In the previous chapter the debates on globalization has been examined in order to understand the impact of changing capital-labour relationship on labour reorganization. The main argument is that, due to forces of globalization, both labour and capital has become mobile and flexible, therefore making labour organization and resistance difficult.

The process of globalization of production has led to the formation of global supply chain. Within the supply chain there is a network of multiple actors. The salient feature of the global production network is that the ownership of a brand name and technology rests with TNCs but the actual production is carried out by third parties mostly in developing countries. As a result, a majority of workers who contribute to the production are not directly employed by TNC. These workers constitute the informal sector that are neither covered by government legislations nor protected by their employers, as they remain invisible to them.

At the same time, globalization has unleashed competitive pressures that have heightened concerns of fundamental human rights at work place. The payment of wages and the existence of proper working conditions are significant factors for global trade and investment. And to ensure that they are not neglected, labour regulations have acquired great significance. Due to efforts of media and civil society, a consensus has developed to protect workers from exploitative working conditions. These efforts have resulted in private forms of labour regulation.

The chapter takes into account the debates around labour regulation with special reference to three key institutions, state, TNCs and civil society, as important agent of globalization. The three are not independent categories rather are in
constant interaction and it is the dynamic relation between the three that determine the quality and direction of labour reorganization. In the present chapter an attempt is made to look at the dynamism in order to understand the initiatives taken by the three institutions to regulate the working condition in the factory. The interaction and interplay has led to the emergence of co-regulation. This has evolved simultaneously with public and private modes of labour regulation.

In order to understand the changes taking place in the sphere of regulation it is pertinent to understand why regulation is needed? The first section starts with the understanding of the concept of regulation in general and labour regulation in specific. The second section traverses through the different forms of labour regulation beginning with Keynesian model of welfare state whereby the state was considered as the sole guardian for protecting the rights of the workers. The state formulated various legislations to regulate the relation between employer and employee and also see that the workers are able to organize themselves in order to bargain for their rights. However with the restructuring of the economy and dominance of the neoliberal paradigm state interventionist role was questioned and it was argued that minimal role of the state in the market would promote growth and development.

The third section reflects the ongoing debates on the role of state in contemporary times. The debates over the future of state began surfacing in the 1980s when many scholars suggested that the state was incapable of regulating labour relations in the global context. At the same time other scholars have argued that the state has not withered away rather continues to play a dominant role though assisted by TNCs and civil society. The study takes on the second debate to examine the nature of regulation of the garment factories.
The fourth section looks at emergence of new agents of globalization, namely TNCs and civil society. The changing role of the state has contributed to the importance given to the increasing influence by TNCs and civil society. Academician and activists in order to explain these developments have explained civil society as homogeneous entity different from both state and market. However the mode of functioning of the civil society in present times has many questions the homogeneous identity of civil society. It is seen that civil society functions according to the ideologies of donors who contract them to implement their programmes. The civil society therefore keeps shifting between state and market, thereby assuming a heterogeneous identity. And it is important to locate civil society in the complex reality of conflicting interests and opposing agendas in the world. The present study is placed in a triangular space created by the interaction between state, TNCs and civil society.

The fifth section looks at emergence of private regulation by TNCs and civil society. The growth of TNCs and civil society has been manifold due to the ongoing demand for respecting social and human right in expanding market. These agents have been in the forefront to initiate private regulation whereby the role of the state is reduced. In this attempt, TNCs and civil society has started self-regulation and civil regulation respectively. They have taken over the role of regulation from state and thus there is a shift from traditional or public regulation to private or voluntary regulation.

The sixth section deals with the coexistence of the different actors simultaneously thus giving way to a new form of regulation that is co-regulation. In the garment factories all the three actors are involved in labour regulation making efforts to improve the working conditions. The coexistence of different actor is evident in the process of SCA and therefore the process described as a form of labour
regulation. It can be concluded that globalization has led to emergence of co-regulation whereby both public and private agencies are involved in shaping and reshaping the old economic order.

I. Conceptualizing Labour Regulation

The term ‘regulation’ is derived from the French word, which has quite a different and broader meaning than the one in common English. Essentially ‘regulation’ refers to all those formal institutions and informal processes by which a particular social, political and economic order is constituted (Broomhill 2001). The term is used variantly in different discipline. In broader term regulations are mechanism of institutional processes that limit ‘freedom’ of certain individual or group in the interest of the enhancing one or more forms of security for others (Standing 1999).

The Regulation approach was developed among left-leaning French social science academics in the mid 1970s, providing an influential new analytical methodology for mapping patterns of capitalist development (Leborgne and Lipietz 1988). Regulationists focused primarily on the two unique features of capitalist mode of production. Firstly, each expansionary phase of capitalist development was seen to be characterized by a specific ‘mode of accumulation’ at the level of whole economy, representing a more or less coherent process of capital accumulation (Nielsen 1991: 22). Secondly, the dialectical nature of the relationship between capital accumulation and capitalism’s social, political and cultural context. Both the features were seen as central to understanding and explaining the ‘systematic coherence’ of individual phases of growth within the longer-term unevenness of capitalist development and crisis (Amin 1994:8).

The regulationist approach can be used to conceptualize the meaning of labour regulation. The concept of a ‘labour regulation’ is used to characterize the rules
and expectation governing employment which develop from the interaction between state, employers, unions and workers (Edward et.al 1999:3). Such regulation most directly involves the institutional structure of the work process, the labour market, collective representation within and beyond the enterprise and the political representation of labour (Edward & Tony 1999).

Labour regulation is an important index for understanding socio-economic and political changes taking place in the society. Guy Standing (1999) highlights the following features of labour regulation that helps in understanding change taking place in the global society:

1. It encompasses a wide range of measures that shape the way interaction takes place between government, firms, agencies and NGOs.
2. It acts as a form of control for several reasons, the most well known being the protection of group against insecurity, oppression and exploitation.
3. It determines the legitimacy of the processes and distribution of assets of those participating in the mode of production.
4. The objective of some regulations is productive efficiency enhancement and also acts as a means of moderating the inequalities and imbalances that arise in labour system.

Labour regulation exists in all societies though in different forms. It may be direct, in the form of legislation covering contract of employment. Regulation may also take the form of influencing wage and social conditions like welfare, education and other provisions. According to Botero et.al (2004) labour regulation can take place in four forms:

1. **Provision for welfare and granting basic rights** - Employers forbid discrimination in the labour market and makes provision for welfare such as granting maternity leaves or paying the minimum wage as per law.
2. *Regulating employment relationships* - Employers regulate their relationship with workers by deciding the nature of employment - permanent, contract or part time.

3. *Guaranteeing right to organize and form trade union* - Employers empower labour unions to represent workers collectively, and protect the bargaining and negotiating power of workers with their employers.

4. *Provide social and economic benefits* - Employers themselves provide social insurance against unemployment, old age, disability, sickness and health, or death.

However in all the above forms of regulation there is only one regulator namely the state. In the present context however there is the existence of multiple actors and hence there can be different forms of regulation. The next section looks at the evolution of labour regulation with reference to changes associated with globalization. The existence of new forms of regulation are often seen as innovative institutional arrangements that go in some way towards filling the regulatory deficit associated with globalization (O’Rourke 2002; UNRISD 2004).

**II. Evolution of Labour Regulation**

Labour regulation has always been subject to debates. There are some who have supported and others who are against the process of labour regulation. Karl Polanyi (1944) was a strong advocate of labour regulation. He argued that subjecting labour to unregulated market forces would generate external social costs - including health problem, a deterioration of family and community structure, an erosion of private life. According to Polanyi, labour market should be embedded in the larger society and should be governed by rules, norms and ethical standards. He felt that the state should respond by ushering in a period of protective regulation to moderate the resultant tension, by offering social progress
and security for the working class. Polyani's ideas found support in Keynesian mode of government where the state was the main regulator of labour relations. This can be considered as the earliest form of labour regulation with active involvement of state.

In the Keynesian model of labour regulation the state takes on the interventionist role to protect the rights of the workers. The role of the welfare state in terms of regulation then could be described as:

The role of welfare state is to provide for a social balance in the Western industrialized countries; it seeks to balance the interests of capital and workers, guarantees fundamental social rights and by corrective market outcomes provides for a minimum of social justice (Pfaller & Lerch 2005:3)

The state intervention was seen as being essential because the labour force was seen to be weak and helpless and therefore needed protection. The justification was to ensure social justice to both employers and employees. For long, the modern nation-state followed this regulatory pattern by a policy of laissez faire which would restrict investors and companies, would prohibit child labour, guarantee healthy foods and drugs, assure the safety of rail and air transportation, and promote the stability of banks and financial markets. Regulatory system related to labour encompasses three bodies of law:

- Employment law
- Collective relations law, and
- Social security law.

Employment laws govern the individual employment contract. Collective or industrial relations laws regulate the bargaining, adoption, and enforcement of collective agreements, the organization of trade unions, and the industrial action by workers and employers. Social security laws govern the social response to the
needs and conditions that have a significant impact on the quality of life, such as old age, disability, death, sickness, and unemployment.

However since the 1980s the trend has been in favour of relaxation of the role of the state in the realm of welfare. It has been argued by many people that business firms and investors were close to attaining the goal of a free world market, in which they could be free to manage their assets and activities globally without any hindrance from state. These trends set forth the platform for international regulation.

**Regulation by International bodies**

Many international bodies were set up immediately after the Second World War to establish greater political and economic stability. These include the United Nations (UN), the International Monetary Fund (IMF), the World Bank (WB), the World Trade Organization (WTO) and the International Labour Organization (ILO). These organizations have humanitarian goals to make the world economy run more effectively, smoothly, peacefully and in ways that lead to increasing economic prosperity. The aim and role of these intuitions as manifested in their programmes are as follows:

1. *United Nations (UN)*- the main aim is to maintain international peace and security; to develop friendly relations among nations; to cooperate in solving international economic, social, cultural and humanitarian problems and in promoting respect for human rights and fundamental freedoms; and to be a centre for harmonizing the actions of nations in attaining these ends’ (United Nations 2003).

2. *The International Monetary Fund (IMF)*-is an international organization of 183 member countries, established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic
growth and high level of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustments’ (IMF 2003).

3. The World Trade Organization (WTO) - was formed in 1995 from the General Agreement on Tariffs and Trade (GATT) which was established after the Second World War and is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible (WTO 2003).

4. The World Bank (WB) - is one of the world’s largest source of development assistance. It works in more than 100 developing economies with the primary focus of helping the poorest people and poor countries. The WB helps developing countries fight poverty and establish economic growth that is stable, sustainable and equitable (WB 2003a).

5. The International Labour Organization (ILO) was originally founded in 1919 and is the only surviving major creation of the Treaty of Versailles which brought the League of Nations into being (Pearson 2004).

Starting slowly in the 1970s, but gathering pace from the 1980s, there arose a series of challenges to traditional regulation in the wake of rapid globalization and liberalization. Post liberalization period witnessed the growth of theories that argued in favour of deregulation (Chaudhuri 1996). They stressed on the withdrawal of the role of state due to the economic processes. The proponents of globalization argue that the market works best if left unattended by the state. State 'intervention' is seen to restrict and limit private initiative, strangles economic development on the basis of national protectionism and, ultimately, undermines bourgeois cosmopolitanism on the basis of nationalism and war (James, 2001).

By and large, employers argue that excessive labour regulation hinders growth,
and rigidity contributes to unemployment. The first reform necessary is the reduction of entry and exit costs of labour, including provisions of legislation on unfair dismissal, barriers to retrenchment, and non-wage costs. Flexible factors of production best allow business to respond to a rapidly changing competitive environment and ensure the desired increase in productivity.

Thus deregulation emerged in response to the economic crises of 1980s. In the early 1980s much of the developing world was stuck by debt crises, one of the consequences of which was the application of the structural adjustment programme. These programmes emphasized policies of liberalization such as lowering barriers to imports, removing restrictions on foreign investments, reducing the role of the state in their economy, cutting spending on social welfare and emphasizing production for export rather than local consumption so that countries could earn foreign exchanges to pay off their debts (Trouillot 2001). In consequence many measures to deregulate labour market were introduced:

... the coverage and content of collective bargaining were curtailed; employment protection legislation was weakened to encourage numerical employment flexibility; full employment policies were formally abandoned; and exposure to market pressure extended in the form of privatization and cuts in government subsidies (Waddington 1999:2).

The international institutions supported the deregulation of the labour market. The World Bank (WB) and International Monetary Fund (IMF) designed non-intervention of state. Their policies and programme are supportive of the neoliberal ideology of free market. They therefore considered labour regulations as restricting successful reforms for economic growth. The World Bank documents on Africa say;

Experience suggests that except on grounds of health and safety of workers', government should resist interfering in labour markets. If left alone, they work well. The political imperative is to interfere but the economic logic is not to. State intervention in areas of minimum wage legislation, hire and fire policy and related interventions tend to raise costs, reduce competitiveness and restrain the growth of
The policy of deregulation was accepted by the national government and one such evidence was the opening of export processing zones or free zones. The number of EPZs in the world has multiplied several times over the last decades and account for employment of nearly 40 millions workers (ICFTU 2003:5). Export processing zones (EPZs) are areas where deregulation is applied by the state to suspend normal customs duties and create free market condition for global capital. An EPZ is a …

...relatively small, geographically separated area within a country, the purpose of which is to attract export-oriented industries by offering them especially favourable investment and trade conditions as compared with the remainder of the host country (UNIDO 1980:6).

In EPZs national labour law are relaxed or weekly enforced as an additional inducement to inward investment They are deregulated industrial zones in which imported materials undergo some degree of processing before being exported again, for example the manufacture of garments or assembling of electronic components (ILO 1998a). EPZs offer special financial incentives such as tax holidays, duty free exports and imports, and abundant and relatively cheap labour. They often have a separate system of law, exempting investors from some national legislation (Sklair 1995) and therefore attract a lot of foreign investments.

EPZs are set up…

...up specifically to attract foreign investors and provide the links in global production networks. Foreign investors are attracted to the zones for tax incentives, lax environmental standards and a guaranteed cheap and compliant workforce (Korten 2001).

The EPZs are therefore free zones where labour regulations are relaxed and the working of TNCs remains unregulated. As a result the TNCs neglect working condition in an attempt to maximize their profit. In the EPZs several violation of workers right are noted such as, forcing workers to work for more that 18 hours a
day, abysmal low wages, no overtime payment, unhygienic working conditions and several other violations.

Employment regulation is often avoided through the use of short-term employment and in EPZ employment regulation is often void (Barrintos 2002:62).

The growing inhuman condition in these zones attracted lot of criticism. This led to the adoption of self-regulation. There was a growing concern to voluntarily account for their labour practices, if no other reason than to prevent binding regulation from becoming a reality (Murray 2004:5). The idea behind it was for enterprise to avoid entangling itself in a web of local regulations and enforcement.

When seen in the context of EPZ, therefore, self regulatory initiative fit logically within the framework of transnational consumerism through trade in which Western consumers and TNCs seek to replace the state and the social partners themselves (that is, local employees and workers) as the new regulators (Kirton & Trebilcock 2004:124-25)

It will be seen in latter part of the study that the worsening conditions of workers in developing countries in general and in the EPZs specifically attracted lot of criticism and campaigns against the TNCs. This forced them to adopt private mode of regulation by formulating code of conduct and other initiative. Before looking at the private regulation it is important to understand the earlier form of regulation.

Table 7: Forms of Regulations

<table>
<thead>
<tr>
<th>Form of Regulation</th>
<th>Main Actor/s</th>
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<tbody>
<tr>
<td>Public Regulation</td>
<td>State and International Institute</td>
</tr>
<tr>
<td>Private Regulation</td>
<td>Non-state Actors</td>
</tr>
<tr>
<td>Self Regulation</td>
<td>TNCs</td>
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<tr>
<td>Civil Regulation</td>
<td>Civil society</td>
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</tbody>
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The table above illustrates the different forms of regulations45. This is not in any

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45 In literature on labour regulation a contrast is made between public and private, hard and oft regulation and voluntary and non-voluntary regulations. Public/Hard / Non-voluntary regulation refers to existing piece of legislation characterized by a clear definition, specific standards and
chronological order but in simultaneous coexistence. The earliest or traditional form of regulation was one represented by state and international institutions. It has been described as state-led “command and control” regulation of the 1960s and 1970s. With the entry of the TNCs there was corporate self-regulation in the 1980s and 1990s. And then 1990s onwards the civil society played an important role giving way to civil regulation. What is relevant is that, as mentioned earlier, civil society was in constant interaction with the state and TNCs. This dynamic relation led to the emergence of co-regulation where all three institutions played an important role. In the global period regulation has thus become a multilayered process of political coordination and cooperation between state, TNCs and civil society. The following sections examine the state, TNCs and civil society actors in labour regulation respectively.

III. Public Regulation by the state

Technically speaking public regulation is action or behaviour that is carried by the state. It is not voluntary and the regulators are public authorities. It can be defined as:

Public regulation refers to rules set by the parliament and by government authorities. The rules they set usually include measures for monitoring and enforcement. Corporations should comply with such regulations by, for instance, devising internal guidelines and auditing procedures and allowing public verification of their compliance (Utting 2000).

Regulation by the government/state takes place in the form of labour laws and legislations enacted by the government. These laws and legislation are meant to regulate economic activity, respond to the demands of the citizen and seek to create a just and harmonious society. The purpose of public regulation is also to articulates penalties for failure to comply with the legislation (Kuruvilla & Verma 2006). The other category is the private/soft/voluntary regulations that refer to initiative of civil society and TNCs. Most often they take the form of recommendations or opinions or statements (ibid) and thus are non-binding and voluntary.
provide workers' protection and workers' agency through democratic participation (Weiler 1990). These purposes have been accomplished in modern labour law through a state regulatory framework that allows groups with divergent interests to regulate relationship between themselves, while simultaneously establishing a floor of protective conditions (Kirton & Trebilcock 2004:125-26).

In the case of India, public regulation of labour dates back to British colonialism. The Britishers were responsible for enacting several legislations for the protection of workers' right. The first step in this direction was the passing of the 'Factory Act' way back in 1983. By this act several criteria for regulating the working conditions was introduced. These were eight hours of work, the abolition of child labour, restriction of women in night employment, and introduction of overtime wages for beyond eight hours. Long before these measures were introduced in some advanced countries. The Indian trade union movement had a strong presence that played a catalytic role in the introduction of such labour legislation.

The debate on the role of state in the present global economy is divided into two camps –first those who consider state as incapable of regulating the economy and therefore facing decline. Fear and apprehension have been expressed by critics of globalization who are of opinion that the achievements of the welfare state are coming under pressure of globalization. The foremost thesis is termed as "race to the bottom" which argues that the costs imposed on enterprises for the financing of national community tasks such as protection of workers, the environment and so on fall victim to more intense competition in the global market (Pfaller & Lerch 2005).

Others who argue that the state is still an important agency having control over the economy. What emerges from the debate is that the state has not completely
vanished but its power and role are being shared with other agencies, especially TNCs. The role of state too is being shaped by globalization at the same time.

Moreover rather than just responding to the new global context the state has been an active agent in the process of globalization, changing its form, the scale on which it operates and its actions, in order to implement and accommodate global capitalist economy system, albeit to different degrees depending on its relative global power and the internal balance of different social groups (Pearson 2004).

The question of the state is at the heart of the globalization debate. Lively debates over the future of the states surfaced in the 1980s as scholars and politicians began to suggests that it was too small to solve the world’s problems and too big to solve the little ones. Held et al (1999) has classified the dominant approaches on the role of state in the period of globalization by into three categories:

**The Hyperglobalist Thesis**

Hyperglobalist perceive globalization as a primarily economic phenomenon and thus support the view on decline of nation-state in the era of globalization. They argue that globalization has generated a ‘borderless’ economy within which nation-states are relegated to little more than being transmission belts for global capital (Strange 1996) while progressively loosing power. As a result of this, nation-states are to be replaced as primary economic and political actors of world society. In their view, ‘as institutions of global and regional governance acquire a bigger role, the sovereignty and autonomy of the state further erodes’ (Held et al, 1995:5).

One of the proponents of hyperglobalist theory was Albrow. He argued that the world has entered the ‘global age’ and this period will redefine the human conditions. Further he felt that the technical reason of modernity would no longer occupy the prime place in the moral ordering of social relations’ (Albrow 1996:168). For him the global age means the emergence of a new political order characterized by the pulling apart of society and the nation-state. In his view, the
nation-state has failed to confine sociality within its boundaries, both territorial and categorical, and he regards it as a 'time bound form' which no longer contains the aspirations nor monopolizes the attention of those who live on its territory' (ibid: 170).

Another proponent was Ohmae who refers to the nation-state as a 'nostalgic fiction'. He considered nation-state as an institution, which in terms of real flows of activity has already lost its role as a meaningful unit of participation in the global economy of today's borderless world (Ohmae 1996:11). He argues that, increasingly the question requiring international attention do not fall within the borders of established nation-states (ibid: 118). For him the state corresponds to a 'much earlier stage of industrial history, it has neither the will nor the incentive nor the credibility nor the tools nor the political base to play an effective role in a genuinely borderless economy' (ibid: 42).

The view of the diminishing and limited role of state was supported by the liberal and further strengthened by the neoliberals. The Liberals supported the minimal role of state. They were of opinion that state action interferes with fundamental freedom and natural rights of individual. Further they believed that the state couldn't be trusted to act effectively in a market economy because of its sheer complexity (Pearson 2004). The liberals therefore suggest the transfer of state regulative power to non-state actors who have better information, knowledge and understanding than they. The TNCs were proposed as new forms of business self regulators and they initiatives of code of conduct to be seen as an alternative to state legislation (Scheuerman 1999).

An example of liberal thinking is that of Ulrich Beck who argues that globalization implies the weakening of state sovereignty and state structures (Beck 2000:86). He argues that national identities are being replaced by global
civil society and that traditional politics are centred around national political parties. State policies are giving way to transnational identities and movements and that the world is entering into a second age of modernity that is exemplified by 'time-space' compression indifferent to national boundaries (ibid: 79).

Neoliberalism as a concept appeared first in Europe and Latin America in the 1950s & 1960s. It was tied to western strategies and tactics used in the ideological front of the cold war. The neoliberal program was designed by the international financial agencies and the think tanks of the newly organized transnational bourgeoisie. This program calls for elimination of state intervention in the economy and regulation of individual states over the activities of capital in their territories. It seeks to achieve the conditions in each country and region of the world for mobility, free operation, and expansion of capital. The adjustment programs became the major mechanism of adjusting local economies to the global economy. The essence of neoliberalism is:

Neoliberalism emerged as an ideological response to the crisis of the ‘Keynesian welfare state’, which was precipitated by the generalized capitalist crisis associated with the end of the post-war reconstruction boom and was brought to a head by the escalating cost of the US war against Vietnam at the beginning of the 1970s. The crisis manifested itself in a slowing of the pace of global capitalist accumulation alongside escalating inflation and a growing difficulty of financing government budget deficits, which forced governments to impose restrictive monetary policies and cut state expenditure plans. What was seen as a mark of the abject failure of Keynesianism was acclaimed as a positive virtue by neoliberals, who, amid the recession of the early 1980s, reasserted the traditional liberal dogma of purgative powers of the market, a reassertion that appeared to be justified by the subsequently resumed expansion of global capital on the basis of the further liberalization of the world market (Clarke, 2005: 58)

The neoliberals consider globalization as inevitable. Neoliberal interpretation of economic development insists that the paring down of welfare programs is a necessary condition of competitiveness in a globalizing economy (Giddens 2000).
Thus neoliberal laid the pace from welfarism towards market economy with limited role of state.

The Sceptical Thesis

In contrast to the hyperglobalist, sceptical based their argument on statistical evidences and outwardly rejected the notion that we are living in an integrated world. Their argument is that, rather than living in a globalized world, we are witnessing an intensification of international economic activity led by three major financial trading blocs; Europe, Asia-Pacific and North America (Hirst & Thompson 1996). In this new environment nation-states continue to play a key part as regulators of international economic activity and legitimizes of the supranational organizations that they have created.

Sceptics emphasize the growing centrality of nation-states in regulations and active promotion of cross-border economic activity and highlighting the continuing inequality between advanced capitalist societies and Third World countries. It is their contention that inequality contributes to the advance of both fundamentalism and aggressive nationalism and frustrates the hyperglobalizers’ theory about the emergence of a global civilization. Following this line of argument, they show skepticism about the hyperglobalizers’ notion of cultural homogenization and the emergence of a global culture. Instead of this they see the world fragmenting into civilization blocs and cultural and ethnic enclaves (Huntington 1996).

The main proponents of this approach are Hirst & Thompson. They argue that the economy is predominantly international not global and therefore states, although in a slightly different way, still play a central role in governance of the economy (Hirst & Thompson. 1996: 178-89). They consider it as a myth, which suits both the right and the radical left for different purposes. For the right, it justifies
government inaction. For the radical left globalization provided release from a different kind of political impasse. It can be interpreted as a continued reality of the world capitalist system and a confirmation of the futility of national social democratic reformist strategies. In Hirst and Thompson's view, 'nation-states are still central significance because they are the key practitioners of the art of governance as the process of distributing power, ordering other governments by giving them shape and legitimacy' (Ibid: 276). They argue that the international economy and new communication media have reduced the state's exclusive control of territory. However, they stress that the state still has the power to regulate populations since they remain territorial and subject to citizenship of a nation state' (ibid: 275).

The sceptics argue that all the elements in the production chain are regulated within some kind of political structure whose base unit is the nation-state. Even supposedly de-regulated markets are still subjects to some kind of political regulations. All state operate a battery of economic policies whose objective is to enhance welfare. Consequently, all business organization, even global TNC, have to operate within national & international regulatory system. They have to conform to national business legislations (Pasricha 2005). Behind every transnational corporation is a national base that depends on its local state to sustain its viability and on other state to give it access to other market and other labour forces (Wood 1998:12). State has always been a fundamental constitutive element in a globalizing capital (Panitch 1996:109). He argues:

Capitalist globalization takes place in, through, and under the aegis of states, it is encoded by them and in important respect even authored by them; and it involves a shift in power relations within states that often means the centralization and concentration of state powers as the necessary conditions of and accompaniment of global market discipline (1996:87)

Wood (2002) further argues, globalization itself is a phenomenon of national
economies and national states;

Much of what goes under the name of globalization consists of national states carrying out policies to promote the international 'competitiveness' of their own national economies, to maintain or restore profitability to domestic capital, to promote the free movement of capital while controlling the movements of labour, typically by confining it within national boundaries, or at least strictly controlling its movements to coincide with the needs of capital, and always by subjecting it to disciplines enforced by nation-states" (2002: 26).

According to Wood both state and market have a complementary role and one cannot exist without the other. It is not that the state as such is disappearing but only the function changing, giving up old function in place of newer ones, He is opinion that ...

...whatever functions the state may be losing, it is gaining new ones as the main conduit between capital and the global market...in the global market the capital needs the state. Capital needs the state to maintain the conditions of accumulation and competitiveness in various ways. It needs the state to preserve labour discipline and social order in the face of austerity and 'flexibility' and to enhance of the mobility of capital while blocking the mobility of labour (1998: 12)

The state has acquired new functions as an instrument of competition. If anything the state is the main agent of globalization. The global capital still requires supportive state institutions to operate effectively; state plays a key role in promoting global economy by providing infrastructure, liberalizing trade and capital movements, privatizing its assets and transforming accountancy system to facilitate global transactions (Pearson 2004).

Far from simply accepting that state is retreating from a regulatory role it is argued that it is intentionally reforming its role via a process of labour legalization and re-institutionalization. Manuel Castells point out:

state control over space and time is increasingly bypassed by global flows of capital, goods and services, technology, communication, and information...the nation-state seems to be loosing its power, although, and this is essential, not its influence (1997:243).
Thus the nation-state system is still a highly operative body. At present, nation-states are the only officially visible actors in institutions such as the UN, NATO, ASEAN and other international organizations. Even more crucially, nation-states are the main architects of these institutions deciding their functioning, conditions for entry and structure and, in most cases sustaining them financially (Guibernau 2001:250).

The Transformalist Thesis

The transformalist thesis considers globalization as a historically unprecedented phenomenon responsible for the rapid changes occurring in the political, economic, cultural and technological arena (Giddens 1990, Castells 1996). Its advent has been influenced above all by developments in systems of communication initiated in the late 1960s.

Rather than proclaiming the advent of a global civilization as the hyperglobalizers do, or stressing the continuing inequality between advanced capitalist countries and the developing world and pointing to the potential for further fragmentation as the skeptical thesis argues, transformalist insists on the capacity of globalization to ‘recast traditional patterns of inclusion and exclusion between countries by forging new hierarchies which cut across and penetrate all societies and regions of the world’ (Held et al 1999:8).

The transformalist thesis acknowledges the dramatic changes affecting the nature of the classical nation-state; however, they do not share the hyperglobalizers’ view that the era of the nation-state is over. Rather, they argue that globalization is reconstituting the power, functions and authority of nation-states. For Giddens the nation-state continues to be the principle ‘actor’ within the global political order (1990:71). He further argues that
One aspect of the dialectical nature of globalization is the 'push and pull' between tendencies towards centralization inherent in the reflexivity of the system of states on the one hand and sovereignty of particular states on the other. Thus, concerted action between countries in some respects diminishes the individual sovereignty of the nations involved, yet by combining their power in other ways, it increases their influence within the state system (1990:73).

At the heart of the transformalist thesis is the conviction that the state is no longer the unique centre of governance and authority. Rosenau emphasize that globalization has forced the nation-state to restructure and reconstitute itself in order to respond to the increase complexity of governance processes in a more interdependent world (Rosenau 1997).

The transformalist sees the role of state in the process of shift from government to governance, from nation-state to supra-national institutions. It has been argued that a global mode of regulation became the most central aspect of the global accumulation regime, which gives rise to a transnational state apparatus (Robinson and Harris 2000). It has been argued that with changing nature of state regulatory apparatus there was the emergence of new transnational actors (ibid). These new actors include TNCs, NGOs/INGOs and international institutions. Thus the state has become a fragmented policy making arena, permeated by transnational networks including governmental and non-governmental as well as by domestic agencies and forces (Held & McGrew 2002).

It has also become apparent that state operates in tandem with international institutions and continues to play a crucial role in actually facilitating such process. As Panitch points out:

...the process of globalization far from dwarfing states has been constituted through and even by them. The removal of cross borders flow, the Big Bang which broke down internal barriers within financial market, massive privatization of public assets and deregulation in other spheres –all this was accomplished through state action, requiring legalization and juridification of new relations among economic agents in both domestic and international arenas (2000:14-15)
The proliferation of new political actors in the global arena challenges the traditional model of individual sovereign states entitled to autonomous and independent action. To a certain extent, it also expands its scope beyond traditional geopolitical concerns to involve a wide range of financial security, ecological and social issues. In this light, the growing number of transnational and international agencies and organization reflects and simultaneously contributes to the strengthening of a sense of greater interdependence between diverse peoples, places and governments which come to the fore owing to the intensification of globalization processes.

Thus we see that the hyperglobalizers announce the unstoppable decline of the nation-state and stress the need for it to be replaced as central political actor. Second, skeptics refer to globalization as a myth and emphasize the continuing importance of the nation-state as regulator of economic activity and legitimizers of the supranational governance mechanisms it has contributed to generate. Finally transnationalists assert the continuous relevance of the nation-state while acknowledging the fundamental changes that are affecting its traditional nature. In their view, globalization is pushing the nation-state to reconstitute itself and operate in a radically different environment.

To conceptualize this argument it is important that the state in transnational labour regulation be understood along the principle of tripartite industrial relations. This implies that transnational labour regulations include state TNCs and other actors. All have played a major role in the ongoing process of establishing and enforcing ongoing labour relations policies and laws (Kirton & Trebilcock 2004:126).

In the earlier section it has already been discussed that many consider the state as no longer having sufficient power to regulate economic affairs and that all government support corporate agenda. Based on these notions, many analyst and activist argue that resistance to global capital depends on strengths of the TNCs and civil society (Held 1991 & Henderson 1999).
IV. Emergence of TNCs & Civil Society

TNCs are one of the main driving forces behind the world trade system. They are responsible for a large proportion of international trade. The key role played by TNCs can be analyzed in terms of its impact on the working conditions. Their influential power has made labour mobile and footloose as TNCs have the power to deploy their various plants across the globe in the most profitable way. This has had a negative repercussion on the labour in terms of working conditions and collective bargaining.

The unrestricted growth of TNCs coupled with ineffective state regulatory mechanism led to negligence in working conditions in garment factories. Workers continued to suffer the brunt of increased competition and export. The conditions continued to deteriorate till it attracted media and consumer attention in the early 1990s. Under increasing pressure from environmental and labour activists TNCs have taken resort of regulatory action.

The global communication revolutions have played a major role in reinforcing public awareness of such appalling labour conditions. At the same time, the proliferation of NGOs with a socially conscientious orientation has brought about advocacy of action, sustaining a role traditionally played by trade unions. The result has been a plethora of direct action groups and movements. Product labelling schemes social accountability standards and demands to avoid exploitative conditions are all making headlines (Tsogas 2001: 9)

TNCs began to recognize that they must be more responsive to the concerns of multiple “stakeholders” who affect or are affected by a company’s operations (Freeman, 1984).

Meaning of TNCs

A TNC can be defined as ‘a firm, which has the power to coordinate & control operations in more than one country, even if it does not own them’ (Barnet & Muller 1974). Such operation entails the setting up of productive activities,
although production in this context may refer to services and finance, as well as factories, mines and plantations (Keily & Marfleet 1998). In the recent years the TNC have moved away from FDI in developing countries and moved towards coordination of global production chains where they concentrate on retail and distribution. And thereby play a key role in coordinating production chains and therefore in shaping the new economy.

Cohen & Kennedy (2000) has identified the following characteristics of TNCs:

- It operates in more than one, sometimes many, countries. Production, sales, research and development take place on many sites.
- Have geographical flexibility that is an ability to shift resources and operations between different locations on a global scale.
- It maximizes the comparative advantage between countries, profiting from the differences in factor endowments, wage rates, market conditions and the political and fiscal regimes.
- Have global power and reach-half the largest economies in the world.

TNCs have been at the forefront of those corporations exploiting new global infrastructure to organize international production within the firm itself. Dicken (1998) asserts that TNCs have been instrumental in causing global shifts in production. Rather than direct foreign investment in sector like textiles and apparel, TNCs prefer to synergies the advantage of low cost labour with minimal capital commitments by international subcontracting of assembly operations, brand name and trademark licensing and importing finished garments. The 1960s and 1970s ushered in a new stage in the evolution of the world capitalist system as US & European transnational firms switched, on a fairly large scale for the first time, to overseas production of manufactured exports for domestic market.
Growth of TNCs

Transnational corporations constitute main actors and act as engine for global competition. According to World Investment Report 2001, TNCs account for two-thirds of the world trade in goods and services, one-third in intra-firm transactions and the other one-third in inter-firm transactions (UNCTAD 2001a). They are responsible for all foreign direct investments and the related profits originating from them. They are also responsible for a large scale of portfolio investment and for the most of world trade (Gillies 2001).

In number, the TNCs have grown from approximately 7000 corporations in the 1960s to over 60 000 in the second half of the 1990s. About 75% of these are to be found in developed countries, mainly in Western Europe, whereas their subsidiaries are mainly found in developing countries (most of them in Asia). They also now account for two thirds of all international trade (UNCTAD 2001b).

Although TNCs have operated since the 19th century, they have grown in significance since the 1960s, particularly in manufacturing. It further witnessed a remarkable growth in the 1970s following the NIDL. It was a part of the policy of export led growth that encouragement was given to TNCs to relocate their production facility to developing countries. This was seen as leading to inflow of capital, which could support broader industrial development.

Transnational capital functions are based on (and are under the influence of) the interests of not only the corporate headquarters of the home country but also the corporate headquarters of the countries where a TNC operates. Such processes have created a “web” of global corporate and economic interests which often lie beyond the control of the state or any nationally functioning organization. Ease of flow of capital on a global scale & TNCs operation has considerably limited the economic sovereignty of state (Tsogas 2001: 3-4)

The growth of TNCs is manifold and today TNCs are engaged in production process across the globe. They provide market, materials and know-how to
production sites located not only in western countries but also in third world
countries. Gereffi (1994) characterizes such an economy as 'global factory' where
production of a single commodity spans several countries across the globe. The
process of global production has already been discussed in details in the second
chapter.

Emergence of Civil Society as Regulator

The inevitability of the process of globalization in terms of the failure of state and
TNCs has brought the civil society in the front. Since new global order is beyond
the control of national power, democracy has become a transnational affair and
that international civil society and its peculiar organizations have gained
primordial importance in all democratic struggles (Held 1995). Civil society
thereby consists of those...

...activities are considered to be part of civil society when they involve a deliberate
attempt-from outside the state and the market and in some other organized fashion-to
shape policies, norms and/or deeper social structure. In a word, civil society exists
when people make concerted efforts through voluntary associations to mould rules:
both official, formal, legal arrangements & informal social constructs (Scholte 2000:
175).

TNCs existed earlier but have acquired prominence in recent decades. TNCs have
come to play a dominant role in the new economic order (Brecher, et. al., 2002;
Sklair, 1998). Apart from the state and the TNCs, the civil society has a greater
role to play. Today civil society has become part of the wider process of
globalisation and is playing important role in regulating the social, economic and
political milieu46. In the last quarter of the twenty first century the civil society
started playing an important role in democratising the authoritarian regime.

Civil society engagement with CSR issues has expanded considerably since the
1980s, with numerous NGOs networks, as well as consumer groups and trade unions,
mobilizing around issues such as child labour, sweatshops, fair trade, the rights of

46 For a comprehensive history of the concept and evolution of civil society, see Jean Cohen and
indigenous peoples, toxic chemicals, oil pollution, tropical deforestation, and other forms of environmental degradation (Utting 2005:376).

Therefore its role in labour regulation reflects the linkage between state and market. In a way it reflects the weakness of both state and market. Civil society consists of…

...all those organizational bodies that act in this arena, comprising a huge variety of networks and associations, political parties, community groups and NGOs but excluding firms that are organized to make profit for their stakeholders and that generate no public benefits (Edward 2001:2).

Therefore examples of civil society would be United Nation, Greenpeace, the Red Cross, Oxfam and Amnesty International. These are some of the well-known organization but there are literally thousands of others operating transnational, and many more that mainly confine their operations within states. Over the years the number of NGOs has increased from 200 in 1909 to an impressive number of 28,500 in 1993 (Hall 2000). Of this increase, about 90 percent were established from 1970 and onwards, and more in Asia and Africa;

**Role of global civil society**

Today a wide variety of civil society organizations "are active at the international level, promoting particular ideas and creeds, seeking alternatives to the logic of the market economy, advocating alternative forms of local development, promoting social entrepreneurship, or offering resistance to economic and political hegemony. According to David Held (1991), the role of civil society, are as following:

1. Influencing public attitudes, interests and identities
2. Redefining the agenda of the local, natural and global policies
3. Providing communities and citizens with a voice in global and regional decision making forum
4. Exercising moral, spiritual or technical authority
5 Seeking to make government, international bodies and corporation accountable for their actions and decisions.

Most civil society organization mobilizes world opinion for their collective interest and cause. They skilfully use the media and consumer to focus wider focus on their concerns (Cohen & Kennedy 2000). In recent years they have focused on specific injustice of TNCs in the third world countries using child labour, sweatshops and so on (Clark 2003).

A wide range of NGOs and other actors have began to dominate the economy whereby they are located in western countries but monitor the social and human right issues in the developing countries. NGOs role and influence have exploded in the last-half decades (Mathews 1997:53). They seek to influence business practices in developing countries by placing public pressures on global firms that have a high visible presence in United States and Europe (Vogel 2006). NGOs have increasingly forged partnership with the private sector generating a whole new description of ‘corporate citizenship’. NGOs put pressure on TNCs to introduce more sustainable or ethical approaches; the NGOs typically provide the standards and certifications that protect the corporate reputation.

TNCs and civil society, in response to the campaign against profit hungry corporations turning blind eye to labour abuses, developed private or voluntary regulation. Today private regulation is an integral part of export led business firms. Those firms supplying goods to the developed countries increasingly see private regulation as a prerequisite for entry into global supply chains. Today, contractors not only have to perform to world-class standards on quality and price, but also on labour and environmental standards. Meeting these new standards can mean greater market access, closer ties to global buyers, and in some cases price premiums (Conroy 2001, Nadvi & Kazmi 2001). There is
therefore a growing significance of private and non-government regulation in the global period.

V. Private /Non-Governmental Regulation

Private regulations define standards for 'responsible' business practices. These standards are relatively detailed, requiring, for example, no use of child labour, restrictions on compulsory overtime, safe working conditions, freedom of association, determination of minimum wages. Private firms or non-governmental actors set these standards. These non-governmental initiatives involve multiple actors involved in the processes of standard setting, monitoring, benchmarking, and enforcement of rules, regulation and standards governing employment relations. These new actors include TNCs, international institution and non-governmental organization.

The growth of non-governmental regulations arose also in response to the proliferation of "sweatshops" and deplorable conditions of work in both developing and industrialized countries (Jeffcott & Yanz 1999). Much of the existing literature on "privatized" regulation explains non-governmental regulation as a response to two connected trends: the weakening of national governments (due to globalization, neoliberal movements to shrink the state, or simply the failure of state bureaucracies), and the strengthening of multinational corporations (Strange 1996; Haufler, & Porter 1999).

Private standards regulations are more international in scope and its growth can be explained in response to the emergence of global markets and a strong consumer movement in the West. Some of the international multiple stakeholder initiatives that relate with the garment sector are AA 1000, Clean Clothes Campaign, ETI, SA8000, WRAP. Many of these initiatives were developed to improve the conditions of labour in factories located in developing countries and producing for
buyers in developed countries. Much of these regulations take place in the global commodity chain\(^{47}\). The non-governmental regulation indicates a critical shift from factory-centred, state regulation focusing on individual sites of production, to supply-chain and "brand" regulation, focusing on multiple actors in a production chain (O'Rourke 2003).

Private regulation exists virtually in every global industry and internationally traded commodity, including forestry, chemicals, computers and electronic equipment, energy, apparel, rugs, coffee, cocoa, palm oil, diamonds, gold, toys, minerals and mining, energy, tourism, financial services, and athletic equipment (Herrnstadt 2001, Wick 2003, Utting 2002).

Private regulation\(^{48}\), involving the non-governmental actors, can be categorized into self-regulation and civil regulation. In general both the words are used synonymously but for purpose of clarification, the two has been taken separately to emphasize the role of TNC and civil society respectively.

The term self-regulation, as used in the study, encompasses:

1. Mechanisms used by TNCs to set and maintain standards within the industry as a whole.
2. Internal control mechanisms for improving and maintaining the social performance of business units and individual operations (that is, intra-firm regulation).
3. Voluntary participation by companies in schemes administered by non-industry bodies (‘third party’ regulation).

\(^{47}\) The meaning, emergence and relevance of global commodity chain have been looked at in chapter 2.
Self-Regulation is seen by many as a way forward to regulate the activities of the transnational corporation where the state institutions are weakening, the idea of "command and control" regulation is discredited and where international regulatory initiatives such as those of ILO and OECD failed. These voluntary initiatives may be unilaterally developed and run by non-governmental organization operating within India, internationally or both through joint arrangements.

Corporate self-regulatory initiatives reflect the perception that in an increasingly interdependent economy it is desirable to control the condition under which imported goods are produced. These tendencies have developed from both protectionist and moral bases. Although the protectionism debate has been repeatedly rejected at least from the moral base perspective workers' right advocacy strengthens the increasingly prevalent claim that it would be better not to have production at all rather than to produce under condition that lead to systematic violation of a limited set of fundamental human rights. This approach has translated into attempts to establish effective labour conditions wherever there is some link between the workers and the final consumer product. However by focusing on the products, codes of corporate conduct tend to treat labour conditions in a manner that parallels other production process notably processes that have an adverse impact on the environment codes of corporate conduct. They are viewed simply at the administrative level as regulatory links that connect workplace conditions to the global production chains.

Civil regulation implies regulation of working condition by the civil society. It primarily emerged in response to civil or public pressures on business. The expansion of civil regulation is closely linked to the emergence of a ‘civil
society'. Civil regulation involves non-governmental organizations (NGOs) and other civil society organizations (CSOs) (Murphy and Bendell 1999). It essentially employs market mechanisms such as disclosure, certification, product labelling and third party auditing, to address global market failures. Civil regulation seeks to fill the regulatory gap between global markets and global firms on one hand, and government regulation of multinational firms on the other.

The growth of global civil regulation is linked to a political backlash against economic globalization and the firms and industries that have fostered and benefited from it. Civil regulation is rooted in the perception that economic globalization has created a structural imbalance between the size and power of global firms and markets, and the capacity and/or willingness of governments to adequately regulate them.

Civil regulation extends regulatory authority "sideways" beyond the state to civil society and to non-state actors (Haufler 2003). Its recent growth reflects an expanded "public role for the private sector," as well as the importance of "private authority in global governance." International governmental organizations have also played a role in promoting civil regulations, many of which essentially extend their 'soft laws' to the private sector. In many cases, civil regulation applies the standards or norms for governments established by international organizations such as the World Bank, the United Nations, and the International Labour Organization, to the private sector.

Civil regulation is related to the process of corporate social responsibility. It institutionalizes corporate social responsibility (CSR) by creating private, non-state, or market based regulatory frameworks to govern multinational firms and

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49 The term civil regulation comes from Simon Zadek, The Civil Corporation, 2001, London: Earthscan
global supply networks (Vogel: 2006). It has been argued that civil regulation emerged partly in response to the growing awareness that codes of conduct that were unilaterally designed and implemented by companies tended to be weak and often aimed more at public relations than substantial improvements in social and environmental performance (Utting 2000).

Civil regulations govern a wide variety of business activities, most notably in the areas of electronic, commerce, maritime transportation and financial services. Since the present study is limited to garment factories the forms of regulation in other industries has not been taken up. The impact of private labour regulation followed by TNCs and civil society has led to a large number of changes across the globe: -

- Reductions in child labour in Central American garment manufacture (Sajhau 1997).
- Reductions in the number of child labourers employed to make carpets in India (Sharma et al 2000).
- Improvements in environmental management in electronics factories in Thailand (Foran 2001).
- Improvements in health and safety conditions in footwear factories in South-East Asia (Jenkins 2001).
- Reductions in water and air pollution emissions from factories in Asia and Central America (Khanna 2001)

From the above discussion it can be concluded that there exists multiple actors and agencies in the process of labour regulation at the global level. Rather than a single mode of regulation operating within a nation, a national accumulation regime can be comprised of different regulatory arrangements in different regions – reflecting and reinforcing the patterns of uneven development within a state as
well as globally (Low 1995:212). Different terms have been used to differentiate the various modes of regulations. Thus being mandatory and binding on the population covered under the legislation. Soft regulation, on the other hand, is more diverse. Often self-regulation deals with a set of minimum standards or provisions, when it does tend to deal with rights and obligations. Most of them are permissive and not compulsory. Often soft regulation takes the forms of recommendations or opinions or statements (ibid). The enforcement of soft regulation is voluntary and not binding.

The attempt of the study is to understand the implication of such a coexistence of multiple form of regulation on the workers in the garment factories.

VI. Co-Regulation in the garment Factories
Based on the findings of the study the conclusion that can be arrived is that the state has not withered away but has started sharing its role and responsibilities with other actors such as TNC and civil society.

State in garment factories
As far as the garment factories are concerned, though the presence of state apparatus is weak never the less the state rules and regulations are the guiding principle of all codes and compliances. The Indian Labour Law regulates the functioning of the garment factories. The Indian Factories Act 1948 is the reference point for the making of rules of compliance. And inspite of the strong presence of transnational, it is still mandatory to acquire the License of operation from the government.

The Relevance of state in the garment factories is evident from the following point:
❖ Compliance Auditors carries the Factories Act 1948 as a bible.
❖ Codes of conduct are based on the guidelines of the act.
The Factories Act 1948 is posted in the workplace of the factory in such a manner that workers are able to read it.

Factories are granted the license for operation only if it follows the rules and regulation laid out in the Act.

In case of dispute between the state and code of conduct, it is the former that is applicable but in some cases where the code is more stringent then the later, the clause under code of conduct prevails. This is clearly mentioned in all company's profile on code of conduct. To site one such reference from Walmart report:

All Vendor Partners shall comply with the legal requirements and standards of their industry under the national laws of the countries in which the Vendor Partners are doing business. Should the legal requirements and standards of the industry conflict, Vendor Partners must, at a minimum, be in compliance with the legal requirements of the country in which the products are manufactured. If, however, the industry standards exceed the country's legal requirements, Wal-Mart will favor Vendor Partners who meet such industry standards.

Even for retailers having origin in Western countries but sourcing from India strictly adhere to the Indian Factories Act in terms of laying down conditions for production for their suppliers. In the words of an auditor from Gap Inc:

Brand like GAP is a foreign retailer sourcing out production in India but has no jurisdiction in India. Brand has nothing to do with Factories Act, since the production is carried out in India; it has to make sure that labour laws are adhered to. It is in the backdrop of state labour Law and ILO conventions that corporate code of conduct is made. The policy in the brands is to go by state law or code of conduct which ever is more stringent. At the time of audit we ensure that code of conduct is adhered to more seriously than the state law. In that way there is more flexibility in our work.

Besides the Indian Factories Act 1948, other Acts that regulate the working condition of the garment factories are:

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50 Walmart is one of the largest retailers in the world and conducts compliance audits of manufacturing units in India.

1. **Contract Labour Regulation Act, 1970**- regulate the casual and part time workers working with contractors. A workman is deemed to be employed as Contract Labour when he is hired in connection with the work of an establishment by or through a contractor. The Contract Labour Act extends to whole of India. It applies to every establishment or contractor wherein 20 or more workmen are or were employed on any day of the preceding 12 months as contract labour. The appropriate government is empowered to extend the application of the act to any establishment or contractor employing even less than 20 workers as Contract labour.

2. **Child Labour (Prohibition and Regulation) Act, 1986**- The Act provides provisions to prohibit the engagement of children in certain employment. It prohibits the employment of children below the age of 14 in any factory. The Child Labour Act aims to
   (i) Ban the employment of children i.e. those who have not completed their fourteenth year in specified occupations and processes
   (ii) Lay down procedures to decide modifications to the Schedule of banned occupations or processes
   (iii) Regulate the conditions of work in employments where they are cannot be prohibited from working
   (iv) Lay down enhanced penalties for employment of children in employments where they are not prohibited from working
   (v) To obtain uniformity in definition of child in related laws

3. **Employers and the Industrial Disputes Act, 1947**- The objective of the Industrial Disputes Act is to secure industrial peace and harmony by providing machinery and procedure for investigation and settlement of industrial disputes by negotiations. The Act also lays down:
(a) The provision for payment of compensation to the Workman on account of closure or lay off or retrenchment.
(b) The procedure for prior permission of appropriate Government for laying off or retrenching the workers or closing down industrial establishments.
(c) Unfair labour practices on part of an employer or a trade union or workers.

4. Trade Union Act, 1926 - The Trade Unions Act, 1926 provides for registration of trade unions (including association of employers) with a view to render lawful organisation of labour to enable collective bargaining. The act also confers certain protection and privileges on a registered trade union. The Trade Unions Act extends to the whole of India and it applies to all kinds of unions of workers and associations of employers which aim at regularizing labour-management relations. The Act is a Central enactment but is administered by and large by the State Governments.

5. Maternity Benefit Act, 1961 – The Act regulate the employment of women in certain establishments for certain periods before and after child-birth and provide for maternity benefits including maternity leave, wages, bonus, nursing breaks etc. The Maternity Benefit Act extends to whole of India and is applicable to every factory, mine or plantation including those belonging to Government, irrespective of the number of employees, and to every shop or establishment wherein 10 or more persons are employed or were employed on any day of the preceding 12 months.

There is no dearth of labour laws applicable to the garment factories but the problematic issue is that all these Acts become controversial when seen in the light of the compliance process. For instance, it has been observed that due to strict adherence of these Acts in compliance code, employers avoid employing women in their factories. There is a strong viewpoint that labour laws have not
been addressed to in India and it supports the argument in favour of the failure of the state in the garment factories.

**Failure of the state**

The state has created a sound system of labour law, which is applicable to the garment factories but has failed to adequately regulate the working condition of workers. The failure of the state can be attributed to the following factors:

1. *Ineffective implementation* - There exist a wide range of legislation covering labour conditions and often it becomes difficult to monitor such wide range of legislations:

   All labour legislation has a separate inspector and visits of inspectors are not synchronized across all labour enactments. Barring the Payment of Wages Act, no other statutory prescribes a maximum period for which records and register must be maintained. Compliance in thus impossible and visits of inspection result in bribery (Debroy & Kaushik 2005:31).

   The state apparatus becomes ineffective, as the area of operation is very wide. A labour commissioner when interview gave the following reasons for the ineffectiveness of labour inspections done:

   It is not possible to check all industrial units, as there are only 200 labour inspectors. Checks are done on the basis of complaints. Many times, workers also do not come forward to give evidence, so it becomes difficult for us. However, most garment units here are export oriented and these companies implement strict international labour standards.

   In the course of discussion on the relevance of the state in the garment factories the auditors were of opinion that it is the failure of state that has led to the emergence of the private regulation. In the words of the auditors:

   If the labour inspectors were doing their job properly then we auditors would not have been there, because the state has failed in regulating the health and safety conditions of the worker that auditors have come to take an important role. The labour inspector has failed to do their job and that is why we are here.
2. Bureaucratic mode of functioning – the procedure for factory inspection is complex and is bureaucratic in functioning which effects the overall implementation of labour laws regulation at the workplace. State legislations are non-transparent and discretionary; as a result encourage bribery and corruption (ibid). The garment factory owners prefer private regulation as they find it fairer in terms of their functioning. The owners are of the opinion that private regulation is more stringent and regular than state regulation. In the word of the factory owners:

*Factory owner 1*- Code of conduct laid down by the buyers are strictly followed than the labour laws of the state because buyers do regular visits, are more stringent on it application due to pressure from consumers abroad. state inspectors are easily bribed –does a routine job with annual visits and not interested in application of the laws’.

*Factory owner 2*- Labour inspector from the state department takes ‘packets’; their seniors never come to cross check the reports made by them. But in case of private auditors, they are doing work on behalf of international buyers, the records made by the auditors are send to head offices and is crossed checked by the seniors. So if any wrong statement is given the auditor’s job is at stake, so the auditor sees that he send correct facts and figures. Moreover when the buyers visit Delhi factories, they carry the reports with them and cross checks the findings so no chance of giving wrong information. The salary of the private auditors is so high that he/she does not require taking bribe.

Like the factory owners even the managers are of opinion that code of conduct is a better option in place of ineffective state legislations. The reasons for preferring private regulation are:

*Factory manager 1*- Compliance Auditors are better option than labour inspector as the former are inexpensive; we have to pay the inspector to get the work done”

*Factory manager 2*- When factory inspector come they sit in the office, have tea/coffee and snacks, looks at the sample kept on the table, selects few and orders for some and that’s it, but for the compliance auditor such things are taboo so they come and get down to work.

3. Fragmented and overlapping labour laws- Labour laws are enacted by the central government and implemented by the state government though the latter
can also enact laws. This dual structure of labour law administration prevents the creation of a unified structure of labour policy (Sood 2003:13). It also results in a multiplicity of labour laws, non-uniformity in definitions and standards and centre-state disputes on labour legislation, all of which add to complexity and ineffectiveness of labour legislations (Venkat 2000).

4. Limited application of labour laws- Labour laws covers only the formal and organized sector whereas the unorganized, informal and casual workers are not covered by state regulations. The workers in these sectors do not have any legal benefits and hence remain vulnerable. The government of India is in the process of introducing the unorganized sector bill. The workers consider the state as being negligent to their needs and conditions. Many of the workers expressed their dissatisfaction with the mode of the functioning of state in terms of labour regulation:

Worker 1- The state is also not doing anything for workers, when there is some problem and workers go to the labour inspector, the 'Big babus' (bureaucrats) in the office convince us that they will solve our problem but when they come to the factory, they take money from the owner and go away.

Worker 2- Compliance manager talk to us with informally they try to understand our problem and also attempt to solve them but labour inspector always behave as a police trying to find fault in us only, they always take the side of the owner and hardly listen to us.

The above discussion suggests that due to corruption and inefficiency state apparatus has failed to regulate working condition of garment factories workers. There is indication for the failure of state as regulatory agency and it is in light of these weaknesses that space has been created for the emergence of private and civil regulation by TNCs and civil society respectively.
TNCs and private regulation

As discussed earlier, TNCs have been in the forefront in setting their own standards and methods to ensure that the factories that cater to their demand are compliant to international norms and regulations. The following modes of regulation have been adopted by the TNCs in the garment factories:

i. Certification refers to an external body certifying that factories producing certain commodities are adhering to labour standards, or more directly certifying that certain products are produced in accordance with labour standards. In the garment factories a number of such certification exists.

a) SA 8000- developed and released by SAI in 1997, SA 8000 is the first global ethical standard. It has been developed based on the conventions of the International Labour Organization (ILO), the Universal Declaration of Human Rights, as well as the United Nations Convention on the Rights of Child. It is applicable to all companies regardless of scale, industry and location. SA 8000 provides a framework for independent assessment by a third party certification body. It includes a set of social accountability standards and a guidance document. Through continuous assessment, it provides the companies with a system of continuous improvement.

b) ISO 1400152 was established in 1995 by the International Organization for Standardization (ISO) as a set of guidelines for improving environmental management and a certification system that indicates that a company has put in place an environmental management system that conforms to the guidelines. By 31 December 2000, nearly 23,000 entities had obtained ISO 14001 certification.

c) Accountability 1000 (AA1000)- is a framework developed by Institutive of Social and Ethical Accountability that companies and NGOs can use to

52 (www.iso.org).
understand and improve their ethical performance. Launched in November 1999, AA1000 is also focused on providing ‘best practice’ methods in social and ethical accounting, auditing and reporting. Both the private sector and the non-profit sector can use the AA 1000 framework to measure their progress. AA1000 is described as “a foundation standard”, which comprises principles and a set of process standards. Focused around engagement with stakeholders, AA1000 seeks to link the defining and embedding of an organization’s values to the development of performance targets, thus putting social and ethical issues into the organization’s strategic management. Organizational learning and improvement is seen as central to the approach as is the link between organizational accountability and developing trust with stakeholders. As a process standard, rather than performance standard, AA1000 specifies the processes that an organization should follow to account for its performance, not the levels of performance the organization should achieve.

d) Ethical Trading Initiative (ETI)53 was launched in 1998 by a group of UK-based companies and organizations. The companies involved agree to respect the terms of a Base Code related to social standards, regular monitoring and auditing, and to encourage their suppliers to comply with the Base Code. By October 2001 some 36 companies, mainly in the food and beverages and garments sectors, were associated with this scheme. A central activity of the ETI to date has been a programme of pilot studies designed to test monitoring and verification systems.

e) Fair Labour Association (FLA)54 was established in the United states in 1998 as a successor body to the White House Apparel Industry Partnership. It promotes brand certification for garments and sports shoes marketed by TNCs. Certified companies must comply with the FLA code of conduct and submit to regular monitoring and external verification of up to 30% of their facilities. By November

53 Details available at www.ethicaltrade.org.
2001, 13 corporations, with 4,000 factories in 75 countries, were participating in the FLA scheme and 161 US colleges and universities had affiliated to the FLA.

f) **Worldwide Responsibility Apparel Production**\(^{55}\) - WRAP is a factory-based Certification Program for manufacturers of sewn products, including apparel, footwear and accessories. Certification of factories is based on WRAP principles and legal compliance and follows a three-step process under which the factory completes a self-assessment to test their compliance readiness. Only when the factory feels they are ready for certification do they undergo Independent Monitoring for certification. Supported by the members of the American Apparel and Footwear Association (AAFA), WRAP is accepted by more than 700 companies who together account for more than 80% of the US wholesale apparel market. This includes many of the largest producers of apparel in the US, such as Sara Lee, Jockey, VF Corp., and Russell. These member companies have joined together to develop the WRAP principles and certification system in order to create consistent standards for responsible business in the apparel industry and reduce the burden of duplicate auditing and monitoring efforts.

**ii. Social Labelling** started in the nineties with a view of eliminating the exploitation of child labour in carpet production in India. Social labelling programmes operate;

> as verification systems for enterprise social performance\(^{56}\) by using a highly visible means of communication: a physical label about the social conditions surrounding the production of a product or rendering of a service (Diller 1999)

Social labelling consists of labelling carpets or company, either embodying a guarantee to consumers that the carpet has been manufactured without using child

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\(^{54}\) Details available at [www.fairlabour.org](http://www.fairlabour.org).

\(^{55}\) The WRAP principles are available from the WRAP web site at [www.wrapapparel.org](http://www.wrapapparel.org).

\(^{56}\) Social conditions" refer to the impact of the processes of production or service on the people involved, including workers, local communities, suppliers or subcontractors.
labour or a commitment towards the elimination of the problem of child labour. Labels show symbols such as logos, trademarks and, in some cases, texts, which seek to differentiate the product or enterprise. If the label has no text, its meaning must usually be acquired from some other source, e.g. advertising or the media. Like codes of conduct, labels are considered to be voluntary responses to market demands (ibid). The four existing social labelling initiatives in the carpet industry in India are: (a) RUGMARK, (b) Kaleen, (c) STEP and (d) Care and Fair.

a) RUGMARK label, a widely publicized private initiative, was the first labelling programme introduced in the carpet industry in India in 1994. The RUGMARK Foundation is registered under the Indian Companies Registration Act. The Foundation consists of manufacturers, exporters, NGOs and development organisations. This combination of diverse groups gives the necessary credibility to this labelling scheme and, in particular, the target markets. The RUGMARK label certifies that carpets have been manufactured and exported without the use of child labour.

b) Unlike RUGMARK, Kaleen labelling programme is a government initiative, promoted by the Carpet Export Promotion Council (CEPC), under the ministry of textiles. The CEPC is the apex body of the exporters in the carpet industry in India. It introduced the Kaleen label in 1995 for carpets to be exported as a hallmark of commitment towards the eradication of child labour and the welfare of weavers in the carpet industry. It is mandatory for exporters in the carpet industry in India to be members of the Council.

c) STEP is a labelling initiative started by members of the carpet trade in Switzerland in October 1995. To provide a better link between Indian exporters and Swiss importers and consumers of carpets, the STEP India office was established in May 1996. Unlike RUGMARK and Kaleen, STEP is a company
certification programme. STEP license-holders can use STEP monogram in all advertising materials, showroom displays, etc, provided of course, the carpets imported are from the exporters registered with STEP Foundation in India. STEP's objectives are: socially just conditions in carpet production and trade, progressive elimination of child labour and standard working and health conditions for the carpet workers.

d) Like the STEP initiative, Care and Fair is a company certification programme and not a product labelling initiative. However, unlike the other three labelling initiatives, Care and Fair does not divert its funds on inspections and monitoring of the carpet production as it relies on moral commitment of its members Care and Fair India feels that the question of child labour has to be tackled by overall development in social, education, health care and awareness generation campaigns.

iii. Code of Conduct is the initiative of TNCs to regulate their business. The term 'codes of conduct' does not have any formal definition. The term has become increasingly popular as a buzzword. In the corporate world it is used along with phrases such as corporate social responsibility, corporate citizenship or corporate governance. Some of the definitions given are:

- A code of corporate conduct is an expression of commitment to observe a particular norm for business conduct - the code, in effect, describes this norm and communicates it to the general public, employees, suppliers and other business partner (Gordon and Miyake 1999).
- A code of conduct is a formal statement regulating the ethical standards that a transnational company upholds, and which will be applied to its production suppliers or trade partners (Jenkins et al 2002).
- A code of conduct is a written policy or statement of principles intended to serve as the basis for a commitment to particular enterprise conduct (ILO 1998b).
A code of conduct is a voluntary expression of commitment that set forth standards and principle for business conduct. A wide variety of actors—corporation, business association, NGOs, trade union and international organization issue codes (OECD 2001:32)

Code of conduct is considered as a part of corporate social responsibility. The implicit relationship between codes and CSR has been made explicit by authors such as Kolk, van Tulder and Welters who define codes of conduct as...

...encompass[ing] guidelines, recommendations or rules issued by entities within society (adopting body or actor) with the intent to affect the behaviour of (international) business entities (target) within society in order to enhance corporate responsibility’ (1999:151).

Codes of conduct designed for workplaces in low-wage locations stick to legal standards such as minimum wages, hours of work, health and safety, forced and child labour, and so on. Key clauses in the company codes often address seven major areas: no forced or bonded labour; no child labour; no discrimination in employment; living wages and benefits; normal working hours; no hazards to safety and health; and a decent work environment. A few company codes contain clauses on freedom of association and the right to collective bargaining.

Codes of conduct cover a vast array of ethical issues. These include environmental issues ranging from recycling to hazardous materials, employment issues ranging from child labour to discrimination, bribery and corruption, competitive practices, insider trading, transparency and consultation with local communities and protection of indigenous rights. Studies have shown that the majority of large corporations have such codes (Gordon and Miyake 1999).

In shaping a code, a company can access a variety of sources, ranging from local laws and regulations to internationally accepted standards such as those set by International Labour Organization (ILO) conventions. In most cases, companies
have taken a "hybrid" approach: applying local laws on some issues, international standards on others, and more rigorous company requirements on still others.

**Features of Codes of Conduct**

1. *Codes of conduct are completely voluntary*- they can take a number of formats and address any issue - workplace issues and workers' rights being just one possible category. These codes range from vague declarations of principles applicable to international operations, to more substantive efforts at self-regulation (Link 2004). Code of conduct often referred to as “soft law”, that are lists of labour standards that companies agree to respect in the workplaces where their goods are produced (Ascoly 2005).

2. *Codes of conduct are applicable only to labour intensive industries*- Most codes of conduct apply to workers located within global value chains, particularly within labour intensive industries such as food, clothing, light manufacturing and electronics (Barrientos 2005). The global value chain approach provides a way of analyzing the linkages between labour and global buyers.

3. *Codes of conduct have limited applicability for organized manufacturing*- they are most likely to be adopted by registered corporations/firms that exist as a distinct legal entity. Production organization where activities are carried out in the informal sector or as home-based activity, as in the case of the garment sector in India, are effectively excluded from such initiatives.

**Growth of Code of conduct**

Globalization has influenced the emergence and importance of corporate codes of conduct with the emergence of powerful TNCs whose activities are increasingly significant for the people around the world.

Codes of conduct have come about in a large part as a consequence of the process of globalization. Global sourcing means that a large part of what we consume has been partly or wholly produced in more than one country across the globe. Much labour intensive export production has been located in developing countries where labour is
relatively cheaper than in the North and regulation of employment condition is often weaker (Barrintos 2002:61)

The introduction of codes became part of TNCs strategic policies in securing the sale of their goods and services on the global market. Company codes of conduct have thus arisen in response to the adverse effects of global sourcing on working conditions in developing countries and operate along many global supply chains (Barrintos 2000).

As a result the codes of conduct apply along their value chains in developing countries. The purpose of the code is to ensure that distant suppliers, over whom the buyer has only a certain amount of commercial leverage, meet minimum labour standards. In a globalized economy these value chain can be quiet complex with large numbers of suppliers at different points of the chain applying codes. Conversely, a single supplier could be producing for a number of global buyers and subject to a range of codes. There are different types of codes of conduct57, those produced by companies or corporate associations, those produced by intergovernmental bodies and those produced by NGOs (Paul & Garred 2000). TNCs have created specific codes concerning forced labour and human rights for their suppliers and subcontractors.

In 1991 Levi Strauss and Co was the first to introduce voluntary codes of conduct as mode of regulating the working condition of factories located in the developing countries.

Voluntary workplace codes of conduct are another form of self-regulation by transnational corporation. They contain written statements of principles specifying the labour standards that must be enforced by their suppliers and subcontractors (Gibb 2003:69).

57 Refer to Annexure 4 for list of different types of code, their structure, formation and functions.
The initiation of codes of conduct can be perceived of as rule-setting behaviour, which contributes to the establishment of new institutions. It indicates evolving of a new form of global governance that is made up of codes and accountability systems and which are becoming a kind of ‘soft law’. Code of conducts is seen as replacing traditional regulation as practiced by state and national governments.

Codes of conduct as a monitoring system offer advantage over traditional regulatory regimes. The system build on some of the central organizational principles of contemporary globalization — outsourcing production, monitoring, and continuous improvement — and so can advance a form of regulation that multinational firms find compatible with business strategies (Wach & Nadvi 2000).

Unlike the traditional regulation that consists of statutory conventions, code of conduct is a voluntary set of principles, which may be adopted by firms, rather than conventions binding on states. It can be seen as a voluntary corollary to the compulsory rights of corporations to equal treatment in foreign countries (Murray, 1998). The development of voluntary codes of conduct therefore reflects both the political and economic forces behind the demise of statutory codes — namely the expansion and deregulation of the global labour force and the shifting political context that undermines the interest of organized labour (Balasubramanyan et.al, 1999).

Civil Societies regulation in the garment factories

A large number of joint initiatives of NGOs, trade union, labour organizations have been evolved that function to regulate labour condition in the garment factories. Some of them are

1. **Clean Clothes Campaign (CCC)** is an international campaign and network of NGOs, trade unions and other organizations. CCC seeks to raise labour standards in the supply chains of European garment and sportswear retailers, and to promote independent verification to ensure compliance with the CCC Code of Labour Practices that was adopted in 1998. CCC organizations are working in France, the
Netherlands, Sweden and Switzerland is currently working with 15 European retailers in pilot schemes that test code implementation, monitoring and verification procedures (www.cleanclothes.org).

2. *Global Alliance for Workers and Communities* is an initiative established in 1999 that involves the World Bank, the International Youth Foundation, Nike and Gap. It promotes corporate adherence to internationally-agreed standards; carries out in-depth assessment of workplace conditions, workers' aspirations and community needs; and establishes training and development programmes to foster management awareness, and assist workers—particularly young adults—and communities. After five years, this initiative aims to work with up to ten global companies in 12 to 15 countries (www.theglobalalliance.org).

3. *Worker Rights Consortium (WRC)* was established in 2000 on the initiative of the United Students against Sweatshops (USAS). The forum uses a network of local worker-allied NGOs and trade unions in the countries where the goods are produced to investigate workers' complaints, through on-site inspections and off-site interviews with workers (Douglas 2001). It aims to improve labour conditions in the factories that form part of the supply chain of companies that produce sportswear goods under license for US colleges and universities. The WRC carries out investigations of factories in response to specific complaints and verifies compliance with standards contained in the WRC Code of Conduct. By November 2001, 90 US colleges and universities had affiliated to the WRC and investigative reports had been prepared in relation to two factories (www.workersrights.org).

4. *Women Working Worldwide* is a UK based organisation which supports the struggles of women workers in the global economy through information exchange and international networking. It has conducted research and campaigning work on
subcontracting in the garments industry and has also held a number of meetings and conferences related to this topic (www.www.org).

5. The Self-Employed Women’s Union (SEWA) is an organisation of poor, self-employed women workers. SEWA’s main goals are to organize women workers for full employment and self-reliance. SEWA organizes women to ensure that every family obtains full employment. By self-reliance we mean that women should be autonomous and self-reliant, individually and collectively, both economically and in terms of their decision-making ability. SEWA has an academy which is a focal point for workers’ education and capacity-building and is also involved in collaborative and action oriented research. SEWA also engages in literacy work and produces a newspaper and videos.

6. Civil Initiatives for Development (CIVIDEP) - A good example of civil society working in the garment factories is an organization called Civil Initiatives for Development (CIVIDEP). The organization came into existence in the year 2000 as a registered society. It works mainly with women workers in the garment industries. Supriya Roychowdhury, on the basis of her study of CIVIDEP in Bangalore garment factories, makes the following observations:

CIVIDEP’s activities are confined to 15 factories in the Mysore Road area. The women workers in these factories are organized into small solidarity groups, largely on the basis of the localities in which they live. The main activity of these is to act as self-help groups (SHGs) for the organization of micro credit. Thus each member of the group contributes Rs 100 at the start of each month, and members can take small loans from what is collected... CIVIDEP also help in organizing training camps among women in order to raise awareness of issues which affect women workers (RoyChowdhury 2005)

In the garment industry several civil regulations in the forms of standards came forward as a result of networking between TNCs, NGOs, media and trade union activists. Some of the most prevalent ones and those that are specifically
concerned at improving the condition of workers in the garment factories are the Ethical Trade Initiative (ETI), the UN Global Compact, Social Accountability and other similar initiatives have been taken up by international organization and institutions. The descriptions of the above initiative are:

1. The Ethical Trading Initiative is a multi stakeholder alliance of firms, NGOs and trade unions which was organized by the British government as a response to criticisms of working conditions for both manufacturing and agricultural workers by Britain’s large and influential NGO community.

2. The UN Global Compact was established at the initiative of UN Secretary General Kofi Annan in order to encourage global firms to play more active role in addressing global development problems.

3. Social Accountability International was established and is governed by a coalition of firms, NGOs and trade unions. Its purpose is to encourage firms to improve working conditions in factories and on farms.

4. The Fair Wear Foundation was organized by the Dutch chapter of the Clean Clothes Campaign; It began by targeting specific retailers and now is supported by retailers and unions in ten European countries.

The boundaries of the economy today extend beyond the powers of state and a wide variety of TNCs and civil society has become instrumental in governing the global economy (Pasricha 2005:17). There is growing enmeshment of public and private agencies in the making of rules, the setting of codes and the establishment of standards (O'Rourke 2003). This has led to emergence of ‘co-regulation’, a term used to denote the blending of both public and private regulation shaping and reshaping the old economic order. Co-regulation implies the involvement of two or more actors in the design and implementation of norms and instruments that attempt to improve the social and environmental performance of firms (Utting 2001).
The growth of co-regulation does not reflect an actual decline in the regulatory authority of governments. Rather co-regulation seeks to extend regulation to a wide range of global business practices for which the scope or effectiveness of government authority remains weak, limited, or nonexistent, in part for the reasons noted above. This may involve government, multilateral organization and civil society working with the industry (Murphy & Bendell 1999).

In the study co-regulation is used in the strict sense to imply to the process of compliance with domestic laws and policies, adherence to international standards and conventions, adoption of voluntary codes of conduct formulated by TNCs and civil society. The next chapter examines this existence of co-regulation in the garment factories in the form of SCA.