Analyse & Kritik 01/2011 (© Lucius & Lucius, Stuttgart) S. 195–212

Mark Starmanns

Comment on Sonja Dänzer. Structural Injustice in Global Production Networks: Shared Responsibility for Working Conditions*

Abstract: This commentary's claim is that Dänzer's argument does not sufficiently take into account the complexities of the global production of goods, the current corporate responsibility practices and the problems of attributing responsibility to single actors. I argue in favour of a shared responsibility and briefly present a discursive approach for attributing MNE's share of responsibility in global supply chains, which requires obligatory transparency.

1. Introduction

Many consumer goods are produced in factories of low-income countries, where working conditions are inhumane. Because national governments do not sufficiently regulate these problems, some argue that large brands[1] and retailers are responsible for ensuring decent working conditions in their supply chains. For example, while most companies oblige their suppliers to pay legal 'minimum wages', non-governmental organizations (NGOs) criticize that often workers can not decently live on 'minimum wages',[2] which forces them to work up to 18 hours a day, if they want to feed their families.[3] The Clean Clothes Campaign (CCC), for instance, argues that 'living wages'[4] allow workers to live on 8 hours

* I would like to thank Perscheng Assef for proof reading an earlier version of this text and Anton Leist and Sonja Dänzer for providing feedback on an earlier version of this text. All mistakes remain my own.

[1] While Dänzer uses 'multinational companies', I will use 'brand' or 'retailer' and later 'lead firm'.

[2] The government in Bangladesh recently fixed 7 different pay grades for its legal minimum wages for different qualifications. The lowest grade is fixed at 3.000 Taka (ca. 30 Euro), while the highest pay is fixed at 9.300 Taka (ca. 93 Euro).

[3] Compare documents on: http://www.cleanclothes.org.

[4] A living wage would guarantee that workers receive at least enough to meet basic needs for themselves and their families. To calculate the pure labour costs for sewing a T-Shirt, the CCC argues that it takes 11 Minutes of work for sewing and finishing a T-Shirt. Now, if workers are paid a living wage of 12.000 Taka, and if they work 20 days a month and 8 hours per day, labour costs for one minute of work are 1,25 Taka (a bit more than 1 Cent). So the labour costs of sewing a T-Shirt is maybe 0.13 Euros and the difference to the minimum wages

work a day with marginal production cost increases per piece (10-20 Cents). The CCC points out this situation and claims that brands/retailers are responsible for paying 'living wages', which appeals to our intuition.

Dänzer (2011) explores a genuinely moral justification for the public intuition that brands and retailers are responsible for working conditions in their supply chains. She first uses five criteria of Miller's (2007) 'connection theory of remedial responsibility' to justify the moral intuition that a lead firm is remedially responsible for poor working conditions in its supply chains and concludes that lead firms generally share a remedial responsibility for working conditions in their supply chains. Second, she argues that also the suppliers share a remedial responsibility for working conditions and suggests that 'structural characteristics' can help to assess how much remedial responsibility a lead firm shares, as compared to a supplier. Dänzer applies the Global Value Chain (GVC) framework to assess a lead firm's share of remedial responsibility and concludes that in 'hierarchical' or 'captive' supply chain relationships a brand/retailer has a larger share of responsibility than his supplier; in contrast, in 'market-based', 'relational', 'modular' relationships the supplier has a larger share.

This article discusses Dänzer's argument mainly with empirical knowledge about corporate social responsibility (CSR) practices in global garment value chains and with insights from recent GVC research. I try to point out that Dänzer insufficiently recognizes the complexity of defining shared responsibility in global production networks. I also show that her argument does not provide enough guidance for identifying and particularly assigning companies' shared responsibility for working conditions in supply chains—and briefly suggest an alternative approach.

I proceed as follows: *section 2* gives an insight into companies' practices of managing their supply chains. *Section 3* introduces current CSR practices and explains what companies do in order to 'take responsibility' for working conditions in their supply chains. *Section 4* outlines the problem of complexity for identifying lead firms' remedial responsibility. *Section 5* examines Dänzer's criteria regarding remedial responsibilities in more detail, and in *section 6*, I present an alternative discursive approach to assigning corporate responsibility. Finally, I provide some conclusions.

2. Global Garment Supply/Value Chains

Garment supply chains are long and complex, and many actors are involved in the production of a piece of garment (compare Starmanns 2010). The production of a simple T-Shirt usually takes place in various legally independent companies. While most garment brands' headquarters can be found in Europe or the USA, their production takes place in 'developing' countries with low labour costs and poor labour law regulation. A *simplified* garment supply chain can be separated into four different value adding or production processes (see *figure 1*). The

is around 10 Cents per T-Shirt. See also: Wie 'fair' wird Outdoorbekleidung produziert?, *NZZ* (12.8.2011).

three production processes (B/C/D) are usually sub-divided into many single processes, which often take place in legally independent companies, most of which operate under poor working conditions.

The lead firm (A) is the company, whose responsibility is in question. It designs, markets and finally sells the product, but outsources the production processes to legally independent companies for cost reasons. The lead firm has a sourcing contract, either with a buying agent (A1—not in figure) or directly with a garment producer (B). Brands specify the quality of the ingredients used by B, but they do not have direct contracts with textile producers (C) or fibre producers (D). In *figure 1* 'embeddedness' indicates that various actors influence the chain governance, and 'value (addition)' roughly points out where value is added.

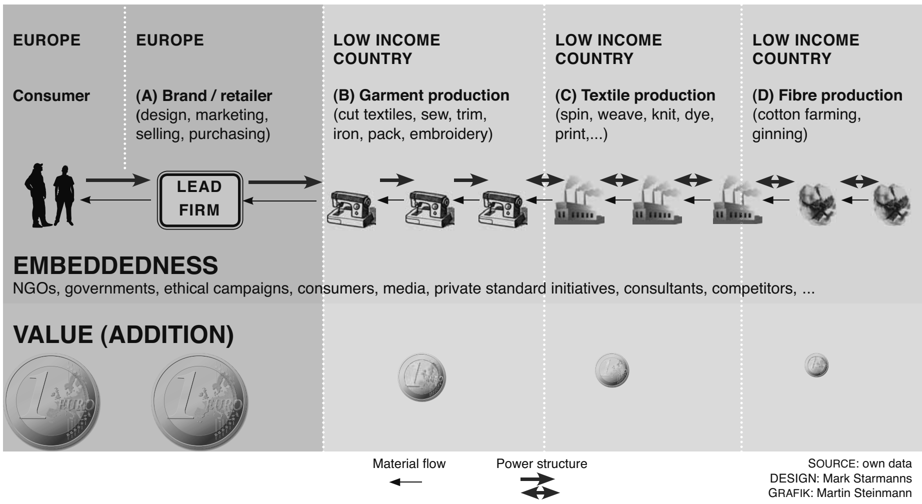

Figure 1: A simplified garment supply chain.

When placing an order, a purchasing contract determines at least four criteria (Humphrey/Schmitz 2001): (P1) Product: What shall be produced (sometimes also specifying inputs)? (P2) Quantity: How many pieces of the product shall be produced? (P3) Delivery: When and how shall the products be delivered? (P4) Standards: What social and environmental standards must be complied with?

In addition (P5), while some GVC scholars claim that the lead firm also determines a product's buying price (Humphrey/Schmitz 2001), technically the lead firm and his supplier agree on a price under consideration of P1–P4. However, a large brand is usually in a better bargaining position than the supplier, because the brand can always choose to place the order on another company. Even if changing the supplier results in additional costs, most brands regularly select new suppliers, which has been interpreted as part of a lead firm's 'power' in 'buyer-driven' chains (Gereffi 1994). However, in some supply chains the supplier rather holds the power, because he is much larger than the lead firm.

Dänzer's article focuses on the relationships between the lead firm and its 'direct suppliers', whom she does not specify (is it B or A1?). She further argues: "much of what will be said could be used to assess questions of responsibility with regard to other actors in the supply chain as well" (2011, 178). While it is good to reduce complexity of research and focus on the direct contractual suppliers, I suggest that there are also relevant problems related to working conditions in the textile and fibre production,[5] which Dänzer's argumentation does not answer.

Dänzer (178f.) argues that 'structural properties' are relevant with regard to lead firm's responsibility for working conditions at the direct supply factory. She uses Gereffi et al.'s (2005) five different 'modes of governance' of the GVC framework (hierarchy,[6] captive, relational, modular and market-related) to assess a lead firm's responsibility for working conditions versus a supplier's responsibility. The GVC framework aims at understanding how companies govern their value/supply chains and why they do it that particular way (Gereffi et al. 2005). It suggests that the answers (high/low) regarding three variables of the buyer-supplier relationship (complexity of transaction, codifiability of information, supplier capability) determine in what 'mode of governance' a lead firm will select to govern his supplier (compare *table 1*). Transaction costs are seen as the most important factor for determining whether a variable turns 'high' or 'low' and therefore these costs determine the 'mode of governance'. In sum, the GVC framework suggests that a brand governs its direct suppliers in one of the five modes, because the brands' managers regard the transaction costs for chain governance as lowest this way.

	Complexity of transaction	**Codifiability of information**	**Supplier capabilities**
Market	Low	High	High
Modular	High	High	High
Relative	High	Low	High
Captive	High	High	Low
Hierarchy	High	Low	Low

Table 1: Variables determining 'modes of governance' (Gereffi et al. 2005).

Some scholars have recently argued that the GVC framework is little helpful for analysing problems connected to global production, as the 'chain' concept does not respect the complexity of the globalized production of goods (Dicken 2001, Coe et al. 2008a; 2008b; Hughes et al. 2008). Dicken et al. (2001) suggest

[5] Regarding the problem in the textile industry: see http://www.greenpeace.org/international/en/campaigns/toxics/water/detox/intro/ and regarding the workers' problems in the cotton fields, see: http://www.ecchr.eu/usbekistan.html (3.8.2011).

[6] While in the introduction Dänzer (2011, 177) points out that she focuses on lead firm's relationships to direct suppliers, who are legally independent, she here presents the hierarchical mode of governance, where suppliers, per definition, belong to the lead firm.

that 'networks' better conceptualize processes of global production than 'chains'. Their global production network (GPN) framework involves relationships between producers, but also between the producers and the various actors, who all influence the production (brands, producers, governments, industry lobby groups, NGOs, consumers etc.). It also includes issue related to 'value addition', which might be helpful in the analysis of justice issues, but which the GVC framework ignores (compare *figure 1*). With regard to issues of responsibility the GPN might be reflecting the complexity of the situation better than the GVC model.

3. Corporate Responsibility Practices in Global Value Chains

In the last maybe 10–15 years brands and retailers have started to engage in so-called corporate social responsibility (CSR) activities, by which they also try to improve working conditions in global supply chains. Today, almost every large company agrees that they have *some* responsibility for working conditions in their supply chains. But there is little agreement on *what exactly* lead agents are responsibility to do: Are they responsible for working conditions at the contracted suppliers or does their responsibility extend to subcontracted producers and to suppliers' suppliers? Are buying companies responsible for implementing national laws (e.g. 'minimum wages') or must working conditions go beyond this? How long may it take a lead firm to implement 'decent' working conditions?

I briefly present the CSR strategies currently used by garment companies in order to show how difficult it is to assess what it means for companies to 'take responsibility' in their supply chains (compare for more details: Starmanns 2010). I do this, because Dänzer (182) does not specify enough what she means by "being remedially responsible for bad working conditions in their supply chains". Three main CSR practices are relevant here:

- First, most brands define certain working standards in their Codes of Conduct (CoC), which are pretty standardized today. Most brands refer to the national laws and the core labour norms of the International Labour Organization (ILO). However, while some brands demand the legal 'minimum wages' others demand 'living wages'. This difference is important because many claim that the former do not provide workers with enough money to be able to survive. Companies also define which production processes in the supply chain must comply with the CoC (i.e. only producers at stage B or also subcontractors or also producers at stage C and D in *figure 1*)? This extent of corporate responsibility differs a lot between companies.

- Second, most lead firms then control (audit) whether the suppliers comply with their CoC and which standards are not fulfilled; but audits do not improve the situation of the workers and they are expensive.

- Third, some brands also support their suppliers in improving the working standards, but these practices differ very much and so does the time and efforts to implement standards. For instance, few companies try to adapt their purchasing policies to the extent that prices do not conflict with the demands of implementing working standards.

Despite such efforts, many argue that there is hardly a factory in the 'Global South' that has properly implemented the ILO Core Norms and 'living wages' (Locke et al. 2006; 2007; Barrientos/Smith 2006). It is often argued that the implementation of standards needs time, without specifying how long workers should wait for decent standards. An attempt trying to justify that lead firms are remedially responsible for working conditions has to deal with these problems.

4. Corporate Responsibility and Complexity

Trying to conceptualize firms' moral responsibility for working conditions in global garment production, Iris Young (2004; 2006) points out that responsibility cannot be attributed to single actors (governments, companies, consumers) and that no single actor can be blamed as the only one morally responsible (cf. Starmanns 2010; Hughes et al. 2008).

In Young's (2004; 2006) view, 'structural injustice' in supply chains, where causality is not clear-cut and where many actors simultaneously contribute to poor working conditions, might rather be the mediated result of complex global structures, into which different actors are embedded and to which they all contribute:[7] While consumers are generally shocked about 'sweatshop' working conditions, most of them are primarily interested in the price, functionality and design of a product and—at the till—care little about poor working conditions far away (cf. Devinney et al. 2010). Lead firms, accordingly, put most of their efforts into the marketing, design, functionality and maybe quality of their garments and try to keep the price competitive, while ethical criteria are treated with less relevance—arguing that the legal system in the production countries must deal with such issues. To remain competitive, they outsource labour intensive production processes to countries with low labour costs, like Bangladesh or China. Producers in these countries are usually interested in getting many orders by lead firms and do not decline orders they actually could not manage under good conditions, while most workers need a job and will therefore continue to work, even if working conditions are miserable. The governments of producing countries often care more for rising export figures than for workers' rights. To attract orders, the government of Bangladesh, for instance, purposely sets the national minimum wages below existence-levels, fearing that otherwise buyers place orders in other countries. The government is strongly influenced by the industry lobby, who keep on warning that orders move to competing countries and that consequently most factories in Bangladesh are shut down, if minimum wages were set too high.

[7] The following description is based on Young's (2004; 2006) idea of 'structural injustice'.

In this situation, Young (2004; 2006) argues, it does not make sense to blame one single actor for being (remedially) responsible for poor outcomes in supply chains. She suggests that various actors share a forward-looking (prospective) responsibility and that four criteria determine their share of responsibility: power, privilege, interests and collective ability (Young 2006, 127ff.). One of her central arguments is that 'background conditions' need to be challenged. These are the accepted and expected rules and conventions that we follow, often in a habitual way, like the fashion system or the market competition. She emphasises that without addressing these 'background conditions' we will not substantially improve the situation of workers in global supply chains.

I will turn now to Dänzer's arguments for remedial responsibility and discuss them by drawing on knowledge from *sections 2–4*.

5. Discussing Dänzer's Arguments for Lead Firm's Remedial Responsibility in Global Supply Chains

Dänzer (182–192) mainly analyzes whether lead firms "can be identified as being remedially responsible for bad working conditions in their independent suppliers" (182). To identify lead firms as remedially responsible, she uses five (intuitively fitting) criteria/reasons[8] of Miller's 'connection-theory of remedial responsibility':

- CR1: A is morally responsible for the wrongs to B[9]
- CR2: A is outcome responsible for the wrongs to B
- CR3: A is causally responsible for the wrongs to B[10]
- CR4: A has benefitted from processes that lead to B's deprivation
- CR5: A has the capacity to remedy wrongs

Dänzer (182) regards lead agents as remedially responsible, if most of these criteria are fulfilled. She importantly points out that different actors might fulfil these criteria at the same time, in which case they share remedial responsibility. If different criteria point to different agents and conflict, "we have to rely on our intuitions about the relative importance of different sources of connection" (Dänzer, 183 quoting Miller 2007, 107).

I suggest that due to the complexities of global production in most supply chains brands, suppliers, consumers and governments fulfil CR1–CR5, maybe to a different degree (see Young 2006). I will now present her main criteria (CR1–CR5) for morally justifying that lead agents share a remedial responsibility and show why these criteria are not sufficient for determining remedial responsibility.

[8] Miller and Dänzer present six criteria, but the 'community' criterion does not apply in global value chains.

[9] P in Dänzer's paper is B here.

[10] She later discusses C3 together with C2.

5.1 Outcome Responsibility

Dänzer (184) introduces four criteria by Miller (2007) to identify whether a lead firm is outcome responsible for poor working conditions in its supply chains: (1) causal contribution, (2) control over one's actions, (3) a reasonable foreseeable connection between action and outcome, and (4) other options for action. She suggests that lead agents generally fulfil all four criteria and therefore concludes that they all share outcome responsibility for wrongs in their supply chains.

She then uses the GVC framework to assess the strength of the lead agent's outcome responsibility, as compared to his supplier's share. She concludes:

- In hierarchical and captive relationships a lead firm is rather outcome responsible than its supplier.
- In relational, modular and market-based relationships a supplier is rather outcome responsible than the lead firm.

I now discuss in more detail the four criteria determining outcome responsibility.

Causal contribution

Her first condition for outcome responsibility is that the agent "must in some way have causally contributed to the outcome" (184). She suggests that lead firms' purchasing policies always provide either incentives or disincentives for poor working conditions—and therefore lead firms causally contribute to wrongs.

However, because different factors contribute to poor working conditions, Dänzer (185) uses the GVC framework to assess whether the lead firm "importantly"[11] causally contributed to poor working conditions. She claims:

- In hierarchical and captive supply chain relationships purchasing policies are a relevant causal contribution to wrongs.
- In market, relational and modular chain relationships purchasing policies do not directly cause wrongs.
- In market relationships, in which a company buys huge amounts, purchasing policies can be seen as relevant causal contribution to wrongs.

I have three comments. First, using the GVC framework does not seem helpful. On the one hand, Dänzer uses the framework to argue that hierarchical/captive relationships 'importantly' contribute, while relational/modular/market relationships do not. On the other hand, she points out that lead agents in market relations 'importantly' causally contribute, if large amounts are bought. For assessing whether lead agents' purchasing policies 'importantly' causally contribute to a situation in the supply factory, a better criterion than the 'mode of governance' might be the order size, relative to the factory capacity.

Second, whether a lead firm's purchasing policies 'importantly' contributes to poor working conditions can only be assessed when considering the more complex

[11] It should be noted that Dänzer seems to use the terms 'importantly'/'relevantly'/'directly' synonymously, without explaining it.

situation including other actors' contributions. Given the fact that many governments in Asia legally determine below-subsistence 'minimum wages' in most industry sectors, a factory is legally obliged to pay these wages, and lead agents demand that their suppliers fulfil the national laws. Who now 'importantly' caused low wages?

Third, it might not be required to qualify a lead agent's connection to the wrongs for assessing his outcome responsibility. Let's consider an extreme case: A small company K buys small amounts at a large supplier in a market-based relationship. The lead firm has no power over the supplier, but it is highly competitive because his supplier works with unpaid children. According to Dänzer's application of the GVC framework, K would not be outcome responsible, because it did not 'importantly' causal contribute. However, the example suggests that the lead firm is outcome responsible, because it is causally connected to these wrongs.

Control over ones' actions & other options for action

Dänzer's (186f.) second and fourth conditions for ascribing outcome responsibility both concern the lead firm's agency. Dänzer tries to oppose the common argument that lead firms cannot be responsible, because they are "just reacting to the inherent necessities of the market and don't actually have other options open [. . .] if they want to stay competitive [. . .] they have to produce as cheaply as possible and require short-time deliveries". Dänzer (187) claims that lead firm action is not "inescapably determined" by the market and that lead firms "do have a certain action range open to them, even under the presumption that they have to try to stay in the market". Her three main claims, which she regards as fulfilled by every lead firm are:

- Lead firms are able to control their actions; they are not coerced by the "inherent necessities of the market".
- Lead firms do have a certain option range open to them.
- Lead firms have other options and can act in a way to avoid bad outcome.

Regarding the first two claims, Dänzer is surely right that every company has a certain option range open to it and that its actions are not fully determined by the market. For instance, Nadvi et al. (2011) recently showed that Adidas and Nike have totally changed the way they source footballs in order to prevent child labour in their supply chains. Many companies have also voluntarily become members in a private standard initiative by which they have to adapt their purchasing policies and conduct audits and trainings. But I claim that we cannot determine a lead firm's options without knowing more about their business strategies.

I also do not support her claim that every lead firm has another option and could have acted in a way to avoid bad outcome (and remain competitive). The reasons behind this are competition between lead firms, regulation gaps and lacking consumer interest in working standards. Every company will have limitations regarding what it can invest into improving working conditions, depending on factors like its business strategy, its customers and its competitors' actions. For instance, Hess Natur sells eco-fashion to customers, who are willing to pay more for 'ethical' fashion—and therefore can implement high ecological and social standards in its whole supply chain. In contrast, Aldi's business strategy is to sell cheap products to customers, who go to Lidl, if Aldi's prices went up too much. Aldi will have more difficulties to invest much money into higher social standards in its supply chains. In this example, the companies' business model would not allow it to avoid bad outcomes in its supply chain; consequently, Aldi would have no other options and one criterion for outcome responsibility is not fulfilled. I therefore suggest that 'other options' is no good criterion for assigning remedial responsibility.

Lead firm can reasonably foresee connection between the action and outcome

Dänzer's (186) third condition demands that lead firms could "reasonably foresee, or know about, the negative effect some of their causal contributions have for the conditions in their supply chains". She suggests:

- In hierarchical, captive and (to a smaller degree) relational supply chain relationships lead firms know about the poor working conditions in their supply chains: due to the high levels of monitoring, coordination and closeness they "can be expected to make the connection to their purchasing policy and requirements" (187).
- In market-based relationships lead firms know that buying large quantities of (certain) commodities "relevantly contributes to the profitability of criminal businesses and thereby supports the continuation of the wrongs" (187).

Surely a lead firm shall somehow foresee that his actions cause harm to be outcome responsible—but it does not make sense to differentiate between modes of governance, since lead firms—regardless of their mode of governance—can demand audit reports from their supplier and thus know about the working conditions. However, it might rather be more difficult for a company placing a small order in a large company to be demanding audit reports, if it is the only company doing so. But it could also select a smaller supplier.

5.2 Moral Responsibility

Dänzer (188) argues that for an agent to be morally responsible for something he "must have acted in a way that displays moral fault: he must have deprived P deliberately or recklessly, or he must have failed to provide for P despite having a pre-existing obligation to do so".[12] She suggests that lead agents fulfil this criterion, if they "know about wrongs in their supply chains and still go on contributing to them". Regarding the GVC framework, her claims are:

[12] In this quote 'P' stands for the garment factory that we called 'B'.

- In hierarchical and captive relationships lead agents know about wrongs.
- In modular relationships lead agents are not likely to know about wrongs.
- In markets lead agents know about moral wrongs, "if the production of some commodities is well known to imply weighty moral wrongs".

The claim intuitively makes sense. But what does it mean that a lead firm "*still goes on contributing*" to poor working conditions? As I explained in *section 3*, most large lead firms have CSR programmes and slowly improve working conditions. Do these companies still contribute to the wrongs? We might argue that a company demanding 'minimum wages' is morally responsible for the wrongs, because it does not do anything to stop the low wages.

I do not support her conclusions regarding the GVC, but rather argue that all lead agents can know about moral wrongs. Empirical evidence shows that in the production of very many labour-intensive goods we can expect poor working conditions (Starmanns 2010). It has also been shown that even if buying or quality staff visits factories, they do not identify more subtle problems related to wages, worker discrimination, freedom of association etc. (Starmanns 2010). To identify the concrete problems in a particular factory, a lead agent must have a proper system of monitoring working conditions in place, and this can be done in any mode of governance. However, a very small lead firm might have difficulties to finance such a system, but it could try to cooperate with others.

Finally, Dänzer blames actors to behave morally wrong, which might not make sense (see *section 4*). Can we blame lead agents, if they agree with their suppliers on the purchasing criteria P1–P5, but if the suppliers then do not fulfil the standards? Before a supplier signs a contract, a factory manager should actually know, whether he can produce the required goods and at the same time respect the required conditions. He could decide not to sign a contract, if the agreed price is not enough to sufficiently pay wages to the workers and to guarantee good working conditions. However, the buyer will very likely find another factory that offers a lower price, promising to fulfil the same conditions, maybe because it is working more efficiently. A factory that is not working very efficiently, will not earn much money and is thus required to pay low wages. But inefficiently working factories do exist, they want to get orders and give jobs to the people, therefore many accept offers they should actually decline. But most governments do not care whether working conditions are poor.

Therefore, due to the problems of 'structural injustice', blaming brands and retailers might make them move a bit, because they fear reputation losses; but it also moves the problem on to the suppliers. We should find a solution that allows all companies to respect working rights, like a common obligatory standard for all. And companies have no moral right to lobby against this.

5.3 Benefitting from Wrongs

Dänzer (189) argues that another criterion for remedial responsibility is whether the lead firm benefits from moral 'wrongs'. In her view, this is fulfilled, because "lead agents structurally benefit from the processes that lead to bad working conditions".

- A case for moral 'wrong' is "when more (i.e. subsistence wages) could be paid without the supplier and MNE going bankrupt".

'Benefitting from wrongs' seems to be a plausible criterion for remedial responsibility. However, Dänzer needs to specify: First, what is 'wrong'? Regarding 'living wages' many companies say that there is no common definition regarding how high a 'living wage' should be.

Second, whom does she mean, when she says that the 'lead firm' benefits. Who is benefitting: The CEO, managers, employees, shareholders or someone else? And how do the benefits influence the lead firms' share of remedial responsibility? For instance, lead firm A generates 1.000 jobs and no profits, while firm B generates 50.000 jobs and 500 Million Euros profits. Is company B more remedially responsible than company A?

Third, it intuitively does not seem right to trade off a lead agents' bankruptcy for living wages—i.e. a lead firm would only be obliged to pay decent wages, if this does not lead it into bankruptcy. The payment of decent wages is rather a human right, and if a lead firm cannot make sure that suppliers pay these, it should not operate.

But what happens to a company that lost most of its customers to its competitor, because its business model only functions by exploiting workers? Suppose, Aldi demands from its suppliers to pay living wages. This would affect the product prices, and in consequence the customers would shop at Lidl. Lidl would make more profits and continue to produce under poor conditions, because it does not see any reason to demand living wages. From a moral perspective, this outcome would be even worse. But morally, we also cannot agree with the situation that allow Aldi and Lidl to continue paying poor wages. The only solution for this collective action problem might be an institution that obliges all firms to pay decent wages.

5.4 Capacity to Remedy

Dänzer argues that the lead firm responsible for remedy should also have the capacity to remedy wrongs. She proposes that the actor most capable of improving poor working conditions (in terms of effectiveness and minimal costs), should do so. If various actors are capable of improving working conditions, the responsibility should be shared. She adds:

- In hierarchical, captive and relational chains lead firms have the capacity to improve working conditions in their supply chains.

- In modular and market-based chains lead firms have less capacity to improve the situation, but could find other paths of improving the situation.

It surely makes sense to find most effective and cost efficient ways of improving labour standards. But I have three objections: First, I do not think that it is possible, in practice, to evaluate different actors' 'capacity' to remedy wrongs without more transparency about their ways of doing business. Companies would therefore need to be more transparent.

Second, if a lead firm places many small orders at very many suppliers, his suppliers will be able to improve working conditions more effectively and at lower costs. The lead agent would not fulfil the 'capacity' criterion for remedial responsibility, due to his high costs. The 'capacity' to remedy might be better operationalized by the size of lead agents' order, as compare to the factory capacity and maybe the length of relationship to the supplier. A company only filling 1% of a factories' capacity will have difficulties to improve the workers' situation, whereas a company that fills 90% of a factory will have a large influence on the supplier. However, every lead firm can change his purchasing practices, so why do we try to differentiate between different lead firms?

Third, it is most likely that governments have the highest capacity to remedy the situation. Does that mean that lead agents and suppliers are not remedially responsible?

5.5 Conclusions Regarding Remedial Responsibility

Each of the four criteria of remedial responsibility discussed above seems to indicate that a lead agent carries some remedial responsibility for wrongs in their supply chains. But I argued that in the complex situation of 'structural injustice' solutions for such problems need to identify the role of different actors instead of just blaming the lead firms for being responsible for poor working conditions. I will sum up my arguments with regard to the four criteria by focussing on the question, whether a lead firm like Adidas is remedially responsible for implementing 'living wages':

- **Outcome responsibility**: With its purchasing policies Adidas causally contributes to poor wages 'in some way'; we would have to look at their purchasing practices in detail to know whether Adidas contributed 'importantly'. Adidas has a certain control over its actions and it has other options, as the research on the football industry shows (Nadvi et al. 2011). Most lead firms have some space to manoeuvre. Whether they can pay a living wages with this and remain competitive depends on factors like: the business strategy, the shareholders' demands for profits, the competitors' actions, prices, customers' demand for 'ethical' products etc. In addition, the market system does not prevent or sanction firms from externalizing social and environmental costs, but rather motivates them to do so. Finally, Adidas can surely foresee the bad outcome regardless of the mode of governance, due to the fact that the company alone employs more than 80 social auditors.

- **Moral responsibility**: Adidas knows about low wages in the supply chain, independent of its relationship to the suppliers. It takes efforts in improving working conditions in its supply chain, but it does not oblige its suppliers to pay 'living wages'. The fact that other companies are demanding their suppliers to pay ‘living wages’ could be reason enough to say that Adidas fulfils the moral responsibility criterion (if others can, Adidas could also).

- **Benefitting from wrongs**: Adidas’ shareholders and employers are surely benefitting from the fact that workers are producing their products. Intuitively it seems morally wrong to generate 500 Million Euros profit, while there are social and working problems in the supply chain. Making profits in that height is surely a criterion for remedial responsibility. However, I would also argue that also not-for-profit companies have a remedial responsibility, but this might not be connected to the ‘benefitting’ argument.

- **Capacity to remedy**: Without detailed information about the order and the buyers’ and suppliers’ situation, it is difficult to evaluate whether Adidas or its supplier is more ‘capable’ of raising the workers’ pay. However, it intuitively seems wrong to make the capacity to remedy criterion dependent on current (contingent) supply chain relationships, because this does not reflect the complexity of the problem.

In summary, I would rather argue that we do not need all criteria presented by Dänzer (CR1–CR5) to make lead agents remedially responsible for working conditions in their supply chains. Rather, a lead firm is remedially responsible: “because they participate by their actions in the ongoing schemes of cooperation that constitute these structures”—“in the sense that they are part of the process that causes them” (Young 2006, 114).

This corresponds with the two criteria:

- if it is somehow connected to the wrongs in the supply chain,

- if it knows that certain fundamental workers rights and human rights are not fulfilled in the supply chain and still sources from this factory.

However, as various actors share remedial responsibility, a moral argument would need to determine the lead agents’ share of remedial responsibility. I suggested that the GVC framework does not help to identify which lead firms are more responsible than their suppliers. I argued that if we used this framework, firms that intuitively are responsible might end up being less responsible than their supplier—applying the GVC model to Dänzer’s question leads to the problem that we base a moral decision on a contingent situation.

I claim that due to the complexity of the situation, we are not able to determine the responsibility a priori. We should rather define that companies are responsible to comply with certain internationally agreed working rights and human rights and answer the question of remedial responsibility case by case. To identify the share of remedial responsibility, I propose that all actors causing structural injustices must engage in public discourses that find a solution to the problems.

6. Discursive Approaches to Remedial Responsibility in Global Supply Chains

I briefly suggest an alternative discursive justification of corporate remedial responsibility, which draws on Palazzo/Scherer (2007; 2008; 2009) concept of 'political' CSR, in which 'political' means:

> "Activities in which people organize collectively to regulate or transform some aspects of their shared social conditions, along with the communicative activities in which they try to persuade one another to join such collective actions or decide what direction they wish to take." (Scherer/Palazzo 2007, 1108f.)

Scherer and Palazzo call for adapting a discursive/communicative concept of organizational moral legitimacy, which takes public discourse or 'explicit public discussion' as the basis for legitimacy (cf. Courville 2003; Fung 2003; Steffek 2003; Palazzo/Scherer 2006, 79; Scherer/Palazzo 2007, 1108). In their view, corporations construct their moral or discursive legitimacy by engaging in public discourses (Palazzo/Scherer 2006, 81). Scherer/Palazzo (Palazzo/Scherer 2006; Scherer/Palazzo 2007) use the concept of deliberative discourse to draw the outline of a form of regulation that goes beyond the traditional forms of democratic nation state regulation. Processes of deliberation would lead to better and broader accepted political decisions and a deeper mutual understanding of the involved stakeholders. It would contribute to treating or sustaining moral legitimacy, particularly when there is no shared background of values and traditions in the context of global supply chains (Fung 2003, 52; Palazzo/Scherer 2006, 79f; Scherer/Palazzo 2007, 1111f.). In this system, corporations must remain open to critical deliberation as their primary source of societal acceptance. Deliberation is seen as a process through which participants address their conflicts, share information, exchange arguments and make decisions. Referring to Habermas, it is the unforced "force of the better argument" (Habermas 1990, 195), which will produce in all people the perception of a solution that was created jointly during the discourse (Scherer/Palazzo 2007, 1105). Deliberation presupposes the willingness to expose one's position to validity claims and the motivation to strive for mutual understanding. In contrast to bargaining, participants are ready to change their opinions during discourse. As a precondition, a deliberative politics approach goes beyond narrow self-interested manipulations and includes a concern for the well-being of the whole, and that sense of community is reinforced by the process of deliberation itself. The challenge of communicative access to legitimacy is to engage in true dialogue, to convince others of the validity of one's arguments but not to persuade or manipulate people (Palazzo/Scherer 2006, 81f.).

Scherer/Palazzo assume that by engaging in discourses that aim at setting or redefining standards and expectations in a globalized and changing world, corporations assume an enlarged political co-responsibility (Scherer/Palazzo 2007, 1109). Corporations must therefore proactively engage in the public process of exchanging arguments with stakeholders, while being transparent and accountable.

Although these demands are surely idealistic, the Fair Wear Foundation (FWF) can be seen as a quite deliberative responsibility approach (for a more detailed analysis: Starmanns 2010). Companies can become member in the FWF, where different stakeholders come together to define the rules of operation together with NGOs and trade unions. The FWF also demands from their members to be transparent about their approach to remedial responsibility, so the FWF and other actors can verify their approach and complain, if the measures set are, for instance, moving too slow. Part of the voluntary initiative is that staff members check whether the lead firms' purchasing conditions conflict with each other or not. Lead firms and suppliers also sit together and realistically try to calculate prices that allow the payment of living wages (Miller/Williams 2009). Although the FWF lacks the transparency that would be needed in a political responsibility approach, they represent a good step into that direction.

7. Conclusions

In this article I used theoretical and empirical insights from research on global value chains and global production networks to discuss Dänzer's moral justification regarding lead firms' responsibility for working conditions in their supply chains. I argued that Dänzer's criteria for assessing remedial responsibility do not capture the complexity of attributing responsibility in global production networks. I particularly claimed that the GVC framework is inappropriate for identifying remedial responsibility, due to these complexities.

I suggested that two of Dänzer's criteria should be sufficient for arguing that a lead firm is remedially responsible for working conditions: First, the lead firm must *somehow* be connected to the wrongs in the supply chain (international human and labour rights would define 'wrongs'). Second, the lead firm must know that certain fundamental worker and human rights are not fulfilled in its supply chain and still source from this factory. As worker rights violations are common in supply chains in low-income countries, lead agents have the prospective responsibility to find out about wrongs. In contrast to Dänzer's argument, such an argumentation allows making lead firms responsible for processes in other parts of the chain (e.g. the textile or cotton production: see *figure 1*).

Regarding remedial responsibility, I argued with Young (2004; 2006) that various actors share remedial responsibility, because background conditions like the market system make it impossible to attribute responsibility to single actors. Dänzer's argument does not sufficiently answer what remedial responsibility different agents share, which includes questions like: For which of the many production processes in the supply chain (compare *figure 1*) is a brand remedially responsible? How much does the buyer have to pay in improving working conditions, how much the supplier? How long may companies take to implement decent working conditions?

Due to the complexities of ascribing responsibility for improving working standards in supply chains, I suggested a discursive approach to attributing remedial responsibility. Based on the fact that lead agents are responsible for their supply chains, because they are connected to them, firms would have to come together with other actors, who are also contributing and who share a responsibility, like suppliers, governments, consumers. Together, they would define the path companies shall take to remedy their responsibility and what share the other actors are willing to take. One possible criterion is the share of orders a single actor has in a factory. Only in working together, firms will manage to make major changes for the workers.

However, since most companies do not voluntarily come together to make sure that decent standards are defined and implemented in their chains, I suggested that governments have the responsibility to create the background conditions that allows a public discourse from taking place and from decent standards being implemented. Governments must oblige all lead firms to comply with the same standards in order to create a 'level-playing-field', and to be transparent about their operations. And companies have the responsibility not to prevent these rules from being set up, for instance, through lobbying.

Despite 15 years of CSR activities, many workers in the garment industry still work up to 18 hours a day to earn maybe 2–5$ a day, which then allows them to feed their families. I argued that this situation does not change, if we appeal to the morals of corporations alone. Instead, governments, companies and consumers need to share a remedial responsibility for improving the lives of workers.

Bibliography

Barrientos, S./S. Smith (2007), Do Workers Benefit from Ethical Trade? Assessing Codes of Labour Practice in Global Production Systems, in: *Third World Quarterly* 28(4), 713–729

Coe, N. M./P. Dicken/M. Hess (2008a), Global Production Networks: Realizing the Potential, in: *Journal of Economic Geography* 8(3), 271–295

— / — / — (2008b), Introduction: Global Production Networks—Debates and Challenges, in: *Journal of Economic Geography* 8(3), 267–269

Courville, S. (2003), Social Accountability Audits: Challenging of Defending Democratic Governance?, in: *Law & Policy* 25(3), 269–297

Dänzer, S. (2011), Are Multinational Companies Responsible for Working Conditions in Their Supply Chains? From Intuition to Argument, *this issue*

Devinney, T. M./P. Auger/G. M. Eckhardt (2010), *The Myth of the Ethical Consumer*, Cambridge

Dicken, P./P. F. Kelly/K. Olds/H. W.-C. Yeung (2001), Chains and Networks, Territories and Scales: Towards a Relational Framework for Analysing the Global Economy, in: *Global Networks* 1(2), 89–112

Fung, A. (2003), Deliberative Democracy and International Labour Standards. Governance, in: *An International Journal of Policy, Administration, and Institutions* 16(1), 51–71

Gereffi, G./J. Humphrey/T. Sturgeon (2005), The Governance of Global Value Chains, in: *Review of International Political Economy* 12(1), 78–104

— /M. Korzeniewicz (1994), *Commodity Chains and Global Capitalism*, Westport

Hughes, A./N. Wrigley/M. Buttle (2008), Global Production Networks, Ethical Campaigning and the Embeddedness of Responsible Governance, in: *Journal of Economic Geography* 8, 45–367

Humphrey, J./H. Schmitz (2001), Governance in Global Value Chains, in: *IDS Bulletin* 32(3), 1–17

Locke, R./T. Kochan/M. Romis/F. Qin (2007), Beyond Corporate Codes of Conduct: Work Organization and Labour Standards at Nike's Suppliers, in: *International Labour Review* 146(1–2), 21–39

— /F. Qin/A. Brause (2006), Does Monitoring Improve Labor Standards? Lessons from Nike, in: *Industrial and Labor Relations Review* 61(1), 3–31

Miller, D. (2007), *National Responsibility and the Law*, Cambridge

— /P. Williams (2009), What Price a Living Wage? Implementation Issues in the Quest for Decent Wages in the Global Apparel Sector, in: *Global Social Policy* 9(1), 99–125

Palazzo, G./A. G. Scherer (2006), Corporate Legitimacy as Deliberation: A Communicative Framework, in: *Journal of Business Ethics* 66, 71–88

— / — (2008), Corporate Social Responsibility, Democracy, and the Politicization of the Corporation, in: *Academy of Management Journal* 33(3), 773–775

Scherer, A. G./G. Palazzo (2007), Towards a Political Conception of Corporate Responsibility: Business and Society Seen from a Habermasian Perspective, in: *Academy of Management Review* 32(4), 1096–1120

— /— (2008), Globalization and Corporate Social Responsibility, in: Crane, A./A. McWilliams/D. Matten/J. Moon/D. Siegelin (eds.), *The Oxford Handbook of Corporate Social Responsibility*, Oxford, 413–431

Starmanns, M. (2010), *The Grand Illusion? Corporate Social Responsibility in Global Production Networks*, PhD. University of Köln

Steffek, J. (2003), The Legitimation of International Governance: A Discourse Approach, in: *European Journal of International Relations* 9(2), 249–275

Young, I. M. (2004), Responsibility and Global Labor Justice, in: *The Journal of Political Philosophy* 12(4), 365–388

— (2006), Responsibility and Global Justice: A Social Connection Model, in: *Social Philosophy & Policy* 23, 102–130