



UNIVERSITY OF GOTHENBURG

Gothenburg University Publications

Revisiting Supplier Compliance with MNC Codes of Conduct: Recoupling Policy and Practice at Chinese Toy Suppliers

This is an author produced version of a paper published in:

Journal of Business Ethics (ISSN: 0167-4544)

Citation for the published paper:

Egels-Zandén, N. (2014) "Revisiting Supplier Compliance with MNC Codes of Conduct: Recoupling Policy and Practice at Chinese Toy Suppliers". *Journal of Business Ethics*, vol. 119(1), pp. 59-75.

<http://dx.doi.org/10.1007/s10551-013-1622-5>

Downloaded from: <http://gup.ub.gu.se/publication/187856>

Notice: This paper has been peer reviewed but does not include the final publisher proof-corrections or pagination. When citing this work, please refer to the original publication.

**Revisiting Supplier Compliance with MNC Codes of Conduct:
Recoupling Policy and Practice at Chinese Toy Suppliers**

Niklas Egels-Zandén, PhD

Associate Professor

Department of Business Administration

School of Business, Economics and Law

University of Gothenburg

Box 600

SE – 405 30 Gothenburg, Sweden

Niklas.Egels-Zanden@handels.gu.se

+46-31-7862729 (telephone)

Forthcoming: *Journal of Business Ethics*.

The original publication is available at www.springerlink.com

(<http://dx.doi.org/10.1007/s10551-013-1622-5>)

Revisiting Supplier Compliance with MNC Codes of Conduct:

Recoupling Policy and Practice at Chinese Toy Suppliers

ABSTRACT. Does private regulation of workers' rights in global value chains improve working conditions on the factory floor? Drawing on one of the first systematic longitudinal studies of supplier compliance with multinational corporation (MNC) codes of conduct, this paper finds – in contrast to previous research – substantial improvements over time. While in 2004, the four examined Chinese toy suppliers violated most of the evaluated code of conduct criteria and consciously decoupled the code of conduct policy from actual practices, by 2009 they had recoupled policy and practice and complied with nearly all examined criteria (except working hours). The paper contributes to the private regulation literature by challenging previous research claims, identifying factors that could make private regulation effective, and outlining a research method for empirically studying the effects of codes of conduct over time. The paper also contributes to new institutional theory by discussing how recoupling could be influenced by two factors not identified in previous research: i) trusting relationships between the organization and the stakeholder exerting pressure and ii) factors unrelated to main external pressures leading to “accidental” recoupling.

KEY WORDS: China, codes of conduct, decoupling, labour practice, new institutional theory, private regulation, recoupling, supplier relationships, toy industry, workers' rights

Introduction

Since the early 1990s, there has been a cascade of codes of conduct in which multinational corporations proclaim that they are protecting workers' rights at supplier factories (Kolk and Tulder 2005). This has been accompanied by the emergence of an industry of social auditors, consultants, non-governmental organizations (NGOs), and other actors working to ensure that multinational corporation (MNC) codes of conduct are translated into workers' rights improvements on the factory floor (e.g., Everett et al. 2008). The merits of this emerging "private regulatory system" of workers' rights are contested. Some researchers regard codes of conduct as little more than convenient public relations tools that allow companies to gain legitimacy while barely improving workers' rights (e.g., Frundt 2004; Blowfield and Dolan 2008). Some even argue that private regulation through codes of conduct could harm workers' rights by crowding out public regulation (Frundt 2001; Bartley 2005; O'Rourke 2006). Other researchers, however, argue that private regulation holds great promise for improving workers' rights (e.g., Pearson and Seyfang 2001; Ruggie 2004; Zadek 2004). There are two competing views of how to understand private regulation: as a greenwashing tool or as a method for substantially improving workers' rights.

The debate on how to understand private regulation and codes of conduct hinges on the empirical question of whether or not codes of conduct improve workers' rights on the factory floor. Surprisingly few studies have addressed this question systematically. As Blowfield (2007, p. 683) puts it, "For all the claims made about the positive and negative consequences of corporate social responsibility (CSR), there is surprisingly little information about the outcomes it delivers. This

is especially true in the developing country context, where the claims made about the role CSR can play in social and economic development are largely unsubstantiated”.

The sparse existing research into how codes of conduct influence workers’ rights on the factory floor also suffers from methodological problems. Most empirical studies claiming to analyze whether codes of conduct make a difference rely on data collected at single points in time, i.e., they rely on retrospective interview accounts to create reference points for comparisons (e.g., Barrientos and Smith 2007; Chan and Siu 2008). It is well established that this research design suffers from severe credibility problems (e.g., Stouffer 1949; Boring 1954). One of the few studies that address this research design problem is Locke et al.’s (2007) analysis of 800 Nike suppliers in 51 countries. However, this study relies on Nike’s internal auditing protocols, which is problematic given that previous research has identified quality problems in corporate audits (cf. O’Rourke 1997; Hemphill 2004; Egels-Zandén 2007).

To address these weaknesses and analyze whether or not private regulation improves workers’ rights, this paper draws on a longitudinal study of four Chinese toy suppliers in the Guangdong region. These four suppliers were initially examined in 2004 via unannounced, unofficial interviews with employees outside supplier factories, and subsequently re-examined in 2009 using a similar method. This paper represents one of the first systematic attempts to evaluate whether codes of conduct improve workers’ rights based on credible longitudinal data.

Interestingly, the findings indicate – in contrast to previous research – that workers’ rights have improved substantially over time. The paper discusses whether this indicates that codes of

conduct actually improve workers' rights or whether other factors could explain the improvement.

The paper contributes to both new institutional theory and business ethics literatures. In relation to new institutional theory, the paper identifies two previously unrecognized factors leading to "recoupling" (Espeland 1998) of policy and practice: i) trusting relationships between the organization and the stakeholder exerting pressure and ii) factors unrelated to the main external pressures leading to "accidental" recoupling. In relation to the business ethics literature, the paper contributes in two important ways by analyzing whether the most common CSR policy instrument, i.e., codes of conduct, in practice influences one of the most important CSR issues, i.e., workers' rights. First, it challenges the main finding of previous research that codes of conduct do not improve workers' rights, doing so using credible longitudinal empirical data. Second, it outlines a research methodology for studying the impact of codes of conduct that could prove useful in future research. Both these contributions are important, since protecting workers' rights is at the heart of business ethics. For example, Welford and Frost (2006, p. 166) demonstrate, based on interviews with CSR managers, factory managers, and other experts, that "labour issues and the rights of workers are generally seen as the most important aspect of CSR in the [Asian] region". The centrality of workers' rights is also indicated by the fact that workers' rights are included in most CSR standards, such as the UN Global Compact (Runhaar and Lafferty 2009), SA8000 (Beschoner and Müller 2007), and Fair Trade (Blowfield and Dolan 2010).

The link between policy and practice in private regulation

Decoupling and recoupling of policy and practice

Whether or not codes of conduct improve workers' rights is more generally a question of whether organizations' policies are mirrored in their practices. This question is at the heart of new institutional theory, providing a useful theoretical framework for this study. New institutional theory assumes that organizations depend on support from various stakeholders and on their willingness to exchange money, goods, services, or people with the organizations. Furthermore, new institutional theory suggests that, to survive, organizations must conform to the values and norms of their stakeholders even if doing so does not improve organizational efficiency (Meyer and Rowan 1977; Tolbert and Zucker 1983; Zucker 1987). This is because conformance to stakeholder demands enhances legitimacy, which in turn is central to organizational survival (Parson 1956; DiMaggio and Powell 1983; Tolbert and Zucker 1983; Zucker 1987). Typically, though, organizations face multiple demands that may be mutually incompatible (Selznick 1949; Friedland and Alford 1991). To the extent that various stakeholder demands are incompatible, or at least appear to be so to the involved actors, they generate tensions for the organization (Greenwood et al. 2011), since lack of conformance with any of the demands jeopardizes the organization's legitimacy.

In a founding text of new institutional theory, Meyer and Rowan (1977) proposed a specific way for organizations to handle conflicting demands, that is, the "decoupling" of an organization's policies and practices. In this way, an organization can conform to two sets of demands, albeit via different types of activities performed by different parts of the organization, and gain legitimacy. Numerous studies have empirically substantiated the claim that the decoupling of

policy and practice can improve organizational legitimacy in general (e.g., Westphal and Zajac 1998, 2001; Zajac and Westphal 2004; Fiss and Zajac, 2006), in relation to business ethics issues (e.g., Trullen and Stevenson 2006; Aravind and Christmann 2011), and in relation to business ethics standards and certifications (Boiral 2003; Yeung and Mok 2005; Christmann and Taylor 2006; Aravind and Christmann 2011; Furrer et al. 2012).

In relation to codes of conduct, the decoupling literature implies that suppliers may be more interested in obtaining the legitimacy and signalling the benefits of perceived code of conduct compliance than in fully implementing the practices prescribed in buyer codes of conduct (cf. Meyer and Rowan 1977; DiMaggio and Powell 1983; Tolbert and Zucker 1983). This is so because improving workers' rights (including instituting salary increases, correct overtime compensation, and limits on overtime) generally increases production costs and lowers suppliers' ability to meet buyers' strict production deadlines. The fact that supplier willingness to comply with code of conduct standards depends primarily on external buyer demands bolsters this prediction that suppliers are more interested in obtaining good compliance scores than in improving workers' rights in practice.

This implies that code of conduct compliance risks becoming a façade of conformity that suppliers erect because buyers demand it. If successful, this façade satisfies buyers, allowing suppliers to preserve internal arrangements that violate workers' rights without sacrificing access to external resources. This decoupling of policy and practice depends on limited inspection of supplier activities. Central to the upholding of decoupling is that buyers assume "that things are as they seem", that "inspection, evaluation, and control activities are minimized", and that

auditing is “ceremonialized” (Meyer and Rowan 1977). The mere fact that suppliers are extensively audited thus violates some of the fundamental mechanisms by which decoupling is traditionally envisioned to be sustained, i.e., an organization’s ability to decouple policy from practice is restricted if its practices are highly scrutinized (e.g., Desai 2012).

As indicated in the previous section, in some instances decoupling is not sustained over time, but rather policy and practice become “recoupled” (Espeland 1998). Recoupling, the process through which policy and practice that once were decoupled become coupled again (Espeland 1998; Hallett 2010), occurs for numerous reasons. First, recoupling could be a response to increased external demands and surveillance. For example, Kelly and Dobbin (1998) find that employers originally responded to antidiscrimination laws with ceremonial adoption, but that when federal law enforcement shifted from weak to strong, employers hired specialists who, over time, succeeded in recoupling formal structure and practices. Similarly, Hallett (2010) finds recoupling at a US school, facilitated by a newly recruited principal when external pressure for accountability increased.

Second, recoupling could occur as a consequence of changes in the type of external demands, since certain demands are more likely to be tightly coupled than others. For example, Spillane et al. (2011) argue that as external pressures become more specific, outcome oriented, and quantitative, the likelihood of recoupling increases (cf. Sauder and Espeland 2009). Similarly, Dobbin et al. (2009) find that general guidelines are likely to be decoupled, procedural demands that alter routines are likely to be partly coupled (cf. Spillane et al. 2011), and substantive demands intended to directly influence outcomes are most likely to be tightly coupled. Johansson

(2003) argues that decoupling is difficult to uphold when the organization is pressed to be transparent and tightly coupled as part of the external demands (cf. Brunson 1986).

Third, recoupling could emerge from within as symbolic compliance over time is normalized and materialized by internal actors (Tolbert 1988; Covalleski et al. 1993; Sauder and Espeland 2009). For example, Dent (1991) demonstrates how initially ceremonial accounting activities shaped symbols, rituals, and language in a way that eventually both gave it a strong position in senior management culture and influenced actual practices. Similarly, Sauder and Espeland (2009) find recoupling occurring, since business school rankings via “self management” change internal actors’ perceptions, expectations, and behaviours, and Walgenbach (2001) argues that organizations may – in contrast to their initial expectations – find their symbolic actions (e.g., ISO certification) useful in improving the efficiency of their substantive actions.

In sum, there are reasons to expect business ethics policies (e.g., codes of conduct) to become decoupled from companies’ actual practices. However, recent new institutional research demonstrates that policies and practices over time could become recoupled due to i) increased external demands, ii) changed types of external demands, and iii) internalized external demands.

The limited effects of private regulation on workers’ rights

With the theoretical framework of decoupling and recoupling in mind, it is useful to review previous research into private regulation and codes of conduct. Research into private regulation of workers’ rights is framed by numerous concepts, such as “self-regulating governance mechanisms” (Beschoner and Müller 2007), “soft law” (Wells 2007; Adeyeye 2011), “governing without government” (Blowfield and Dolan 2008), “voluntary standards” (Reinecke

et al. 2012), and “privatized regulation” (O’Laughlin 2008). Regardless of the chosen term, private regulation of workers’ rights is based on nonstate, market-based regulatory frameworks that govern MNC supplier networks via name-and-shame campaigns (Bartley 2007; Amengual 2010). The basic structure of private regulation is that: i) stakeholders (e.g., NGOs, unions, consumers, and investors) pressure global branded companies to respect workers’ rights in producing their products, ii) the companies adopt policies (i.e., codes of conduct) stating that they and their suppliers will respect workers’ rights, iii) these policies are audited to ensure that they are implemented in practice, and iv) over time suppliers become increasingly compliant or lose contracts from buyers (Locke et al. 2009). In the theoretical language used here, the basic idea is that policy and practice should be tightly coupled.

A key question is whether or not this is the case. Are codes of conduct implemented in practice and have workers benefited from their emergence? In responding to this question, previous research paints a negative picture indicating that the adoption of codes of conduct and auditing do not automatically or easily generate major changes at the point of production, where they are supposed to matter. As Chan and Siu (2010, p. 167) argue, “academic articles published on the impact of corporate social responsibility (CSR) initiatives are in basic agreement that the efforts to implement corporate codes of conduct are often ineffective”. Similarly, Wells (2007, p. 53) claims that “there has been little progress in improving labour standards through such [private] regulation”, and Locke et al. (2007, p. 21) argue that the code of conduct approach is “not producing the large and sustained improvements in workplace conditions that many had hoped it would”. In addition to academics’ scepticism, some of the code of conduct frontrunners such as

GAP and Nike have also publicly acknowledged the limitations of such codes in improving workers' rights (Barrientos and Smith 2007).

The existing (but sparse) empirical evidence mainly supports these negative claims about the effectiveness of codes of conduct. In a study using Nike's internal rating of 800 factories in 51 countries, Locke et al. (2007) find that, over time, almost half of the factories did not improve their compliance, 36% actually experienced a decline in compliance, and only approximately 20% improved. This finding should be interpreted in light of Nike's extensive investment in code of conduct audits and general reputation as a global code of conduct frontrunner. Similarly, Chan and Siu (2010) find, based on a study of five Chinese garment and four Chinese toy factories that supply Wal-Mart, that the suppliers violate code of conduct standards for both working hours and minimum wage. The authors conclude that the "general failure of auditing to detect violations of vital labour standards means that the CSR programme of which Wal-Mart boasts has had little impact on workers at the company's supplier factories" (Chan and Siu 2010, p. 185). On the other hand, Chakrabarty and Grote (2009) find, based on a survey in 2005 in India and Pakistan, that child labour is less likely to be used in producing socially labelled than unlabelled carpets, and Ngai (2005) finds, based on in-depth studies of two Chinese garment suppliers in 2002–2003, that suppliers invested substantially in dormitories to comply with buyer codes of conduct and that conditions were seemingly better at suppliers working with codes of conduct than at those that did not. In sum, suppliers examined in all the above-mentioned studies violate the codes of conduct standards, supporting the negative picture painted in previous research. However, at least a few studies find that working conditions are somewhat better at suppliers working with codes of conduct, modifying the picture somewhat. Previous research

generally indicates that codes of conduct – as expected in the new institutional literature – are decoupled from practice on the factory floor. However, there are also some signs of tighter couplings in some instances.

There are many potential reasons why codes of conduct become decoupled from practices on the factory floor, resulting in failure to significantly improve workers' rights. For example, it is well established that suppliers attempt to deceive auditors in numerous ways, such as double bookkeeping, falsifying time cards, and instructing workers what to say when audited (e.g., Ngai 2005; Blowfield and Dolan 2008; Lund-Thomsen 2008; Chan 2009; Jiang 2009; Taylor 2011). In China, there are even consultants and courses to help factories evade auditing (Roberts and Engardio 2006). In other words, suppliers consciously attempt to decouple policy and practice by engaging in elaborate symbolic actions to deceive auditors. Similar conscious attempts to decouple have been observed in other empirical settings, indicating that decoupling arises both intentionally (MacLean and Behnam 2010; Tilcsik 2010) and unintentionally (Meyer and Rowan 1977).

In addition, several authors have found a clash between buyer business demands (e.g., short lead times) and their code of conduct standards (e.g., limited overtime). Ngai (2005, p. 107) quotes a manager of a Chinese garment factory who clearly describes this clash between short lead times and limited overtime: "Once I phoned the TNC and asked: 'Do you still want your products in time?' The monitor then left our company alone". Similarly, Sun and Ngai (2005, p. 197) argue that "the pressures from just-in-time, low-cost and fashion-conscious production for the world market structurally constrain the forms and extent of compliance", and Jiang (2009, p. 88)

demonstrates that suppliers' "excessive overtime, low pay, and other poor working conditions are partly driven by unfair buying practice trends toward tough lead times and squeezing prices". Locke et al. (2007) also demonstrate that compliance improves when suppliers are able to better schedule their work. These findings are well in line with the new institutional theory expectation that decoupling occurs as a way for organizations to handle inconsistent demands (Meyer and Rowan 1977).

While decoupling of policy and practice seems to be the norm in relation to codes of conduct, a key question is when tighter coupling can be expected, i.e., when and how codes of conduct can be expected to improve workers' rights. Previous research suggests several interesting lessons in relation to this question. First, Barrientos and Smith (2007) find – based on case studies of 11 companies that participated in the Ethical Trading Initiative (ETI) and 23 of their suppliers in Africa, South America, and Asia – that codes of conduct partially improve *outcome* issues such as health and safety, provision of legal minimum wage, working hours, and insurance, while achieving little or no improvement in *process* issues such as freedom of association, right to collective bargaining, or discrimination (cf. Frenkel 2001; Prieto-Carron 2006). Hence, codes of conduct seem well adapted to improving only certain workers' rights. This finding is in line with the new institutional argument of "partial recoupling", i.e., tighter couplings are more likely to emerge in certain (outcome) rather than other (process) issues (Diamond 2012).

Second, code of conduct compliance seems related to *supplier characteristics*. Locke et al. (2007) demonstrate that code of conduct compliance is positively related to foreign (versus domestic) ownership of suppliers. Koçer and Fransén's (2009) study of three Turkish garment suppliers in

2006–2007 partly supports this finding, demonstrating that compliance is positively related to Western ownership of the supplier, whereas limited improvement is to be expected with other types of ownership. Adding to this, Locke et al. (2007) find that compliance depends on supplier size, smaller factories (with up to approximately 1000 workers) generally being more compliant than larger factories (with over 10,000 workers). Again, this could be linked to the more general new institutional literature, which argues that tight couplings are more likely in organizations with specific characteristics (e.g., Clemens et al. 2008).

Third, code of conduct compliance also seems related to *buyer characteristics*. Lund-Thomassen and Nadvi (2011) find, based a comparison between football production clusters in Silakot, Pakistan and Jalandhar, India, that codes of conduct have had greater effects in Silakot because the buyers are more branded in this cluster. This is supported by Frundt (2000) and Armbruster-Sandoval (2005), who argue that codes of conduct are most effective when the buyer has a well-known brand name. In addition, Barrientos and Smith (2007) demonstrate that codes of conduct have greater impact when the suppliers saw many of their buyers posing similar demands. The underlying argument here is that branded companies impose more stringent external demands and surveillance that lead to tight couplings of policy and practice (cf. Kelly and Dobbin 1998; Hallett 2010).

Fourth, Locke et al. (2007) find, based on a study of 800 Nike suppliers, that code of conduct compliance depends on the *labour regulation in the country* where the factory is located, and argue that that codes of conduct are more effective in countries with strong labour regulation. Again, the argument is that more stringent external demands and surveillance lead to tighter

couplings (cf. Kelly and Dobbin 1998; Hallett 2010). However, Locke et al. (2007) also demonstrate that the compliance levels of suppliers to a single buyer could vary drastically even within a single country, making it difficult to generalize the findings for specific suppliers to suppliers in both the same and different countries.

Fifth, several authors find that the type of *buyer-supplier relationship* shapes code of conduct compliance (e.g., Frenkel and Scott 2002; Locke et al. 2007). For example, Lim and Phillips (2008) argue, based on a study of Nike's Chinese and Vietnamese suppliers in the early 00s, that codes of conduct could improve workers' rights if buyer-supplier relationships were transformed from arm's-length to collaborative relationships. This finding is interesting in relation to new institutional theory, since the type of relationship between the organization and its stakeholders has not previously been identified as influencing the likelihood of recoupling. Hence, the code of conduct literature allows us to add a fourth potential explanation of recoupling, i.e., development of more trusting relationships between the organization and the stakeholder exerting pressures.

Finally, some researchers have also demonstrated that increased auditing frequency leads to improved workplace conditions and code compliance (Esbenshade 2004, Chap. 3), which again is in line with the expectations of previous new institutional literature (e.g., Meyer and Rowan 1977; Hallett 2010). To summarize, previous research finds that codes of conduct are generally likely to be decoupled from practices on the factory floor (and thus unlikely to improve workers' rights in any significant way), but that, in specific instances, codes could be more tightly coupled to actual practices and potentially make a difference.

The toy industry and Swedish toy retailers' codes of conduct

In 2007, Europe imported toys worth EUR 11.6 billion (at retail prices), 98% of which came from Asia and 91% of these from China.¹ Globally, approximately 80% of the world's toys are produced in China, mostly in the Southern province of Guangdong.² The Swedish toy market closely resembles the European and global toy markets, with most imports coming from Guangdong. The Swedish market is dominated by Top Toy, with over a 30% share, followed by several companies with 5–7% market shares, such as Brio, Barnens Hus, Ica, Leklust, and Lekia, and a few companies with 2–3% market shares, such as Coop and Åhléns.

The discussion of workers' rights in the toy industry started on a large scale in the mid 1990s with two serious fires in Chinese and Thai factories. After an international campaign aimed to increase the toy industry's responsibility for workers' rights at its suppliers, the International Council of Toy Industries (ICTI) adopted its first Code of Business Practice in 1995. ICTI is the main industry association of toy producers, including toy association representatives from over 30 countries. However, reports and campaigns on substandard working conditions continued highlighting problems such as child labour, excessive overtime hours, and violations of trade union rights. These campaigns eventually led to the establishment of an industry initiative to audit workers' rights at toy suppliers – ICTI CARE – in 2004.

ICTI CARE is an independent organization that oversees and implements compliance with the ICTI code of conduct. Once suppliers are deemed compliant by ICTI certified auditors, they are awarded a Seal of Compliance. The audits conducted as part of the ICTI CARE process are announced and interviews with workers are conducted at the factory premises. However, the

compliance audits are often followed up by unannounced quality audits. By 2009, about half of the existing 3500–4000 toy factories in China were part of the ICTI CARE programme, indicating that the programme has had a strong impact since its initiation in 2004. Many Swedish toy retailers, like many international toy retailers, are also part of the ICTI Date Certain Program, meaning that they commit, in the near future, to buying only from factories that are part of the ICTI CARE process. In 2009, 77% of Top Toy's suppliers and 80% of Brio's suppliers were participating in the ICTI CARE process, and all of the suppliers examined in this study participated in the ICTI CARE process.

Parallel to the development of ICTI's first code of conduct and subsequently of ICTI CARE, the larger Swedish firms that directly imported toys (in particular Top Toy, BrioPartner, and Coop) adopted their own codes of conduct and auditing in the mid 1990s. These Swedish retailer codes of conduct are similar to those of other international toy retailers and to those of Swedish and international retailers in other industries, such as the garment industry (cf. Frenkel 2001; van Tulder and Kolk 2001; Sethi 2002; Egels-Zandén 2007; Ählström and Egels-Zandén 2008). The similarities between the Swedish and international retailers' codes of conduct are particularly strong in the eight criteria examined in this study, since these criteria are based on Chinese labour law in addition to the retailer codes of conduct. Since the initiation of ICTI CARE in 2004, the similarities between the Swedish and international toy retailers' codes of conduct and auditing have increased, with most Swedish retailers participating in ICTI CARE. In practice, this means that the Swedish retailers' Chinese suppliers are audited both by the Swedish retailers' own and contracted third-party auditors and by ICTI CARE's auditors. In addition,

many of the suppliers are also audited by international retailers, such as Mattel, Walt Disney, and Wal-Mart, since they produce for these firms as well.

Method

The sparse previous research into how codes of conduct potentially improve workers' rights at suppliers in emerging countries has used two main ways to acquire empirical data. First, some studies have relied on secondary data provided by the organizations auditing supplier compliance with codes of conduct. For example, in a study using Nike's internal ratings of factories, Locke et al. (2007) find that, even as Nike conducted a great deal of monitoring, 80% of its supplier factories failed to improve over time, some actually experiencing a decline in their compliance rating. Second, other studies have relied on primary data capturing mainly how employees perceived improvements in factories' working conditions. For example, in a study of the effectiveness of the Ethical Trading Initiative, Barrientos and Smith (2007) find that improvements have been made in occupational health and safety, working hours, and other outcome standards, while little progress has been made in process standards, such as freedom of association and collective bargaining. However, both these ways of acquiring empirical material suffer from important weaknesses. Reliance on monitoring organizations' data is problematic, as previous research has demonstrated it to be unreliable (cf. O'Rourke 1997; Hemphill 2004; Egels-Zandén 2007). Locke et al. (2007) also acknowledge that the internal, company-based audits that form the backbone of their study may be biased. Reliance on employees' retrospective accounts is equally problematic due both to high turnover in the studied industries (mainly garment) and the well-documented research design weaknesses of such an approach (e.g., Stouffer 1949; Boring 1954). Some authors even argue that such studies are "of almost no

scientific value”, since both points of reference need to be studied “with similar care and precision” (Campbell and Stanley 1963, p. 6).

While interesting, the methods used in previous research suffer from important weaknesses. To overcome these, this study builds on both an initial (2004) and a follow-up (2009) study of Chinese toy supplier compliance with Swedish toy retailers’ codes of conduct. The initial study was conducted in 2004 and used what Flyvbjerg (2001) refers to as a “critical case” approach. This approach entails studying a phenomenon in as favourable a setting as possible; if it is found that suppliers in this favourable setting do *not* comply with MNC codes of conduct, it can be assumed that suppliers in less favourable settings are even less likely to comply (cf. Yin 1994). Consequently, the three Swedish retailers (i.e., Top Toy, BrioPartner, and Coop) included in the study were in an industry (i.e., the toy industry) that had extensive experience working with codes of conduct and were ranked as the most proactive Swedish firms in that industry in terms of codes of conduct.³ Similarly, the nine Chinese suppliers included in the initial study were, according to the Swedish retailers that selected them for inclusion in the study, the best in their class. The nine examined suppliers were likely among the best in terms of compliance with the codes of conduct of the most proactive Swedish MNCs in one of the most proactive industries – at least in relation to codes of conduct. Several of the suppliers also produced for international toy companies such as Mattel, Walt Disney, and Wal-Mart.

The second follow-up study was conducted in 2009 and examined four of the nine suppliers included in the initial study. For various reasons, such as retailers’ changing suppliers and the restructuring of supplier operations, it was impossible to include all of the initial suppliers in the

follow-up study. Instead, four suppliers were selected that produced for at least one of the three Swedish retailers (see Table 1 below for more details). The suppliers examined in the follow-up study can be considered “critical cases”, since it is reasonable to assume that they are still among the best in terms of compliance. Hence, if it is found in the follow-up study that the suppliers do comply with the code of conduct, this does *not* necessarily imply that toy suppliers generally comply with codes of conduct. It would, however, imply that suppliers have significantly improved their compliance given the extensive non-compliance found in the initial study.

Insert Table 1 about here

Both the initial and follow-up studies examined supplier compliance based on eight criteria included in all the studied firms’ codes of conduct and in Chinese labour law (cf. Warner 1996; Chan 1998; Ding and Warner 1999):

- 1) Working hours (maximum of 40 hours base work per week, maximum of three hours overtime per day, and maximum of 36 hours overtime per month)
- 2) Working days per week (maximum of six working days per week)
- 3) Guaranteed minimum wage
- 4) Overtime compensation (50% extra on weekdays and 100% extra on weekends)
- 5) Health and safety education
- 6) Child labour (minimum working age of 16)

- 7) Copy of employment contract
- 8) Accident and pension insurance

Material concerning supplier compliance was gathered mainly from interviews with workers. In total, over 100 workers were interviewed in the initial study (10–15 interviews per supplier lasting on average 20 minutes each), and over 100 workers were interviewed in the follow-up study (20–30 interviews per supplier lasting on average 20 minutes each). To allow for breadth of experience (cf. Kvale 1996; Bryman 2004), as heterogeneous a sample of workers as possible in terms of age, sex, place of origin, and factory department was interviewed. About half of the approached workers agreed to participate in both the initial and follow-up studies and there were no obvious differences in age, sex, place of origin, or factory department between those who agreed and declined to be interviewed. Since only approximately 5% of the workforce was interviewed, the description of each factory's code of conduct compliance should be interpreted with caution (cf. Frenkel 2001). For this reason, the empirical data have been analyzed in aggregate, focusing on general compliance improvements rather than explaining compliance differences between the studied suppliers.

The interviews in both the initial and follow-up studies were conducted unofficially and unannounced outside supplier factories with the respondents being granted anonymity, since this has been recognized as the most reliable way to collect material regarding working conditions in emerging economies (O'Rourke 1997; Hemphill 2004). The responses to the interview questions were factual, detailed, and seemingly reliable. The answers of workers from the same suppliers

were also highly similar, making it relatively straightforward to categorize suppliers as compliant or non-compliant according to the eight examined criteria.

To conduct anonymous, unofficial, unannounced, off-site interviews, the researcher must be “invisible” in the empirical setting: any traces of his/her presence would risk jeopardizing employee anonymity, making employees unwilling to reveal information regarding actual working conditions. This “invisibility” not only entails familiarity with the local language, but also familiarity with the local culture, an appearance similar to that of the employees (in terms of race, sex, age, clothing, etc.), and an ability to move freely around the production facilities. The last aspect is particularly problematic in free-trade zones and in countries, such as Myanmar, Sudan, and China, with restricted freedom of movement for foreigners. Here, access to the production milieu is sometimes restricted for foreigners, making it necessary for “invisible” researchers to enter these milieus without the knowledge of local governmental agencies. It is reasonable to assume that few, if any, European or US researchers possess the necessary characteristics and skills to achieve such “invisibility”. Some local researchers can approach this ideal (see, e.g., the work of Chan 1998, 2000, and Lee 1998, 1999), but even they have difficulties passing as insiders, and consequently risk jeopardizing employee security and data credibility.

To overcome these difficulties, both the initial and follow-up studies used local interviewers who had extensive experience of this type of interview study in Guangdong province. In the initial study, interviewers linked to the Hong Kong Christian Industrial Committee (HKCIC) were commissioned to conduct the interviews, and in the follow-up study interviewers linked to an

equally experienced but anonymous organization were commissioned. The latter organization prefers to remain anonymous due to political conditions in China – a valid concern, since at the end of the study, one investigated supplier reported the organization to the Chinese government agency that investigates charges of violating laws on “sensitive national data”. The organization was visited by Chinese government representatives who searched its office, reviewed correspondence, and threatened to close its office. After the investigation, the organization was allowed to continue its operations, but the incident illustrates the sensitive nature of such studies in the Chinese setting.

To overcome interviewer effects stemming from the use of non-academic interviewers (cf. Kvale 1996), the interviewers followed predefined scripts introducing both the study and interview questions (see Appendix). The questions were short, specific, non-leading, and, as often as possible, open ended, inquiring into actual conditions at the factories (cf. Kvale 1996; Bryman 2004). Previous research has found that this interview structure limits interviewer effects (cf. Boyd and Westfall 1965; Kvale 1996; Frenkel and Scott 2002; Davis and Silver 2003; Bryman 2004). In addition to targeted questions about the eight examined code of conduct criteria, the respondents were asked to describe how the supplier acted when externally audited regarding code of conduct compliance.

In addition to the worker interviews, announced factory visits were conducted at about half of the factories in both the initial and follow-up studies. In the follow-up study, the commissioned organizations conducted these visits in a manner similar to a code of conduct audit and included reviews of documentation, interviews with management, and factory walk-throughs. In the

factory visits in the follow-up study, representatives of the Swedish retailers participated in the visits. Not all factories were visited in the follow-up study due to the unwillingness of one factory to participate (Factory A) and to the inability of the Swedish retailers to arrange for a visit at another factory (Factory C).

Chinese supplier compliance with codes of conduct

Working hours and working days per week

Top Toy's, BrioPartner's, and Coop's codes of conduct stipulate that a regular working day should consist of eight working hours and a maximum of three overtime hours. Hence, the maximum allowed number of *working hours* per day is 11 hours. In addition, employees' total overtime must not exceed 36 hours per month, and employees are not allowed to work more than six *days per week*. In terms of compliance, these standards are most difficult to attain in peak season (June–September), when factories are producing for Christmas. According to supplier management at one of the studied factories, production volume in peak season is about three times as high as in low season.

Despite this highly volatile demand, in 2009, all suppliers complied with the working day standard even in peak season. This is in sharp contrast to 2004, when all suppliers violated this standard, with workers in some factories working seven days a week throughout peak season. In sharp contrast to compliance in terms of number of working days per week, all suppliers (as in 2004) violated the standard for working hours per day. However, the extent of the violations was less than in 2004: in 2004, it was common for employees to work 11–14 hours per day, leading to working weeks of 80–100 hours. In 2009, the maximum number of working hours in peak

season was 76 hours per week at one supplier, while workers at the other three suppliers were working approximately 63–66 hours. In low season, all but one of the suppliers complied with the working hour standard. Hence, suppliers have significantly improved their compliance with standards for both number of working days and working hours, although all suppliers still violate the working hour standard in peak season.

Minimum wage and overtime compensation

The toy retailers' codes of conduct state that suppliers are obliged to pay at least the legal *minimum wage*. In 2004, the minimum wage was approximately EUR 40 per month; by 2009, the minimum wage had risen dramatically to approximately EUR 100 per month. Despite this increase, all studied suppliers complied with the minimum wage standard in the 2009 study even in low season. Wages ranged from approximately EUR 100 to EUR 300 depending on the amount of overtime and the tasks performed. In comparison, in 2004, three of the four studied suppliers violated the minimum wage standard of EUR 40 per month. At some of the suppliers, the salaries at this time were as low as EUR 20 in low season, i.e., about half the legal minimum wage. Despite the salary increase between 2004 and 2009, several workers interviewed in both this and other studies claim that it is difficult to live on the minimum wage. For example, accommodation outside the factory ranges from EUR 50 to EUR 70 per month, forcing workers to live in the factory dormitories that are cheaper but highly crowded.

The toy retailers' codes also stipulate that *overtime compensation* should be at least 150% of the regular wage on weekdays and 200% on weekends. All the suppliers complied with this standard in the 2009 study. Hence, while workers continue to exceed the working hour limits, at least they now receive appropriate compensation for their work. This differs from the situation in 2004,

when half the suppliers violated the overtime compensation standard. In 2004, the violations ranged from paying no overtime compensation to paying insufficient overtime compensation. It is clear that the wage and overtime compensation situation has significantly improved in the studied factories.

Health and safety education

The retailers' codes of conduct stipulate that workers have the right to *health and safety education* to avoid work-related accidents. In 2004, none of the suppliers complied with this standard, some offering no health and safety education and others offering only fire safety education. In 2009, the situation was much improved, with all suppliers offering health and safety education. However, some health and safety problems remain, such as workers using personal protection equipment only during code of conduct audits.

Child labour, employment contract, and insurance

The retailers' codes of conduct stipulate that *no person under 16 years* of age is allowed to be employed in the factories. This was the only criterion that all suppliers complied with in 2004 and still complied with in 2009. Similarly, the provision of *employment contracts* was widespread in 2004, only one supplier violating the standard; in 2009, all suppliers complied with the regulation on employment contracts. Finally, the retailers' codes of conduct stipulate that workers are entitled to pension and accident insurance. In 2004, three of the four suppliers violated this standard, and in 2009, the situation remained problematic, two of the four suppliers still violating this standard. For example, in one factory, social insurance was provided only for supervisors but not for production workers. There were also related problems in 2009, with

several suppliers not paying the legally stipulated five days annual paid leave and not providing paid sick leave in accordance with the codes of conduct.

Deceiving auditors

One of the most striking findings of the 2004 study was the widespread attempts by suppliers to deceive code of conduct auditors. Examples of deception techniques included instructing employees what to say, financially compensating workers for responding “correctly” to auditor questions, punishing workers for responding “incorrectly”, hiding part of the workforce during audits, and using forged salary lists, time cards, and employment contracts. In 2009, the situation was somewhat improved, with, for example, only one supplier (versus three in 2004) instructing workers what to say and financially compensating them for “correct” answers, and no supplier using deception techniques as systematically as in 2004. On the other hand, one studied supplier that had used no deception techniques in 2004, had introduced forged time cards in 2009 to hide excessive overtime. Between 2004 and 2009, another supplier had stopped both instructing workers how to respond and hiding part of the workforce during audits, but instead began allowing workers to take work home at night to be completed at a piece rate.

Summary

Table 2 summarizes the results of the 2004 and 2009 studies of the four Chinese suppliers. The results indicate that the only violations remaining in 2009 concern overtime and insurance, but that the situation even for these criteria has improved since 2004. Furthermore, in 2009, the suppliers fully complied with six of the eight code of conduct criteria, which is a substantial improvement from 2004 when most suppliers violated most criteria. Still, no supplier was fully

in compliance with the codes of conduct, although all of the evaluated code of conduct criteria are based on Chinese labour law.

Insert Table 2 about here

Explaining supplier recoupling of policy and practice

Recoupling of policy and practice

The four examined suppliers have largely moved from a situation in which policy and practice were decoupled to one in which they are tightly coupled, i.e., the suppliers have recoupled policy and practices. The finding that codes of conduct were better implemented in 2009 than in 2004, at least at first sight, stands in sharp contrast to previous research claims that “there has been little progress in improving labour standards through such [private] regulation” (Wells 2007, p. 53) and that the code of conduct approach is “not producing the large and sustained improvements in workplace conditions that many had hoped it would” (Locke et al. 2007, p. 21). Our finding of recoupling also stands in contrast to the expectations of traditional new institutional theory literature, which considers codes of conduct a prime candidate for sustained decoupling.

Before attempting to explain this unexpected recoupling of policy and practice at the studied suppliers, it is worth reflecting on how generalizable the findings are. In other words, do the findings imply that Chinese suppliers generally comply with buyers’ codes of conduct? Several

factors indicate that it is difficult to generalize the high compliance level we found to Chinese suppliers in general. Most notably, the “critical case” selection of the four examined suppliers means that they are among the best suppliers in terms of compliance of the most proactive Swedish toy retailers. Hence, the critical case approach that, in 2004, allowed for the conclusion that non-compliance was likely widespread among Chinese suppliers, also means that the 2009 results do *not* imply that compliance is necessarily widespread among Chinese suppliers. Furthermore, the eight examined criteria are all *outcome*, rather than *process*, criteria (Barrientos and Smith 2007). Since previous research has found that it is more difficult for codes of conduct to recouple process criteria (Frenkel 2001; Prieto-Carron 2006; Barrientos and Smith 2007), the results do not necessarily imply that issues such as freedom of association, the right to collective bargaining, or freedom from discrimination have improved. The examined suppliers are also “small” (500–1500 workers), which Locke et al. (2007) find is positively correlated with compliance. Recoupling is thus not necessarily to be expected in larger factories. Finally, since Locke et al. (2007) have demonstrated that compliance could vary substantially between suppliers in a single country, it is difficult to generalize from compliance studies of a small number of factories.

While the findings provide no strong indication of the general compliance level among Chinese suppliers, they clearly indicate that the compliance levels of the examined suppliers significantly improved between 2004 and 2009. The question then is: What can account for this recoupling of policy and practice? As outlined in the section “The link between policy and practice in private regulation” previous new institutional and private regulation research has demonstrated that recoupling occurs in response to: i) increased external demands and surveillance, ii) changes in

the type of external demands, iii) internalized external demands, and iv) more trusting relationships between the organization and the stakeholder exerting pressure. In the following sections, I discuss whether these factors can explain the recoupling detected here, starting with the two most important factors: increased and changed demands.

Increased external demands: Buyers, ICTI CARE, and Chinese labour law

Between 2004 and 2009, the Swedish toy retailers increased both their code of conduct demands and auditing. Top Toy, for example, doubled the number of people working on supplier auditing between 2004 and 2009, and also appointed a Sustainability Manager to the Group's top management team. Brio also increased its code of conduct efforts by, among other things, educating the management of their suppliers, and Coop started to work more systematically with both internal and external audits and announced and unannounced audits. In other words, between 2004 and 2009, suppliers faced increased external demands and increased surveillance, which were found to be important reasons for recoupling in previous new institutional and private regulation research (e.g., Kelly and Dobbin 1998; Esbenshade 2004; Hallett 2010; Lund-Thomassen and Nadvi 2011).

The interviewed managers at the examined suppliers confirmed that code of conduct demands increased between 2004 and 2009. The managers also all claim – in line with previous research into recoupling (e.g., Kelly and Dobbin 1998; Hallett 2010) – that these increased demands have led to improved working conditions. The factory managers, however, complained that they rather than the buyers had to bear the cost of these improvements, even though the buyers had forced lower purchasing prices on the suppliers between 2004 and 2009 (cf. Meyer and Rowan 1977; Sun and Ngai, 2005; Jiang, 2009). These inconsistent buyer demands also partly explain the

continued violations of working hour requirements, since the interviewed supplier managers claimed that changes in delivery dates and production volumes were common, that failures to meet delivery dates were fined by the buyers, and that this made it difficult to comply with the working hour requirements. Suppliers thus perceived a trade-off between code of conduct compliance and on-time delivery, and claimed that buyers in these conflicts prioritize on-time delivery. As one factory manager puts it,

There are limits to overtime, but if the delivery deadline is changed, it is really difficult for us to re-plan while keeping overtime within acceptable limits.

In addition to increased buyer demands, between 2004 and 2009, suppliers also faced increased demands from ICTI CARE (initiated in 2004). ICTI CARE operates parallel to the retailers' audits, imposing another layer of code of conduct demands on suppliers. In 2009, all examined suppliers were ICTI CARE certified (versus none in 2004), meaning that they had been subject to, and passed, ICTI CARE audits between 2004 and 2009. In addition to increasing the demands, the emergence of ICTI CARE also provided toy retailers with a united front vis-à-vis the suppliers, since most international retailers make only short-term commitments to purchase from suppliers participating in the ICTI CARE process. Given that Barrientos and Smith (2007) find that codes of conduct have the greatest impact when suppliers see their various buyers posing similar demands, the importance of a united front should not be underestimated. Some Swedish retailers also claimed that improvements, especially in terms of health, safety, and appropriate overtime compensation, were largely due to the emergence of ICTI CARE, and an investigation

by China Labor Watch concluded that suppliers with ICTI CARE certification had higher compliance levels than did non-certified factories.⁴ Hence, in the same way as Hallett (2010) finds that external accountability demands gradually gained influence in a US school setting, codes of conduct in the toy industry strengthened between 2004 and 2009, with resources, rewards, and punishments being more clearly tied to compliance through both retailers' increased efforts and the emergence of ICTI CARE. Still, ICTI CARE is restricted to workers' rights requirements and does not cover purchasing requirements (e.g., price and delivery times), leaving the underlying trade-off between code of conduct compliance and on-time delivery intact, which explains why working hours are still violated despite the emergence of ICTI Care.

In addition to increased code of conduct demands, between 2004 and 2009, suppliers also faced increased legal demands. Chinese labour law changed between 2004 and 2009, making regulations regarding workers' rights (especially employment contracts) more stringent. These legal changes have received extensive attention in China and have been claimed to provide workers better means for enforcing their rights through the formal legal system.⁵ Previous research into both the private regulation of workers' rights (Locke et al. 2007) and recoupling (Kelly and Dobbin 1998) indicates that such changes are important in explaining improvements in workers' rights, and ICTI CARE representatives have also recognized that the new labour law is an important reason for improved conditions in the toy industry.

Changed external demands: Buyers and ICTI Care

A key reason for the low compliance levels in 2004 was suppliers' extensive deception of code of conduct auditors. Between 2004 and 2009, both toy retailers and auditors became increasingly aware of such behaviour, even viewing attempts to deceive them as the norm. Our findings are in

line with those of Welford and Frost (2006, p. 171), who find that auditors “often say that their job is not to find out *whether* factories are cheating on the audit, but *how*”. This insight has led buyers, ICTI CARE, and social auditors to *change the type* of demands to include more transparency demands in 2009 than in 2004. For example, suppliers were often more severely punished for attempting to deceive auditors than for violating the code of conduct.

Previous new institutional theory research has found that changes in external demands similar to those examined here lead to recoupling (Brunsson 1986; Johansson 2003; Spillane et al. 2011). The underlying logic is that decoupling is difficult to sustain unless “inspection, evaluation, and control activities are minimized” and auditing is “ceremonialized” (Meyer and Rowan 1977), since auditing – especially stringent auditing – erodes the “confidence and good faith” that is essential for decoupling. In other words, as auditors move beyond the ceremonial auditing of suppliers’ façades, these façades erode; to retain legitimacy, suppliers are forced to invest in substantial (rather than symbolic) activities in response to codes of conduct. This finding is also in line with the argument that decoupling is more difficult to sustain when it is conscious and explicit than when it occurs in good faith (Hernes 2005). While conscious decoupling generated short-term legitimacy gains for suppliers in 2004, it simultaneously created latent legitimacy threats (cf. MacLean and Behnam 2010). When suppliers started to realize this (usually after having been caught attempting to deceive auditors), it became less rational to decouple, leading to a recoupling of policy and practice.

Changed buyer–supplier relationships and internalization of demands

Previous research into private regulation has found that collaborative (rather than arm’s-length) relationships improve code of conduct compliance (e.g., Frenkel and Scott 2002; Locke et al.

2007). In relation to the four examined suppliers, there is limited empirical material concerning how buyer–supplier relationships developed between 2004 and 2009. The general development of toy factories in China, however, indicates that relationships likely became more collaborative between 2004 and 2009, since the number of Chinese toy factories was estimated by an ICTI CARE representative to have declined from approximately 10,000 (2004) to 3500–4000 (2009). This decline was due both to the poisonous lead paint scandal in 2007 that made Chinese authorities more restrictive in issuing export licences and to the global recession in 2008. Furthermore, since most major toy retailers participate in ICTI CARE, most suppliers likely have close relationships with at least some buyers associated with ICTI CARE, making codes of conduct in 2009 more embedded in collaborative relationships than in 2004. It is reasonable to assume that the observed recoupling of policy and practice is at least partly due to changed buyer–ICTI–supplier relationships. This is interesting, since previous new institutional theory research has not identified the possibility that changes in stakeholder–organization relationships could influence the likelihood of recoupling.

The fourth potential explanation of the recoupling identified in previous research is that organizations internalize external pressures, for example, by recruiting staff functions that, over time, drive change internally (Tolbert 1988; Edelman 1992; Covaleski et al. 1993; Sauder and Espeland 2009). In a study of a Chinese toy factory in Guangdong producing for companies such as Wal-Mart and Disney, Bartley and Zhang (2012) find indications of this happening, with the factory starting to undertake improvements after joining ICTI CARE. According to the factory owner, the improvements arose because coaching workers how to respond in audits made them more aware of their rights, prompting them to ask for better working conditions. In the words of

the factory owner: “It becomes real if a company fakes [it for] a long time” (cited in Bartley and Zhang 2012, p. 19). However, at the four suppliers examined in the present study, there are few, if any, indications that management, newly recruited staff functions, or workers have internalized code of conduct demands and driven change from inside. At the examined suppliers, it still seems to be the external demands that have led to workers’ rights improvements and the recoupling of policy and practice.

Unrelated trends creating recoupling

While three of the four above explanations improve our understanding of supplier recoupling of policy and practice, it is also clear that the recoupling depends on trends unrelated to codes of conduct. Most importantly, economic development in the Guangdong region (where the examined suppliers are located) has been a driving force of the booming Chinese economy. The region’s economy grew an average of 9.8% annually over the last 30 years, and even grew over 10% during the economic downturn of 2008.⁶ This strong economic development has led to workers’ having more employment choices in the region, generating high turnover rates at the toy suppliers. For example, in one of the studied factories with 700 employees, workers claimed that about ten workers left the factory every day. In 2009, factory managers also claimed there was a shortage of labour in the Guangdong region, which was not the case in 2004. This shortage of migrant workers in Guangdong is partly due to economic development in rural regions in China, which has led workers to remain in their home regions. In addition, the minimum wage in the Guangdong region has continued to rise, and manufacturing companies in the region expect minimum wages to rise continuously by 20% per year up to 2015.⁷ The minimum wage is being increased because Guangdong authorities want to push factories to upgrade and shift to more value-added operations.⁸

Furthermore, managers of the examined suppliers also claimed that workers' awareness of their rights improved between 2004 and 2009, for example, due to the spread of Internet access. Hence, it seems as though toy factories in Guangdong have been forced to improve workers' rights due to a shortage of labour in the region, a need to retain workers, and improved awareness among workers of their rights (cf. Welford and Frost 2006). The recoupling of policy and practice is thus partly due to factors unrelated to codes of conduct. This type of "accidental" recoupling has not been recognized in previous new institutional research, making it possible to add it as a fifth potential explanation of recoupling more generally.

Conclusion

This paper provides one of the first systematic attempts, based on credible longitudinal data, to evaluate whether codes of conduct improve workers' rights. Based on an examination of four Chinese toy suppliers in the Guangdong region, we challenge the previous research claim that codes do not significantly improve workers' rights (e.g., Locke et al. 2007; Wells 2007; Barrientos 2008; Blowfield and Dolan 2008; Chan and Siu 2010). All the examined suppliers improved substantially in all examined criteria, at least partly due to increased external code of conduct pressure and changed demands emphasizing transparency. The results indicate that codes of conduct can improve workers' rights over time, even when suppliers initially respond with symbolic actions and attempts to deceive auditors. Furthermore, the results indicate that this recoupling of policy and practice is most likely when buyers increase their code of conduct demands and auditing, coordinate their code of conduct activities throughout the industry, and value transparency more highly than actual initial compliance. If this coincides with economic and legal development in a region, workers' rights in global supply chains could improve over

time partly due to retailer codes of conduct. In addition to contributing to the literature on the private regulation of workers' rights, this paper contributes to new institutional theory by discussing how the recoupling of policy and practice could be influenced by two additional factors not previously identified: i) trusting relationships between the organization and the stakeholder exerting pressure and ii) factors unrelated to main external pressures leading to "accidental" recoupling.

This paper has several implications for future research. Most importantly, it demonstrates the potential to obtain new findings by revisiting previously examined suppliers after a few years. Researchers currently tend to neglect this possibility (e.g., Chan and Siu 2010; Ngai 2005), leading to uncertain data regarding whether, and if so, how, codes of conduct improve workers' rights. As the present study demonstrates, initial non-compliance could change into compliance over time, and more research is needed to determine whether or not this is the case for other suppliers. Furthermore, additional research is needed into the impact of sector-wide initiatives (e.g., ICTI CARE). These corporate-driven initiatives are sometimes criticized for not being stringent enough (e.g., Egels-Zandén and Wahlqvist 2007), but this study indicates that they could still have significant impacts, since they provide buyers with a unified front vis-à-vis suppliers (cf. Barrientos and Smith 2007). Finally, this paper demonstrates that codes of conduct provide a useful empirical setting for studying decoupling and recoupling. This allows for an expansion of decoupling/recoupling discussions beyond Western markets, which in turn could lead to interesting discussions of how national institutional differences shape decoupling and recoupling.

Appendix – Interview Guide¹

1. Personal Information

- 1.1 What is your name (optional)?
- 1.2 How old are you?
- 1.3 What department do you work in?
- 1.4 Where are you from?
- 1.5 How long have you been working in the factory?
- 1.6 What are you employed as?

2. Factory Information

- 2.1 What is the name of the factory?
- 2.2 What products are produced in it?
- 2.3 Who are the major clients of the factory?
- 2.4 When are the factory's peak and low seasons? (Follow up: Specify months)

3. Workforce information

- 3.1 How many workers are there in the factory? What is the male–female ratio?
- 3.2 What different departments are there in the factory?
- 3.3 What is the age range of employees? Mean age?
- 3.4 At what age are workers recruited? (Follow up: Are there any workers under 16 years old working in the factory?)

4. Wages, working hours, and vacation

- 4.1 Could you explain the organisation of working hours used at the factory? How many hours do you work per day/week? (Follow up: Please specify the differences between weekday and weekend hours, regular working hours and overtime, and peak and low season working hours)
- 4.2 How many days off do you have per week/month?
- 4.3 Could you explain the wage system of the factory? (Follow up: Does the factory use a piece-work rate or a time rate? Are there differences between departments?)
- 4.4 Is overtime compensation provided? If so, how?
- 4.5 What is the average monthly income of the workers? (Follow up: Please specify the differences between the peak and low seasons)
- 4.6 What happens if the factory does not have enough work for the workers in the low season?
- 4.7 Are workers guaranteed a certain minimum income every month?

5. Employment

- 5.1 Does management sign a written contract with workers? If so, are you given a copy of the contract?
- 5.2 What is the average length of the contract?

6. Insurance and welfare

- 6.1 Does the factory buy social insurance for its workers? (Follow up: Please specify whether this includes old age, medical, unemployment, and industrial injury insurance)

¹ The predefined follow-up questions are indicated in the interview guide by either “If so” or “Follow up”.

6.2 If so, is anything deducted from wages for each type of coverage? If so, how much?

7. Occupational safety and health (OSH) conditions

7.1 Could you tell us about the industrial accident situation in the factory?

7.2 Does management pay compensation for injuries or occupational diseases related to work?

7.3 Which department is most likely to have industrial accidents?

7.4 Have you received any occupational training, either before or during employment?

7.5 Is there any fire prevention training for new and current workers?

7.6 Are there fire drills at the work place and in the dormitories? If so, how often?

7.7 Do you know how to get to the fire exits if there is a fire?

7.8 Is there any formal OSH training for new and current workers?

7.9 What is the daily production quota in your department during peak season? What happens if you fail to meet the quota?

8. Code of conduct auditing

8.1 Do any clients perform social audits inside the factory?

8.2 If so, could you tell us how such an audit is conducted? (Follow up: How often do social auditors come? What would they check? Do they talk to workers? How does factory management prepare before the social auditors come?)

8.3 Have you heard of codes of conduct? If so, how can workers access the details of the codes of conduct?

8.4 Do you think that social audits can help improve factory conditions?

¹ Toy Industries of Europe, “Facts and Figures”, July 2008.

² Australian Consumers Association, “Choice”, July 2008, p. 27, and <http://www.icti-care.org/foundation.html> (accessed 27 August 2009).

³ In 2004, these three firms had a combined market share of approximately 50% of the Swedish toy market (Top Toy 35%, BrioPartner 8%, and Coop 7%). Their market shares were approximately the same in 2009.

⁴ China Labor Watch, “Investigations of Toy Suppliers in China: Workers are still suffering”.

⁵ *Newsweek*, “Is China’s Labor Law Working?”, 14 February 2008, <http://www.newsweek>.

⁶ Swedish Consul in Canton, “Guangdongs ekonomi december 2008 – stark nog att rida ut den ekonomiska avmatningen?”, 2 December 2008; Swedish Consul in Canton, “Guangdongs ekonomi inför Oxens år”, 15 January 2009.

⁷ SCMP, “Factory bosses protest at pay rise”, 9 November 2011.

⁸ Ibid.

References

- Adeyeye, A. (2011). Universal standards in CSR: Are we prepared?. *Corporate Governance*, 11(1), 107-119.
- Ählström, J. & Egels-Zandén, N. (2008). The Processes of Defining Corporate Responsibility: A Study of Swedish Garment Retailers' Responsibility. *Business Strategy and the Environment*, 17(4), 230-244.
- Amengual, M. (2010). Complementary Labor Regulation: The Uncoordinated Combination of State and Private Regulators in the Dominican Republic. *World Development*, 38(3), 405-414.
- Aravind, D. & Christmann, P. (2011). Decoupling of Standard Implementation from Certification: Does Quality of ISO 14001 Implementation Affect Facilities' Environmental Performance?. *Business Ethics Quarterly*, 21(1), 73-102.
- Armbruster-Sandoval, R. (2005). *Globalization and Cross-border Labor Solidarity in the Americas: The Anti-sweatshop Movement and the Struggle for Social Justice*. New York: Routledge.
- Barrientos, S. & Smith, S. (2007). Do Workers Benefit from Ethical Trade? Assessing Codes of Labour Practice in Global Production Systems. *Third World Quarterly*, 28(4), 713-729.
- Bartley, T. (2005). Corporate Accountability and the Privatization of Labor Standards: Struggles over Codes of Conduct in the Apparel Industry. *Research in Political Sociology*, 14, 211-244.
- Bartley, T. (2007). Institutional emergence in an era of globalization: The rise of transnational private regulation of labor and environmental conditions. *American Journal of Sociology*, 113(2), 297-351.
- Bartley, T. & Zhang, L. (2012). Opening the "Black Box": Transnational Private Certification of Labor Standards in China. *RCCPB Working Paper #18*, Indiana University.
- Beschorner, T. & Müller, M. (2007). Social Standards: Toward an Active Ethical Involvement of Businesses in Developing Countries. *Journal of Business Ethics*, 73, 11-20.
- Blowfield, M. (2007). Reasons to be cheerful? What we know about CSR's impact. *Third World Quarterly*, 28(4), 683-695.
- Blowfield, M. & Dolan, C. (2008). Stewards of Virtue? The Ethical Dilemma of CSR in African Horticulture. *Development and Change*, 39(1), 1-23.
- Blowfield, M. & Dolan, C. (2010). Fairtrade Facts and Fancies: What Kenyan Fairtrade Tea Tells us About Business' Role as Development Agent. *Journal of Business Ethics*, 93, 143-162.
- Boirai, Q. (2003). ISO 9000: Outside the iron cage. *Organization Science*, 14, 720-37.
- Boring, E. G. (1954). The Nature and History of Experimental Control. *American Journal of Psychology*, 67(4), 573-589.
- Boyd, H. W. Jr. & Westfall, R. (1965). Interviewer Bias Revisited. *Journal of Marketing Research*, 2(1), 58-63.
- Brunsson, N. (1986). Organizing for Inconsistencies: On Organizational Conflict, Depression and Hypocrisy as Substitutes for Action. *Scandinavian Journal of Management*, 2(3-4), 165-185.
- Bryman, A. (2004). *Social Research Methods*. Oxford: Oxford University Press.
- Campbell, D. T. & Stanley, J. C. (1966). *Experimental and Quasi-Experimental Designs for Research*. Boston: Houghton Mifflin.

- Chakrabarty, S. & Grote, U. (2009). Child Labor in Carpet Weaving: Impact of Social Labeling in India and Nepal. *World Development*, 37(10), 1683-1693.
- Chan, A. (1998). Labor Standards and Human Rights: The Case of Chinese Workers Under Market Socialism. *Human Rights Quarterly*, 20(4), 886-904.
- Chan, A. (2000). Globalization, China's Free (Read Bonded) Labour Market, and the Chinese Trade Unions. *Asia Pacific Business Review*, 6(3/4), 260-281.
- Chan, A. (2009). Challenges and Possibilities for Democratic Grassroots Union Elections in China: A Case Study of Two Factory-Level Elections and Their Aftermath. *Labor Studies Journal*, 34(3), 293-317.
- Chan, A. & Siu, K. (2010). Analyzing Exploitation: The Mechanisms Underpinning Low Wages and Excessive Overtime in Chinese Export Factories. *Critical Asian Studies*, 42(2), 167-190.
- Christmann, P. & Taylor, G. (2006). Firm self-regulation through international certifiable standards: Determinants of symbolic versus substantive implementation. *Journal of International Business Studies*, 37, 863-78.
- Clemens, B., Bamford, C. E. & Douglas, T. J. (2008). Choosing Strategic Responses to Address Emerging Environmental Regulations: Size, Perceived Influence and Uncertainty. *Business Strategy and the Environment*, 17, 493-511.
- Covaleski, M. A., Dirsmith, M. W. & Michelman, J. E. (1993). An Institutional Theory Perspective on the DRG Framework, Case-Mix Accounting Systems and Health-Care Organizations. *Accounting, Organization and Society*, 18(1), 65-80.
- Davis, D. W. & Silver, B. D. (2003). Stereotype Threat and Race of Interviewer Effects in a Survey on Political Knowledge. *American Journal of Political Science*, 47(1), 33-45.
- Dent, J. F. (1991). Accounting and Organizational Cultures: A Field Study of the Emergence of a New Organizational Reality. *Accounting, Organizations and Society*, 16(8), 705-732.
- Desai, V. M. (2012). The Two Faces of Voluntary Disclosure: Quality Improvement and Organizational Learning from Self-reported Problems. *British Journal of Management*, 23(3), 344-360.
- Diamond, J. B. (2012). Accountability Policy, School Organization, and Classroom Practice: Partial Recoupling and Educational Opportunity. *Education and Urban Society*, 44(2), 151-182.
- DiMaggio, P. J. & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48, 147-60.
- Ding, D. Z. & Warner, M. (1999) Re-inventing' China's Industrial Relations at Enterprise-Level: An Empirical Field Study in Four Major Cities. *Industrial Relations Journal*, 30(3), 243-260.
- Dobbin, F, Schrage, D. & Kalev, A. (2009). Someone to Watch Over Me: Coupling, Decoupling, and Unintended Consequences in Corporate Equal Opportunity. *Working Paper*, Department of Sociology, Harvard University.
- Edelman, L. B. (1992). Legal Ambiguity and Symbolic Structures: Organizational Mediation of Civil Rights Law. *American Journal of Sociology*, 97(6), 1531-1576.
- Egels-Zandén, N. (2007). Suppliers' Compliance with MNCs' Codes of Conduct: Behind the Scenes at Chinese Toy Suppliers. *Journal of Business Ethics*, 75(1), 45-62.
- Egels-Zandén N. & Wahlqvist, E. (2007). Post-Partnership Strategies for Defining Corporate Responsibility: The Business Social Compliance Initiative. *Journal of Business Ethics*, 70(2), 175-189.

- Esbenshade, J. (2004). *Monitoring Sweatshops: Workers, Consumers, and the Global Apparel Industry*. Philadelphia: Temple University Press.
- Espeland, W. N. (1998). *The Struggle for Water*. Chicago, IL: University of Chicago Press.
- Everett, J. S., Neu, D. & Martinez, D. (2008). Multi-Stakeholder Labour Monitoring Organizations: Egoists, Instrumentalists, or Moralists?. *Journal of Business Ethics*, 81, 117-142.
- Fiss, P. C. & Zajac, E. J. (2006). The symbolic management of strategic change: Sensegiving via framing and decoupling. *Academy of Management Journal*, 49, 1173–1193.
- Flyvbjerg, B. (2001). *Making Social Science Matter: Why Social Inquiry Fails and How It Can Succeed Again*. Cambridge: Cambridge University Press.
- Frenkel, S. (2001). Globalization, Athletic Footwear Commodity Chains and Employment Relations in China. *Organization Studies*, 22(4), 531-562.
- Frenkel, S. & Scott, D. (2002). Compliance, Collaboration, and Codes of Labor Practice: The adidas Connection. *California Management Review*, 45(1), 29-49.
- Friedland, R. & Alford, R. (1991). Bringing Society Back In: Symbols, Practices, and Institutional Contradictions. In W. W. Powell & P. J. DiMaggio (Eds.), *The New Institutionalism in Organizational Analysis* (pp. 232-263). Chicago, IL: University of Chicago Press.
- Frundt, H. J. (2000) Models of Cross-Border Organizing in Maquila Industries. *Critical Sociology*, 26(1/2), 36-55.
- Frundt, H. J. (2001) The Impact of Private Codes and the Union Movement. *Latin American Studies Association's XXIII Congress*, Washington, DC.
- Frundt, H. J. (2004). Unions Wrestle with Corporate Codes of Conduct. *WorkingUSA*, 7(4), 36-69.
- Furrer, B., Hamprecht, J. & Hoffmann, V. H. (2012) Much Ado About Nothing? How Banks Respond to Climate Change. *Business & Society*, 51(1), 62-88.
- Greenwood, R., Raynard, M., Kodeih, F., Micelotta, E. R. & Lounsbury, M. (2011) Institutional Complexity and Organizational Responses. *Academy of Management Annals*, 5(1), 317–371.
- Hallett, T. (2010). The myth incarnate: Recoupling processes, turmoil, and inhabited institutions in an urban elementary school. *American Journal of Sociology*, 75, 52-74.
- Hemphill, T. (2004) Monitoring Global Corporate Citizenship: Industry Self-regulation at a Crossroads. *Journal of Corporate Citizenship*, 14, 81-95.
- Hernes, T. (2005) Four ideal-type organizational responses to New Public Management reforms and some consequences. *International Review of Administrative Sciences*, 71(1), 5-17.
- Jiang, B. (2009) Implementing Supplier Codes of Conduct in Global Supply Chains: Process Explanations from Theoretic and Empirical Perspectives. *Journal of Business Ethics*, 85, 77-92.
- Johansson, S. (2003) Independent Movement or Government Subcontractor? Strategic Responses of Voluntary Organizations to Institutional Processes. *Financial Accountability & Management*, 19(3), 209-224.
- Kelly, E. & Dobbin, F. (1998). How Affirmative Action Became Diversity Management. *American Behavioral Scientist*, 41(7), 960–984.
- Koçer, R. G. & Fransen, L. (2009) Codes of Conduct and the Promise of a Change of Climate in Worker Organization. *European Journal of Industrial Relations*, 15(3), 237-256

- Kolk, A. & van Tulder, R. (2005) Setting New Global Rules? TNCs and Codes of Conduct. *Transnational Corporations*, 14(3), 1–28.
- Kvale, S. (1996). *InterViews: An Introduction to Qualitative Research Interviewing*. Thousand Oaks, CA: Sage Publications.
- Lee, C. K. (1998) *Gender and the South China Miracle: Two Worlds of Factory Women*. Berkely, CA: University of California Press.
- Lee, C. K. (1999). From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories. *The China Quarterly* 57, 44-71.
- Lim, S.-J. & Phillips, J. (2008). Embedding CSR Values: The Global Footwear Industry's Evolving Governance Structure. *Journal of Business Ethics* 81, 143-156.
- Locke, R., Amengual, M. & Mangla, A. (2009). Virtue out of Necessity? Compliance, Commitment, and the Improvement of Labor Conditions in Global Supply Chains. *Politics & Society*, 37(3), 319-351.
- Locke, R. Kochan, T., Romis, M. & Qin, F. (2007). Beyond corporate codes of conduct: Work organization and labour standards at Nike's suppliers. *International Labour Review*, 146(1–2), 21-40.
- Lund-Thomsen, P. & Nadvi, K. (2011). Cluster, chains and compliance: Corporate social responsibility and governance in football manufacturing in South Asia. *Journal of Business Ethics*, 93, 201-222.
- Lund-Thomsen, P. (2008). The Global Sourcing and Codes of Conduct Debate: Five Myths and Five Recommendations. *Development and Change*, 39(6), 1005-1018.
- MacLean, T. L. & Behnam, M. (2010). The Dangers of Decoupling: The Relationship between Compliance Programs, Legitimacy Perceptions, and Institutionalized Misconduct. *Academy of Management Journal*, 53(6), 1499-1520.
- Meyer, J. W. & Rowan, B. (1977). Institutionalized organization: Formal structure as myth and ceremony. *American Journal of Sociology*, 83, 340-63.
- Ngai, P. (2005). Global Production, Company Codes of Conduct, and Labor Conditions in China: A Case Study of Two Factories. *The China Journal*, 54, 101-113.
- O'Laughlin, B. (2008). Governing Capital? Corporate Social Responsibility and the Limits of Regulation. *Development and Change*, 39(6), 945–957.
- O'Rourke, D. (1997). *Smoke from a Hired Gun: A Critique of Nike's Labor and Environmental Auditing in Vietnam as Performed by Ernst & Young*. San Francisco, CA: Transnational Resource and Action Center.
- O'Rourke, D. (2006). Multi-stakeholder regulation: Privatizing or socializing global labor standards?. *World Development*, 34(5), 899–918.
- Parsons, T. (1956). Suggestions for a sociological approach to the theory of organization. *Administrative Science Quarterly*, 1(1), 63-85.
- Pearson, R. & Seyfang, G. (2001). New Hope or False Dawn?. *Global Social Policy*, 1(1), 49–78.
- Prieto-Carron, M. (2006). Corporate Social Responsibility in Latin America: Chiquita, Women Banana Workers and Structural Inequalities. *Journal of Corporate Citizenship*, 21, 85-94.
- Reinecke, J., Manning, S. & von Hagen, O. (2012). The Emergence of a Standards Market: Multiplicity of Sustainability Standards in the Global Coffee Industry. *Organization Studies*, 33(5-6), 791-814.
- Roberts, D. & Engardio, P. (2006). Secrets, Lies, and Sweatshops. *BusinessWeek*, November 27.

- Ruggie, J. (2004). How to Marry Civic Politics and Global Governance. In A. Kuper (Ed.), *The Impact of Corporations on Global Governance* (pp. 10–23). New York: Carnegie Council on Ethics and International Affairs.
- Runhaar, H. & Lafferty, H. (2009) Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry. *Journal of Business Ethics*, 84(4), 479-495.
- Sauder, M. & Espeland, W. N. (2009). The Discipline of Rankings: Tight Coupling and Organizational Change, *American Sociological Review*, 74, 63-82.
- Stouffer, S. A. (1949). *The American Soldier*. Princeton: Princeton University Press.
- Selznick, P. (1949). *TVA and the Grass Roots: A Study of Politics and Organization*. Los Angeles, CA: University of California Press.
- Sethi, S. P. (2002). Standards for Corporate Conduct in the International Arena: Challenges and Opportunities for Multinational Corporations. *Business and Society Review*, 107(1), 20-40.
- Spillane, J. P., Parise, L. M., & Sherer, J. Z. (2011). Organizational routines as coupling mechanisms: Policy, school administration, and the technical core. *American Educational Research Journal*, 48(3), 586-620.
- Sum, N.-L. & Ngai, P. (2005). Globalization and Paradoxes of Ethical Transnational Production: Code of Conduct in a Chinese Workplace. *Competition and Change*, 9(2), 181–200.
- Taylor, M. (2011). Race you to the Bottom ... and Back Again? The Uneven Development of Labour Codes of Conduct. *New Political Economy*, 16(4), 445-462.
- Tilcsik, A. (2010). From Ritual to Reality: Demography, Ideology, and Decoupling in a Post-Communist Government Agency. *Academy of Management Journal*, 53(6), 1474-1498.
- Tolbert, P. S., & Zucker, L. G. (1983). Institutional sources of change in the formal structure of organizations: The diffusion of civil service reform, 1880-1935. *Administrative Science Quarterly*, 28(1), 22-39.
- Tolbert, P. S. (1988). Institutional sources of organizational culture in major law firms. In L. G. Zucker (Ed.), *Institutional patterns and organizations: Culture and environment* (pp. 101-113). Boston, MA: Ballinger Press.
- Trullen, J. & Stevenson, W. B. (2006). Strategy and legitimacy. Pharmaceutical companies' reaction to the HIV crisis. *Business & Society*, 45, 178–210.
- van Tulder, R. & Kolk, A. (2001). Multinationality and Corporate Ethics: Codes of Conduct in the Sporting Goods Industry. *Journal of International Business Studies*, 32(2), 267-283.
- Walgenbach, P. (2001). The Production of Distrust by Means of Producing Trust. *Organization Studies*, 22(4), 693-714.
- Warner, M. (1996). Economic Reforms, Industrial Relations and Human Resources in the People's Republic of China: An Overview. *Industrial Relations Journal*, 27(3), 195-210.
- Welford, R. & Frost, S. (2006). Corporate Social Responsibility in Asian Supply Chains. *Corporate Social Responsibility and Environmental Management*, 13, 166-176.
- Wells, D. (2007). Too Weak for the Job: Corporate Codes of Conduct, Non Governmental Organizations and the Regulation of International Labour Standards. *Global Social Policy*, 7(1), 51–74.
- Westphal, J. D. & Zajac, E. J. (1998). The symbolic management of stockholders: Corporate governance reforms and shareholder reactions. *Administrative Science Quarterly*, 43, 127–153.

- Westphal, J. D. & Zajac, E. J. (2001). Decoupling policy from practice: The case of stock repurchase programs. *Administrative Science Quarterly*, 46, 202-228.
- Yeung, G. & Mok, V. (2005). What are the impacts of implementing ISOs on the competitiveness of manufacturing industry in China?. *Journal of World Business*, 40, 139-57.
- Yin, R. K. (1994). *Case Study Research: Design and Methods*. Thousand Oaks, CA: Sage.
- Zadek, S. (2004). The Path to Corporate Social Responsibility. *Harvard Business Review*, 82(12), 125-32.
- Zajac, E. J. & Westphal, J. D. (2004). The social construction of market value: Institutionalization and learning perspectives on stock market reactions. *American Sociological Review*, 69, 433-457.
- Zucker, L. G. (1987). Institutional theories of organizations. *Annual Review of Sociology*, 13, 443-64.

Table 1

Supplier	Buyers ²	Production	No. employees
A	Top Toy, Åhléns Group and Coop.	Plastic toys	600
B	Åhléns Group, ICA, Disney, Kmart, Walmart.	Soft toys	500
C	Brio	Plastic and metal toys	700
D	Top Toy, Brio, Walmart, Carrefour, Tesco.	Plastic toys	1500

*Table 1 – Characteristics of examined suppliers***Table 2**

Studied criteria	% of suppliers complying with the criteria (2004)	% of suppliers complying with the criteria (2009)
Work hours	0%	0%
No. working days	0%	100%
Minimum wage	25%	100%
Overtime compensation	50%	100%
Health and safety education	0%	100%
Child labour	100%	100%

² The additional toy retailers buying from the suppliers were identified through the interviews with supplier management. Hence, for supplier A and C only the Swedish buyers are listed, since no factory visit was possible at these suppliers (see method).

Employee contract	75%	100%
Pension and accident insurances	25%	50%

Table 2 – Suppliers’ level of compliance with retailers’ codes of conduct