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Ethical Consumerism and Apparel Industry - Towards a New Factor Model

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Ethical Consumerism and Apparel Industry – Towards a New Factor Model

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Ethical issues with offshore manufacturing plants in the ready-made garment industry is a regular affair, particularly for factories located in lesser developed nations. Despite efforts by non-government agencies around the globe pressurizing both governments and multinational corporations to adopt ethical practices, disastrous accidents and loss of lives continue to haunt the industry. This paper reviews existing literature to develop an understanding of consumers as pressure groups, and proposes a factor model that may influence consumers’ willingness to pay for ethical garments which will be tested in future studies.

Field of Research: Ethical Clothing, Consumers Willingness to Pay, Readymade Garments, Ethical Consumerism

1. Introduction

The clothing and textile industry has become a topic of debate worldwide because of the unethical conditions under which productions takes place. In the aftermath of the two deadly tragedies in Bangladesh (Rubya, 2015; Paul & Quadir, 2013; Khan & Rodrigues, 2015; Paul & Quadir 2014; Claeson, 2012), consumers are increasingly aware of the unethical conditions under which clothing is manufactured. Ethical consumerism in the clothing industry has resulted in an increasing number of clothing manufacturers who are ‘Fair Trade Certified’ (Nicholls & Lee, 2006; BBC, 2007; Shannon, 2014). An increasing number of people make their consumption decisions on the basis of ethical values, such as environmentally friendly products and production methods, labour standards (wage rates and working conditions), and human rights. Ethical consumerism is a growing phenomenon that underpins ethical trade activities (Dickson, 2000; Carrigan & Attalla, 2001; Shaw, et al., 2005; Deidre & Tomolilo, 2004; Nil, et al., 2006)

This paper aims to study consumers’ perception of ethical manufacturing in regards to sweatshops, child labour and eco-fashion by first looking at existing literature and existing models that have already been proposed by other researchers, then proposing a new model based on further review of existing literature for further testing. The next section of the paper gives a brief literature review, looking closely at ethical issues in apparel industry’s supply chain, identifying four crucial areas namely sweatshops, child labour, infrastructure and environment. The third section looks at consumers and their social

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The fourth section proposes hypothesis based on existing literature and factor models towards a new factor model and section five concludes the paper.

2. Literature Review: Ethical Issues in Apparel Industry

The apparel industry has been grappling with ethical issues since the nineteenth and twentieth century with bouts of retaliation from consumers against the use of sweatshops by US-manufacturers at home and overseas (Leibhold & Rubenstein, 1998). Among recent issues, the collapse of the Rana Plaza building housing five export-quality garment factories in Bangladesh that killed thousands (Motlagh, 2014), the factory building collapses in Mumbai (Shah & Virk, 2013), the factory fires in Karachi (C.J, 2012), poor work conditions and wage issues in China (Anon, 2007), Sri Lanka (Kelegama & Eparachchi, 2002) and even Cambodia (Tolson, 2014) all point to the unethical practices of multinational apparel brands and their lack of social responsibility towards employees, customers and the environment.

2.1 Supply Chain Issues

The history of supply chain can be traced to the early years of the apparel industry. As consumers looked at global markets for competitive pricing and quality of clothing (Lummus & Vokurka, 1999), leaders in the industry decided to impose a global quota system as a temporary measure to help local manufacturers cope with global competition (Antoshak, 2012). The Multifibre Agreement (MFA) under the General Agreement of Tariffs and Trade (GATT), imposed a global quota on international trade in textiles and apparel, limiting imports from developing countries to preferential markets namely US and EU markets (Enst, et al., 2005). The quota was lifted in 1995 (Antoshak, 2012). This lift impacted the global market of apparels tremendously, opening up exports from developing and lesser developed nations such as India, China, Bangladesh, Vietnam, Cambodia, Sri Lanka, etc, an open market that was subject to more price competition and quality competition (Enst, et al., 2005).

The abolishing of the MFA also paved the way for increased demand for cheaper manufacturing from the developing and lesser developed nations as the apparel brands from the developed nations demanded competitive pricing and maximized profits (Enst, et al., 2005). This in turn drove down wages, ignoring safety standards, cutting costs to provide those pricings the brands were looking for in order to gain tenders (Slaughter & Swagel, 1997).

There are enough studies that highlight issues with supply chain, specially pertaining to international apparel brands and their offshore manufacturing plants. An extensive study by Wrinkle (2012) funded by the United States Department of State, looked at 50 apparel companies and their corporate social responsibilities, specifically in terms of worker rights where the authors labeled sweatshops and such conditions as ‘modern slavery’. Their grading system that marks ‘F’ for poor traceability and accountability of companies throughout their supply chain is provided in the figure below (Figure 1). As illustrated in the figure, majority of the 50 companies had been found lacking in preventing or addressing “modern slavery” within their supply chain. For instance, brands such as Armor Holdings, Lacoste, Sketchers and Spiewak were all marked as ‘F’ for failing to maintain workers’ rights, traceability and so on (Wrinkle, 2012).
Another study by Bhandarkar and Alvarez-Rivero (2007), suggested that although some companies are becoming more socially aware, there seem to be complex chains of suppliers whereby the company’s concerns reach only the first tier such that the investors, non-governmental organizations (NGOs), consumers and the government could trace the multinational corporation (MNCs) which in turn could trace its first tier supply chain which invariable had one or more tiers of sources too far off from the MNCs to be traced or monitored which have given way to issues such as child labour, irresponsible treatment of employees and degradation and pollution of the environment (Bhandarkar & Alvarez-Rivero, 2007). In understanding ethical issues within the supply chain of the garment manufacturing industry, four critical areas have been identified which are discussed in detail below.

2.1.1 Child Labour

Exploitation, forced labour and child labour are a daily routine for many manufacturing companies in the apparel industry (IIECL, 2014). Particularly, work done by children that hinders their right to education and negatively influences their physical, mental or spiritual growth, is more dominant in second, third or lower tiers in the supply chain of the apparel industry due to lack of transparency, monitoring, faculty audits, unauthorised subcontracting, trafficking, etc (Overeem & Theuws, 2014).

The demand for cheaper labour has driven child labour across borders. Reports from International Labour Organization (ILO) have suggested that although globally the total number of child labourers has gone down from about 246 million in 2000 to about 168 million in 2013, the number is still staggering and nowhere near elimination (IIECL, 2014).

2.1.2 Sweatshops

Sweatshops have been defined as workplaces that subject their labour to unacceptable conditions such as :

1. Lower wages than minimum wage limit of an average 48-hour week
2. Forced overtime
3. Health and safety risks and violation of regulations due to negligence
4. Willful disregard for employee welfare
5. Coercion
6. Deception of any kind that places workers at risk

(adapted from Arnold & Hartman, 2005)

Most work places, especially those outside of USA, are sweat shops, in which workers work long hours, and are subjected to physical and verbal abuse, and even gender discrimination. Workers are treated like slaves (Kumar, 2006). In some cases a worker may be dismissed without wage payment in spite of working for a number of months (Kumar, 2006). Studies have recorded that employment policies in these factories do not follow the standards followed by MNEs and employees are never given any written contracts (Dasgupta, 2002). Workers are subjected to inhuman conditions and most often, wage payments are irregular. In cases where the pay slips maybe received there are no transparencies (Priyo, 2010). Workers are ignorant and not aware of the rules of fair working conditions, which include but are not limited to, fair wages, health and safety norms creating a safe work environment (Ahmed, 2011).
Many brands claim that they comply with ethical standards and encourage fashion with a conscience. However, their attempts at driving down costs have put excessive pressures on manufacturing factories in lesser developed nations to further cut costs either by using harmful chemicals or reducing wages, invariably gives rise to sweatshops (Arnold & Hartman, 2005).
Figure 1: Apparel Industry Trends (Wrinkle, 2012)
2.1.3 Poor Infrastructure

Manufacturing plants of the apparel industry are mostly located in the low-wage countries in Asia and Latin America (Overeem & Theuws, 2013). Research suggests that the factory conditions in developing and lesser developed countries do not support large-scale clothing production and therefore lead to unsafe working environment (Overeem & Theuws, 2013). As was in the case of the Rana Plaza collapse, the factories are most often housed in buildings that are developed for commercial purposes such as malls or for residential purposes such as housing (Khan & Rodrigues, 2015). Factor poor conditions have also been attributed to:

- faulty and overburdened electric wiring
- defective appliances such as boilers and generators
- poor construction, not designed to lift heavy machinery weights
- overcrowded work floors
- unchecked addition fo extra floors
- illegal construction of buildings, without proper foundation
- blocked, absent, locked, narrow emergency exists
- barred windows

(adapted from Overeem & Theuws, 2013)

Furthermore, due to lack of financial means and pressure from MNCs to reduce cost, inspection reports are adultrated, incomplete or never conducted and the controls are eased by the governments to attract more foreign investors (Overeem & Theuws, 2013; WIEGO, 2015).

2.1.4 Environment Issues

Rapid development of factories in developing and lesser developed countries that were majorly unplanned have given rise to environmental pollution effects (Ali, 2010). Readymade garment industry gives rise to the utilization of many natural resources for the backward linkages such as spinning, knotting dying, etc (Ahmed & Tareq, 2008). From draining effluents directly into rivers, to overuse of water for backward linkage processes in weaving, dying, etc, to over use of vegetable fibres such as cotton, animal fibres such as wool and silk, the apparel industry is a major source of environmental degradation in many of the export countries (Claudio, 2007). Furthermore, use of old, unserviced, reused machinery that emit more toxic gasses due to lack of finances or in order to cut costs to provide cheaper production costs are found to be highly polluting (Zafar Ullah, et al., n.d.)

3. Consumers and Social Responsibility in Apparel Industry

John Oliver from “Last Week Tonight” told his viewers in US that the ‘best thing you can do as a consumer is stay up to date on which companies are using child labor’ when it came to fashion wear (Reed, 2015, p1). Given the seriousness of the ethical issues within the supply chain of the apparel industry, researchers have shed light on the importance of involving consumers and their spending habits to help eliviate such issues (Blumgart, 2013; Bansal & Roth, 2000). Studies have shown that consumers' expectations of social responsibility of apparel brands have increased world-wide due to mass movements across the globe against human-rights violations in well-known apparel plants including child labour, etc. along with concerns over production conditions and environmental
pollution (Adams, 2002). They are not only concerned about what the retailer sells or at what price, but also under what conditions those apparels were produced (Adams, 2002). However, it is of importance to observe that to date there has been no comprehensive study carried out to identify all factors that impact consumers’ willingness to pay and their degree of impact, which can eventually help stakeholders understand how consumers may act as pressure groups for companies and factories.

3.1 Consumer Values as a Determinant for Consumers’ Willingness to Pay

Researchers over a period of time have emphasized the importance of consumers’ buying behaviour particularly when ethical garments are studied. In the late 1900s and early 2000s there was a wave of consumer activism and researchers emphasized ‘alternative consumerism’ which included ethical, social and ecological aspects of consumer behaviour (Creyer & Ross, 1997; Shaw & Clarke, 1999; Shaw, et al., 2000; Carrigan & Attalla, 2001).

Ethical consumerism often refers to moral consumption. Therefore value plays a role in consumption, thus consumers increasingly base their decisions on their beliefs and perceptions towards ethical values (Tallontire, et al., 2001). Ethical consumers are concerned with the social element of consumerism (Strong, 1996) and include various ethical issues that influence their purchasing decisions (Shaw & Clarke, 1999; Harper & Makatouni, 2002). Consumption research includes a number of aspects of ethical behaviour such as environmental sustainability, health and safety risks, fair trade, labour conditions and human rights (Barnett et al., 2005). Particularly where sweatshops are concerned, ‘increasing consumers believe that retailers have a responsibility to prevent sweatshops (Kelly & Lefkowitz, 2003). Further studies have reported that in fact consumers are willing to go an extra mile and even pay more for apparels that are manufactured ethically (Pookulangara, et al., 2011). However, most of these studies have only looked closely at the issue of sweatshops. Because of this shift in consumers’ perceptions and beliefs, a number of fashion companies such as H & M, and Timberland have begun to include ethical clothing lines (Siegle, 2012; Ficner, 2010).

However, consumers’ social responsibility is limited to choosing to buy or not buy apparels from a particular brand. They cannot monitor the actual manufacturing plants, some are unable or unwilling to verify the authenticity of claims of ‘ethical manufacturing’ made by brands (Pookulangara et al., 2011). Their decision to implement social responsibility is restricted to information provided by companies because companies publicize their corporate social responsibilities through their websites and media which are easily accessible to consumers.

3.2 Existing Studies on Consumer Behaviour and Apparel Industry

A recent study by Pookulangara et al., (2011) has proposed a consumer social responsibility model (see Figure 2). It highlights the following as indicators of support for socially responsible business:

- ‘Concern about sweatshops’,
- ‘Knowledge about sweatshops’ and
- ‘Beliefs about foreign industry’ as indicators of support for socially responsible business.
Pookulangara et al. (2001) refer to concern about sweatshops as consumers’ concern about social consequences of their purchases, particularly on human rights as seen in sweat shops. The study further refers to knowledge as knowledge of sweatshops, and finally belief as consumer's perception of the working conditions in foreign countries. A similar model was used by Devinney et al. (2006) and Caruana & Crane (2008). Shen, et al., 2012 based their model on Dickson (2000) and Pookulangara et al. (2001) with the addition of environmental responsibility to social responsibility. However, even Shen, et al., (2012 study’s social responsibility pointed to sweat shops only. Table 1 provides a summary of some other notable research that has looked at ethical fashion and consumerism, highlighting gap in the studies. Even so, researchers lament that ethical consumption is still an understudied field (Bray et a; 2011; Newholm & Shaw, 2007), particularly when it comes to providing a model that not only includes consumer behaviour towards sweatshops, but also other issues including environmental degradation, infrastructure issues and even child labour, thus making the studies limited in scope and content.
<table>
<thead>
<tr>
<th>Topic</th>
<th>Overview</th>
<th>Source</th>
<th>Gap identified</th>
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<tbody>
<tr>
<td>Ethical fashion</td>
<td>Evaluates awareness of ethical issues on UK and German consumers, looking at price, style and quality as determinants</td>
<td>Joergens, 2006</td>
<td>Not look at environmental issues, manufacturing conditions, etc. Only at price, quality of product and style as drivers</td>
</tr>
<tr>
<td>Consumer intentions, behaviours</td>
<td>Ethical consumer's intention to avoid sweatshop purchases versus actual behaviours</td>
<td>Shaw et al., 2006</td>
<td>Focuses only on sweatshops</td>
</tr>
<tr>
<td>Consumers and their purchasing behaviour</td>
<td>Looks at French consumers, looking at awareness, criteria in purchasing and expectations</td>
<td>Chaballier &amp; Ruelle, 2009)</td>
<td>Only focuses on French consumers through awareness, purchasing criteria</td>
</tr>
<tr>
<td>Consumer perceptions</td>
<td>Focus on ‘Y’ generation, looking at awareness, concern, but not necessarily ethics</td>
<td>Hill &amp; Lee, 2012</td>
<td>Looks at sustainability only as criteria for consumers and their knowledge or lack of it</td>
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<tr>
<td>Consumer and eco-fashion</td>
<td>Looks at eco-fashion decisions impacted by product-related attributes, store-related attributes and premium pricing</td>
<td>Chan &amp; Wong, 2012</td>
<td>Only studies eco-fashion</td>
</tr>
<tr>
<td>Impact of ethical fashion on consumers</td>
<td>Model of consumer purchase behaviour that suggests concern, knowledge and beliefs about</td>
<td>Shen et al., 2012</td>
<td>Focuses only on sweatshops</td>
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sweatshops leads to willingness to pay for ethically produced clothing

Given the identified gaps above, the aim of this study is to propose a factor model on ethical consumerism that goes beyond what the existing literature provides, to fill the gap in the literature by looking at issues beyond sweatshops, based on literature review.

4. Towards a Factor - Model of Consumer Values as Determinants of Consumers’ Willingness to Pay

As has been discussed above, sweatshops are not the only issues that raise ethical concern in the supply chain of the garment manufacturing industry. This paper looked at sweatshops, child labour, infrastructure and environmental degradation as key areas of ethical contention for the apparel industry. Based on the existing literature and frameworks proposed by Dickson (2000), Pookulangara et al., (2001) and Marcketti & Shelley, (2009), a closely related factor-model is proposed in this study (see figure 3), but the paper goes beyond sweatshops to include the following:

4.1 Consumer Perception of Organizational Ethics

Studies show that consumers are increasingly concerned about the consequences of what they buy, where the money goes and how it impacts workers, environment, children, factories and societies (Dickson, 2000). While some researchers have reported that about 75% of consumers avoid retailers who use offshore sweatshops (McFadden, 1995), other have highlighted the increase in sales of organic cotton by 33% (Claudio, 2007), further studies have shown that consumers’ perception of poor safety standards and infrastructure in offshore manufacturing plants has led to mass protests against brands (North, 2013).

So, consumers’ concern over various aspects of organizational ethics could impact their support for socially responsible business (CSSR):

\[ H1a: \text{Consumers’ concern of employee empowerment has a positive influence on their support for CSSR} \]
\[ H1b: \text{Consumers’ concern over working conditions has a positive influence on their support for CSSR} \]
\[ H1c: \text{Consumers’ concern over infrastructure has a positive influence on their support for CSSR} \]

4.2 Consumer Knowledge of Manufacturing Practices

Studies have shown that consumers’ knowledge of organization’s manufacturing practices makes them more responsible (Paulins & Hillery, 2009). It is suggested that the more consumers sunderstand the ethical aspects of manfuacturing, the more likely they will be to spend on such products ((Dickson, 2000). Furthermore, Shen, et al. (2012) suggest that the ‘consumers who have sufficient knowledge about the workings of the fashion industry are more willing to support and reward ethical business practices through their
purchases’ (p 237). So consumers’ knowledge of manufacturing practices could impact their support for socially responsible business (CSSR):

\[ H2: \text{Consumers’ knowledge of manufacturing practices has a positive influence on their support for CSSR} \]

4.3 Consumer Beliefs of Globalized Apparel Manufacturing Chain

Monezka & Trent (1991) suggested that due to the low-production cost, firms are inclined to use offshore manufacturing plants and global chains to drive down costs. However, it is suggested by Pookulangara et al., (2010) that consumer’s beliefs about employee’s working conditions can impact their decision to spend money on that particular apparel. So consumer’s beliefs about the apparel manufacturing global chain could impact their support for socially responsible business (CSSR):

\[ H3: \text{Consumers’ beliefs of manufacturing practices has a positive influence on their support for CSSR} \]

4.4 Consumer Social Responsibility (Concern About Social Responsibility of Organizations)

Devinney, et al., (2006) has suggested that when consumers deliberately choose to buy products based on their moral beliefs, this is known as consumer social responsibility. Pookulangara et al., (2010) has further suggested that it is this social responsibility in consumers that can have an impact on their buying behaviour.

\[ H4: \text{Consumer social responsibility has a positive influence on their support for CSSR} \]

4.5 Consumer Support for Socially Responsible Business (CSSR) and Consumer Willingness to Pay

A large number of consumers have reported in studies that they would switch to brands that are socially more responsible (Smith & Stodghill, 1994; (Davids, 1990). So CSSR may have a positive impact on their willingness to pay:

\[ H5: \text{Support for CSSR has a positive influence on consumer’s willingness to pay} \]

Based on the review of exiting literature, existing models, and the proposed hypotheses above, the authors propose the following modified Model of Consumer Values as determinants of their Willingness to Pay illustrated in Figure 3.
This model, when developed and validated will add great value to the body of literature as it will be the first such comprehensive model, looking at a variety of factors that influence consumers’ willingness to pay, unlike existing models in literature. It is important to note here that the proposed model is only an adhoc one at this stage.

5. Conclusion and Future Scope

Previous studies into ethical issues in the manufacturing of garments have highlighted issues ranging from child labour, to sweat shops, to labour and infrastructure to environmental issues that plague the supply chain of the industry (Adams, 2002); (Ali, 2010); (Arnold & Hartman, 2005); (Claeson, 2012). Studies have posited the significance of have consumers as pressure groups to force companies and factories to pay attention to such issues (Khan & Rodrigues, 2015); (Deidre & Tomolilo, 2004). However, visible gaps exist in the literature. Most studies seem to focus on one specific area of ethical issue such as sweat shops or environment (Blumgart, 2013); (Bansal & Roth, 2000). Very few, if any, studies have made an effort to conduct a comprehensive study to research the most pertinent and important millenial supply chain issues that are plaguing the garment manufacturing industry.

The proposed model presented in this study is a simple starting point for authors. Due to limited scope of this paper, it is suggested that the next step is to use Instructional Structural Modeling to develop a scientific model using the factors identified in this paper that will then be tested using the Structural Modeling Equation to determine the validity of the model. It is believed that the final model will help practitioners and policy makers to take affirmative actions to improve ethical consumerism such as awareness campaign, mandatory product disclosure on the ethical aspects etc. The relevance of the framework
is much higher in low income countries such as Bangladesh and Nepal where unethical conditions are common. Having said that, a comprehensive empirical investigation on a larger population is required to empirically validate the theoretical framework and to understand the nature and intensity of the various elements and relationships (hypothesis) proposed in the framework. A comparative study of developed countries and undeveloped countries using the framework would also be invaluable.

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