Worker Control and Capital Accumulation in Global Supply Chains: Squeezing Down and Sucking Up

■ **Mark Anner**

Garment global supply chains are characterized by profound power imbalances through which financial capital pressures brands to squeeze suppliers and suppliers to squeeze workers (Anner 2019, 2020b; Gereffi et al. 1994; Selwyn 2017; Smith et al. 2018). This article explores how this 'squeezing down' facilitates a 'sucking up' of value from the most vulnerable workers at the very bottom of global supply chains to buyers and financial interests at the top. The squeeze on workers includes not only the underpaid workers at the bottom of supply chains but also the undervalued informal sector workers in the marketplaces where garment workers buy their food. All these workers are predominantly young, vulnerable female workers (Barrientos et al. 2003; Benería and Roldán 1987; Mezzadri 2017). This dynamic also includes the external migrant workers who send remittances to garment workers to assist them in meeting their monthly expenses.

Wealth and power at the top of global supply chains

The financial sector —whether it is via shareholders, private equity firms, or other financial instruments – wields enormous power and influence over global supply chains (Weil 2014). And it is the main source of the enormous wealth of business owners associated with the global apparel industry. Amancio Ortega, founder of the clothing retailer Zara, has an estimated net worth of USD 63.8 billion, which is almost double the total annual value of the second largest garment exporter in the world, Bangladesh.

At the same time that the financial sector has gained prominence, we are in the midst of a development paradox. For decades, development agencies, inspired by modernization theory (Rostow 1971) and the success of the so-called 'Asian Tigers' (Haggard 1990), encouraged country after country to promote apparel exports as the first step towards manufacturing growth. However, as countries dedicated to apparel exports went from four in the 1950s to several dozen in the late 1990s and early 2000s, rather than development, the model generated a crisis of overcapacity.

These two trends –financialization and overcapacity—pushed the garment sector in a new direction. Investors wanted returns on investment through growing profits, and overcapacity meant the industry needed to get consumers to buy a lot more garments. The result has been a growing shift from a model based on modest profit margins with relatively modest order volume to a model based on low profit margins with a very high order volume.

Walmart specialized in this model as a mass merchandiser. It realized decades ago that it could make more money with lower margins as long as it sold enough product. From 2015 to 2019, its net profit margin was 2.85 percent. Yet, by generating USD 2.5 trillion in total revenue during this five-year period, it was able to accumulate USD 59.8 billion in net profits. This total income, not the rate of return, drove up stock prices and explains how the Walton family became one of the wealthiest families in the world with a combined net worth of USD 163 billion. Walmart was also able to squeeze third party vendors, who were forced into the logic of the model. However, not only did these vendors have to sell large volumes at low prices, but they also had to pay fees to Walmart, and, if sales lagged, they had to lower their prices (and thus their margins) even further. In the 1980s and 1990s, this pushed many third-party vendors to shut down production operations in the US and outsource production to low wage countries such as Bangladesh.

The fast fashion trend is another version of the mass merchandiser model of low margins and high volume. Here high volume in the fast fashion sector is achieved by constantly changing fashion trends in order to encourage consumers to buy a lot more items of clothing per year. H&M has been most identified with this model. From 2015 to 2019, it had an average annual profit margin of 8.01 percent, yet it generated USD 1.02 trillion in total revenue. This meant USD 82 billion in net profits. In the process, Stefan Persson, the chairman and main shareholder of H&M, accumulated a net worth of USD 19 billion.

This business model of low profits and high volume has been taken to a new extreme by Amazon, whose CEO, Jeff Bezos, has become the richest man in the world. He did so by leading a company with an average five-year profit margin of a scant 2.87 percent. Here again, high order volume has contributed to significant net profits: USD 27.7 billion from 2015 to 2019. Bezos is also pursuing a long-term strategy through predatory pricing, and investors are rewarding him accordingly. By pushing down prices on some products at or below costs, Amazon seeks to push competitors out of business, starting with the weakest first. When seeking to dominate online book sales, Amazon referred to this strategy as the 'gazelle project' in reference to a cheetah that pursues and kills the weakest gazelles (competitors) one by one (Stone 2013).

Like Walmart's mass merchandising brick-and-mortar store model, third party vendors

on Amazon's platform are required to pay fees in order to sell their products. The platform then offers vendors access to millions of consumers and thus a chance to share in the low margin/high volume business model. But it also puts vendors into a very open bidding system with other vendors, thus forcing down prices as well as their margins. Vendors are also increasingly competing with Amazon's own clothing brands. And Amazon also has skilfully used its platform to gather data on all its vendors' sales and then use that data to better forecast which products to make and thus how to out compete its competitors.

The only opportunity for vendors to stay in business is to keep costs as low as possible, which drives vendors to low-wage countries where they pressure suppliers to reduce production costs. This squeeze on suppliers quickly turns into a squeeze on workers. This is possible because the tremendous consolidation of these three models of lead firms –mass merchandising, fast fashion, and online platforms—creates enormous supply chain bottle-necks (supply chain oligopsony).

Squeezing Workers and Sucking up Value

Factory workers at the bottom of global supply chains have been squeezed in multiple ways, from chronically low wages, to long hours of work and inhumane production targets. Research has shown that wages in major garment exporting countries do not cover even 50 percent of basic living needs, with wages in some countries only covering 14 percent of expenses (WRC 2013). The squeeze on wages disproportionately affects women (Barrientos, Dolan, and Tallotire 2003; Mezzadri 2017). Wages are kept artificially low through several mechanisms, including adverse local labour market conditions, but also through the systematic violation of workers' rights to organize (Anner 2020b). Suppliers also turn to multiple forms of precarious labour, including piece rate work, contingent labour, and homeworkers to keep labour costs low (Anner 2020b; Mezzadri 2017; WIEGO 2016).

But squeeze down does not end with factory workers or even garment homeworkers. Informal workers in street markets also help to subsidise those at the top of supply chains. This is because underpaid supply chain workers do not buy their goods in supermarkets. They shop in the informal sector where the low income of market vendors reduces the cost of food and other basic goods. That is, underpaid informal sector work artificially deflates the costs of living. This permits suppliers to pay workers lower salaries, buyers to pay suppliers less, and investors to enjoy better returns. The bottom of supply chains subsidizes the top.

Completing this picture is the role of remittances. In 2018, migrant workers sent USD 482 billion home to low and middle-income countries. In Bangladesh in 2019, while four million garment workers received less than USD 5 billion in annual wages, the country received more than USD 18 billion in worker remittances. One third of Bangladesh garment workers —over one million workers—receive remittances[1] that allow them to survive despite their low wages. In Mexico, firms deliberately seek out communities with high levels of remittances in order to more easily pay less than a living wage (Collins 2006). This is thus another mechanism by which suppliers are able to keep wages artificially low and buyers are able to pay production prices that do not allow for living wages. Thus, migrant workers through their remittances (just like informal sector vendors) are partially subsidising the firms and investors that sit at the top of global supply chains.

All these trends have been made possible by decisions by governments and inter-state institutions. In the US, the government of Ronald Reagan dramatically lowered the capital gains tax (Foroohar 2017), and it relaxed the interpretation of anti-trust legislation (Dayen 2020), decisions which facilitated financialization and corporate consolidation. In the years that followed, governments throughout the world pursued market-oriented neoliberal reforms. The WTO liberalized trade and accepted China and Vietnam as member countries (Gereffi and Frederick 2010); and the IMF pushed conditionality clauses on loans that encouraged labour market flexibility which weakened workers' ability to fight back against being squeezed (Bakvis 2006). These dynamics of squeezing down on workers and the sucking up of capital are depicted in the figure below. [See Figure 1.]

As depicted in the figure, there are multiple 'squeezes' in this model: the finance squeeze on retailers and brands; the retailer squeeze on brands, the retailer and brand (buyer) squeeze on suppliers, and the supplier squeeze on workers. I've documented the buyer squeeze on suppliers and the supplier squeeze on workers through original surveys of suppliers and workers in Bangladesh and India (Anner 2019, 2020b). For example, in the case of India, 61% of suppliers said that pressure from buyers was so intense that they were forced to accept orders below costs. [See Figure 2.]

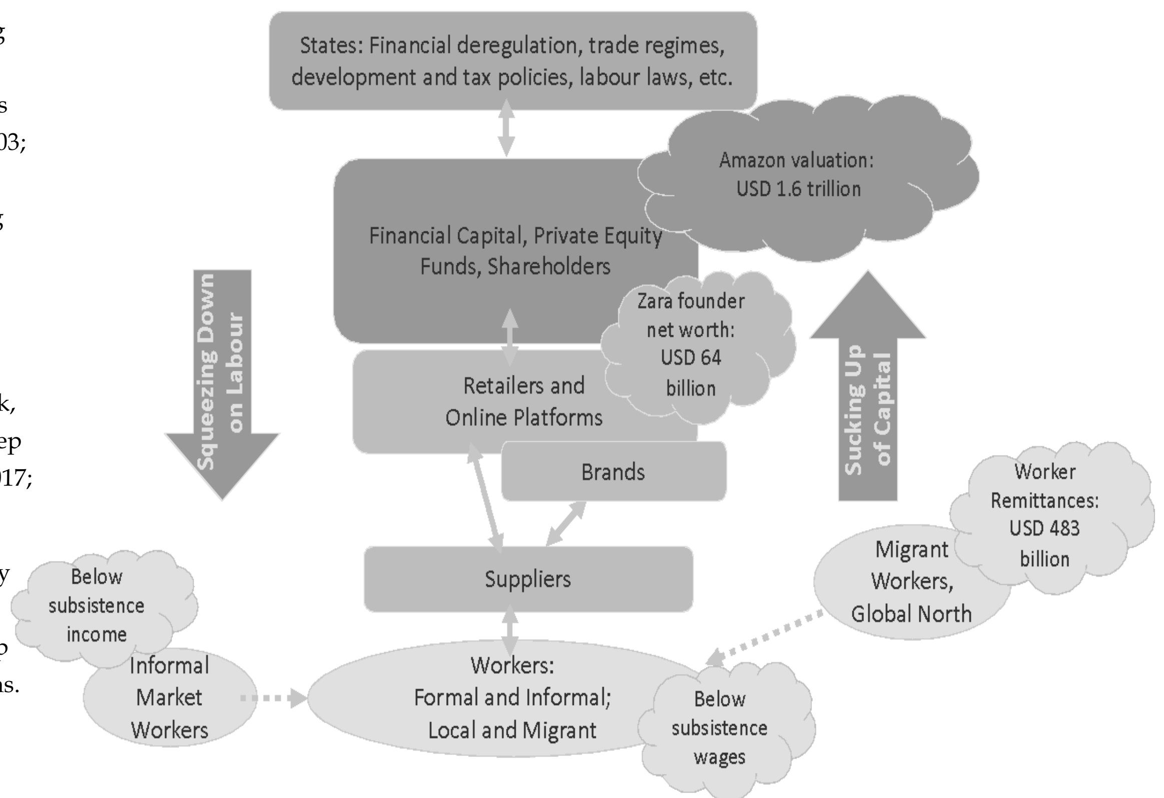


Figure 1. Worker Control and Capital Accumulation: Squeezing Down and Sucking Up

Figure 2

Suppliers passed the pressure from this squeeze down on prices to their workers through chronically low wages, with 96% of female workers saying their straight wages did not cover their living expenses. The squeeze also contributed to increased work intensity, forced overtime that was often unpaid, and verbal abuse, most notably when workers failed to meet hourly production targets. Indeed, 64% of surveyed workers indicated they were yelled at for not meeting production targets. [See Figure 3.]

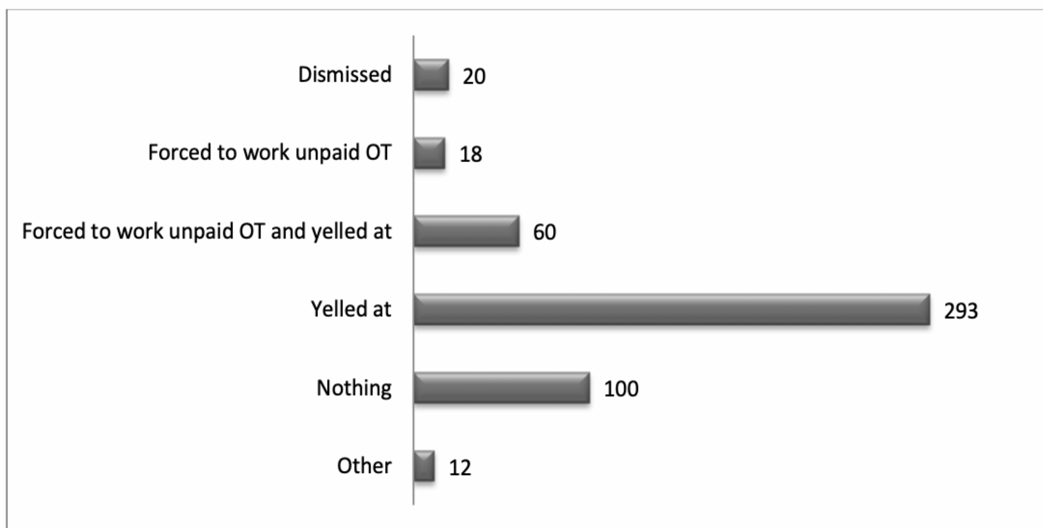


Figure 3: Consequences for Not Meeting Production Targets

In the case of Bangladesh, we also find a correlation between the push down on prices (in this case, one of Bangladesh's most important garment exports, cotton trousers) and respect for workers' rights to form unions, bargain and strike. From 2000 to 2015, as prices were squeezed down, worker rights violations increased markedly. [See Figure 4.]

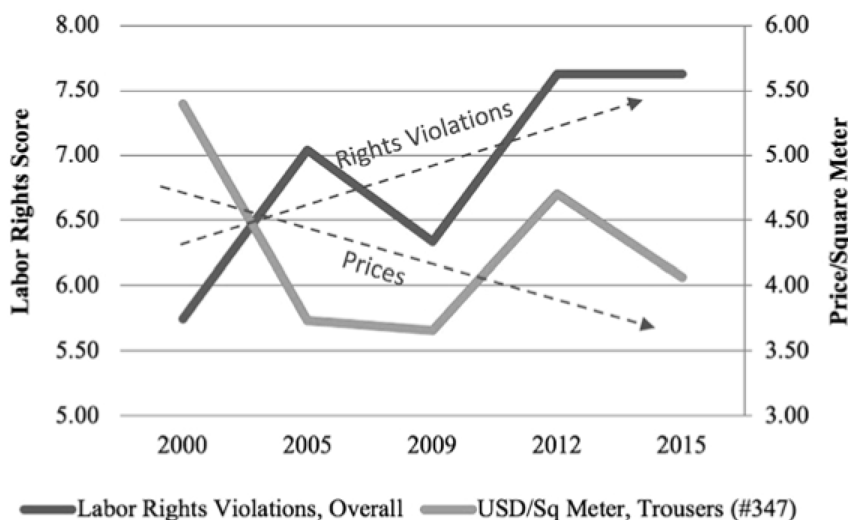


Figure 4

The Covid-19 pandemic exacerbated all these adverse impacts on suppliers and their workers. When the pandemic forced retailers in the global north to shut their stores, they responded by using their supply chain power to cancel in-process orders with their suppliers without paying. The result was that many suppliers were forced to shut down their operations in part or in full, resulting in hundreds of thousands of workers losing income through lost hours of work or outright dismissals, often without proper severance pay (Anner 2020a).

Conclusions

Garment global supply chains are characterized by dramatic power imbalances between brands and suppliers and suppliers and their workers. This supply chain system has been facilitated by state policies that encouraged the massive growth and geographic dispersion of garment production. The system is leveraged by the financial sector, which sucks up value by pushing companies to make high profits through high sales volume and rapid inventory turnover. The result has been a relentless squeeze on workers, the majority of whom are vulnerable young women. This squeeze includes low wages, long hours of work, high production targets, and verbal abuse. Transforming these dynamics will entail actions at each tier of the global supply chain structure: organizing workers at the bottom, ensuring suppliers respect labour laws and pay living wages, pressuring brands to provide prices that cover the costs of decent work, and re-structuring the incentive system of the financial sector so that finance is used to support sustainable development and not undermine it. Ultimately, it will entail transforming national and transnational rules and regulations that fomented the entire system.

Mark Anner is Professor of Labor and Employment Relations at the Pennsylvania State University *email: msa10@psu.edu*

Endnote

1. https://workerdiaries.org/.

References

Anner, Mark. (2019). "Predatory purchasing practices in global apparel supply chains and the employment relations squeeze in the Indian garment export industry." *International Labour Review* 158 (4): 705-727.

———. (2020a). *Abandoned? The Impact of Covid-19 on Workers and Businesses at the*

Bottom of Global Garment Supply Chains. Center for Global Workers' Rights.

— — —. (2020b). "Squeezing Workers' Rights in Global Supply Chains: Purchasing Practices in the Bangladesh Garment Export Sector in Comparative Perspective,." *Review of International Political Economy* 27 (2): 320-347.

Bakvis, Peter. (2006). *How the World Bank & IMF Use the Doing Business Report to Promote Labour Market Deregulation in Developing Countries*. ICFTU/Global Unions.

Barrientos, Stephanie, Catherine Dolan, and Anne Tallotire. (2003). "A Gendered Value Chain Approach to Codes of Conduct in African Horticulture." *World Development* 31 (9): 1511-1526.

Benería, Lourdes, and Martha Roldán. (1987). *The Crossroads of Class and Gender: Industrial Homework Subcontracting, and Household Dynamics in Mexico City*. Chicago: University of Chicago Press.

Collins, Jane. (2006). "Redefining the Boundaries of Work: Apparel Workers and Community Unionism in the Global Economy." *Identities: Global Studies in Culture and Power* 13: 9-31.

Dayen, David. (2020). *Monopolized: Life in the Age of Corporate Power*. New York: The New Press.

Foroohar, Rana. (2017). *Makers and Takers: How Wall Street Destroyed Main Street*. New York: Crown Press.

Gereffi, Gary, and Stacey Frederick. (2010). *The Global Apparel Value Chain: Trade and the Crisis*. Policy Research Working Paper 5281. The World Bank Development Research Group.

Gereffi, Gary, Miguel Korzeniewicz, and Roberto Korzeniewicz. (1994). "Introduction: Global Commodity Chains." In *Commodity Chains and Global Capitalism*, eds. Gary Gereffi and Miguel Korzeniewicz. Westport: Praeger. pp. 1-14.

Haggard, Stephan. (1990). *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries*. Ithaca, NY: Cornell University Press.

Mezzadri, Alessandra. (2017). *Sweatshop Regimes in the Indian Garment Industry*. Cambridge: Cambridge University Press.

Rostow, W. W. (1971). *The Stages of Economic Growth: A Non-Communist Manifesto*. 2d ed. Cambridge Eng.: University Press.

Selwyn, Benjamin. (2017). *The Struggle of Development*. Cambridge: Polity Press.

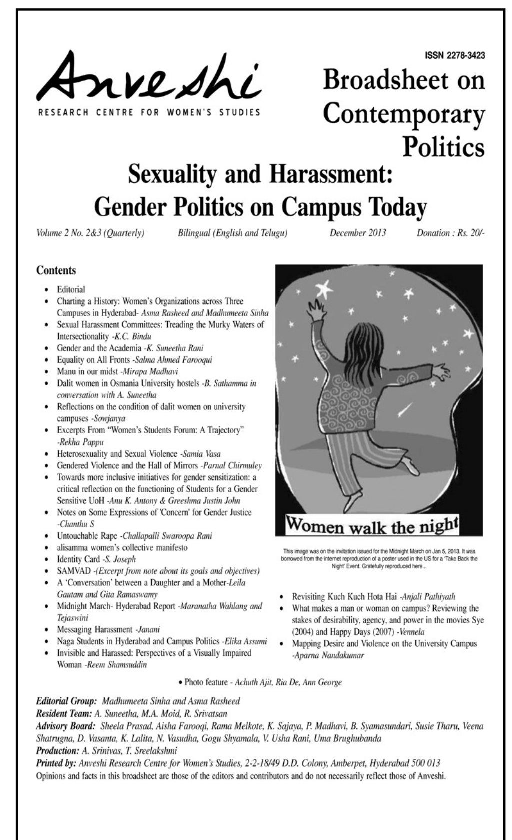
Smith, Adrian, Mirela Barbu, Liam Campling, James Harrison, and Ben Ricardson. (2018). "Labor Regimes, Global Production Networks, and European Union Trade Policy: Labor Standards and Export Production in the Moldovan Clothing Industry." *Economic Geography* 94 (5): 550-574.

Stone, Brad. (2013). *The Everything Store: Jeff Bezos and the Age of Amazon*. New York City: Hachette Book Group.

Weil, David. (2014). *The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve it*. Cambridge, MA: Harvard University Press.

WIEGO. (2016). *Decent Work for Homeworkers in Global Supply Chains Platform of Demands*. Women in Informal Employment: Globalizing and Organizing.

WRC. (2013). *Global Wage Trends for Apparel Workers, 2001-2011*. Worker Rights Consortium.


ISSN 2278-3423

Anveshi
RESEARCH CENTRE FOR WOMEN'S STUDIES

Broadsheet on Contemporary Politics

Sexuality and Harassment: Gender Politics on Campus Today

Volume 2 No. 2&3 (Quarterly) *Bilingual (English and Telugu)* *December 2013* *Donation : Rs. 20/-*

Contents

- Editorial
- Charting a History: Women's Organizations across Three Campuses in Hyderabad- *Asma Rasheed and Madhumeeta Sinha*
- Sexual Harassment Committees: Treading the Murky Waters of Intersectionality *-K.C. Bindu*
- Gender and the Academia *-K. Suneetha Rani*
- Equality on All Fronts *-Salma Ahmed Farooqui*
- Manu in our midst *-Mirapa Madhavi*
- Dalit women in Osmania University hostels *-B. Sathamma in conversation with A. Suneetha*
- Reflections on the condition of dalit women on university campuses *-Sowjanya*
- Excerpts From "Women's Students Forum: A Trajectory" *-Rekha Pappu*
- Heterosexuality and Sexual Violence *-Samia Vasa*
- Gendered Violence and the Hall of Mirrors *-Parnal Chirmuley*
- Towards more inclusive initiatives for gender sensitization: a critical reflection on the functioning of Students for a Gender Sensitive UoH *-Anu K. Antony & Greeshma Justin John*
- Notes on Some Expressions of 'Concern' for Gender Justice *-Chanthu S*
- Untouchable Rape *-Challapalli Swaroopa Rani*
- alisamma women's collective manifesto
- Identity Card *-S. Joseph*
- SAMVAD *-(Excerpt from note about its goals and objectives)*
- A 'Conversation' between a Daughter and a Mother-*Leila Gautam and Gita Ramaswamy*
- Midnight March- Hyderabad Report *-Maranatha Wahlang and Tejaswini*
- Messaging Harassment *-Janani*
- Naga Students in Hyderabad and Campus Politics *-Elika Assumi*
- Invisible and Harassed: Perspectives of a Visually Impaired Woman *-Reem Shamsuddin*

Women walk the night

This image was on the invitation issued for the Midnight March on Jan 5, 2013. It was borrowed from the internet reproduction of a poster used in the US for a 'Take Back the Night' Event. Gratefully reproduced here...

- Revisiting Kuch Kuch Hota Hai *-Anjali Pathiyath*
- What makes a man or woman on campus? Reviewing the stakes of desirability, agency, and power in the movies Sye (2004) and Happy Days (2007) *-Vennela*
- Mapping Desire and Violence on the University Campus *-Aparna Nandakumar*

• Photo feature - *Achuth Ajit, Ria De, Ann George*

Editorial Group: *Madhumeeta Sinha and Asma Rasheed*
Resident Team: *A. Suneetha, M.A. Moid, R. Srivatsan*
Advisory Board: *Sheela Prasad, Aisha Farooqi, Rama Melkote, K. Sajaya, P. Madhavi, B. Syamasundari, Susie Tharu, Veena Shatrugna, D. Vasanta, K. Lalita, N. Vasudha, Gogu Shyamala, V. Usha Rani, Uma Brughubanda*
Production: *A. Srinivas, T. Sreelakshmi*
Printed by: *Anveshi Research Centre for Women's Studies, 2-2-18/49 D.D. Colony, Amberpet, Hyderabad 500 013*
Opinions and facts in this broadsheet are those of the editors and contributors and do not necessarily reflect those of Anveshi.