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# BEYOND COMPLIANCE AND COOPERATION?

Rethinking Corporate Social Responsibility in Global Value Chains in the Age of COVID-19

Peter Lund-Thomsen & Jacobo Ramirez  
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# **Beyond Compliance and Cooperation? Rethinking Corporate Social Responsibility in Global Value Chains in the Age of COVID-19**

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## **Abstract**

In this article, we explore whether COVID-19 has led to a rethink of the two dominant ways of conceptualizing corporate social responsibility (CSR) in global value chains (GVCs): the compliance and cooperation paradigms. Hence, we examine whether any changes have taken place in the drivers, main features, theoretical underpinnings, and limitations of these two approaches to CSR in GVCs in the light of COVID-19. We contend that COVID-19 has been associated with an expanded version of the compliance paradigm. However, COVID-19 has not directly challenged the cooperation approach as a conceptual model. Instead the partial failure of buyers to act responsibly in relation their purchasing practices and restrictions on international travel have highlighted the limitations of this approach in the age of COVID-19. The conclusion highlights the main findings, research and policy implications of this analysis.

**Key words:** Global value chains, corporate social responsibility, compliance, cooperation, COVID-19, auditing, purchasing practices

## 1. Introduction

In 2020, COVID-19 has been associated with a major shake-up of global value chains (GVCs) connecting consumers, brands, and retailers in the global North with local producers, workers, and communities in the global South (Gereffi, 2020). Initially, in January and February 2020, COVID-19 hit China leading to a temporary closure of large parts of the 'world's factory floor' as thousands of factories either had to slow production or closed. When COVID-19 reached North America and Europe in March and April of 2020, countrywide lockdowns and closure of retail outlets led to a dramatic fall in the international demand for products such as clothes and shoes (Rankin, 2020).

The knock-on effect could quickly be seen in many producer countries where factory closures and job losses were acutely felt (Leitheiser et al., 2020). For instance, in Bangladesh, hundreds of thousands of workers faced an abrupt loss of income, possibly leading to the starvation of their families, as their factory owners were not receiving payments for orders already shipped or faced sudden cancellation of orders from their buyers in the global North (Anner, 2020). In India, millions of migrant workers were suddenly on the move as the workplaces shut down. Without possible alternative sources of income, they were struggling to travel hundreds, if not thousands of miles on foot, to their native villages at a time when nation-wide transport had been shut down (BBC News, 2020). In addition, with a sudden dramatic worldwide increase in the demand for hand sanitizers and safety masks, workers in some factories in the global South had to work around the clock to help their employers accelerate production (Gereffi, 2020). All while these workers suddenly had to be trained in physical distancing and other safety measures at the factory premises (Channel 4, 2020). At the same time, suppliers sometimes introduced new, discriminatory hiring practices. For instance, in Mexico, new job postings sometimes required that workers should not have any diseases including hypertension, diabetes, or obesity which could put them at risk during COVID-19 (Casaola, 2020).

These dramatic events of the first six months of 2020 provide us with an opportune moment to take a step back and reflect on whether these recent developments have had any direct implications for the dominant ways in which corporate social responsibility (CSR) is conceptualized and practiced in GVCs (Lund-Thomsen, 2020). We here understand CSR as a process through which companies attempt to address the social and environmental effects of their business operations, make sure that their business partners operate in ethical ways, manage their stakeholder relations, and seek to achieve wider social legitimacy (Blowfield and Frynas, 2005). We can thus ask whether COVID-19 has led to a rethink of the two dominant ways of conceiving CSR in GVCs in the last twenty years: the compliance and the cooperation paradigms.

Following exposes of poor working conditions and child labor in the subcontracted value chains of brands such as Nike and Levi Strauss in the 1990s, the so-called compliance-based paradigm emerged (Gold et al., 2015). The main idea was that multinational retailers and brands should develop ethical guidelines for the social and environmental behavior of their suppliers, monitor the implementation of these guidelines through first party, second party, and third party audits, and provide non-complying suppliers with a chance to rectify instances of non-compliance within a reasonable period – for instance, six months (Lund-Thomsen and Lindgreen, 2014). If suppliers still did not comply with the buyers' ethical codes of conduct after this period, buyers

were to punish non-complying factories by excluding them from their value chains (Locke, 2013).

By contrast, the cooperation-based paradigm highlighted the need for ensuring long-term cooperation between buyers and suppliers as a way of improving the latter's CSR performance (Locke et al., 2009). At times, this involved buyers' rethinking their purchasing practices by incentivizing suppliers to improve work conditions by providing them with slightly higher unit prices for products (Amengual et al., 2020). Moreover, emphasis was placed on enabling suppliers to comply with buyers' codes of conduct by providing training to supplier management and workers in the stipulations of national labor laws, buyers' codes of conduct, and issues such as lean manufacturing (Distelhorst et al., 2016). Monitoring of working conditions should not be done through one to three-days audits, but instead be undertaken 365 days a year through brand collaboration with local NGOs and trade unions (IDH, 2009). Finally, brand participation in multi-stakeholder initiatives was encouraged in the cooperation paradigm as brands working together with NGOs, suppliers, and other value chain actors was likely to have greater positive impacts on workers' conditions in GVCs (Riisgaard et al., 2020).

In this article, we examine whether any changes have taken place in the drivers, main features, theoretical underpinnings, and limitations of the compliance and cooperation approaches to CSR in GVCs in the light of COVID-19. This article departs from earlier writings on CSR in GVCs that address diverse topics such as the gendered nature of CSR (McCarthy, 2017; McCarthy and Moon, 2018) and the strategic use of CSR by social movements to promote workers' rights in GVCs (Bair and Palpacuer, 2015). Some authors in this literature have also investigated whether CSR can help promote labor and human rights in industrial clusters that are tied into GVCs (Gereffi and Lee, 2016; Giuliani, 2016). Furthermore, scholarly interest has zoomed in on the impacts of corporate codes of conduct and buyer purchasing practices on workers' conditions (Bartley and Egels-Zandén, 2015, Bartley, 2018, Anner, 2020). In addition, several authors have analyzed divergent buyer and supplier perspectives on CSR in GVCs (Lund-Thomsen and Lindgreen, 2018; Asif et al., 2019, Perry et al., 2015; Lund-Thomsen, 2020) and whether CSR enhances or undermines labour agency in such chains (Lund-Thomsen and Coe, 2015; Kumar, 2019).

However, whereas there is now an embryonic literature on the implications of COVID-19 on GVCs (Carmody, 2020; Gereffi, 2020, Morton, 2020), very little work has examined the impact of COVID-19 on CSR in GVCs (Voss, 2020). This article is therefore a contribution towards filling this gap in our knowledge.

First, we argue that COVID-19 has been associated with an expanded version of the compliance paradigm which emphasizes global buyers (not) complying with ethical purchasing and trading practices, the increased use of a broader set of online data collection tools, the use of remote monitoring, and the possibility that suppliers may exclude global buyers from their value chains. Second, we contend that COVID-19 has not directly challenged the cooperation paradigm as a conceptual model. Revising buyer purchasing practices; engaging in long-term capacity building of supplier management and workers; monitoring work conditions with the help of local NGOs and trade unions, and buyers engaging in multi-stakeholder collaboration remain at the heart of the cooperation approach. However, the partial failure of buyers to act responsibly in relation their purchasing practices and restrictions on international travel have highlighted the

limitations of this approach in the age of COVID-19. In the conclusion, we outline the main findings, policy and research implications of this analysis.

## **2. The Compliance Paradigm**

### **2.1. Drivers**

Traditionally, a key driver behind the compliance paradigm has been advocacy campaigns of NGOs and trade unions as well as media stories that exposed poor working conditions and labor rights violations at the base of GVCs in the global South. Reputation-sensitive brands and retailers were seen as having to respond to this pressure by developing and enforcing corporate codes of conduct for their suppliers in the global South. For instance, on 30 July 2020, Danwatch – a Copenhagen-based advocacy organization – reported that it had found child labor in four out of six Fairtrade-certified cocoa farms during a ‘behind-the-scenes’ investigation in the Ivory Coast in West Africa (Danwatch, 2020). Civil society campaigns also continue to apply pressure on global brands and retailers to change their sourcing practices – for instance, a coalition of 192 civil society organizations called upon apparel and textile brands to stop sourcing from the Uyghur region of China in which the parts of the local population, Uyghurs, were compelled to engage in forced labor in prison-like camps and other workplaces (Coalition, 2020). In this way, there appears to be clear signs of continuity in the drivers behind the compliance paradigm.

However, with the advent of COVID-19, there also appears to have been – a perhaps temporary shift – in the coalition of actors that criticize the involvement of brands and retailers in unethical sourcing practices. In early 2020, as buyers in the global North began to cancel or delay orders to their suppliers and failed to pay for existing orders, it became increasingly obvious that millions of workers would suffer not only the short-term losses of jobs but also that their own and wider family’s well-being might be at risk – especially in cases where workers and their families had no alternative sources of income (Anner, 2020). Hence, a coalition of Western academics, NGOs and advocacy organizations along with suppliers from the global South (Bangladesh in particular) initiated a joint campaign that would seek to ensure that retailers and brands would “pay up” whatever they owed in terms of financial resources to their supplier factories in the global South (Leitheiser, 2020). This was institutionalized through a so-called COVID-19 tracker – established by the United States-based labor advocacy organization – the Workers’ Rights Consortium – that highlighted which garment and textile brands had made a commitment to pay in full for orders completed and in production and which brands were yet to do so (if at all) (Workers’ Rights Consortium, 2020). It is interesting to note that such a COVID-tracker could not have been established without active support from some factories, particularly in Bangladesh that appear to have provided the necessary information, making it possible to establish and maintain the list.

Clearly, COVID-19 does not mark the first time that brands’ purchasing practices have been under critical scrutiny (Barrientos and Smith, 2007). In fact, the purchasing practices of global brands have long been recognized as being a driver behind labor rights violations at supplier factories in the global South (Amengual et al., 2020). These include late orders compelling workers to do overtime, buyers’ price squeeze driving down wages of workers at supplier factories, and unstable demand resulting in the frequent firing and rehiring of workers that

could not be hired on permanent contracts due to the volatility of global demand (Khan et al., 2020). An initiative such as Better Buying has thus allowed suppliers to anonymously rate the purchasing practices of their buyers and inform brands and retailers about which practices can be improved (Better Buying, 2020).

However, accompanying the watershed events associated with COVID-19, it would seem that the old tactic of naming and shaming global brands has now shifted from a focus on exposing poor labor conditions in supplier factories to exposing the brands' own unethical trading and purchasing practices. Hence, the term "compliance" has partly broadened to not only encompassing supplier compliance with buyer codes of conduct, but also ensuring that global brands comply with what may be considered fair and ethical purchasing practices in their GVCs.

## 2.2. Main Features

We now turn to a critical examination of whether COVID-19 appears to have caused any fundamental changes in the main features of the compliance paradigm. Some of the key features of the compliance paradigm remain intact including the emphasis on ensuring that suppliers comply with the buyers' corporate code of conduct. In other words, global brands and retailers still emphasize that suppliers must pay their workers the minimum wage, overtime payment, ensure that occupational health and safety of their workers and that the workers' rights to collective bargaining and freedom of association are respected (Lund-Thomsen 2020). Moreover, during COVID-19, some brands and retailers have still committed to guaranteeing their social insurance of workers (i.e. payment of pension and sick leave benefits) (Anner, 2020). Trying to ensure these aspects of compliance model are enacted could be considered "old challenges" However, the "old challenges" related to ensuring the compliance with buyer codes of conduct have played out in new ways during COVID-19.

Ensuring the occupational health and safety of workers is thus a particularly good example of how "old" labor rights compliance challenges have appeared in new ways in 2020. For instance, avoiding industrial "accidents" in export-oriented factories has traditionally been a challenge, leading to a situation where workers were required to wear facemasks if they were handling dangerous chemicals (Barrientos and Smith, 2007). However, during COVID-19, export-oriented factories supplying global brands were suddenly required to introduce procedures and training regarding social distancing, the use of facemasks, and frequent washing of hands (Axfoundation, 2020). Furthermore, whereas occupational health and safety were mainly seen as related to ensuring that industrial accidents did not occur on the factory floor itself, the focus now partly shifted beyond the factory floor itself to the places where workers lived. Hence, there have particularly been concerns around migrant workers living in overcrowded hostels at factory sites where it has not been possible for them to observe social distancing in ways that are usually recommended by health specialists (Channel 4, 2020).

Another example of "old" labor rights compliance challenges re-appearing in new forms relates to overtime. For instance, given the huge initial imbalances between world demand and supply of hand sanitizers and facemasks, factories in the healthcare sector were suddenly compelled to expand world production in a very short time (Gereffi, 2020). In terms of implications for labor rights compliance, a UK-channel 4 news investigation found in June 2020 that the world's largest manufacturer of protective gloves – Top Glove – had workers undertake 12-hour long

work shifts, that some workers managed to clock up 111 hours of overtime in a month in breach of Malaysian labor laws, and that the workers feared catching COVID-19 due to poor social distancing arrangements at the factory and worker hostel sites (Channel 4, 2020). While Top Glove has since strongly denied these allegations (Edgemarkets 2020), this media story highlights the unintended, negative consequences that a sudden change of the demand for personal protective equipment amongst consumers in one part of the world can have for the occupational health and safety of workers in another part of the world.

Old labor rights compliance challenges have also re-appeared in new forms when it comes to the social insurance of workers during COVID-19. Ensuring that workers has social insurance – i.e. health insurance, unemployment insurance, and old age retirement benefits – turned out to be particularly challenging during COVID-19. With a sudden decline in demand in particular product types in early 2020, for instance garments and textiles, factories in supplier countries such as India, Pakistan and Bangladesh were forced to dismiss thousands if not millions of workers within a very short time span (Anner, 2020). Typically, this was associated with non-compliance with buyer codes of conduct in relation to issues such as proper notice before worker dismissal, payment of proper compensation, and compensation for hospital bills (and in some cases worker deaths) as a result of COVID-19 (ETI, 2020).

It is not only code compliance as such that has been challenged by COVID-19. A second feature of the compliance paradigm of CSR in GVCs – labor rights monitoring – has become very difficult in 2020. In the compliance approach, this has traditionally been done either by first party brand or retailer auditors, by second party auditors (i.e. those of supplier factories) or third party verifiers (typically auditing or consulting firms) that were supposed to be able to provide an independent assessment of work conditions at supplier factory sites (Lebaron and Lister, 2015). However, with the advent of COVID-19, first and third party monitoring of labor conditions in supplier factory sites has largely ceased to be operational in many areas. Due to lock-downs in many areas and reduced possibilities for international (and sometime national) travels, it has been impossible in many circumstances for either first or third party auditors to conduct on-site visits at many supplier factories (Rankin, 2020).

However, while the possibilities for conducting onsite verification of compliance with buyer codes of conduct have diminished, this does not mean that there is less attention being paid to ensuring that labor rights violations do not take place at supplier sites. Instead increasing focus is now on conducting broader forms of human rights due diligence in GVCs as a means of reducing the risk of buyers being involved in trading relationships that involve the use of e.g., child labor or forced labor (European Coalition for Corporate Justice, 2020). However, the approaches based on human rights due diligence are still under development. They consist of not only more traditional social compliance auditing but also sometimes involve desk-based research that aims at detecting evidence from multiple sources – previous reports, expert interviews via phone/SKYPE/other social media, reviews of news media and other sources that could indicate the potential risk of companies becoming involved in human rights violations in their value chains as well as developing procedures for ensuring that there are grievance mechanisms in place for workers.

Labor rights compliance monitoring in GVCs has also been compounded during COVID-19 by the increasing lack of transparency in GVCs. Again, the lack of transparency in GVCs – i.e. brands/retailers not having a clear picture of labor conditions at supplier factory sites – is not

a new phenomenon (Robertson, 2020). In part, auditing of labor conditions at supplier factories was initiated to ensure greater transparency and control of whether buyer codes of conduct were indeed abided by. However, in recent years, there has also been increasing consumer interest in obtaining more information about the exact economic, social and environmental conditions under which the products they purchased were produced (Mol, 2015). However, given the lack of possibilities for conducting on-site factory audits, buyer attention has grown in relation to exploring alternative ways of ensuring compliance with corporate codes of conduct at factory sites (Rankin, 2020).

During COVID-19, another recent trend – remote monitoring – has emerged as an alternative to the traditional on-site, audit-based monitoring (RINA, 2020). For instance, UK-based labor rights consultancy, Impactt Limited has worked together with brand suppliers and workers’ in remotely monitoring work conditions at factory sites when physical visits were impossible due to COVID-19 travel restrictions. In practice, Impactt in its own words has obtained a list of employees and phone numbers from the supplier factories, and undertaken “remote” worker interviews via phone, WhatsApp, or other online communication tools at a time and location chosen by the workers’ themselves. While this method has not allowed for first-hand impressions of workers’ conditions on site as physical visits would have done, it has nevertheless proven that it is possible to at least gather some rudimentary information about workers’ conditions on site during COVID-19 (Pyle, 2020). It also means that substantial costs related to accommodation and travel of auditors are being saved. Hence, while traditional on-site audits may not be completely abandoned as a result of COVID-19, new forms of experimentation in relation to alternative methods to CSR monitoring are tested and tried out.

In addition, a central part of the compliance-based paradigm has been challenged by the emergency of COVID-19 –namely, the possibility for rewarding compliant factories with increased orders and excluding non-compliant factories from future orders. In short, at a time when many global brands and retailers were compelled to temporarily close their physical retail outlets in Europe and North America, their attention most immediately turned to securing their survival by engaging in cost-cutting exercises (for instance, sometimes laying off some of their CSR/sustainability staff), cancelling or delaying orders, or not paying for orders already completed before these products were sold in Europe or North America (Leitheiser, 2020). In many ways, global retailers and brands were seen as reducing their orders to their suppliers in the global South, regardless of whether these had complied with the buyers’ corporate codes of conduct or not (Anner, 2020).

Paradoxically, during COVID, instead of sourcing decisions being incentives for suppliers to meet sustainability standards, buyers’ sourcing practices have led to threats from organizations such as the Bangladesh Garments Manufacturers and Exporters Association (BGMEA) to boycott particular brands. For instance, BGMEA has considered issuing a list of brands and retailers that were banned from sourcing from Bangladesh as long as they had not paid up on the dues that they owed Bangladeshi manufacturers (Cline, 2020). While it remains to be seen whether such an embargo would actually be put in place, excluding ‘unethical’ brands and retailers from sourcing garments and textiles in Bangladesh, this would, interestingly, in theory lead to a reversal of the compliance model. In other words, instead of CSR non-compliant factories, being excluded from brands’ or retailers’ value chains, it would now be CSR non-compliant brands and retailers whose value chains would be shut down by producer countries in the global South.

### 2.3. Theoretical Underpinnings

The compliance-based paradigm has traditionally been theoretically underpinned by the global value chain approach (Lund-Thomsen and Lindgreen, 2014). The global value chain approach has emphasized that role of multinational companies, or so-called lead firms, in organizing their vast networks of suppliers across the globe (Ponte, 2019). In the global value chain approach, these lead firms govern these chains – in other words, they decided which kinds of products are to be produced where, when, in which quantity, at what price, and under what social and environmental conditions by their supplier across the world (Gereffi, 2019). In the global value chain approach, local suppliers are then seen as having different opportunities for improving their competitive position in these chains by improving the quality of their products (“product upgrading”), the efficiency of their production processes (“process upgrading”), moving into higher value-added functions of the chain such as branding and marketing (“chain upgrading”), and using skills learned from competing in one industry to gain competitive advantage in another industry (“interchain upgrading”) (Ponte et al, 2019).

The emergence of COVID-19 has not as such directly challenged global value chain analysis as a theoretical or analytical framework that can help explain power relations and interfirm dynamics in transnational industries (Lund-Thomsen, 2020). However, COVID-19 has led to questions being raised about the continued validity of only using this framework to explain the organization of transnational industries on global scale. According to the WTO, world trade reached its peak at the time of the global financial crisis in 2007/2008 and has since been on the decline. Hence, already prior to COVID-19, there were debates about the possible emergence of regional value chains and potentially even the reshoring of some aspects of labor-intensive manufacturing from global South to global North locations (Gereffi, 2020). In other words, the questions of where to produce and when to produce were already parts of international debates on sustainable sourcing prior to COVID-19, particularly in relation to reducing lead times and ensuring alternative sources of supply (Butollo, 2020). The pre-occupation with ensuring alternative sources of supply had also been on the table given the ongoing trade war between China and the United States, leading many retailers and brands to encourage their suppliers to move production out of China to other manufacturing locations in Asia and elsewhere. The impact of COVID-19 – with massive worldwide disruptions of GVCs – has reinforced debates about whether global retailers and brands would need to restructure their value chains so that they procured goods and services mainly through regional or domestic value chains instead of GVCs, which has been so dominant throughout the last 30 years (Gereffi, 2020).

COVID-19 has also led to intensified examinations of “where” and “when” products sold by retailers and global brands should be manufactured (Strange, 2020). Increasingly, in order to develop more resilient value chains, particularly ensure continuity of supply, debates have started about whether it would make more sense to bring suppliers back closer to home (Bamber et al., 2020). Bringing production close to home – i.e. for instance, producing garments in the United States – could in theory bring with it the promise of improvements in workers’ conditions, such as higher minimum wages, overtime payment, and greater levels of occupational health and safety in production (Lund-Thomsen and Lindgreen, 2014). However, reshoring of labor-intensive manufacturing industries such as garments, textiles, and shoe manufacturing is unlikely to occur at a larger scale (Butello, 2020), given that the consumers emphasize continued low prices of products that are still supposed to be manufactured in a

socially and environmentally responsible fashion. Instead we might observe a pattern through which parts of labor-intensive aspects of manufacturing are brought closer to home where it is still possible to exploit differences in wage levels – for instance, bringing parts of clothes manufacturing in the EU closer to home by reducing the overall dependence of cheap clothes manufactured in East Asia and instead source from Eastern European countries such as the Poland or Romania that still have manufacturing capabilities but also lower wages compared to countries in Western Europe. Similarly, in North America, it may be possible to source closer to home – from Mexico – instead of relying on China largely.

Alongside the option of reshoring parts of labor-intensive manufacturing, there is also a trend towards increased automation of labor-intensive manufacturing processes (Gereffi, 2019), which could – in theory – solve the challenges related to having to ensure social distancing between workers or shutting down factories altogether during lock-downs. However, automation does not necessarily mean production would be reshored. Prior to COVID-19, Adidas attempted to establish two so-called “Speed factories” in 2016 and 2017 – one in Ansbach, Germany and one in Atlanta, United States which were fully automated and produced one million shoes annually for the German brand. However, the company announced that it would close these two factories by April 2020 and instead deploy speed factory technology at its existing suppliers in Vietnam and China. In the words of an Adidas representative, it makes more sense to concentrate the production of the Speed factories where the expertise and the suppliers are located (Bain, 2019).

COVID-19 has also substantially impacted on value chain governance and CSR in these chains by shifting the focus from lead firms dictating how products and services were to be produced in socially and environmentally responsible ways in these chains to also including a greater focus on how lead firms and suppliers could ensure the supply of particular types of products such as face masks and hand sanitizers which had suddenly become critical to public health across the world (see for instance, Ranney, 2020). Moreover, (global) value chain governance was also increasingly being influenced by trade policy. In the beginning of 2020, it was thus becoming clear that some countries had instituted voluntary export bans on certain products, considered critical to public health, such as facemasks, hand sanitizers, and particular medicines, which were tried out as possible treatments against COVID-19 (Gereffi, 2020).

#### 2.4. An Expanded Compliance Paradigm and Its Limitations

In light of the discussion above, it would appear that the fundamental tenets of the compliance paradigm are still intact: corporate codes of conduct still have a place in regulating work conditions at the level of suppliers, monitoring of compliance with these codes of conduct is still ongoing, suppliers still have the option of implementing corrective action plans, and non-complying suppliers can still be excluded from the value chains of retailers and brands in the global North.

However, because of COVID-19, some modifications of the compliance paradigm also appear to be taking place. Hence, compliance with corporate codes of conduct are now not only expected from suppliers but also from buyers (Lund-Thomsen, 2020). Hence, while a buyer code of conduct for purchasing practices has still not been formally developed and accepted by global brands and retailers as such, it is informally becoming the norm that cancelling already

confirmed contracts with suppliers, delaying payments for existing orders, or simply not paying suppliers for orders already shipped are perceived as an unacceptable business practices by international NGOs and labor rights advocacy organizations. Through initiatives such as the COVID-19 tracker, brands and retailers are now being monitored by these organizations for compliance with these informal norms, and publicly named and shamed if they do not comply (Anner, 2020).

Similarly, while some compliance monitoring through on-site factory audits is still in place, the mechanisms through which compliance monitoring of suppliers takes place have expanded. It is no longer limited to on-site auditing but it also includes the use of various new information technologies and so-called distance monitoring (Pyle, 2020). Moreover, when it comes to excluding particular actors from value chain participation if they are perceived as violating existing corporate codes of conduct – or dominant ideas of what constitutes ethical purchasing and trading practices (Lund-Thomsen and Lindgreen, 2014), this has now not only focused on suppliers but also global retailers and brands (Cline, 2020).

If we consider the limitations of such an expanded compliance-based paradigm, several challenges emerge. First, brands and retailers have not universally signed up for any code of conduct that could regulate their purchasing practices (Lund-Thomsen, 2020). Second, if suppliers were to take their buyers to court for violating their contracts, long, costly and drawn-out legal battles could ensue about the cancellation and non-payment of existing orders. Third, there is also the challenge of determining the jurisdiction in which suppliers should launch such legal challenges. Fourth, taking brands and retailers to court in Europe and the United States requires capital, time and human resource investments that many suppliers may not have (Ward, 2003). Moreover, launching legal challenges against your buyers for violating existing contracts may put suppliers at risk in terms of other buyers shying away from doing business with these local producers. Hence, most suppliers are unlikely on an individual basis to sue their buyers for non-compliance with existing order contracts.

Second, with it comes to compliance monitoring with corporate codes of conduct at the level of suppliers, it is not only audits but also the new compliance monitoring approaches that are associated with particular challenges (Lund-Thomsen, 2020). Just as creating false paper trails regarding worker's salaries, work hours and age; coaching workers; and bribing auditors have long been recognized as weaknesses of using traditional on-site factory audits, using the expanded data collection methods promoted by human rights and environmental due diligence approaches may also face similar challenges in gathering the required data (Egels-Zandén, 2007; Lister and Lebaron, 2015).

A particularly damaging side-effect of using human rights and environmental due diligence approaches appears to be that they mainly encourage brands and retailers to 'clean' their value chains of forced labor, child labor and other labor rights violations rather than pro-actively seeking to develop solutions that address these complex issues (Lund-Thomsen, 2020). Hence, both human rights and environmental due diligence approaches seem to implicitly encourage these buyers to evade rather than accept responsibility for actively using their financial resources, know-how and management skills to support both what has become known as "social upgrading" in the global value chain literature – i.e. improving the conditions, rights, and entitlements of workers in these chains (Barrientos et al., 2011).

Similarly, while conducting remote monitoring of work conditions rather than on-site auditing of work conditions at factory sites may provide some rudimentary insights into work conditions and possibly labor rights violations in the value chain (Pyle, 2020), they will likely always remain a second-best solution when compared to conducting on-site inspections of factories. At least, the challenges of workers being coached, possibly threatened if they reveal particular violations, and bribery of auditors do not simply go away, because monitoring is now conducted at a distance. At the same time, not being able to physically inspect factory sites also means that important labor rights challenges may not be spotted. For instance, the particular placement of chemicals in the factory may be overlooked and informal conversations with management and workers that often reveal critical information during site visits may not happen.

Third, if we consider suppliers excluding buyers from their value chains in cases where the latter engage in non-ethical trading practices (see, for instance, Locke, 2013), this does remain a theoretical option of course. However, given that buyers, particularly in industries such as garments and footwear, often have the option of redirecting their sourcing of products to other producer countries – for instance, from Bangladesh to Ethiopia or Myanmar – it seems that suppliers may mainly be harming their own position in GVCs (Lund-Thomsen, 2020). In fact, the more recent trend towards the creation of regional value chains, sometimes also ‘nearer-to-home’ value chains would indicate that global buyers are still in a stronger position to exclude non-complying factories from their value chains than suppliers are in a position to throw out unethical buyers from their value chains. The underlying theoretical assumption of global value chain analysis of unequal buyer-supplier relations remains intact – even during COVID-19.

### **3. The Cooperation Paradigm**

#### **3.1. Drivers**

It was a wide coalition of actors that promoted the adoption of the cooperation paradigm in the early 2000s. Amongst CSR staff in certain brands, there was an increasing frustration with the expensive use of audits that often provided limited insights into the real nature of work conditions in supplier factories at the base of GVCs (Lund-Thomsen and Lindgreen, 2014). Some CSR consultants also felt that it was necessary to use alternatives to traditional auditing in order to ensure not only better insights into ‘the real picture’ regarding work conditions in export-oriented factories, but also to improve the chances of improving work conditions at the base of GVCs in the global South (IDH, 2009). Moreover, some development NGOs and academics highlighted the shortcomings of the compliance paradigm in various policy and academic publications as well as more public presentations that generated industry-wide attention to the need for alternatives to traditional auditing methods (Oka et al, 2020).

Interestingly, the coalition of actors that have advocated for the adoption of a more cooperation-based approach to CSR in GVCs has to some extent been widened in the wake of COVID-19. In fact, the same coalition of actors that highlighted the unethical purchasing practices of some global brands and retailers after the eruption of COVID-19 in early 2020 may also be viewed as the actors that would (at least implicitly) advocate some of the main features of the cooperation-based paradigm. However, an interesting aspect to the campaign was that a new actor – global South based suppliers – joined the campaign by helping labor rights

advocates in identifying those brands that had honored existing contracts and payment schedules and those that had not (Lund-Thomsen, 2020). This change in the types of actors and coalitions pushed for improvements in the rights and conditions of workers at the base of GVCs in the global South illustrates the dynamic nature of not only GVC organization but also the wider networks of actors that seek to actively influence the functioning and power dynamics present in these chains.

### 3.2. Main Features

Prior to COVID-19, a key feature of the cooperation paradigm was a focus on revising purchasing practices of global brands and retailers in ways that would enable their suppliers to comply with their corporate codes of conduct (Lund-Thomsen and Lindgreen, 2014). However, COVID-19 has in many ways implied changes that move in the opposite direction of those emphasized in the cooperation approach. First, rather than strengthening long-term trade relations with their suppliers, many brands and retailers resorted to short-term measures such as cutting ties or not honoring contracts made with their suppliers, causing financial hardship – both for the suppliers and the millions of workers that depended upon more stable trade relationships between global buyers and their suppliers in the global South (Leitheiser, et al., 2020). Second, rather than paying a little extra for their products in order to help suppliers make the factory investments that would enable them to be more socially compliant, Western brands and retailers have instead squeezed product prices to a greater extent than was the case prior to COVID-19 (Anner, 2020). In fact, prior to COVID-19, year-on price declines for individual products had been rule rather than the exception (Amengual et al., 2020). The emergence of COVID-19 thus re-enforced this already existing trend in ways that seemed directly contrary to the measures advocated in the cooperation paradigm. However, the picture was not uniform. According to the COVID-19 tracker, some brands and retailers did confirm their willingness and commitment to honoring existing contracts and continue their long-term engagement with their suppliers whereas other brands appeared to have largely de-facto abandoned any commitment to this aspect of the cooperation paradigm (Workers Rights Consortium, 2020).

At the same time, whereas the cooperation paradigm had previously advocated that brands should avoid placing last minute orders, Western retailers and brands were now adopting practices relating to last-minute cancellations of orders, leaving many suppliers and workers in financial and socio-economic peril in the global South (Lund-Thomsen, 2020). Hence, the ideas advocated in the cooperation paradigm related to ensuring the stability of demand and engaging in demand forecasting were contravened in obvious ways by global brands and retailers during the initial phases of COVID-19 (Gereffi, 2020).

The cooperation paradigm had previously also advocated that brands and retailers could facilitate social compliance at their supplier factories by providing training to factory management and workers that would ensure that they had greater knowledge and awareness of national labor laws and their buyers' code of conduct (Amengual et al., 2020). By providing this training, it was thought that supplier management would be in a better position to adapt factory operations to comply with relevant national labor laws and buyers' requirements (Locke, 2013). At the same time, it was considered that training workers in their rights would

enable them to apply pressure on their employers to improve working conditions within local factory settings (Lund-Thomsen and Coe, 2015).

The eruption of COVID-19 did not mean that this focus on training supplier management and workers was completely abandoned. Hence, some brands and multistakeholder initiatives retain a focus on training factory management and trade unions in social dialogue as a way of resolving industrial disputes in a mutually beneficial manner (Danish Ethical Trading Initiative, 2020). However, COVID-19 has also in its early phases led to a diversion of some of these training efforts to address more immediate concerns related contagion, such as training factory management and workers in how to ensure social distancing and that workers carry out the hygiene necessary to avoid the spread of corona (such as washing hands regularly), as well as reshaping the production floor in ways that allow for continued production of goods and services albeit at a reduce pace in some factories (Axfoundation, 2020). Hence, the focus on training and capacity building of factory management and workers found in the cooperation paradigm has been retained. However, the topics of such trainings have increasingly been shifted to deal with corona-related health restrictions and taken place online to some extent.

Another central feature of the cooperation paradigm has been to avoid short-term social audits that led to a rather superficial assessment of work conditions within factories. Instead the cooperation paradigm advocated the year-round engagement of 'local resources' such as NGOs and trade unions that could provide a more nuanced and long-term assessment of work conditions within particular factories (Lund-Thomsen and Lindgreen, 2014). This trend also involves conducting off-site interviews with workers that could provide more detailed accounts of the work conditions and work life within particular factories without workers having to be concerned about facing punitive actions from their employers in instances where they might criticize labor rights abuses within factories (Bartley and Egels-Zandén, 2015).

The eruption of COVID-19 has not directly challenged this focus on the use of local resources for monitoring work conditions in export-oriented factories. In fact, it could be argued that COVID-19 has made the use of local resources in labor standards monitoring even more important at a time when it has not been physically possible for foreign visitors to do on-site inspections or audits (Rankin, 2020). Instead new ways of conducting labor standards monitoring at a "distance" have emerged. These have involved conducting interviews with workers at a time or place at the convenience of workers through online applications such as WhatsApp or SKYPE against lists provided by factory management. Labor standards monitoring at a distance has also made increasing use of local resources such as NGOs and trade unions that have maintained a local presence in or near factory sites even during periods of (near) lock-downs. And monitoring at a distance has emerged as a tool that could also be used through pre-existing networks – for instance, NGOs having community organizers already present in areas where factory workers lived – thus ensuring the immediate proximity to workers who could be interviewed in a more informal basis via phone even if meeting up physically was not always an option (Rankin, 2020).

Engagement in multi-stakeholder initiatives as ways of ensuring improved implementation and monitoring of labor standards in GVCs has also traditionally been seen as part of the cooperation paradigm (Riisgaard et al., 2020). However, COVID-19 has in many ways also challenged the functioning of multi-stakeholder initiatives. Given that onsite visits and training aimed at improving labor standards implementation have not been possible to the same extent

in 2020 as previously, multistakeholder initiatives have also been faced with challenges in terms of implementing existing, pre-COVID 19 action plans. At the same time however, the move away from on-site meetings of large multi-stakeholder audiences have also meant that a lot of the information and knowledge exchange so characteristic of the functioning of MSIs have shifted to online formats (such as Pyle, 2020). Typically, these involve the increasing use of webinars and online conferences that serve to heighten awareness of the current state of play in relation to labor rights issues and work conditions in GVCs that touch down in various contexts (Danish Ethical Trade Initiative, 2020). Hence, while many labor-focused MSIs have had to postpone some of their ongoing ‘on-the-ground’ activities, the importance of engaging in multi-stakeholder initiatives seems to have continued a time when the effectiveness of individual stakeholder action seems to have been limited in dealing with issues such as ensuring the health, safety and rights of workers and avoiding worker burnout after the eruption of COVID-19 in 2020.

### 3.3. Theoretical Underpinnings

Behind the cooperation paradigm has been a vision of the world economy being organized through global production networks rather than GVCs per se (Coe and Yeung, 2014). Whereas the global value chain literature has traditionally focused more narrowly on interfirm relationships between international buyers and suppliers, the global production networks approach has understood the organization of transnational industries as also involving a wider spectrum of actors such as NGOs, trade unions, government organizations, banks, other financial institutions, and other stakeholders that play a role in influencing and regulating the functioning of these GPNs (Lund-Thomsen, 2020). The GPN approach has also emphasized the multi-scalar nature of production networks (ranging from the global to the national, regional, and local levels of analysis) and the evolutionary nature of global production networks – i.e. such networks change significantly over time. A particular strength of the GPN approach has also been its concern with the local institutional context in which GPNs were embedded (Coe and Yeung, 2019). In fact, such contexts in a diversity of countries across the world have been understood to influence the functioning of global production networks in ways that created divergent outcomes for regional economic and social development – including in the global South (Bae et al., 2020).

In many ways, COVID-19 seems to have highlighted some of the particular strengths of the GPN approach. Seeing transnational industries as organized through networks rather than chains may be helpful in explaining the influence of governmental regulators in trying to influence the providers of health equipment – for instance, by buying up international stocks of hand sanitizers or face masks, or alternatively, instituting export bans on health equipment considered to be vital to national security. COVID-19 has also highlighted the need to engage in multi-scalar analysis in ways that illustrate the importance of not only looking at international developments in relation to the functioning of GVCs, but also looking at more regional, national, and/or local trajectories in the disruption and resumption of the functioning of these chains (Gereffi, 2020).

The same point can also be made in relation to various institutional contexts, both in global North and global South that influence the functioning of global production networks. For instance, in early 2020, COVID-19 affected China in ways that led to an immediate disruption

of exports from that country. Hence, COVID-19 first had a significant impact on supply. However, as we moved into March and April 2020 when COVID-19 took hold of markets in Europe and North America, country-wide lock-downs and the forced closing of retail outlets led to a dramatic reduction in global demand for products such as textiles and garments from manufacturers in China (Lund-Thomsen, 2020). Hence, the focus of the GPN approach on local institutional contexts and the evolutionary nature of these networks seems very appropriate when analyzing CSR in such networks within the cooperation paradigm. This can also be witnessed in the context of India, for instance, where the national government decided to change existing labor laws in ways that may ease the cost of doing business for Indian companies after the eruption of COVID-19 in early 2020 but also appear to weaken the rights of workers that participate in global, national, and local value chains in the country (BBC News, 2020). Hence, an important theoretical implication from COVID-19 appears to be that context still matters in the analysis of the functioning of transnational industries. The impacts of COVID-19 on the organization and functioning of these industries need to be interpreted with due regard to the varied experiences of retailers, brands, suppliers, and workers across these different contexts.

### 3.4. Limitations

Contrary to the compliance-based model, it would seem that we cannot talk of an expanded cooperation paradigm of CSR in GVCs. In fact, the basic tenets of the cooperation paradigm appear to remain the same including (a) the revision of buyer purchasing practices, (b) capacity building of factory management and workers in buyer codes of conduct and local labor laws, (c) the use of local resources in year-round monitoring of labor conditions in local factories, and (d) the participation of brands and suppliers in multi-stakeholder initiatives.

The impact of COVID-19 on the cooperation-based paradigm can instead be seen as paradoxically both undermining and reinforcing the cooperation paradigm to CSR in GVCs. COVID-19 has led to some brands de-facto moving away from any long-term commitment to trading with their suppliers. For these brands intensifying downwards pressure on prices, not honoring existing contracts, and engaging in 'shopping around' for the cheapest deal are trends that directly undermine the cooperation paradigm to CSR in GVCs (see, for instance, Anner, 2020). However, other brands have used COVID-19 – at least in theory – to reinforce their commitment to the cooperation-based paradigm to CSR in GVCs. In spite of substantial short-term losses, they have committed to honoring their existing contracts, continuing trading relations with many of their suppliers, and ensuring the longer-term resilience of their value chains (Leitheiser, 2020).

In similar ways, COVID-19 appears to have made the training of local factory managers and workers more logistically challenging, but also highlighted the importance of undertaking such training in areas related to social distancing, the use of sanitizers, and face masks (Axfoundation, 2020). Moreover, while the use of local resources has also been made more challenging given the restrictions on travelling and temporary lock-downs in particular places, the appearance of COVID-19 has simultaneously underlined the necessity of having local resources on the ground who can assist in the monitoring of labor conditions at supplier factories at a time when physical inspections by foreign auditors may not be possible (Pyle, 2020). And finally, while the functioning of MSIs have been complicated by physical meetings

not being possible for most of 2020, the necessity for multi-stakeholder engagement, exchange of information, and collaboration around solving the challenges that COVID-19 imply for CSR in GVCs seem to have continued unabatedly.

#### **4. Conclusion**

In this article, we argued that COVID-19 has led to a need for rethinking of CSR in GVCs; in particular, we have explored the compliance and the cooperation paradigms. Specifically, we reexamined the drivers, main features, theoretical underpinnings, and limitations of both paradigms in the light of COVID-19 during the first eight months of 2020. We argue that COVID-19 has been associated with an expanded version of the compliance paradigm where compliance has not only been seen as factories abiding by global buyers' codes of conduct, but also as global buyers (not) complying with ethical purchasing and trading practices. Regarding compliance monitoring, we also suggested that this has expanded from a concern with on-site factory audits to the increasing use of a broader set of data collection tools being promoted by advocates of the human rights due diligence approach and the use of remote monitoring. Finally, at least in theory, COVID-19 has altered the idea that only retailers and brands can exclude suppliers from their GVCs to include the notion that suppliers may exclude 'unethical' buyers from their GVCs.

COVID-19 appears to have challenged the cooperation paradigm as a conceptual model in a less direct fashion. It has both reaffirmed the importance of revising buyer purchasing practices; engaging in long-term capacity building of supplier management and workers; cooperating with local actors, such as NGOs and trade unions, in CSR monitoring all year round; and brands and retailers being part of multi-stakeholder initiatives. However, many brands and retailers largely failed to act responsibly in relation to their purchasing practices. Furthermore, logistical difficulties and limitations on travel have made capacity building, cooperation with local actors, and effective participation in multi-stakeholder initiatives more challenging. These behavior changes have challenged the cooperation paradigm.

In terms of future research and policy implications, we would suggest that it is too early to ascertain whether COVID-19 will have longer lasting impacts on these two paradigms. We would therefore suggest that it would be worthwhile once again to re-explore COVID-19's effects on these dominant ways of conceptualizing CSR in GVCs once a vaccine has been found and restrictions on travel, mobility, and social distancing have been removed.

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