

Article

Domestic obstacles to labor standards: law enforcement and informal institutions in Argentina's garment industry

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Abstract

The obstacles to implementing labor standards in the garment industry have been addressed by a significant body of literature which increasingly considers local institutions. This includes viewing states and government actors as predictors of compliance. Yet fine-grained studies on how the interplay of informal institutions and local actors' interests prevents standards being implemented are still lacking. Drawing on seven months of ethnographic fieldwork at the main supply center for sweatshop produced and counterfeit clothing in Buenos Aires, Argentina, this article shows how these actors' tolerance toward the sweatshop economy obstructs the implementation of labor standards. According to empirical evidence, this tolerance means protecting certain actors, i.e. non-enforcing the law. Accordingly, the paper distinguishes between two types of protection: provided by state or by political actors. By uncovering the workings of informal institutions and the political actors' logics, this article helps to understand why deplorable labor conditions in the garment industry persist.

Key words: labor standards, garment industry, sweatshops, economic sociology, Argentina, law enforcement

JEL classification: J80 labor standards: general, K42 illegal behavior and the enforcement of law, Z13 economic sociology, economic anthropology; social and economic stratification

1. Introduction

Despite attempts to impose international standards across the global garment industry, sweatshops and other forms of deplorable labor conditions persist. The failure to implement such standards has been the subject of a significant body of literature (Liubicic, 1998; O'Rourke, 2002; Esbenshade, 2004; Locke *et al.*, 2009; Bartley, 2010), which increasingly

considers the local level; that is, the place where standards are expected to be put into practice (Sum and Ngai, 2005; Ruwanpura and Wrigley, 2011; Distelhorst *et al.*, 2015; Toffel *et al.*, 2015). Although this shift toward local institutions includes considering states and political actors as ‘key predictors of compliance’ (Distelhorst *et al.*, 2015; see also Locke *et al.*, 2007; Short and Toffel, 2008; 2010; Toffel *et al.*, 2015; Amengual, 2016) we still know precious little about how the interplay of informal institutions and the interests of local state and political actors prevents the implementation of standards.

State intervention and enforcement is still significant in, for example, the standards and compliance procedures of multi-stakeholder codes, in which national governments are often involved. Moreover, state and government participation is decisive in those sectors of the garment industry in which multinationals play a minor role, if any. As Locke *et al.* (2009, p. 326) remind us, multinationals represent only a portion of the business—most garment suppliers work for other, non-multinational brands. This involvement is not only valid for export processing zones, where voluntary codes of conduct are agreements that protect only a group of workers, and only as long as production continues in the same place (Pearson and Seyfang, 2001, p. 67); it is particularly true for all those countries where a sizeable share of ‘local sweatshops’ (Morokvasic, 1987; Montero and Arcos, 2017) produce for local firms or for sale in informal markets. In both cases, the implementation of labor regulations depends on domestic monitoring (Esbenshade, 2004) carried out by NGOs, state agencies or their joint action.

This study contributes to the aforementioned literature by taking the view of state and political actors into account and dissecting their reactions to pressing problems. From these actors’ perspectives, raising labor standards—the consequence of enforcing labor laws and eliminating sweatshops—is far from a neutral process. On the contrary, as some scholars have noted (Bonacich and Appelbaum, 2000, p. 221), it exposes politicians and state actors to a raft of complications: the industry exerts pressure on politicians to adapt labor regulations and forces unions to negotiate, threatening to leave the country in search of lower labor costs. This might also provoke a potential loss of electoral support in constituencies where sweatshops are located and incite unemployment-related protests. Therefore, a better understanding of the limits blocking the implementation of standards, a problem recently defined in terms of a ‘decoupling’ of symbolic structures and actual practices (Bartley and Egels-Zandén, 2016), must take into account state and political actors’ perspectives.

More specifically, this article contends that the manipulation of the enforcement of labor laws is a calculated response to these challenges. Such manipulation, by way of non-enforcing regulations, is designed to obtain valuable political resources: adjusting interests, avoiding unemployment in already impoverished populations, generating electoral support, managing power balances at a local level or illegally extracting resources later used to finance political campaigns. My argument is that the tolerance shown toward the sweatshop economy can be understood in terms of ‘institutions of protection’ (Snyder and Duran-Martinez, 2009, p. 253) and by distinguishing between ‘state protection’ and ‘political protection’.

Based on seven months of ethnographic fieldwork at La Salada marketplace—the major supply center for sweatshop produced and counterfeit garments in Argentina—and on interviews with workers, regulators, NGO activists and business people, this article focuses on the manipulation of the enforcement of the law as a reaction to demands for better labor standards. La Salada marketplace is at the heart of Argentina’s sweatshop economy, offering

a selling point to producers and nourishing a countrywide supply network, and it is the ideal place in which to observe such manipulation of enforcement mechanisms, since market, political and state actors converge there. La Salada constitutes the first link in the supply chain and connects the producers, who rent a stall in order to sell items manufactured in the sweatshops they run in the local area, with the buyers who come from all over the country and resell their purchases in other provinces.

By uncovering a phenomenon that may or may not be divorced from events of corruption (this point remains to be proven), this article highlights the problem of enforcement and, more generally, how it is tied to an extra-legal governance structure. Additionally, the article reveals that political interests align perfectly with those of garment companies, though their motivations differ.

I first present the international business literature that addresses the limits to the implementation of standards in the garment industry. This is followed by a theoretical section in which I analyze the enforcement of standards and the manipulation thereof. The fourth part describes the methods used for gathering data. Fifth, I discuss the main features of the Argentine garment industry and clarify the incentives for state and political actors to fail to implement labor standards. The sixth and seventh sections outline the origins and workings of 'state protection' and 'political protection', before the conclusion details the implications of the argument for further research.

2. Standards and domestic enforcement in the garment industry

The mismatch between a sophisticated and integrated 'private regime' aimed at improving labor standards, and a chronic proliferation of sweatshops has attracted considerable scholarly attention focusing on the diffusion and implementation of standards. Concerns have been raised about the motivations, accountability and credibility of multinationals involved in the design and implementation of codes of conduct (Liubicic, 1998; Pearson and Seyfang, 2001; Esbenshade, 2004; Bartley, 2005, 2011). Additionally, external monitoring of voluntary codes of conduct implemented by several multinationals is said to be lacking (Vogel, 2008, p. 269; Bartley, 2010), as is the very capacity of these firms to execute such codes (Yimprasert *et al.*, 1999). Criticism has also been directed toward private monitoring initiatives, based on evidence that this growing private regime will 'crowd out' public regulation and legal accountability (Fruendt, 2001; Justice, 2002; Esbenshade, 2004; Wells, 2007; Bartley, 2011). Global accounting firms have also been criticized for their lack of independence (O'Rourke, 2002) and because their monitoring activities fail to cover the real problems of suppliers (Wells, 2007). In light of the ineffectiveness of this soft law, some scholars assess the convergence of codes of conduct and monitoring systems (O'Rourke, 2003), and others relate the lack of positive results to faulty assumptions underlying current initiatives, suggesting a new approach (Locke *et al.*, 2009). Scholars have also revealed the unintended consequences private initiatives might produce (Liubicic, 1998, p. 140; Bonacich and Appelbaum, 2000) and provide evidence that confronts deep-rooted ideas about 'conscious' consumption: in fact, most consumers continue to purchase according to price and quality (Vogel, 2005).

Since these perspectives are very much centered on corporations and are therefore inclined to grant limited agency to state and political actors, explanations for the failure to implement standards are also limited. In fact, these perspectives overlook a substantial

portion of sweatshops; namely, the numerous small- and medium-sized units producing and selling within their home country, which are disconnected from the large retailers and brands. These 'local sweatshops' (Morokvasic, 1987; Montero and Arcos, 2017) are different from the 'international sweatshops' chiefly linked to subcontractors and large brands. In the latter case, the implementation of labor standards depends on brands' private monitoring activities, but also, as in Argentina's case, on state inspectors, NGOs and their joint action (Amengual, 2011; Montero and Abalo, 2015). In the case of local sweatshops, the intervention of state inspectors, unions and NGOs is the only way to secure lawful labor conditions.

Further to underlining the impact of globalization on state capacities to enforce low wage economies (Bonacich and Appelbaum, 2000; Buechler, 2004; Esbenshade, 2004) and the challenges posed to enforcement mechanisms by the subcontracting system and decreasing budgets (Liubicic, 1998, p. 139; Bonacich and Appelbaum, 2000, p. 224; Esbenshade, 2004, p. 31; Weil, 2010, p. 29), the scarce literature that does discuss domestic enforcement in the garment industry tends to operate with two interrelated assumptions relevant for the argument of this paper (Fernandez-Kelly and Garcia, 1989, p. 254; Bonacich and Appelbaum, 2000, p. 227; Mamic, 2004; Yukseker, 2004). First, some authors see the source of weak standards in corruption and, second, they assume that standards are undermined because of a state's limited capacity or the absence of the 'rule of law'. What this literature overlooks, however, is the existence of well-established structures of informal institutions that regulate a dense space of social relationships with specific incentives and modes of social sanction. Usually, these informal institutions are not only incompatible with the rule of law, but they also facilitate its manipulation. Additionally, by conceiving of regulation only in legal terms, this literature neglects the fact that state and political actors, as recent literature in economic sociology shows, play a significant role in sustaining these institutions, as well as informally stabilizing illegal exchanges.

The present article seeks to fill this gap by adopting the perspective of actors responsible for enforcing labor regulations or influencing the process of doing so. Whether state officials are involved in corruption or not cannot be proved or disproved here; rather, this article is concerned with a larger social phenomenon, in which well-rooted informal institutions, political interests and well-established institutional logics have considerable influence upon the implementation of standards at the local level. In so doing, this article contributes to the extant literature by showing how a complex web of informal institutions, which facilitate the coordination of political interests and power relationships, emerges and resists both collapse and change.

3. Informal institutions and the manipulation of enforcement mechanisms

'Obstacles' blocking the implementation of standards refer to a gap between public or private regulations on the books and actual economic practices. In a pioneering study on the garment industry in southern California, Fernandez-Kelly and Garcia conclude that 'the ability or failure to enforce wage and hour legislation cannot be seen as a random occurrence or as the unwelcome result of scarce resources. Rather, it must be seen as an expression of relative tolerance on the part of state representatives for illegal practices' (1989, p. 254). Put differently, deep-rooted illegal behavior—corruption, graft—within some states may be explained not only by alluding to individual misbehavior, but also by referring to

state and political actors' interests in tolerating illegal behavior. Practices and norms that contradict the letter of the law can enjoy high levels of adherence because they also provide, whether directly or indirectly, solutions to specific problems. In sum, acquiescence to the legitimate force of the state does not refer only to an acceptance derived from formal prescriptions. Equally important is the accepted force derived from informal rules that are evidently empirically valid because they are useful for solving concrete problems. Formal statutes such as labor regulations are accepted due to belief in their legitimacy. However, a second set of rules, defined as 'socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels' (Helmke and Levitsky, 2006, p. 5), might also succeed in guiding behavior because there is a generalized belief in their validity: they are effective for coping with uncertainty or form part of reciprocity or patronage networks. In this sense, there is a real chance that both statutes—formal and informal—serve to orient social actions and expectations. The resulting social or economic order is characterized by the workings of two different sets of rules: one written, rational and aiming at general validity, and a second set that is recognizable by its empirical regularity; a moral obligation that is communicated and expected, but which remains unwritten.

Unlike the informal institutions that foster adherence to legality, complementing formal rules and creating incentives for compliance with the legal system, the informal institutions I refer to here are those that stimulate a defective implementation of labor standards. In this regard, Helmke and Levitsky point out that some informal institutions 'structure incentives in ways that are incompatible with the formal rules: to follow one rule, actors must violate another' (2006, p. 15). Similarly, Lauth points out that some informal institutions that incentivize law-breaking behavior form structures of interaction that 'strive to manipulate not only the way in which decisions are reached, but also their implementation, with the aim of satisfying particularist interests' (2000, p. 28). The power of the informal institutions analyzed in this article originates in their capacity to: provide a measure of (precarious) job security to a large portion of the population; generate electoral support; (illegally) capture economic resources that benefit several state agencies and lubricates clientelistic networks and avoid unemployment-related protests and unrest events.

This law-breaking behavior exhibited by politicians and state servants should be seen as embedded in a second system of norms and expectations, which enjoys high levels of social acceptance. Adopting a Weberian perspective, domination [i.e. 'the chance that a command of a particular kind will be obeyed by given persons' (Weber, 2014)] refers here not to just one source of legitimation—the formal statutes and rules—but to two. The resulting social order is composed of a group of state servants, who send mixed signals regarding the commands to be obeyed, and the ruled, who adhere and react to both signals alternately. Over time, ruler and ruled learn how to combine, manage and take advantage of both systems of norms (Erdmann and Engel, 2007).

3.1 Protection rackets as informal institutions

One informal institution that is incompatible with formal regulations and serves to manipulate enforcement is the sale of illegal protection or non-enforcement. This informal institution bridges the gap between official regulations on the books, such as enforcing adequate safety conditions or wages, and interests incompatible with these regulations, such as continuing to violate wage levels or failing to meet safety requirements. It bridges this gap by establishing an exchange between two parties: the officials responsible for the enforcement

and those who need ‘protection’ from the consequences of enforcing the law. Overall, drawing in different ways on the works of Diego Gambetta (1993) and Charles Tilly (1985), the notion of protection advanced here alludes to an exchange of both material and immaterial mutual benefits.

Since this type of protection is provided by official authorities, protection takes the form of ‘non-enforcement’, or the *de facto* suspension of the law (Dewey, 2012). State and political actors—especially labor inspectors and police forces—have the power to tinker with the enforcement of the law, suspend its application and thereby transform it into a commodity that can be purchased by those requiring ‘protection’ from these actors. Selling the suspension of the enforcement of the law as an illegal service thus shapes a space in which social relationships are governed by extra-legal principles. State authorities momentarily block the rule of law and open the door to informal regulation.

A common mistake is to equate the sale of protection with the sale of inaction. There are, however, parallels to be drawn: inaction and protection do appear to be the same phenomenon in a number of situations. For example, an inspector apprehends a sweatshop owner for breaking the law, and the offender pays a certain amount of money in exchange for avoiding the official fine. Here, protection from the law is provided through the inaction of the inspector or police officer. There are, however, other circumstances in which the sale of protection appears to be a phenomenon in its own right. This is shown in situations in which police officers take no action, leading to the creation of a specific demand for protection. Here, a demand for protection is produced through police inaction. To give an example: a store owner refusing to pay ‘additional contributions’ for protection is left vulnerable to crime by retaliatory police inaction. Upon experiencing the direct negative consequences of failing to buy protection, the store owner is left with little choice but to buy it after all. Here, a demand for protection is produced through police inaction. That is, it is usually the case that protection is provided through action; it is not a case of ‘doing nothing’.

The empirical evidence presented in this article suggests that state and political reactions toward the sweatshop economy in Argentina can be better understood by differentiating between ‘state actor protection’ and ‘political actor protection’. While the former consists of the sale of the non-enforcement of the law to certain groups in exchange for economic resources, the latter refers to a public legitimation of certain economic activities. The protection provided by state actors is confirmed by the presence of an extensive and well-functioning system of state protection rackets found in La Salada marketplace in Buenos Aires and the protection sold directly by police officers to sweatshop owners throughout the Buenos Aires metropolitan area. The distinction between these types of protection allows conceptual specification: other than corrupt inspectors or police officers usually interested in material resources, politicians and government authorities are more interested in avoiding social conflict and keeping people employed. Put differently, while inspectors or police officers are providers of what we could call ‘physical protection’, politicians offer ‘symbolic protection’. These two types of exchanges are commonly captured by the notion of corruption without further distinction.

If the first type of protection alludes to a phenomenon that the literature usually defines as corruption, the second type tries to capture a broader constellation, referring to a type of protection based on a more or less intangible exchange. Authorities offer public legitimation and tolerance of the production of garments in sweatshops in exchange for politically useful resources. These are: neutralizing protests and increasing political capital generated when a

large, economically disadvantaged portion of the population gains access to cheap clothing, informal jobs and to consumption. While protection provided by state actors is enacted at street level by law enforcement agencies (i.e. the police and labor or health inspectors), protection provided by political actors is furnished by political leaders and parties, and facilitated through clientelistic ties with key market actors. In a similar fashion, [Holland \(2015\)](#) recently made the case that the ‘forbearance’, or intentional non-enforcement, for unlicensed street vendors in Bogotá and Santiago de Chile is strongly influenced by the behavior of voters.

A straightforward outcome of these types of protection rackets is the forming of a new power relationship that benefits state and political agents (see [Dewey et al., 2017](#)). The non-enforcement is relevant on two counts: First, it is a valuable asset for sweatshop owners, illegal workers and all those conducting illegal activities, because they avoid prosecution or incarceration. For this reason, informal and illegal garment producers are usually willing to pay for such non-enforcement. Secondly, authorities’ interest in providing non-enforcement lies in the possibility of sourcing political support, economic resources and a protest-free social constellation. Additionally, the option to enforce the law remains, and this constant threat renders asymmetrical all social relationships between state and political actors and unregulated garment suppliers. The former, with the power to either enforce or suspend the law as they wish, are thus afforded a certain level of control over actors acting outside the confines of the law and the transactions in which they are involved.¹

The fact that these ‘institutions of protection’ ([Snyder and Duran-Martinez, 2009](#), p. 253) are highly extended and accepted within the garment sector does not mean that there is no room for a more effective enforcement. In his analysis of the enforcement regarding sweatshops in the southern districts of the city of Buenos Aires, Matthew [Amengual \(2011, 2016\)](#) demonstrates that inspectors were able to dramatically improve their performance between 2006 and 2008. The origin of this change was a fire in a sweatshop, which killed several Bolivian migrants and sparked huge public outcry. Under these conditions, political authorities were forced to react and to accept two initiatives from an NGO called La Alameda. Stimulated by a political climate favorable to combatting sweatshops, labor inspectors received information about the location of sweatshops from and exchanged information about legal procedures with, NGO activists. However, from 2009 onwards, sweatshops moved from the south of the city (Federal District) to the metropolitan area (Buenos Aires Province), where they steadily grew in number and found a privileged marketplace through which to channel their production: La Salada. What this shows is that the enforcement of the law was successful only when politicians and inspectors saw the consequences of enforcing labor standards as positive outcomes. In other terms, it shows the ‘contingent’ character of the ‘coupling’ between actual labor conditions and symbolic structures ([Bartley and Egels-Zandén, 2016](#)). As soon as the ‘sweat system’ ([Commons, 1905](#)) moved elsewhere and the new state and political authorities regarded the enforcement of labor standards as

1 Scholars usually ask if this is a case of extortion rather than protection. State agents are indeed the driving force in demanding the extraction of resources in exchange for the promise of services, which are then delivered. Even if the agents overcharge for a service and provide something of low quality, it does not imply that the protection is in some way fake. In fact, the growth of the illegal market and free participation of outlaws in the market means that protection is being provided (see [Varese, 2014](#), p. 350).

troublesome, they adapted to the situation by protecting the sweatshops. Such tolerance is certainly illegal, but its logic is one of adaptation and reaction to problems imposed by the garment industry and labor standards whose enforcement is perceived as problematic.

4. Methods

This article is part of a broader project concerning the economy centered on La Salada. In the seven months of intensive fieldwork I undertook there, I worked in the area as a field hockey teacher for an NGO. During this period I established contact with many residents, most of them informal workers with a variety of different jobs in the marketplace. At the same time, a micro-credit institution gave me access to the producers and stallholders—located in another metropolitan area—who had borrowed from it. Through these contacts, I began working regularly alongside a family of Bolivian stallholders. This article draws on detailed ethnographic notes based on my interactions with these various market actors during long visits to the marketplace, as well as my experiences working as a stallholder.

Since the mere presence of informal institutions cannot be taken as a proof that state and political actors are interested in tolerating the sweatshop economy, I support my claim with two specific types of data. First, concerning the ‘state actor protection’ I conducted in-depth interviews with 109 different markets actors in which I paid particular attention to the activities of stallholders and the market managers in charge of La Salada’s ‘shed markets’, the warehouses used exclusively for selling garments. This allowed me to trace the money paid by stallholders to management, and by management to the authorities. In order to generate original data regarding the volume of the illegal business, I first measured the magnitude of the marketplace in terms of the number of stalls, the number of stallholders subject to paying for protection and the amount of the ‘fees’ being paid. I further traced the flow of money by conducting interviews with actors holding (or having previously held) key positions: a former Principal Commandant of the Argentine National Gendarmerie, two local politicians working for the local government, four shed-market managers (three current, one former) and an informal-protection-racket collector.

Regarding ‘political actor protection’, I interviewed a former advisor to a previous Secretary of Commerce and conducted archival research on local newspapers, focusing on political authorities’ public interventions concerning La Salada. The interviews were tape recorded when interviewees allowed it and recorded in writing afterward when they did not. In order to gain an adequate understanding of the sweatshop economy in Argentina, I also interviewed economists from the Fundación Protejer, CEOs of micro-credit institutions and members of La Alameda, the most prominent NGO in the field.

Ethnographic fieldwork has proved to be essential in the study of power structures and in the reconstruction of ‘clandestine connections’ (Auyero and Joseph, 2007, p. 5; Kubik, 2009, p. 31). It was thus in following standard ethnographic research practice (Becker, 1958; Katz, 2001, 2002) that evidentiary value was assigned to patterns of conduct and to repeat references made by market actors, thereby revealing the centrality of the institutions of protection in La Salada.

In general terms, as Hobbs and Antonopoulos (2014, p. 108) assert, conducting fieldwork behind the scenes of politics is difficult for the simple reason that people are reluctant to discuss it. For this reason, cross-checking and member checking were standard procedures: the destinations of the collected money—10 state agencies at different levels—were

confirmed by one collector, one ex-manager and one local politician, none of whom knew each other. Similarly, the political interest in the market for ill-produced clothing was confirmed by two local politicians and the managers themselves, who speak openly about it.

5. Structural constraints and transformations in the Argentine garment industry

In Argentina, the market for sweatshop-produced garments is rooted in profound structural transformations in the garment industry. The introduction of radical free-market policies during the 1970s and 1990s devastated the Argentine garment industry, an important sector of the economy until the military coup d'état in 1976. The global transformation of the textile industry, in which production shifted mostly to Asian countries, made tens of thousands of Argentine garment workers redundant. Equipped with the necessary technical know-how, these workers started setting up small sweatshops. Subsequently, additional waves of migrants, mostly from Bolivia, continued establishing small, informal productive units throughout the suburban areas of Buenos Aires. Overall, the drastic lowering of wages and the sidestepping of labor standards provoked a generalized informalization of the whole industrial sector. This led to a partial negative integration: the surviving (legal) Argentine garment manufacturers, who concentrated their production in the high-end niche, depend today on specific types of sweatshops.² On the demand side, the proliferation of commercialization formats such as 'shopping malls' or 'outlets' provoked a pronounced price distortion that rendered 'legal' garments inaccessible to a great majority of the population. In the end, the emergence of a divide in the organization of production and a corresponding divide in regard to access to garments led to a dual market: one almost fully legal and oriented to middle and upper sectors, and one informal and illegal oriented to mass consumption.

The latter is mainly supplied by La Salada, the marketplace described in more detail in the following sections in which sweatshops producers and wholesale buyers meet three times per week. However, the flows of money and wares at La Salada have also become a magnet for two other central actors: police officers and politicians.

5.1 Illegality and informality in the sweatshop economy

In La Salada, more than half of the garments traded infringe the country's trademark laws. Although sweatshop producers use brand logos 'creatively' (their pieces are far from exact replicas of the originals), they are nevertheless subject to legal penalties, which makes the exchange of these counterfeit goods—and therefore also the market itself—illegal. This is an important clarification for the common question about legalization. To legalize the market, trademark laws would have to be repealed. Otherwise, the state is left with two options: enforce the existing laws or let law-breaking go unpunished.

We note that all garments traded in this market are produced in sweatshops. In Argentina, these are not vast, factory-like buildings containing hundreds of informal workers, but rather, for the most part, private houses. According to my interviews, the most specialized sweatshops do not exceed 25 informal workers. By my own calculations, which

2 Interview with sweatshop producers and workers.

coincide with other specialists' figures, there are circa 31,288 sweatshops.³ None of these productive units implement official standards: official stipulations regarding work safety and labor laws are systematically violated and various taxes are consistently avoided. In addition, garments are distributed throughout the country following the same pattern. The most recent report from the Argentine Confederation of Medium-Sized Companies (CAME, 2016) accounts for the existence of 656 small, informal distribution centers of garments located in 451 different Argentine cities. La Salada is the supply center sourcing all of these small marketplaces.

In heeding Portes's (2010, p. 135) distinction between the illegal and the informal economy, we can see sweatshop production as a problem of informality. Taken together, the market as a whole is both illegal and informal. Unlike the infringement of trademark law, which cannot be legalized, the remarkably widespread informality could be subject to formalization. In order to show why this, too, is unfeasible, the following section focuses on the major obstacles to such formalization.

5.2 Actors' incentives for implementing standards

A brief review of an actor's structure of incentives explains the failure to implement labor and safety standards. At the bottom of the market's social structure are the *sweatshop producers*, both those who manufacture plain, unbranded items and those who produce counterfeit pieces. Their position is typical for illegal economies: since they are infringing several regulations and laws and their actions are not supported by state law, they are subject to legal repercussions such as asset seizure or arrest. In consequence, they are obligated to either evade punishment or accept 'protection' from state actors. In other words, sweatshop producers pay for protection rackets willingly. Also at the bottom of the structure are the *buyers*, who are dispersed throughout the country. As the first link in the supply chain, La Salada supplies tons of garments to these wholesalers for resale in their home provinces.

The *managers* of the three immense shed markets located within the 18-ha site run a real-estate business. They own shopping-mall-like facilities subdivided into thousands of two-meter-square stalls, which are rented to the sweatshop producers. A manager's business, therefore, depends on the producers. If the latter are stopped by police on the way to the marketplace and their goods are seized, or if the police enter the shed markets and confiscate their wares, the managers' business is seriously damaged. In consequence, they have established a system of money collection within the sheds, described below, in order to fund the protection rackets run by the police and political authorities. Next are *Police officers* and *health* and *security inspectors*, who are not only underpaid, but belong to institutions well known for protecting criminals in exchange for money (Sain, 2013; Dewey, 2015). *Garment companies and brands* profit continuously from a highly informalized labor force (Montero and Abalo, 2015) and from an almost 'NGO activism-free' environment. In fact, La Alameda, the most visible NGO denouncing sweatshop labor in the country, has a weak presence in the metropolitan area where most of the sweatshops are now located.

Finally, at the top of the social structure are both local and national *politicians*. Their gains are two-fold. On the one hand, the protection rackets at the marketplace provide them

3 This figure stems from multiplying the total amount of stalls by the average number of associated sweatshops. The latter is calculated based on the author's own interviews with entrepreneurs and two reports (INTI, 1995; D'Ovidio, 2007).

with enormous economic resources that, according to my interviews, are used to finance costly political campaigns, as well as for their private benefit. On the other hand, besides economic resources, politicians take advantage of the sweatshop economy in different ways. During the last 15 years, the rampant growth of the market has created countless informal jobs, increased the consumption of garments enormously and stimulated the general consumption of goods and services. Aware that the enforcement of the law would provoke a serious disturbance of the social order, politicians in general have benefited from allowing this economy to continue as is and have consequently received votes in elections.

In this picture, there is only one actor who suffers from the lack of implementation of labor and safety standards: the *sweatshop workers*, who come from different Argentine provinces and neighboring countries in order to participate in this booming economy. They lack ‘voice’ (Hirschman, 1970) because the industrial union Sindicato Obrero de la Industria del Vestido y Afines (SOIVA) ignores them (Pascucci, 2010) and the sweatshop producers avoid formalization at all costs.⁴ After all, formalization would mean an increase in production costs and consequently a loss of customers.

6. Institutions of protection at La Salada

A brief review of the history of La Salada marketplace shows that state and political ‘interest’ in the marketplace has grown to keep pace with the growth in economic activity. The more the economy expanded, the more complex the extraction of resources became.

Prior to the mid-90s, groups of Bolivian immigrants in Greater Buenos Aires started organizing small, precarious, open-air markets, usually on weekends. According to several interviewees, the business consisted of taking advantage of the exchange rate: people bought mostly jeans and underwear wholesale in Bolivia, smuggled them to Argentina and sold the products in a currency (Argentine pesos) whose value was newly attached to the dollar. The relationship of these itinerant, dispersed, open-air markets with state and political authorities was ambiguous (Ossona, 2010, p. 3). ‘They [police officers] kicked out the Bolivians continuously’, says Susana, who witnessed the ‘cat and mouse’ dynamic. However, while the economic situation was forcing garment companies to close and the immigrant population was faced with rising unemployment, the Bolivian community formed a business cooperative. The enterprise consisted of a small network of sweatshops in which garments and shoes, in both cases using logos of famous brands, were manufactured. Additionally, they purchased a former recreation center, filled in the swimming pools inside with wreckage and subdivided the interior into small lots.

The establishment of the first marketplace, named after the Bolivian Virgin Urkupiña, did not go unnoticed by the local politicians and police forces. The new business set up by the Bolivians, similar to Andean marketplaces, not only lacked an adequate legal frame at a provincial level, but also raised expectations in this economically deprived suburban area. The Bolivian leaders, therefore, were forced to initiate negotiations with other migrant

4 The passive role of the garment workers union, SOIVA is usually explained by several factors. From the union’s side, for instance, the lack of an accurate diagnosis of the industry’s current situation and an underestimation of the potential benefits of increasing affiliation. On the worker’s side, the irregular migratory situation and lack of legal knowledge among workers prevented unionization. See Lieutier (2009, p. 146).

groups, neighbors and, more importantly, with political brokers (*punteros*). The first outcome of such political struggles was a temporary ordinance regulating the economic activity in exchange for taxes (Ossona, 2010, p. 3). The second outcome had a direct impact on the business: political brokers oversaw the establishment of another two marketplaces and entered into the business of renting stalls. Today, the managers of the shed markets continue to have strong political ties to the local government and, as an influential local politician asserted in an interview, ‘make generous contributions when elections are coming’.

Police forces went even further. Once the three shed markets were established, the police began stopping sweatshop producers on their way to the marketplace. In other words, aware of the illegalities involved in the production of counterfeit garments, police officers of the provincial force implemented a strategy that is also used in other illegal markets (Sain, 2013; Beckert and Dewey, 2017): by extorting sweatshop producers, they created demand for protection. In 2001, following protests and political struggles between community members and police forces, the Bolivian leader of the largest shed market at that time was officially accused of illegal trade and counterfeiting, charges that ultimately resulted in prison time. A few days later, he was found dead in his cell having allegedly committed suicide. This obscure incident marks the beginning of the uncontested system of protection rackets described below.

6.1 The system of protection rackets

‘Nobody tells me the true story. Who would? The police come and surround you’, says Michelin, the stocky ex-manager of one of the shed markets. He explains what everyone in La Salada knows: the police, parked in strategic spots nearby, create the demand for protection rackets by stopping sweatshop producers and seizing bags full of garments. Thus, since it impedes producers from arriving at the marketplace and renting a stall, the police force the managers, whose main business is one of real estate, to collect money. ‘I know who I have to give it [the collected money] to’, asserts Michelin, listing around 10 different state agencies before continuing: ‘Because otherwise they stop the vans [of stallholders or buyers] when they enter [La Salada]. They took the vans when they were arriving and they really f***d me up.’ The result is a system of money collection imposed upon stallholders (sweatshop producers). Each shed market collects the money internally before the managers hand it over to the state agencies. In doing so, they ‘compensate’ police officers for not enforcing the law.

However, not all stallholders (producers) pay protection rackets. The managers’ criterion for eligibility for payment is simple: only those who infringe the country’s trademark law; that is, those displaying logos of famous brands. They have to pay a racket, a bribe that is later illegally handed over to the police. Needless to say, the reference to trademark law is a dishonest justification; the law stipulates entirely different procedures and penalties. According to my own calculations, taking all shed markets together, 38.5% of the stalls sell counterfeit clothing branded with Adidas, Puma, Nike and Disney, among others.⁵ Regardless of the quality of the copy, each stall displaying garments with brand logos must pay a racket known as ‘brand’ (*marca*). The ‘brand’ racket must be paid every time a

5 The total number of stalls in La Salada is 7822 and those that exhibit counterfeit products number 3017. The amount of the ‘fee’ varies according to different factors. For example, the price goes up if the stalls are well located or if the managers have improved the facilities.

garment with a logo is exhibited on the stall. Over time, the collection became a complex structure with appointed illegal money collectors who walk through the aisles collecting the fixed sums of money and keep books in which debts are recorded. Susana depicts the route of the money as she remembers her days as a collector: ‘We went and collected inside, going through the aisles, gathering money... say, for the Crime and Fraud Agency [Delitos y Estafas], the Mitre Police Service [la Brigada de Mitre], the Anti-Narcotics Agency [Narcotráfico], District and Departmental Offices [la distrital and the departamental]. Michelin [the manager] went to have lunch with Ordaz [a Police Chief] every market day.’

According to several interviews with stallholders, it is accepted that the money they give in fees is simply the price they must pay to increase their sales. Brothers Michael and Luigi, two Bolivian stallholders I worked with, manufacture ‘Nike’ jackets and, in consequence, must pay the ‘fee’ regularly. The money they hand over three times per week continuously actualizes the system of protection rackets, a long-standing relationship between the illegal collector and the stallholder. Susi, mother of Michael and Luigi, is well aware that collectors ‘get a lot of money from us, from everyone’, but she also knows the benefits of paying marca. She has no doubt that ‘Nike’ branded garments are ‘what you sell best, because if you sell plain [*liso*, without brand logos] you can’t shift anything [*no se mueve nada*].’ It is a risk, as Susi knows, but selling marca is a profitable business: ‘marca makes you sell more, and that’s convenient in every respect.’ She clearly recognizes that she is adding value and that is why ‘robbers and policemen are here, it’s like the cat trying to catch the mouse’.

Susi and her sons, fully aware that they are infringing ‘some law’ and that selling clothing with brand logos is more profitable than selling ‘plain’ pieces, readily accept the imposed payment.⁶ This lack of resistance is based not only on the considerable demand for counterfeit garments (which increase profits and thus reduces the significance of the racket) but, even more importantly, stems from the fear of the consequences of refusing to pay. The total sum collected—771,955 US dollars each month—is, as mentioned, distributed between at least 10 state agencies at both national and provincial levels, as well as a portion going to the local municipality to be used for political activities.

What I describe as protection provided by certain state servants is not the only result of lacking incentives for enforcing the law. The persistence of such illegal practices is also facilitated through the political protection I describe in the following section.

7. Political protection

La Salada found its footing in 2001 at the height of Argentina’s economic and financial crisis. From then onward, the marketplace’s economy skyrocketed and, over the years, the marketplace consolidated to become the main source of low-cost garments for the Argentine lower and middle classes. Meanwhile, authorities of all government levels have not overlooked this impressive development. In fact, as mentioned, they have established strong political ties to the managers and exerted influence through extant clientelistic networks in this area, such as those studied by [Auyero \(2001\)](#) and [Ossona \(2010\)](#).

6 During the fieldwork only a few stallholders were able to specify the law they were infringing. However, all interviewees admitted that ‘something is wrong here’, or that they were breaking ‘some law’. One explanation for this diffuse awareness might be the fact that a great many of the stallholders are migrants who might not know the country’s laws.

Probably one of the clearest signs of political support can be found in early 2012, when the Argentine president paid an official visit to the Republic of Angola to promote commercial relationships between the two countries. Fitting perfectly with what Zolo termed ‘symbolic protection’ performed by the political system in order to ‘satisfy a latent need for social protection and spread a gratifying sensation of order and security’ (1990, p. 43; cited by Loader, 1997, p. 1), the retinue of business people accompanying the president included Alejandro Morado, second-in-command of one of La Salada’s shed markets. This political legitimization of an economy submerged in illegality and informality is part of an exchange facilitated through personal and clientelistic ties. If, on the one hand, authorities provide public legitimization to leading market actors, they take advantage of the workings of this economy on the other hand. As Darío, advisor to Moreno, Argentina’s former secretary of commerce, told me in an interview: ‘As Moreno says, were it not for La Salada, our people would have nowhere to buy their clothes.’

However, profiting from this economy adopted a more concrete form. Richard, formerly a high-ranking broker in one shed market, and currently the advisor to the mayor of the municipality in which La Salada is located, recognized the value of the market for local politics. ‘In this district there are 300 social organizations. All of them received bags with 30 pairs of shoes [from the government]. Brand new. Nike, Adidas, and so forth’, he said, and went on to explain: ‘Do you know where they came from? From La Salada. It’s called “Ropa para Todos” [clothes for all].’ This was the name given to a social program introduced by the national government aimed at providing emergency help to citizens, which was administered by community-based organizations. What Richard told me shows the intricate market–political relationships: an official social program provided the population with clothing manufactured in sweatshops.

As these interviewees suggest, market activity provides access to resources that allow political control, strengthens patronage networks and helps address issues regarding administration and the state budget. On the one hand, political control over the population comes from the fact that authorities, by not enforcing labor and safety standards, assure a certain level of income by creating jobs, even though these jobs lack stability and are in conflict with official regulations. On the other hand, political stability is achieved by promoting consumption and assuring access to low-cost garments. Patronage networks are further strengthened, for instance, through the implementation of the aforementioned social programs such as ‘Ropa para Todos’. Additionally, La Salada marketplace’s activity also indirectly assists with the administration of the municipal government. In fact, as interviewee Richard noted, the shed markets pay a monthly sum of four million pesos in formal taxes (property tax, garbage collection tax, street lighting tax and taxes and fees for other public services), a sum the local government budget desperately needs. In other words, the performance of local government is strongly influenced by an economy that, despite running informally and illegally, makes a legal—and significant—contribution to the government’s budget.

Overall, as a result of this interest in tolerating the sweatshop economy, the whole market expanded enormously. But La Salada marketplace has not only experienced a growth in economic activity. In addition, the total number of people working as informal seamsters in the market ballooned from 42,000 in 2002, to 177,000 in 2010: a four-fold increase. Meanwhile, during the same period, the number of formal seamsters decreased from 51,000 to 29,000. In other words, where 59.15% of people working as seamsters in 2002 did so informally, the equivalent figure in 2010 was 77.6%, an increase of 18.45 percentage points

(González, 2006, p. 7; INTI, 2010; Choren, 2012, p. 36). In regard to the supply chain, there are 656 small distribution centers dispersed throughout the country and 81,032 informal/illegal selling points. Compared with last year, there are 10 more distribution centers and 3123 more informal selling points (CAME, 2016).

8. Conclusion

I have argued that two modalities of ‘institutions of protection’ (Snyder and Duran-Martinez, 2009) are at the core of informal arrangements such as those presented here: the non-enforcement of the law practiced by inspectors and security forces at street level, and the public legitimation of the sweatshop economy enacted by politicians. These conceptual tools, and not just graft, allow us to capture a broader context of interests in, and reactions to, the implementation of standards. In empirical terms, this study shows that key actors in the Argentine garment industry have little or no incentive to change. Quite the contrary: they are involved in a closed dynamic that provides them with benefits and constantly reinforces informal ties.

The case analyzed in this article matters since it is endogenous and, unlike a significant portion of cases mentioned in the existent literature, detached from the global value chain system. We are thus provided with a window into this particular phenomenon, through which we can, using a bottom-up analysis, discern how it emerges and how it continuously function with remarkable resilience. Scrutinizing actors’ incentives in this system reveals that blocking the implementation of standards by way of not enforcing a variety of laws is not exclusively functional to the interests of companies producing locally. In addition, the constitution of an economy based on sweatshop-produced garments—the direct consequence of such non-enforcement—also serves various political actors, who benefit from material resources, the creation of informal employment, the reduction of protests and the provision of access to clothing. This ultimately brings the enforcement of the law to the fore, a dimension commonly referenced when analyzing the strength of the state (Amengual, 2011, 2016) and recently observed as an important feature of illegal markets’ emergence and prevalence (Dewey, 2015; Beckert and Dewey, 2017).

This research contrasts firstly with the literature on sweatshops and global value chains, which focuses mainly on exporters and international scrutiny, and has little to say about the politics of domestic garment production (Gereffi, 1999; Locke, 2013). This article demonstrates that studying domestic producers sheds light on the often neglected portion of garment suppliers producing items for local firms or informal markets (and some specific items for multinationals). The domestic politics of garment production is also important since it may act as a magnet for constant flows of migrant labor destined to work in sweatshops, as the case of Buenos Aires shows. Secondly, this research contrasts with the literature on the ‘regulatory renaissance’ of labor inspection in Latin America (Piore and Schrank, 2008; Pires, 2011; Schrank, 2013; Amengual and Fine, 2017). The empirical material I have provided reminds us that even while there may be professionalization and reform projects in some locations, there are also parts of the state that are deeply invested in protection rackets for illegal operations.

Accounting for the informal institutions linking sweatshop owners, inspectors, security forces and political actors requires going beyond concepts, often supported by international organizations, in which the problem observed—graft and corruption—is a collateral and

marginal effect of companies competing to lower costs, or of a supposedly ‘absent state’. On the contrary, this study shows that illegality and informality are at the core of market activity and that the emergence of shadow economies is not always divorced from the workings of their legal counterparts. The study therefore emphasizes the importance of state and political actors as decisive supporters of an extra-legal governance structure. How authorities tinker with the enforcement of the law thus becomes a window through which we can account for a broader web of interests and mutual benefits opposed to the implementation of standards.

A system such as the one analyzed in this paper, which caters to domestic interests and demand, challenges the typical proposal for enhancing the implementation of labor standards. In practical terms, initiatives discussed in the literature pertain to countries participating in the global value chain system in which external pressure exerted by political actors or NGO initiatives may succeed in shifting the status quo. Proposals such as the ‘transnational labor legality regime’ (Bartley, forthcoming 2017), for example, consisting of prohibitions of the sale of ‘items made in violation of labor law in the country of origin’, would only target the few transnational companies present in Argentina. However, another part of this proposal, the need for a stronger link between labor law violations and a discourse of legality, law enforcement and security, may induce a shift in political actors’ preferences. The different meanings associated with violating labor and safety laws may be part of a strategy centered on such a legality discourse and carried out by civil society groups. This may also be aimed at shaming not only companies, but also political parties and unions reluctant, for instance, to take an active role in defending minorities of workers. This may also open a window of opportunity for companies interested in new labor regulations and in upgrading the existent technology and human resources of their informal suppliers. Increasing pressure on local political actors and unions may force changes in regulations, introducing new incentives for the actors involved and exposing the kind of closed system presented here to new regulatory and monitoring schemes.

Funding

This work was supported by the Max Planck Institute for the Study of Societies.

Acknowledgments

I thank Gregory Jackson and the two anonymous reviewers for their guidance and support. I am also indebted to Marcin Serafin, Katherine Walker, Tim Bartley, Daniel Fridman, Jens Beckert, Renate Mayntz, Cornelia Woll and Olivier Godechot for their helpful contributions to earlier versions of this paper. Any shortcomings of the final product are mine alone.

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