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## GLOBAL LABOUR STANDARDS: UNDERSTANDING HOW INDIA, BRAZIL AND CHINA INCORPORATE, CHALLENGE AND SHAPE STANDARDS IN GLOBAL PRODUCTION NETWORKS

The global economy is being transformed by the 'Rising Powers', especially China, India and Brazil. One aspect of this transformation is that governments, firms and civil society bodies from these economies are shaping the rules that govern international trade and production. For businesses in the developing world, meeting international standards, particularly on labour and social issues is increasingly critical in order to gain market access. This is due to the fact that Western consumers are showing growing awareness about sweatshop labour, the food they eat and how it came to their plates.

Yet, gains from compliance based approaches, especially for workers and poor producers, remain unclear. Expanding trade between the Rising Power economies, their growing domestic consumer markets and the increasing significance of their firms raises questions on how global social standards will be shaped in the future, who the key drivers will be, and what implications will arise for workers in both the emerging economies and globally.

**Our comparative study on Brazil, China and India focussed on how firms, civil society organisations (CSOs) and the state intersect with, shape, or indeed challenge global labour standards. The research draws on mixed methods approaches, utilising a global production network (GPN) framework to address the following questions:**

- How do Rising Power firms work with, challenge and modify global labour and social standards within their global value chains?
- How do civil society actors shape attitudes, norms and values on labour and social standards?
- How does the state in Brazil, China and India regulate labour and engage in international institutions where trade rules on labour and social standards are defined?

# INDIA
## KEY FINDINGS

**India's growth as a Rising Power has been marked by the significant expansion of Indian lead firms since the early 2000s. Outbound investment by Indian firms more than tripled between 2003-2012, from $10 billion to $37 billion. They now have significant exposure to international markets and use domestic market experience to steer their international business strategies.**

Indian firms have focused on other developing country markets in the Global South. In sectors such as steel, automotives, and IT services, Indian emergent multinationals are directly competing against northern firms in both emerging markets and in established OECD markets. As such, Indian firms are increasingly exposed to international labour, social and sustainability standards.

Engagement with international standards is heavily influenced by end market orientation. In sectors where Indian firms are active players in northern markets, such as tea for example, firm level compliance practices are advanced.

India has a long history of labour regulations, yet inspection is weak in the formal and informal economy. However, India was the first country to legislate on the need for firms to meet corporate social responsibility (CSR) norms.

Section 135 of the Companies Act, passed by the Indian Parliament in 2013, requires qualifying companies to spend 2% of their net profit on CSR activities. However, CSR is defined as activities outside the core business of the firm, thus not including compliance with labour and social standards within the firm or its supply chain. This has opened up new avenues for civil society to collaboratively engage with business.

Despite the new CSR law not focusing on core supply chain issues, there are a few initiatives where civil society organisations and consumers appear to be engaging with social standards. Trustea, a new standard regulating tea produced for the domestic market, came about through a collaboration between firms, civil society and governments. Although an 'Indian' standard, many of its key drivers were global players. Furthermore, many trade unions challenge the idea of using private standards as a tool to improve labour standards.

# BRAZIL
## KEY FINDINGS

**Brazil is currently undergoing a period of severe economic and political challenges. This has undermined earlier claims of its status as a 'Rising Power'. Indeed few Brazilian firms have become significant global players compared with Chinese and Indian multinationals. Nevertheless, in sectors as diverse as mining, meat processing and aerospace, Brazilian firms remain global leaders.**

Many of these firms have a significant international presence and coordinate complex supply chains facing both northern and southern markets. Most large firms in Brazil do play a role in implementing labour, social and sustainability standards, supported by a strong institutional and regulatory environment.

Since 1990, successive Brazilian governments have implemented a strong regulatory framework through laws on labour and sustainability standards. Labour laws are monitored and implemented through a national public labour inspection regime whereby labour inspectors seek to address root causes which can lead to violations of the labour code. Firms that consistently default on labour standards and environmental compliance risk being placed on a 'blacklist', prohibiting them from accessing public and private sector credit.

Civil society organisations have also been at the forefront of shaping the discourse on labour, sustainability and corporate social responsibility. As a result, Brazil has been an active player in international debates on sustainability and climate change, and leading civil society advocates have moved in and out of government. Similarly, Brazil's labour unions have had a strong influence within government.

The Brazilian national sugar accord helped shape the international multi-stakeholder initiative (MSI) on sugar known as Bonsucro. Given that the vast majority of global sugar producers that meet the Bonsucro standards are Brazilian, this case study shows that MSI standards can successfully develop where there is strong commercial, social and public interests in a given sector to promote labour and sustainability concerns. This MSI has brought together sugar producers with the state, trade unions and civil society actors to eradicate the presence of what is termed in Brazil as 'slave labour'.

# CHINA
## KEY FINDINGS

**China's economy has undergone 36 years of extraordinary growth. Economic globalisation and the competitive strength of China's economy have played an important role in spurring Chinese companies to expand their foreign direct investment (FDI) and accelerate their transformation into global firms.**

Since China joined the WTO in 2001, FDI has grown at an average annual rate of 36.5%. As of July 31st 2014, the total stock of Chinese FDI amounted to $713 billion. China's FDI has increased significantly in almost every sense. Our findings indicate that Chinese firms are still in the early stage of incorporating a corporate social responsibility approach in host countries. For example, most Chinese lead firms focus their attention on philanthropic donations for disaster relief, education and other charitable activities.

In terms of economic responsibility, the majority of Chinese firms refer to their tax liabilities to the government. In addition corporate social responsibility reports usually provide very simple accounts of responsibility for employees, omitting any specific detail. There are of course notable exceptions such as Huawei and ZTE, both of whom publish annual sustainability reports in both English and Chinese.

Since 2008, the Chinese government has initiated a raft of new legislations designed to regulate labour standards for Chinese workers. However, the implementation of labour laws is uneven at the regional and local levels, demonstrating that the state is not a homogeneous actor. Grassroots activism and wild cat strikes have led to improvements in wages and working conditions primarily for those along the coastal belt and Pearl River delta.

Yet rising wages and the strategy of the local governments in the coastal area to upgrade their industrial structures have forced some of the more labour-intensive sectors to relocate production to the inland provinces. Therefore, it is important to recognise different dynamics evident at the local level versus the central state.

Unlike the democratic countries of Brazil and India, China operates under authoritarian rule, and as a result civil society appears to be largely repressed or else comprised of pseudo-governmental organisations. The official trade union, the All-China Federation of Trade Unions (ACFTU), is the sole legal organisation representing workers. However recent protests within China have illustrated that workers can organise outside the purview of the ACFTU through the use of wild cat strikes.

Since the mid-1990s, labour activists have tried to establish an alternative form of organisation, specifically labour non-governmental organisations (NGOs) for migrant workers. The labour NGOs are concentrated in the Pearl River Delta of South China and provide services in migrant workers' settlement communities.

# IMPLICATIONS

**Our research demonstrates that the 'Rising Powers' of China, India and Brazil are engaging and shaping global labour standards in contrasting ways. Given the vast cultural, political, economic and social differences between the countries this is not unexpected, but our findings highlight some of the key reasons for such differences.**

Lead firm engagement with labour standards diverges across the three countries and our research suggests that companies engage with standards not only to access northern markets, but also due to local institutional incentives. Whilst Brazilian firms are actively encouraged to engage with labour standards by their government, Chinese and Indian firms tend to be reactive to export requirements so their engagement is most advanced in sectors where they are major players in northern markets.

In terms of state and civil society engagement with standards, there is a wealth of complexity which must be understood with regards to the three countries. For example, labour laws in India and Brazil are stringent and yet the degree to which they are enforced differs considerably. Whereas the Brazilian Government has taken a pro-active stance towards labour regulation (due in part to the close ties of trade unions and government), labour law enforcement in India has been weak, partly due to the existence of a large informal sector.

Whilst both countries could be said to have an active civil society presence, the ways in which the state exerts control over NGOs and trade unions differs. In India, there are continued questions regarding the 'space' afforded by the government for NGOs to challenge corporations or the state, particularly on human rights issues, For example, NGOs supported by foreign donors have become an increasingly contentious issue.

In China, it is unclear if the government's recent introduction of labour laws are the result of civil unrest or represent a broader ambition to stimulate domestic demand through wage rises.

Our study suggests that earlier fears of a 'race to the bottom' on labour and social standards as a consequence of the growing significance of the Rising Powers are unfounded. Yet the pattern of engagement with labour and social standards is widely differentiated between these countries. Moreover, it appears that public and private actors are more concerned about environmental and sustainability standards as opposed to that of labour and working conditions. It is also apparent from our research that actors involved in developing northern market standards have an active interest in developing standards in the Global South. It remains to be seen whether the Rising Powers will seek to shape standards in line with existing norms or develop and transform our current conceptions of what constitutes the content of global labour standards.

For more information on Rising Powers and Global Labour Standards please visit: *bit.ly/labourstandardsRP*

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