arms, hands or fingers got hurt.

Arbitrary punishments and abuses imposed by management

FS management enjoyed uncircumscribed power to discipline and punish workers very arbitrarily. Workers who worked slow, made mistakes or offended management personally most often were scolded in harsh words, punished by wage deductions, or even dismissed by management.

Difficulties in taking leave or resigning

China Labor Law stipulates employee being disabled from working because of pregnancy, childbirth, or related medical conditions should be granted, upon request, a leave of absence. But at shop floor of FS, especially during peak production seasons, workers had difficulties in getting management permission to take leaves. More seriously, workers were denied freedom of resignation and those resigned the job without management approval would not get their monthly payment and lost the chance to be employed by the company again.

However, rampant labor rights violations at FS not only resulted from the coercive labor disciplines imposed by management at workplace level, but also had close relationship with macro labor regime under China's market reform, which has provided

insufficient state protection of labor rights and weak union representation functions for Chinese workers.

Insufficient state protection and weak union representation

The China Labor Law of 1994, is the first comprehensive labor law in China's history, providing a foundation to stipulate a wide range of employment relations issues, ranging from working hours, rests and leaves, labor safety and sanitation, rights of female workers and juvenile workers to labor disputes resolution. On article, China Labor Law is comparable to those in developed countries and more progressive than those of many developing countries. However, when the supervision of law implementation became increasingly decentralized, developmentalist local governments driven by the impetus for attracting foreign investments and promoting local economy growth have neither the willingness nor the capacity to implement protective labor law. Consequently, enforcement of labor law lags far behind its legislation, failing to guarantee decent working conditions for Chinese workers.

The All-China Federation of Trade Unions (ACFTU) is only government-sanctioned union organization in China and independent unions or other types of worker organizations are illegal. However, as Chinese party-state's apparatus with restricted autonomy, the ACFTU tends to prioritize the state's goals over its function in representing workers' right and interests (Timothy, 2002; Chen, 2004). Besides being controlled by the party-state, the representational function of enterprise-level trade unions affiliated with the ACFTU is further hampered by managerial control, for union leadership is often dominated by management, or the election of union officials is manipulated by management (Ding et al., 2002; Gallagher, 2004:28).

At the requirement of local branch of the ACFTU in Fuzhou city, FS set up a trade union for its employees in 1997. However, all union committee members were middle and high rank managerial staff of the firm. Not joining in the union voluntarily, all employees were recruited into the trade union by the management and many employees were even unaware of the union's existence although they had to pay union membership fee every month. In eyes of majority of production workers, FS trade union

was more like a management organ than an employees' organization representing workers interests. Although the trade union had a "compliant box," few employees used it to air their complaints to the union, with fear of retaliation of management.

In sum, workers of FS benefited little from state protection of labor rights because of the rift between legislation and enforcement of China's labor law. Also, lacking representational trade union at shop floor, FS workers had no institutional channel to air their grievances or resist exploitative employment practices. Consequently, managerial power was arbitrary, labor disciplines were coercive, and violations of workers legal rights and human rights were rampant.

Implementation of Reebok labor-related codes, cost sharing and conflicts with purchasing practices

As Reebok's second largest footwear supplier in China, FS was required to strictly abide by Reebok labor-related codes of conducts, or "Reebok Human Rights Production Standards" in 1997 when Reebok hired a part-time local staff to monitor codes implementation at FS. Reebok human rights staff required FS management to: (1) make improvement on the most intensively criticized sweatshop-like working conditions, such as using child labor, forcing workers to take excessively long overtime, providing dangerous and unhealthy working conditions, and having corporal punishments and other managerial harassments; (2) shorten weekly working hours to 60 h (in 2004, Reebok further constrained the maximum workweek to 49 h); (3) pay fair wages and benefits as required by Chinese law (e.g. overtime wages, legally mandated social security, bonuses, salaried holidays and leaves); (4) take part in Reebok "worker representation initiatives" by installing an employee-elected trade union.

Considering the negative effect of increased production cost on its profit margin resulting from Reebok codes implementation, FS management took a relatively cooperative stance in seeking resolution to labor problems which added less cost. For instance, the company provided emergency exits or fire extinguishers in workplaces, regularly delivered personal protective equipments to production workers working at hazardous and unhealthy positions,

switched to use less toxic water-based glues on production lines, added a non-harassment policy into its Employee Handbook, and hired employees older than 18 years of age. However, FS management was obviously unwilling to make real improvement on labor standards causing significant increase of labor cost, especially paying overtime wages and offering bonuses and benefits required by Chinese law. In order to justify its reluctance to implement cost-raising labor standards, FS highlighted the fact that Reebok's current purchasing practices had constrained its incentives and capability to achieve a full compliance of Reebok codes.

Purchasing practices of branded merchandisers such as Nike, Adidas, and Reebok who dominate global athletic footwear industry are based on annual supplier evaluation using criteria on price, quality, timeliness of delivery, and in recent years, labor practices. Similarly, Reebok uses such multi-dimensional criteria to evaluate its suppliers annually and awards a score to each supplier. Normally, suppliers with highest score which are called "best partner" will receive a relatively higher (for the most, 20% higher) volume of forward orders.¹⁷ However, given price, quality, and time to market have direct impact on branded merchandisers' competitiveness at marketplace, these criteria are often prioritized over labor standards when branded merchandisers evaluate suppliers.

Although Reebok positions itself as an industrial leader in CSR field, the company is unwilling to play a leading role in reforming its purchasing policy or sharing cost for improving labor standards with suppliers. Firstly, although Reebok distinguishes itself from other branded merchandisers by addressing the discrepancy between purchasing practices and labor-related codes¹⁸, the company fails to provide any substantial solution to this problem. Instead, using its purchasing power, Reebok relies heavily on punishment-oriented method to force its suppliers to comply with Reebok labor-related codes, without amending its sourcing policy to provide more incentives and rewards to suppliers with better labor practices. For example, Reebok even introduces a "Sanctions Matrix" which creates a sliding scale of violation levels and financially penalizes the factory for noncompliance of its codes. Secondly, when competitions at marketplace became fiercer and fiercer during the past decade, just like all other top

branded merchandisers in this industry, Reebok prefers to using its buying power to force suppliers to comply with its labor-related codes rather than offering higher unit price to sharing financial costs for improving labor standards with its suppliers. The escalating competitions at retail market are clearly mirrored by the shrinking retail prices. For instance, the average price per pair of athletic shoes dropped from \$42.5 in 1997 to \$33.18 in 2004, shrinking nearly 22 percent over 1997–2004.¹⁹

FS management's response to the dilemma between labor standards and profitability

Although FS was evaluated as “best partner” of Reebok, the company had no bargaining power to made Reebok agree to share the costs for improving labor standards. Instead, the company experienced continuous price-cutting imposed by Reebok when retailing price kept dropping during the past decade. Consequently, FS management was caught in a dilemma: how to implement Reebok labor-related codes and simultaneously maintain its own profitability in a brutal market context.

From FS management's perspective, the only way to solve the dilemma was to improve internal management, lower production cost, and boost productive efficiency. Consequently, in 2002, with support of Reebok, FS management began to reorganize the production process at shop floor of FS around “New Production System” (NPS) principles, a production philosophy developed by Taiwanese engineers basing on essences of “Lean Production System” (LPS), the popular post-Fordist production system pioneered by Japanese automobile firm, Toyota. The NPS reform taking place at FS bore resemblance to key principles of LPS, especially principles on elimination of non-value-added activities and just-in-time production and delivery. However, NPS reform at FS was not a full-version utilization of LPS principles, but a hybridization of Taylorism and LPS which incorporated Taylorist labor control methods and LPS innovations on production management. FS management turned to be quite skeptical over the contribution of employee “empowerment,” “involvement,” or “participation” programs to productive efficiency and continued to rely on Taylorist managerial hierarchies for

direct labor control and productivity. As a result, NPS reform at FS did not include any forms of employee involvement, participation or empowerment schemes, leaving production workers voiceless and powerless in labor process.

In order to make FS management satisfied, NPS reform resulted in a significant increase of productivity and reduction of production time. As one Taiwanese manager described, “using 30% more workers, NPS lines could make the daily production volume increase 50%, or a 15% increase of productivity.”²⁰ In order to reward FS for the boosted productive efficiency and flexibility, Reebok increased its order volume placed at FS by 15% in 2004, making FS's monthly order volume increase to about 1.5 million pairs of shoes. However, NPS reform at FS provided negative consequences for production workers who had to work in a more stressful environment to complete higher production tasks when the workweek was shortened from over 60 h in 2002 to about 50 h in 2004. Firstly, reflecting LPS principle on “elimination of non-value-added activities,” NPS reform at FS centered on cost reduction activities which frequently were applied to labor and sharply reduced buffers between operations, eliminated slack time during work. Secondly, to boost production volume, workers were assigned higher production tasks and work-pace was speeded-up, making work at NPS lines more laborious and stressful. Thirdly, to make sure the increased production volume not be flattened by increased labor cost, NPS lines were made deliberately understaffed and most often experienced workers were required to take multi-tasks.

The question is, therefore, has implementation of Reebok human rights standards under NPS reform resulted in real improvement of workplace labor standards? Viewing the issues of workers' wages as one of the most controversial labor standards-related problems in athletic footwear industry, in the following section, I will examine the combined impacts of Reebok labor-related codes and NPS reform on FS workers' wages.

Combined impacts of Reebok's “legal minimalist” wages policy and NPS reform on workers' wages

Just like all other branded merchandisers, Reebok merely required its suppliers to pay legal minimum

wage or the prevailing industry wage (whichever is higher), rather than a “living wage” required by labor right advocacy groups to ensure workers’ full-time wages are adequate to meet the basic needs (food, shelter, clothing, transport, basic education, and basic health care) of a small family.²¹ In practices, when Reebok human rights staff monitored the implementation of its wage standard, they followed a “legal minimalist” approach. As Reebok human rights manager in China described, “*On issue of wages, for us [Reebok], the most important principle was to ensure all footwear factories to pay wages abiding by Chinese law and regulation. That’s mean workers should at least be paid: a basic wage equal to legal minimum wage for regular workweek; and overtime wages which were properly paid at compensation rates stipulated by China Labor Law.*”²²

Before Reebok fully implemented its “legal minimalist” wage policy at FS in 2002, the company’s wage system was solely under control of the management. In 1993, China Ministry of Labor issued Enterprise Minimum Wage Regulation which was amended in 2004, empowering local labor administrative departments at province, autonomous region and municipality levels to formulate the minimum wages for enterprises under their jurisdiction. Nevertheless, in many regions, as local authorities try to maintain the image of an investor’s paradise for low production costs, minimum wages are frequently frozen below the level of local economic development and the increase of enterprises profitability.²³ For instance, the minimum wage of Fuzhou city in 1994 was set at 225 RMB yuan (or 29 US\$) and increased slowly during the past decade, reaching 470 RMB yuan (or 60 US\$) in 2005²⁴, still being too low to meet workers’ basic needs, let alone supporting their family members.

Although the legal minimum wages in Fuzhou city were continuously frozen at below-subsistence level, the minimum wage regulation did not have any impact on FS wage system during 1989 to 2002 when monthly payment of best majority of production workers was largely piece-rate-based. In order to boost workers’ loyalty, the wage system also included bonuses for full-attendance, long-service, skill and year-of-end allowance, however, piece-rate-wages remained the major part of workers’ total monthly wages (taking up 80–90%). Only manage-

rial and salaried non-production staff, but not production workers, were paid a base wage and overtime wage by legally mandated compensation rates.

By 2002, when Reebok began to seek a fully implementation of its “legal minimalist” wages policy at FS, the company was forced to “amended” the wage structure of FS production workers to include two items: (1) base wage equal to Fuzhou legal minimum wage; (2) overtime wages properly paid at compensation rates stipulated by China Labor Law. However, the wage structure of production workers was amended merely “formalistically”. Although the new payroll showed that production workers began to earn both base wages and properly paid overtime wages, substantially, FS production workers’ payment was continuously determined by the preceding piece-rate-based wage system. Employing such a double-track wage system – one was covertly used preceding piece-rate-based wage system, the other was the overtly used one “formalistically” providing base wage and overtime time wage for production workers – FS management found the cheapest solution to the dilemma between implementing Reebok wage standards and increasing labor cost. On the one hand, FS management could use the new payroll system which markedly recorded the sufficiently paid base wages and overtime wages to convince monitors sent by Reebok that the company had perfectly implemented Reebok “legal minimalist” wages policy; on the other hand, because production workers’ base wages and overtime time wages were merely parts of “renamed” piece-rate wages, not adding any additional labor cost for the company. In order to prevent production workers from using the double-track wage system as tool for claiming actual payment of base and overtime wage, the company maintained piece-rate wage system only covertly, allowing production workers no information access to their daily output and pay rate of their piecework.

Moreover, during NPS production process reform, FS management took various efforts to tighten control over labor cost. Firstly, when labor productivity enhanced and overtime-working hours shortened under NPS production system, FS management took the chance to reduce workers’ wage, telling workers that it was “reasonable” for worker to receive less payment for shortened overtime-

working hours. In order to make it workable, FS management employed more punitive labor disciplinary methods to ensure hourly labor productivity. Secondly, although NPS system enhanced labor productivity by forcing production workers to take multi-tasks, or speeding-up work pace, FS management deceitfully put a ceiling on workers' wages by reducing pay-rate of piecework or falsely recording workers' output once productivity boosted significantly. As one worker in stock-fitting department recalled, "Once the production line switched to new shoe model, staff of Industrial Engineering (IE) department will come to measure the hourly productivity of various work positions in the production line and set piece-rate of each position. However, if workers productivity increased significantly in short period, the company would send IE staff back to recheck if piece-rate was low enough. For instance, during March to April of 2003 when we worked on shoe model #2410, at the beginning, the average piece rate was set at 0.12 RMB yuan per pair and workers' wages were relatively higher because of quickly increased productivity, but in the second month, the average piece rate was reduced to 0.09 RMB yuan and workers wages declined accordingly." Meanwhile, line supervisors were disciplined to record workers' production output falsely to make sure workers' piece-rate wages did not exceed the ceiling. As one stitching worker complained, "After NPS reform, I was trained as multi-skilled workers and required to take two work assignments. My line supervisor told me I would be paid by production output, so my piece-rate wage could reach 1000 RMB yuan. But finally, I found my piece-rate wage was merely 700 RMB yuan. Later, the line supervisor told me that it was not her fault because she had recorded and reported accurately my output, but the company had set the maximum wages of stitching workers as 800 RMB yuan. If workers' piece-rate wage exceeded the maximum, line supervisors will be strictly scolded by manager, so none line supervisor would report the correct output which could make workers' wage exceed 800 RMB yuan." Thirdly, NPS reform had switched production cost for quality-related problems to shop floor or even individual production workers.

Consequently, to make FS production workers disappointed, the implementation of Reebok's "legal minimalist" wages policy at FS merely amended the wage structure formalistically, but delivered no real economic benefits to production workers. Quite the contrary, combined with the

negative effect of NPS reform, the implementation of Reebok's "legal minimalist" wages policy had resulted in a significant drop of production workers' wages. During the pre-reform years (1997–2001), as showed by Figure 1, the average wages of production workers in all departments was about 850 RMB yuan (or 109 US\$), while during the post-reform years (2002–2004) the figure declined to 725 RMB yuan (or 93 US\$). Could the average monthly wages of FS production workers reach the level of local legal minimum wage, prevailing industry wage or a "living wage" standard? As illustrated by Figure 1, the implementation Reebok's "legal minimalist" wages policy and NPS reform in 2002 had reduced average wages of FS production workers to a level

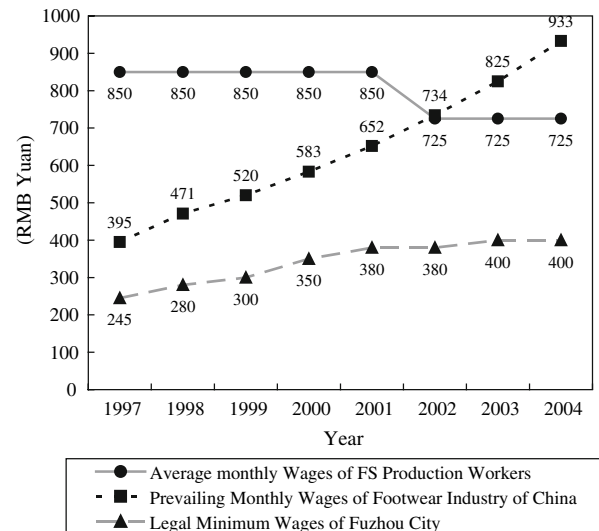


Figure 1. Comparison of average monthly wages of FS production workers with prevailing monthly wages of footwear industry of China* and legal minimum wages of Fuzhou city, 1997–2004. * Data on Prevailing Monthly Wages of Footwear Industries of China 1997–2004 were composed basing on Prevailing Monthly Wages of Manufacturing Industries of China 1997–2004 and average wage ratio of footwear industry/manufacturing industries of China 2003–2004 (0.8). Source: Zhongguo Laodong Tongji Nianjian (China Labor Statistics Yearbook) 2003–2005; Fujian Ribao (Fujian Daily) July 6, 2005; Fuzhou Wanbao (Fuzhou Evening News) October 23, 2003; Fujian Ribao (Fujian Daily) July 7, 2001; Zhongguo Laodong he Shehui Baozhang Nianjian (China Labor and Social Security Yearbook) 2000; Jingji Cankao Bao (Economy Reference News) July 26, 1995; interviews with FS production workers 2002–2005.

lower than prevailing wage of footwear industry in China, although the figures remain higher than Fuzhou legal minimum wages. Firstly, during 1997–2004, the average monthly wages of FS production workers were above Fuzhou legal minimum wages which were set too low to meet workers' basic needs for food, clothing, housing, and medical care. Secondly, the average monthly wages of FS production workers were above the prevailing wages of footwear industry in China during 1997–2001, however, during 2002–2004 when majority of footwear production workers of China began to enjoy increased wages FS workers found their wages were shrinking dramatically. Thirdly, many production workers complained that declined wages could hardly meet their basic living costs. Worse, reduced wages made lives of workers who had family member depending on them for livelihoods even harder. As one working mother complained, *"I have two kids living with me here, one is 12, and the other is 8. My husband also works in this company. In previous years when we earned 800–900 RMB yuan per month, the payment could meet the basic needs of my family. But now, being paid merely 600–700 RMB yuan per month, we can hardly make ends meet."*

In sum, the implementation of Reebok labor-related codes at FS during 1997–2005 had imposed contradictory impacts on labor standards. When many intensively criticized sweatshop labor abuses – for example, using child labor, providing unsafe and unhealthy working conditions, forcing workers to take long overtime – were curbed, vast majority of FS production workers found disappointedly that they were required to work harder, faster but were rewarded with meaner payment under NPS production system used by FS management as a solution to the dilemma between implementing Reebok labor-related codes and maintaining profitability. One of the most important causes for the limited improvement of labor standards at shop floor of FS lied in that Reebok had committed to neither sharing cost for code implementation with FS nor amending its sourcing policy to make improvement labor standards more financially manageable to FS management, although Reebok enjoyed a significant growth in profitability during the past few years. Worse, to further enhance its competitiveness and profitability, Reebok lowered the average piece price of orders placed with FS by 10% in 2005.

Representational functions of the employee-elected trade union resulted from codes implementation

Unlike other branded merchandisers in sportswear industry, Reebok aggressively addresses worker's right to freedom of association, launching "worker representation initiatives" in Indonesia, Thailand and China where independent trade unions are restricted by law. As part of its "worker representation initiatives," in 2001, Reebok facilitated a secret ballot election of trade union affiliated with local branch of the ACFTU in one of its footwear supplying factories in Shenzhen city, South China. In 2002, similarly promoted by Reebok, an employee-elected trade union headed by chairman and vice-chairman elected from production workers was installed in FS.

Noticeably, compared with the preceding management-dominant FS trade union which had no awareness and support of production workers, the new trade union elected through democratic procedure represented a significant step toward worker's rights to freedom of association. It was the first time that production workers at FS were given voting power to select union representatives from candidates created through self-nomination procedure rather than assignments of the management or Chinese official trade union, the ACFTU.

However, what is at stake is how far will the employee-elected trade union be able to go to represent employees' interests under China's labor regime where independent trade unions are repressed ruthlessly and strikes or other radical industrial actions are restricted strictly. Both China's national law and local regulation of Fujian province²⁵ assign union organizations affiliated with the ACFTU in Foreign-funded-enterprises (FfEs) triple-representing roles: (1) protecting employees' legal rights and interests, (2) supporting state's reform and opening policy and representing the overall interests of the entire people, (3) respecting investor's interest and promoting enterprise development. Such triple-representing roles are created by Chinese party-state and the ACFTU, premising the interests of employees, state and employers are harmonious in principle. However, in reality, interests of employee and employer are fundamentally conflictive and labor-management relations at FfEs are most often antagonistic.

In line with China's national and local law and regulations on trade union, FS Trade Union Charter assigned triple-representing roles to the elected union. The Charter proclaimed roles of the FS union as: (1) representing and protecting employees' legal rights and interests; (2) facilitating labor-management communication; (3) mediating and resolving labor disputes; (4) strengthening the implementation of company rules and [Reebok] human right standards; (5) carrying out tasks assigned by higher-level branches of the ACFTU. FS Trade Union Charter did allow the union to sign collective contracts with enterprise on behalf of employees, but had no provision on union's rights to collective bargaining. Unlike trade unions in most Western countries which are entitled to engage in overt confrontational collective bargaining activities (e.g., strikes, work slowdowns), China's trade unions are banned to employ such an adversative representation strategy. Accordingly, FS Trade Union Charter included merely narrow empowering provisions, merely enabling the union to take part in non-confrontational collective consultation activities.

As documented by many studies, China's enterprises trade unions' roles in representing employees' rights and interests are restrained by the fact that they lack structural and operational autonomy in carrying out union activities (Chen, 2004; Gallagher, 2004; Zhu and Warner, 2005). Analyzing the power structure of FS trade union, I find the union operates in a power relationship of triple dependence: (1) on local branch of the ACFTU, (2) on FS management, and (3) on Reebok human right staff. Firstly, using their leadership status, local branch of the ACFTU repeatedly coached FS union committee members to carry out union activities in a cooperative union-company relationship, avoiding using any confrontational strategy. Secondly, FS management used various techniques to co-opt the elected union into a managerial tool, representing more interests of the company than that of employees, ranging from controlling union funds, buying-off union cadres with wage increase and chance for promotion, to intimidating and punishing union committee members daring to address workers' most concerned problems and seek radical reform of arbitrary management. Thirdly, although Reebok intervened in with a union-supportive stance in early stage of union operation, to safeguard its long-term good

relationship with FS, Reebok refused to provide any institutional protection for union committee members from management anti-union harassment and discrimination.

Analyzing main activities carried out by FS employee-elected trade union during 2002–2005, I find, not being empowered to deal with workers concerned-most issues – such as limiting managerial authoritarianism by impartial disputes arbitration system, creating a transparent and fair wage system and seeking wages increase when the company make increased profits – the union functioned more like a “company union” which is usually initiated and dominated by employer, serving the interests of FS management for boosting employee loyalty, morale and productive efficiency, and a grievance channel releasing Reebok from expensive monitoring of its labor-related codes implementation. Although FS trade union was allowed to make recommendation on trivial welfare issues, FS management remained the single governor of all matters concerning workers' rewards and discipline, and management arbitrariness still prevalently uncircumscribed. As discussed above, the limited achievement of the union not only had roots in China's contemporary labor regime, but also had closely relations with the negotiated agency of Reebok, local ACFTU, and FS management over the roles and power of FS trade union.

Conclusions and research implications

This article examines the social results of labor-related CSR policy or corporate codes of conduct in improving labor standards through a long-term case study of implementation of Reebok labor-related codes at one of its major footwear supplier factory located in Fuzhou city, south China. I find, as a kind of private regulation tools for establishing minimum labor standards across national boundaries, Reebok labor-related codes has resulted in “race to ethical and legal minimum” labor standards at workplace of FS. First, inhumane labor practices making mainstream consumers in the developed world morally outrage were curbed, which frequently are working conditions-related issues (for instance, using of child labor, forcing workers to labor in unsafe and unhealthy working conditions, or imposing corporal

punishments to discipline workers. Second, labor practices seriously violating China Labor Law, for example, forcing workers to take overtime working hours longer than legal maximum workweek or not paying legal minimum wage also were regulated.

Such a “race to ethical and legal minimum” effect protected Reebok from being attacked by anti-sweatshop activism and even contributed to Reebok long-term profitability but rarely met Chinese workers’ expectations of labor practices improvement. Quite the contrary, in exchange for the minimum labor standards on which they had nearly no voice and agency, Chinese workers of FS were forced by authoritarian management to work harder, faster but earn less payment which was no longer sufficient to meet basic needs of workers themselves and their family dependants. Although an employee-elected trade union was installed in FS at requirement of Reebok to trumpet its commitment to workers’ rights to freedom and association, the union worked more like a “company union” rather than an autonomous worker organization representing worker’ interests. The union brought feeble hope for workplace democratization and failed to enhance workers’ bargaining power in demanding for better working conditions and payment.

The restricted effectiveness of Reebok labor-related codes in improving labor standards at workplace of FS, especially on issues of providing a living wage and promoting workers’ rights to freedom of association and collective bargaining was determined by both inhibiting structural forces and agency-related factors embedded in industrial, national and local contexts.

At industrial level, CSR movement in athletic footwear industry centering on creation and implementation of codes of conduct is dominated by branded merchandisers like Reebok driven by commercial incentives for long-term profitability. The commercialization agenda of CSR movement put a ceiling on effectiveness of codes of conduct in improving labor standards, especially on issues of wages and workers’ rights to freedom of association and collective bargaining, which could jeopardize corporation’s pursuit of profit maximization. Persistently relying on a sourcing policy prioritizing low price, high quality, and just-in-time delivery over labor practices for sales and profits, Reebok “outsourced” its labor-related CSR policy to FS, using

its buying power to pressure FS to absorb added financial cost for improving labor standards, rather than committing to share costs or amend its sourcing policy to make improving labor standards more financially manageable to FS management. Facing the dilemma between improving labor standards and maintaining profitability, FS management pass down the cost for implementing Reebok labor-related codes to production workers, forcing workers to pay for the “race to moral and legal minimum” labor standards at costs of harder work and less payment. The continuously declining average prices at key athletic footwear markets also illustrated the negative effects of consumption pattern and competition trends at marketplace on improvement of labor standards.

At national and local levels, China’s labor regime at both central and local level provided no enforceable legislations and effective institutions to protect Chinese workers rights, resulting in rampant sweatshop labor abuses especially in labor-intensive manufacturing industries. Similarly, China’s labor regime prioritizing economic development over labor protection constrained the promises of corporate codes in upholding labor standards. In my case study on impacts of Reebok’s “legal minimalist” wages policy on workers wages, the below-subsistence legal minimum wages in Fuzhou city provided an unfavorable legislative environment preventing FS workers from gaining real benefits in wages/benefits increases, but merely servicing Reebok’s impetus for high-profile CSR reputation and helping FS management to solve dilemma between profitability and codes implementation.

Meanwhile, China has not signed ILO core conventions on freedom of association and collective bargaining and China’s current labor regime bans independent trade unions and workers rights to strikes or other confrontational collective bargaining actions. However, as the only government-sanctioned union organization in China, the ACFTU and its affiliations at local and enterprise levels lack autonomy in relations with Chinese party-state and employers and play a very weak representational role. Operating in such a context, not surprisingly, labor-related codes had little chance to deliver any autonomous worker organization with collective bargaining power. In case of practices of Reebok “employee representation initiatives” in FS, abiding

by China's national law and local regulation on trade union, the employee-elected trade union was assigned a non-confrontational triple-representing-role and operated in a triple-dependence power relations with local branches of the ACFTU, FS management and Reebok. Consequently, the union achieved "workplace democratization" to a very slight extent, having merely rights to make recommendation on trivial welfare issues but no say over matters concerning labor discipline and workers' rewards in labor process. At most, the union has functioned as a managerial tool for rationalizing capitalist employment relations under ideology of "welfare capitalism", playing no collective bargaining role in demanding for better working conditions and payment.

The case study shows codes of conduct with a commercialized CSR agenda have serious limitations in improving labor standards, although codes contributed to eliminate the most egregious sweatshop abuses. The effectiveness of codes may be constrained by unsolved tension between corporations' impetus for profit maximization and commitment to social responsibility, hard-nosed competition realities at marketplace, and insufficient state protection of labor rights. Therefore, the daunting question for CSR researchers and practitioners becomes how about the way-outs to overcome these fatally inhibiting effects in order to keep a fine balance between financial and social outcomes of labor-related CSR practice. Below I suggest two possible solutions.

Sharing cost for improving labor standards among key players in global supply chain

As showed by this case study and many other empirical research of codes implementation,²⁶ one of key factor prohibiting the effectiveness of codes lies in that the costs for improving labor standards is not distributed fairly among key players in global supply chains. In athletic footwear industry, branded merchandisers such as Nike, Adidas, Reebok, and retailers such as Foot Locker, The Finish Line, and Wal-Mart generally enjoy higher profit margins than suppliers such as Yue Yuen. For instance, the average profit margin of Nike, Foot Locker and Yue Yuen, – the largest firm at wholesale, retail and

production node of athletic footwear supply chain – was 40%, 31%, and 26%, respectively during 1996–2004. However, branded merchandisers and retailers have made no commitments to sharing costs for improving labor standards with suppliers, especially on issues of providing living wages for production workers.

Branded merchandisers repeatedly call paying worker a "living wage" unrealistic, highlighting increasing workers wages will result in unintended workers layoffs. Many labor right advocacy groups, such as Community Aid Abroad-Oxfam Australia, The National Labor Committee and China Labor Watch conceive that branded merchandisers having very wide profit margins and enormous profits can easily absorb the increased cost for paying worker living wages if they agree to contribute a small part of their profits or reduce expenditures on advertising and promotion activities. My case study on wages of production workers of FS shows that paying 16000 Chinese workers of FS a living wage will only cost an extra \$3 million a year which accounts for less than 2% of Reebok' average profits or advertising and promotion expenses during 2002–2004, or merely 4% of Chinese basketball super star Yao Ming's endorsement money of \$70 million paid by Reebok in 2003.

Meanwhile, at the top of commodity chain of athletic footwear, big retailers also rake in huge profits. In pursuit of profit maximization, retailers frequently use their negotiating strength stemming from access to consumers to bargain for lower-priced and just-in-time-delivered products, exerting downward pressure for labor practices. Especially, discount and low-end retailers like Wal-Mart, Target, and Kmart relying heavily on their low-price edges for sales and profitability have more incentives to squeeze production cost from manufacturing circle and have direct responsibility for labor rights abuses. Oddly enough, however, we have rarely heard that retailers have come in under radar of anti-sweatshop activists advocating labor rights of the developing world nor seen retailers catching the spotlight on labor-related CSR issues of the developing countries. However, these retailers reaping enormous profits from outsourcing manufacturing in low-wage countries do have responsibilities for improving working conditions and workers' livelihoods. If more retailing corporations had committed

themselves to social responsibility toward labor practices, labor-related CSR policies would have been more successful in upholding global labor standards.

Combining regulatory power of codes, state legislation and international law

Even though codes of conduct could be implemented more effectively if the implementation cost has been shared fairly among key players in global supply chain, codes remain have shortages in terms of protection coverage. Codes of conduct primarily influence labor practices in the small slice of global economy, currently, providing protection merely to workers in export processing industries, but rarely reach workers producing for domestic consumption in developing countries lacking ethically inclined consumers. In order to enlarge the possibilities for a wider-covering regulation of labor practices, codes should be recognized as a supplement initiatives rather than alternatives to traditional regulatory approaches – state legislation and international law.

Law scholar (Zumbansen, 2006) uses the concept of “transnational law” – the specific regulatory mix of formal, hard, public regulation, and informal, soft, private regulation – to capture the supplemental relations between state labor regulation and codes of conduct. On the one hand, emerging in the absence of effective state regulation in the “deregulation” reality under neoliberal globalization, codes have great potential in extending the application of globally recognized labor standards across national boundaries, across governmental jurisdictions and along global supply chains. On the other hand, national legislations and international laws have particularly crucial role to play in regulating labor practices where codes turned to be obviously ineffective, because of their voluntariness and inadequate coverage.

Notes

¹ Rodriguez-Garavito,(2005), p. 204.

² Some widely cited and recent studies include Drumwright and Murphy (2001), Godfrey and Hatch, (2007), Margolis and Walsh,(2001), Marom, (2006),

Orlitzky, et al. (2003), and Sen and Bhattacharya (2001).

³ According to an extensive review of 1682 English news reports conducted by Sethi (2003), athletic footwear industry had the worst record, accounting for over 50% of total number of negative new reports on sweatshops and human rights abuses in global factories over 1994–2002.

⁴ During the 1990s, all top branded merchandisers dominating global athletic footwear industry, such as Nike, Reebok, Adidas, New Balance, Puma, Asics, Fila, Kappa, Lotto and Umbro adopted corporate codes of conduct or sourcing policy to monitor labor practices of their overseas suppliers. See Tulder and Kolk (2001, p. 269–70), Clean Clothes Campaign (2004, p. 78).

⁵ In 2003, Reebok became one of five winners for the American Apparel & Footwear Association’s “Excellence in Social Responsibility” Awards. See Haisley (2003).

⁶ During the past decade, exceeding other low-wage Asian countries such as Indonesia, and Thailand, China became the largest manufacturing powerhouse of global athletic footwear industry. It is estimated that China produced 80% of the world’s sports shoes and the exports value reached US\$625 million in 2003. See “China Produces 80% of the World’s Sports Shoes and although their Prices are Virtually Unbeatable.” *Business Wire*, October 13, 2005.

⁷ According to Sethi (2003)’s news analysis, China continued to top the list, accounting for approximately one-fourth of total number of Western news reports on sweatshops abuses.

⁸ “Adidas Steps Up to Buy Reebok for \$3.8 Billion.” *Los Angeles Times*, August 4, 2005.

⁹ Reebok International Ltd., “Annual Report 2004”, See <http://www.reebok.com/useng/ir/financial/default.htm>

¹⁰ “Reebok to honor 4 rights activists.” *The Boston Globe*, March 7, 2005.

¹¹ For details content of “Reebok Human Rights Production Standards” see Reebok, 2001. “A Guide to the Implementation of the Reebok Human Rights Production Standards.”

¹² “Political activists rejects award from shoe firm.” *The Independent*, February 8, 2002.

¹³ “Reebok and American Center for International Labor Solidarity Partner in Labor Rights Training for Workers in Indonesia.” *Business Wire*, April 6, 1999.

¹⁴ “Reebok follows fashion for confessions.” *The Guardian (London)*, October 19, 1999.

¹⁵ “Sole-Searching.” *Footwear News Sole to Sole Supplement*, May 19, 1997.

¹⁶ Reebok International Ltd., “Annual Report 2004”, See <http://www.reebok.com/useng/ir/financial/default.htm>

¹⁷ Interview with Reebok Human Rights Manager in China, December 2004.

¹⁸ http://www.reebok.com/Static/global/initiatives/rights/business/source_perspect.html

¹⁹ Sporting Goods Manufacturers Association (SGMA), 2000, “US Athletic Footwear Market Today 2000”; SGMA, 2001, “US Athletic Footwear Market Today 2001”; “Athletic shoe sales rise in 2001.” *Footwear News*, March 11, 2002; “Rivals scramble to topple Nike’s sneaker supremacy.” *USA Today*, April 3, 2003; “News Digest.” *Rubber & Plastics News*, May 2, 2005.

²⁰ Interviews with Taiwanese manager of FS, October, 2002.

²¹ Conner, 2001, p.50.

²² Interview with Reebok Human Rights Manager in China, December, 2004.

²³ Fazhi Ribao [Legality Daily], November 24, 2005.

²⁴ Jingji Ribao [Economy Daily], July 10, 1995; Fujian Ribao [Fujian Daily], July 6, 2005.

²⁵ China Trade Union Constitution (2003, Article 29) and Fujian Province Foreign Funded Enterprise Trade Union Regulation (2003, Article 12).

²⁶ Connor (2001), Sum and Pun (2005).

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