

Looking for a quick fix

How weak social auditing is keeping workers in sweatshops

Clean Clothes Campaign, Nov 2005
Chapter 1: Introduction/summary



Introduction

Social audits to check working conditions in production facilities emerged in the mid-1990s after a number of high profile companies were widely scrutinized for substandard working conditions in their supply chains. At that time, a growing number of companies-for example Nike, Gap, Levi Strauss, and C&A-had adopted codes of conduct that in essence were pledges to prevent exploitation and abuse of workers producing their goods. Labour advocates soon challenged these companies to demonstrate conformity to the standards they had adopted. Calls for independent, civil society based forms of workplace assessments were made.

The large majority of companies ignored these calls and actually did very little to implement or enforce their codes of conduct. A few companies, however, started to use social audit firms to inspect workplaces. This was met with little enthusiasm from labour rights activists who suspected that social audits were undertaken mainly to deceive the public. Others questioned the effectiveness of the audits or feared that social audits were mainly carried out as a form of risk assessment.

Many of these fears were validated when researchers and journalists reported on important flaws in social auditing methods. They found that social audits typically failed to detect important instances of non-compliance with labour standards. Workplaces that social auditors found to be in compliance with standards were in fact no more than sweatshops. (1)

One decade down the road much has changed and yet stayed the same.

Social audits have become a burgeoning practice within the garment and sportswear industry. Tens of thousands of social audits are commissioned annually by hundreds of brand-name companies ("brands") or retailers. A whole industry of commercial social auditors, self-assigned experts, and quasi-independent ethical enterprises has jumped on the social audit bandwagon (see chapter 4).

On the positive side a number of companies have learned from their own experiences as well as from the critics. They have started to identify the limitations of social auditing



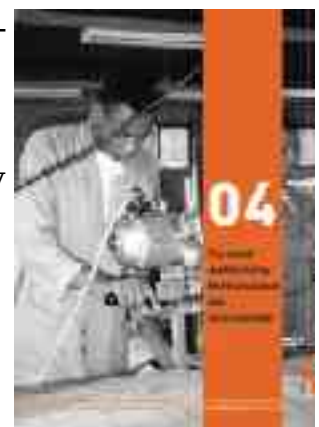
methods and have moved in the direction of a more comprehensive approach to improve working conditions. These firms recognise the need for an overarching system to evaluate company claims and to rise above the limits of corporate self-regulation. A few multi-stakeholder initiatives (MSIs) have been set up that bring together a variety of business interests, NGOs and/or trade unions to try to develop (more) systematic approaches to code implementation, monitoring and verification, as well as developing structures for accountability to civil society. This report will argue that only social audits embedded in a comprehensive range of actions can be useful. These other actions are covered in more detail in chapter 6.

Unfortunately, this comprehensive approach stands in sharp contrast with the current standard practice of social auditing still utilised by many of the biggest players in the industry.

As this report will show, the non-specialist retail sector (supermarkets, discount and department stores) and mail order sectors and in particular are developing less stringent models to implement codes of conduct.

It is in those contexts that unbranded retailers have managed to escape scrutiny, and as a result have felt less pressure to behave in a responsible way toward the workers employed in their supply chains. The social audit methods used by retailers such as KarstadtQuelle (Germany) or Wal-Mart (United States), in fact are based on a seriously flawed model largely discredited not only by labour rights advocates but also by those within the industry who have had a longer-term involvement in this field but on an extended scale. The impact of these programmes on working conditions is at best superficial. Their approach seems for the most part to be minimalist—they tend to invest as little time and money as possible, and more worryingly, they seem to be promoting a "lowering of the bar", in order to make it easier to tell consumers that they are meeting goals for treating workers responsibly. A Chinese NGO identified this phenomenon in interviews with managers in China:

The level of enthusiasm in implementing CSR among brand-name companies far exceeds that of retailers. Factory managers said that in the in-house verification personnel and independent auditors sent by brand-name companies investigated problems quite thoroughly and could not easily be fobbed off. Checks by retailers, however, were generally a little more lax. Workers...could clearly remember investigators from H&M and New Look coming to their dormitories to interview them. Managers in two factories said that Wal-Mart's social responsibility inspection team only spends about three hours at the factories, during which they verify wages, working hours and personnel records, make a brief inspection tour of the factory, and meet three or four workers in the factory office's reception room. They also said that Wal-Mart inspections were generally quite easy to bluff, and that because Wal-Mart's unit prices for orders are extremely low, their inspection teams were not likely to seriously demand that the factory adhere to the code of practice. (2)



In some cases, these companies fail to address, or turn a blind eye, to extreme abuses of workers, such as was the case in Bangladesh in April, when Spectrum Sweater collapsed killing 64 workers. Workers report that their employers had made their lives hell before the disaster. Workers were held in such low regard that their attempts to raise the alarm about dangerous conditions prior to the collapse were simply ignored, not just by factory management but by clients as well. The factory had undergone at least one social audit by Carrefour and had undergone a "quality audit" by KarstadtQuelle reportedly done by international social auditing firm SGS.



This report is a critical assessment of the social audit system adopted by these kind of companies." It takes into account the social auditing experiences of approximately 40 factories in eight countries.

Chapter 2 and **Chapter 3** look at the ways in which factory owners prepare for audits, worker perceptions of the process, and the perceived impact of audits on working conditions. It covers in some detail, using new field research, why social auditing is not achieving as much as was hoped, in spite of significant discussion over the last 10 years by researchers, journalists and activists (3) about whether social audits can accurately assess labour conditions and encourage improvements. In spite of this discussion, and in light of the evidence in this report, it is clear that mainstream social auditing consistently manages to miss crucial violations of workplace rights, in particular regarding what are described as "intangible" areas such as freedom of association, working hours, abuse and harassment.



Chapter 4 looks at the global social auditing industry and assesses its successes and failings over a decade of existence.

Chapter 5 considers current problematic trends toward over-reliance on social auditing, and **chapter 6** makes a series of recommendations for companies and social auditors.

This research draws a number of key conclusions:

1. Social audits are failing to deliver as a tool for assessing code compliance, particularly in determining violations of freedom of association, excessive and forced overtime, abusive treatment and discrimination of workers.
2. Workers and their organisations are marginalized in the social audit process. Without their full participation in the auditing process their concerns, particularly gender-related concerns, are missed. Relevant local stakeholders outside the factory such as trade unions and women's and labour NGOs are rarely consulted or involved.
3. Social auditors are making it too easy for workplaces to receive positive evaluations, particularly by announcing audit visits in advance, thereby giving factory managers time to prepare for audits and convey a false impression of working conditions.

4. Factory managers are deceiving social auditors in many ways, most notably by coaching workers before they are interviewed by auditors to convey false or incomplete information and by falsifying records.
5. Social audits are usually too short, too superficial and too sloppy to identify certain types of code violations.
6. Workers are badly informed about their rights, often too scared for their own jobs to speak up about problems during audits, and generally do not have the possibility to file a complaint.
7. The vast majority of social audits is conducted by global firms whose staff is generally unskilled and inexperienced to do the job, and whose business model conflicts with the requirements for credible, independent social auditing.
8. Audits are often not followed by effective remediation. Improvements at the workplace are limited to health and safety issues and tend to be superficial.
9. The audit industry is closed and secretive, preventing serious discussion about its policy and practices and possible improvements to its methods.
10. Certain buyers, particularly well-known brands that have been targeted by labour rights campaigns, and those cooperating more intensively with labour advocates are actually doing a better job in developing more comprehensive and participatory social audit models. Others, mainly unbranded buyers and non-specialised retailers, are promoting the failing audit model described in this report, particularly in the context of fast growing business dominated CSR initiatives.

There are a number of ways in which the CCC believes that companies that are serious about respecting workers' rights can get on the right track (described in detail in chapter 6):

Place workers at the centre of social auditing processes: Recognizing that the majority of workers in this industry are women all auditing procedures must be gender sensitive. Gender blind auditing is bound to miss out on key input from workers. Workers are the intended beneficiaries of audits therefore their input is not sought out and included in auditing and associated processes (remediation) such efforts will not contribute to sustainable improvements to their labour conditions. Training and education is a precursor for creating an atmosphere where workers are informed of their rights and can effectively use channels intended for conveying concerns.

Sourcing companies must adopt a more comprehensive "toolbox" approach if they want to make a credible effort to face up to their responsibilities to workers in their supply chains. Quality social auditing includes unannounced visits, interviews of workers outside of the workplace and involves skilled local experts and civil society organizations. This alone however is not enough and should be combined with other tools in a broader and longer-term program to address and remediate violations of workers rights, including partnership with local organizations; grievance and complaints mechanisms; education and training; a pro-active approach to freedom of association; address existing business or purchasing practices; effective remediation and increased transparency.

Systematic problems at both the point of production and the point of

consumption can only be successfully addressed through an industry-wide approach. Playing an active role in credible multi-stakeholder initiatives (MSIs) can also be a valuable step for companies to take in improving their auditing and other code compliance work.

Notes:

1. Workplace with substandard working conditions
2. Global Purchasing Practices & Chinese Women Workers (2003)
3. Critical articles on the quality of social auditing include: O'Rourke (1997, 2000, 2002); Bendell (2001); Far East Economic Review(2001); Ascoly and Zeldenrust (2003); Oldenziel (2001); de Haan and Oldenziel (2003); Philippine Daily Inquirer, (2003); Maquila Solidarity Network (2004); Auret and Barrientos (2004); Financial Times(2005); Esbenshade (2004), Hilton (2005).