As discussed in second and third chapter, globalization has strengthened the bargaining power of transnational corporation, represented by the retailers and merchandisers in the global supply chain. It has been observed that because of the following two conditions the power of TNCs has been strengthened.

- **Rise in global outsourcing production** - Trade barriers have been reduced since 1970s and the world began to integrate itself with the global economy. The end of communism in erstwhile Soviet Union & Eastern Europe and the spread of neoliberal market economy in developing countries increased the scope of global operation. Thus they began outsourcing production from the developing countries thereby taking advantage of low labour cost and easy availability of workers.

- **The decline in state regulatory power** - This has been the result of economic development since 1980s whereby there has been a shift away from social democratic Keynesian intervention to promotion of free market. This included focus on export growth, increase in FDI and widening of global economy. All of this has served to strengthen the economic role of the state and weakened the regulatory power.

The strategy of TNCs has been to increase profit margin by pressurizing workers. This led to deterioration of working condition of workers across the globe thereby attracting attention of media and civil society. Several reports on the abusive practices followed by TNCs in the developing countries were highlighted. It brought out the irresponsible character of TNCs getting their goods manufactured.

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58 For details on the concept of global supply chain refer to the page 82
in developing countries. Media and consumers demanded that TNCs become more accountable in their business practices worldwide. Regulation by national and international institutions failed to address the problem, thus compelling TNCs to adopt self-regulation in the form of corporate codes of conduct. Prevailing pressure from media and consumers forced TNCs to ensure that the initiative of self-regulation was adhered to in the suppliers’ countries. Thus ‘social compliance audit’ (SCA) emerged to monitor and evaluate compliance of codes of conduct.

As discussed in the previous chapter the process of SCA can be seen as a form of co-regulation. It is a private and voluntary initiative but at the same time it is influenced by government policies both at the national and international level. The process involves evaluation of code of conducts (private) within the framework of state laws and ILO conventions (public). It functions as a framework for enforcing national laws (Stahl & Stalmaker 2002). It started as a process to reduce the gaps created by the failure of national regulation

Social compliance audit as regulatory initiative to apply in newly created spaces, where government regulations-notable in the field of labour and often concerning freedom of association-either legally does not apply or systematically is not enforced namely in EPZs based in developing countries (Kirton & Trebilcock 2004:124)

The process is an outcome of the macro level changes in the economic, political and social structures of the world. It has emerged in response to several changes taking place in the economy and in the society. At the micro level analysis is in terms of the ways in which the process is practiced in the garment factories.

The task envisaged in this chapter is to explore the emergence, procedures and practice of SCA in the garment factories. The first section of the chapter deals

59 The factors for the failure of state legislations in the garment factories have been discussed in the previous chapter.
with the understanding of the process of SCA. As stated in chapter the focus of the present study is on 'social' aspects rather than it meaning in financial accountancy and commerce.

The second section attempts examine the procedure involved in SCA. By procedure here it means the way in which audit is done, who does it and how it is done? The methods/steps followed, different types of audit existing and the most preferred type actually practiced and the main clauses/standards referred to while conducting compliance audit have been examined in details to get a holistic understanding of the process.

The third section examines the practice of SCA in the garment factories of Delhi, Noida and Gurgaon. It looks at hierarchy of role of the different actors involved in the process. It brings out the social characteristics of different actors in the factories in terms of age, marital status, education and migration. This is relevant in understand the position of each actors/individual in the process so as to get an idea of the benefits that the process accrues to them.

The fourth section looks at the changes gainers and looser due to the process of SCA. This section examines the reason for doing audit and it actual implication on different actors. With reference to the workers it has been well documented by earlier studies that process has led to significant improvement in health, safety and working condition. These changes are verified by the findings from the filed. The purpose of documenting these changes is to see the overall outcome of the process at different level- in terms of export, productivity of the factory and impact on workers.

The fifth section examines the shortcomings in the process especially those that are responsible for failure of the process. While looking at the positive changes it
is imperative to do a critical analysis by examine the limitations. The analysis brings out the fact that the process focuses on documenting the labour problems rather than examining why the problem exists? It is important to address these limitations so as to make social compliance an effective tool for the workers themselves.

The sixth section attempts to understand the nature of SCA –whether it is a process of regulation or whether it is a process of organization. The examination of procedure and practice of SCA suggests that it is a process of regulations in the sense that the process has regulated the working condition in the manufacturing factories. These changes are reflected only in areas of wages, health, overtime and hours of work and that too in large export houses. The majority of workers remain unorganized and no effort is made to reorganize them through SCA. Rather the principle behind SCA is that the workers remain fragmented and flexible to suit the growth of capital in the period of globalization.

I. Understanding SCA (Social Compliance Audit)

The concept of SCA can be understood by looking at three component part-compliance, social & audit.

The Concise Oxford English Dictionary defines ‘compliance’ as the action or fact of being compliant, that is meeting or in accordance with rules or standards. The term is used in different disciplines-like physiology, management and medical sciences. In terms of regulatory compliance, the term refers to a state of being in accordance with established guidelines, specifications, or legislation or the process of becoming so⁶⁰.

http://en.wikipedia.org/wiki/Main_Page, see ‘compliance –regulatory’.
The term 'compliance' refers to the process of reviewing the extent to which agencies are complying with legislation, and the maintenance of appropriate control over core financial and management processes. In the present study the term compliance implies that the manufacturing factory is in conformity with the required standard, code of conduct, laws and regulations set up by TNCs and civil societies.

The term 'audit' comes from the Latin word *audier* meaning to hear or check as in a formal checking of finances. Audit can be defined as a …

...‘tool to verify the compliance of any individual or group compliance with known and established standards. Audit involves sampling records and other relevant documents to collect the objective evidence of compliance’ (Mishra 2004:177).

It typically refers to financial audit. In recent years the application of the term audit has expanded to include social audit, ethical audit and management audit (Blake, Frederick & Myers 1976). Here the term social audit is being used to refer to process to monitor/verify compliance to existing laws, rules and code of conduct.

The term ‘social’ here implies the social aspect of the factory with reference to health, safety condition and well being of workers. Further the stress is on collective welfare rather than individual welfare. One implication of this is that such relation can alter the very meaning of the process of compliance audit. It implies transformation of market economy towards social obligation. The use of ‘social’ in the study goes beyond the identified goals; it refers to interpersonal relation between employer and workers, between private and public life of the worker and implications of SCA on society as a whole.

Putting the three together, *Social Compliance Audit* (SCA) is a basic evaluation process through which the systems (procedures for achieving compliance) and
actual compliance (actual performance) of a factory is examined. The core of SCA is to review social policies concerning work environment, compensation and benefits and to identify opportunities for positive changes. Through a review of the regulations governing a factory’s operations, its records and its on-site inspection, auditors are expected to ascertain the level to which a factory conforms to applicable regulations as per the code of conduct laid. SCA can be defined as:

a systematic and independent external assessment administered by a trained social auditor against a specific standard. To determine whether an entity is meeting those standards and complying with established policies, operating procedures and national and local laws. Results of a social compliance audit are not usually public.61

'Social Audit' as a term refers to the growing interest in assessing the company’s impact on community and society (Bendell 2001). A social audit is undertaken by a company to evaluate the working conditions existing in a facility or supply chain (ILO 2003). The term ‘social accountability’ is also used synonymously to refer to the commitment of business towards social life.

SCA is a worldwide regulatory process adopted by all prestigious importers of goods in developing countries. It covers all aspects of the workers welfare from health and safety conditions at the workplace to monetary benefits of the workers. In addition, the buyers are also required to ensure that the supplier (exporters) abide by all labour laws of their respective state.

Having looked at the theoretical understanding of SCA, the next section looks at the procedure of SCA in terms of method/steps followed for doing an audit, who conducts audit, types of audit and some of the key clauses that act as standard for compliance.

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61 The definition taken from http://www.interpraxis.com/social_audit_resources.htm

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II. The Procedures involved in SCA

The procedure of SCA is participatory, making use of questionnaire, interview and involving a series of steps. The methods followed differ for different buyers and auditing agencies, as there is no standard procedure laid down. The process of SCA as described by an Auditor from GAP Inc:

Garment factory approaches sourcing department to take production order for GAP sourcing department. This department then contacts compliance department which in turn sends an electronic mail requesting details regarding factory license, area of production, health and safety measure and so on. Having got the details, an audit team visits the factory and carries out audit. Having noted the issues of non-compliance in the factories the audit team gives 15 days period to improve on areas of non-compliance. After 15 days the audit teams again visits the factory and if satisfied send audit report to the sourcing department to go on with business.

Social Auditors visit factory to check whether there is conformity with a labour standard laid out in the code of conduct that they have been given. The objectives can include:

♦ Assessing the problems that exist in a factory.
♦ Developing a corrective action or remediation plan.

To achieve the above-mentioned objective the following steps are followed during SCA. These steps are mentioned in the buyer’s manual on SCA. However prior to the actual audit there is a pre-audit planning where the authorized agency gets a request from international buyer to conduct audit in the factory producing goods for the concerned buyer. This stage requires selecting the team of auditors who would be required to visit the factory and fixing the date and time of the audit.

On the day of actual audit, the following steps are followed:

*Step 1 - Opening Meeting*- on the day of the audit, the auditor/s have an opening meeting with the factory management. The management here means any manager or supervisor who has the authority & responsibility for the implementation of the code of conduct in the factory (Mishra 2005). During the opening meeting
auditors are required to give a brief description of the audit process, the areas to be covered during the audit and the various tools to be used by the auditors to complete the audit process (ibid).

This has a twofold purpose, firstly it offers a platform for the auditor/s to introduce the concept and process of SCA to the factory management and secondly it allows the auditor/s to understand management structures and practices of the concerned factory. During the meeting the auditor/s reviews the following with the management:

- **Factory facts and figures**- data and records of factory registration, obtaining of license, the area of operation, the size of workforce employed, the nature of production and the name of buyers for whom production done.
- **Management practices**- the relationship between management and workers, mode of complaint redressal, system for allowing workers to interact among themselves and with management.
- **Payroll practices**- the salary structure, mode and time of payment of wages, whether giving salary slips or not, deduction being made and so on.
- **Health and safety**- the provision for taking care of the health and safety of workers, medical aid available, the provision of drinking water, toilets, canteen and crèche facilities.

**Step 2- Factory Tour & Record Review** - After talking to the management the auditor/s take a round of the factory, that is, the place of work, to visually inspect the working condition in terms of cleanliness, safety, freedom of movement, relation between the management and workers and other related aspects. While taking a factory tour some auditors also prefer to talk to the workers while they are working. The auditor/s does a close scrutiny of the following records.
i) Wage register- to check whether the workers are paid as per the legal requirement, whether they are paid timely, whether they are paid social security benefits like provident Fund, ESI etc,

ii) Time cards/attendance register- to see the hours of work, the time of entry and exit, to verify that workers are not working beyond required working hours and if so are paid overtime as per the legal requirements.

iii) Personal files of the workers – to review transparency in recruitment, verify the age of the workers and the nature of employment. Also to see if documents like ration card, birth certificates is verified at the time of recruitment to ensure that they are not below the age of 14, that is, not a child labour.

iv) Fire safety, first aid, medical and other records – to review the health and safety provision made available to the workers to ensure proper working conditions in the factories.

**Step 3 - Interview with the Workers**

To cross-examine the information collected, from review of records and documents, the next step is to have a closed interview with workers. The interview is conducted with worker in the absence of management. The workers are taken into confidence that the interview is for their benefits and that their name will not be disclosed. They are assured to speak freely and frankly about the existing conditions in the factory and also about the problems being faced. Around 20 to 25 different types of workers, including both male and female workers, were interviewed. The tool for interview is structured and is a close-ended questionnaire. The auditors simply ask the workers to answer in 'Yes' and
'No' on a whole range of issues ranging from the salary/wages they get to the nature of manager-workers relation in the factory.

*Step 4- Closing Meeting-* The last stage of SCA, after factory tour, record review and workers' interview, is the closing meeting with the management to share the findings of the audit. The areas of non-compliance are explained to the management and corrective action plan offered for improvement. The action for transforming non-compliance to compliance is suggested. A time period of three months is given to improve non-compliance. And after three months a follow up audit is done to verify the corrective action taken.

The task before the auditor after conducting the audit is to present report to the buying agencies or retailers. The report is sent to the concerned buyer for further review. Based on the report the buyer asks the supplier to take necessary steps to improve the working condition within the time limit. Under pressure to maintain high export order the supplier takes all action to do its best.

These steps are strictly adhered by all engaged in doing SCA. The next section identifies the main institutions, organization and people who are doing SCA in garment factories.

**Who does the audit?**

A veritable cottage industry of social compliance auditors has sprung up to help socially responsible companies verify conditions at supplier's factories.

Tens of thousands of social audits are commissioned annually by hundreds of brand-name companies or retailers. A whole industry of commercial social auditors, self-assigned experts, and quasi-independent ethical enterprises has jumped on the social audit bandwagon (Pruett 2005).

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62 In the section on field and method it has been mentioned that the questionnaire used by the auditors is mechanical and reveals information only for inspecting factories conditions. A sample questionnaire used by the auditors during the process of SCA is at Annexure 3.
The international trade union movement, NGOs and international buyers are now drawing up model codes. Although these model codes have different origins they cover the same basic principles, which are based on key ILO Conventions on core labour standards (Wick 2003:68). Besides a large number of accreditation bodies have emerged in the West that offer labour certification to suppliers who have adopted the code of conduct and standards. The joint initiative of trade union, NGOs and institutions is also known as multistakeholder initiatives63. The international buyers and accreditation bodies forming a part of SCA industry is described below:

A. International Buyers

The list may not be exhaustive but I have referred to the most popular ones and those who have adopted SCA as essential criteria for doing business in India.

1. Wal-Mart Stores is the world's largest retailer, with $244.5 billion in sales in the fiscal year ending Jan. 31, 2003. The company employs more than 1.3 million associates worldwide. Wal-Mart's international operations comprise 2,701 stores in 14 countries outside the United states64. In November 2006, Wal-Mart announced a joint venture with Bharti Enterprises to open "hundreds" of retail stores in India. Since foreign corporations are not allowed to enter the retail sector in India directly, Wal-Mart is expected to operate through franchises and handle the wholesale end of the venture (Giridharadas &Rai 2006).

The entry of Wal-Mart into India is being opposed by a large section of civil society who have started a movement against retailing in India. By 2006, there has been news reported on the entry of Wal-Mart into India. The news read as…

63 This has been dealt in chapter. Refer to page 155-158
64 www.walmart.com
Wal-Mart is becoming more serious about its India game plans. The retail behemoth, which has decided to pull out of German and South Korea markets to concentrate on core markets, has identified China and India as its future growth drivers. Wal-Mart has made a brilliant move to withdraw from Germany and Korea to focus on India. The Indian market is much less competitive than Germany and Korea and its middle class is hungry for modern retailing practices and products sold by western retailers like Wal-Mart. - (August 14, 2006)  

But as far as garment production is concerned a large percentage of Wal-Mart production takes place in India, from Bangalore, Tirupur and Delhi. Wal-Mart's share in the total export of garment from India is as high as $1.2 billion.  

2. **JC Penny** is a mid-range chain of American department stores in the United States. The company operates 1,050 stores in all the U.S. states and Puerto Rico. Until 2004, J.C. Penney also operated Eckerd Drugs and fifty department stores in Central and South America.  

3. **Target** is a chain of discount department stores that are about 95,000 to 135,000 square feet (12,000 m²) and carry hardlines ("regular" products and goods), softlines (clothing), and a limited amount of groceries, usually non-perishable. Specifically, Target stores carry clothing, shoes, jewelry, health and beauty products, electronics, compact discs, DVDs, bedding, kitchen supplies, sporting goods, toys, pet supplies, automotive supplies, hardware supplies, and food. Target outsources products worth $200 million from India and its internal target is to raise this to $500 million at the end of 2005 and to $1 billion by 2007-08.  

4. **Gap Inc** is a leading international speciality retailer offering clothing, accessories and personal care products for men, women, children and babies under the Gap, Banana Republic and Old Navy brand names. Gap brand includes

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67 Information available at www.jcpenney.com  
68 Information available at www.target.com

5. **SEARS** is a multi-channel retailer with a network of 122 department stores and 44 Furniture and Appliance stores. Sears Canada is committed to conducting its business in accordance with a high standard of business ethics, regard for human rights and in compliance with all applicable laws. Sears does business with due regard for human rights and supports suppliers that have similar standards and business practices.

6. **Marks & Spencer** is one of UK’s leading retailers of clothing, food, home-ware and financial services, serving 10 million customers a week in over 400 UK stores. The company owns and operates departmental stores and retails general merchandise stores selling clothing, household goods and footwear. It also provides financial advisory services like account cards, personal loans, unit trust management, life assurance, personal insurance and pensions. The company has an annual turnover of around US$ 14.7 billion. It has over 500 stores in 30 countries worldwide. Marks & Spencer began operations in India in December 2001, through its exclusive franchisee Planet Sports. By 2003 the company had two stores, one at Ansal Plaza in Delhi and the other at Crossroads in Mumbai. Today, Marks & Spencer has a total of 7 stores in India with 3 in Mumbai and 1 each in Delhi, Gurgaon, Hyderabad and Bangalore.

**B. Accredited certification bodies**

There are several institutions and organizations that are actively involved in certifying the factories for production of goods. They provide certificate to the factory approving them to carry out manufacturing of export items.

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69 Peter Anna, 2004, The Financial Times from The Hindu, Friday 03, April
70 http://www.ibef.org/download/Marks&Spencer.pdf
71 Information available on their respective websites:
1. **SGS International certification services** - SGS International Certification Services is a recognized leader in quality, environmental and social accountability management system registration. It has delivered over 54,000 accredited certificates around the world. Since 1878, SGS has helped its clients with a comprehensive range of quality assurance services.

2. **Det Norske Veritas (DNV)** - DNV Certification is a division of Det Norske Veritas. It is an independent foundation established in 1864 as a ship classification society. As a leading international certification body, DNV local units have been awarded accreditation for their certification services by various national authorities.

3. **Bureau Veritas Quality International (BVQI)** - The BVQI was established in 1988 in England and is currently one of the most important organisms of certification in Brazil and the world. The main activities of the BVQI include classification of ships, industrial inspection of aircraft, vehicles, equipment, and workmanships of civil engineering and social audits.

4. **Intertek Testing Services (ITS)** - Intertek is one of the world's largest consumer product testing, inspection and certification organizations. ITS provides a one-stop-shop for compliance testing and inspection services in the fields of textiles and garments, footwear, toys, gifts, juvenile products, electrical and electronic products, foods, pharmaceutical, medical devices, plastics, ceramic ware and hardliners.

5. **UL International Limited (UL)** - provides testing and certification solutions, it is a household name in the United States. UL is one of the most recognized conformity assessment providers in the world. UL supports business during the complete product development cycle, from design to production, ensuring consistent compliance with all technical and safety requirements and accelerating market access.
6. **RWTUV Far East Limited**- Engaged in certifying of products for the international exchange of goods or the competent consultation of enterprises on the growth markets of Asia. RWTUEV is engaged in examination, certifying and consultation also with local experts after internationally recognized standards.

7. **Cal Safety Compliance Corporation (CSCC)** - In 1991, CSCC pioneered the concept of social responsibility compliance inspections within the apparel community. CSCC's monitoring program is designed to appraise the general environment under which clients' goods are produced. The results provide clients with quality information to manage risk and effect change. The appraisal is based on the legal standards of each state or country and compliance is based on those standards.

8. **RINA S.P.A (Registro Italiano Navale Group)** is an international certification body. It has acquired more than ten years experience in company management systems certification sector, which enables it to provide a complete and organic response to specific company requirements in a wide range of product sectors.

Thus there is a whole industry of people and organization involved in SCA. The next section examines the different types of audit existing and also the reason for popularity of certain type of SCA.

**Types of SCA**

Different kinds of SCA prevalent in the garment factories are:

1. Announced Audits & Unannounced Audits
2. First or Second party & Third party audit
3. Initial & Follow Up Audit

**1. Announced Audits** are done with prior consultation with the factory managers. In this type of audit the supplier's factory to be audited is informed in advance about the date and time of audit. On the scheduled venue, date and time the
auditor visits the factory, carries out SCA. The advantage of this type of audit is that it gives advanced information to the factory about the date and time of audit. It has been argued by many in the industry that this gives the management to prepare for the audit. Often it may happen that the factory is made clean and facilities provided only on the day of audit. There are lots of arrangements made in advance of the audit date to portray a different picture of the factory to the auditor. The workers, during interview, listed the following arrangements made by managers prior to announced audits:

- Thorough cleaning of the company.
- Provision of first aid, medicine, defensive tools like needle caps, gloves air mask etc.
- Workers are coached to quote low targets to impress the auditors while the targets are usually quite high, they are told to say that they don’t work overtime, especially not on Sundays.
- Workers are drilled on how to present a good image of the company to ensure that the factory is passed to carry out the production orders.

As a result announced audits give a wrong picture of the factory and in reality none of the code of conduct may be followed. As a result the process of SCA appears total hoax.

Unlike announced audits, *unannounced audits* are conducted without prior information to the management. This is a surprise visit by the auditor generally done on the basis of complaint against the supplier. A problem reported by many is that during an announced audit the auditor has hard time entering the factory. It is argued that it is the management that does not allow immediate entry into factory. They ask security posted at the entry gate to enter into debate and discussion. They deliberately keep the auditor involved in argument for several
hours. This seems to be a deliberate act done by the management as it gives enough time to do the necessary and arrange the factory as per compliance standards.

Among experts, there are different views on whether audits should be announced or unannounced. Auditors often prefer announced audits because the factory is than capable of preparing the visit, for example by making sure that the right managers are available for an interview or that the relevant documentation is accessible.

Another reason why visits are often announced is that “retailers and audit firms do not want to jeopardize their relationship with their suppliers who tend to see unannounced visits, part of the so called ‘policing approach’, as impolite and inappropriate interference in their business”. So the practice of unannounced audits is uncommon in India. According to an employee for large global social auditing firm:

Many of our suppliers will not be able to meet issues raised in social compliance if unannounced audits take place. Announced audits are thus in vogue. It will take time for our suppliers to meet high standards of labour conditions.

First or second party audit is one that is done by the buying house/retailers by themselves, by their in-house auditors. In other words they employ personnel who are trained to conduct compliance audit. It is also referred to as in-house audit as the buying house performs SCA themselves and there is no involvement of outside agency. The in-house audit is less expensive for the exporter because big brands like GAP, Wal-Mart have their own system of audit; they have to spend less on getting service of auditing firms. Yet the expenditure on SCA adds to the financial cost of their business. And often is given as an indicator of their seriousness with the process of SCA. An auditor from GAP Inc stated that as they
are spending a big amount on getting audits done it means serious concern. In the words of the auditor:

So audit is costly thing and brands, GAP is spending high amount of money on training auditors, taking care of they travel, so if spending so much money, one has to be serious about the work.

Unlike first & second party audit, third party audit is done by agencies on behalf of international buyers in home countries. This is more authentic as it is done more subjectively. However factory owners and managements do not like third party audits. The main reason for not preferring third party audit is obviously the financial burden. Many factory owners consider third party audit as more expensive than in-house audit. The former becomes a financial burden on the export unit. In the words of a factory owner:

SCA becomes a financial burden to the export unit when the audit is carried out by third party, in which case the auditing firm demands money from the firm to carry out the audit but in case of big brands like GAP, NIKE, H&M, audit is carried by their in-house auditors, no money charged.

However the cost of the process does matter to small manufacturers and big brands and retailers who can afford to spend extra see that the process is carried out effectively. Moreover when the international buyer makes SCA as compulsory, getting factory means more orders from international buyers and hence more profit. So for those who can afford the extra expense SCA brings in more profit.

Irrespective of whether it is a announced or unannounced audit, first party or third party audit the objectives, method and findings of SCA remains the same. Though the clauses audited vary from buyer to buyer there are certain core elements of SCA. These core elements are the main clauses against which compliance is

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72 This point will be taken up in the latter part of the chapter.
verified. The next section examines the most relevant clauses that are audited during SCA process.

**Key Clauses to be audited**

SCA is done to verify application of various laws, standards and clauses set up by the state (Indian Factories Act 1948), International Labour Organization (ILO Conventions on Working conditions) and code of conduct issued by TNCs (GAP Inc). There is lot of overlapping among the three. Below is a summary of the main clauses that are kept in mind while conducting a compliance audit. It is not simply a list of the clauses but also an examination of the clauses with reference to SCA. The key clauses that are audited during a SCA process are:

1. **No forced, bonded or prison labour** – Compliance demands that the factory should have contractor licenses; it should maintain proper records and documentation of all workers like attendance register, time cards and logs. Factories are directed to be directly responsible for the workers' social security and working conditions.

Due to high rate of migrant labour in urban areas, apparel factories tend to become sites for contract/bonded labour. Contract labour implies exploitation of workers who perform core activities but do not have permanent status. The contract labour is characterized by abuses such as underpayment of wages, are denial of overtime rates and social security even though local labour laws guarantee these rights. They usually have no proof of employment or any other documentation. Export factories generally employ workers as contract labour. This is considered more practical and more cost effective as they can be hired and fired at will when the work is less or when only certain workers are required. The

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73 A list of the Factories Act 1948, ILO Conventions and Gap's Code of Conduct is at Annexure 5, Annexure 6, Annexure 7 respectively.
problems of contract labour being acute standards have been developed to avoid employment of labour that is exploitative.

2. No child labour- the code of conducts bans use of child labour in garment factories. This is so because child labour has been recognized as a grave human right violation across the globe\textsuperscript{74}. It is considered as a criminal activity to employ child labour and therefore developing standards favouring unemployment of children below the age of 14 is an important step to eliminate child labour. Many initiatives like social labelling in the carpet industry has been successful in eliminating child labour as discussed in chapter three.

However the issue of child labour is complex, it is also related to the socio-economic status of the family of children who are compelled to take up work to support their families. From the humanitarian point it is argued that child labour rather than being banned should be encouraged with alternative arrangement for the education and well being of the working children. This is also taken care by codes of conduct as it is stated that in case child labour is found the employer has to ensure that they receive primary education. That is to say in case where child labour is found it is required by the factory owner to see that children employed are educated, they working hours not to coincide with school timings and that they are not engaged in dangerous activities.

3. No discrimination in employment- Non-discrimination as a principle of recruitment and appointment is an integral part of all code of conduct. This is in keeping with equitable social order. The focus is to guarantee equality and equity in employment and conditions of work. With regard to the employment of women, the main source of discrimination lies in inequalities in wages paid to men and women\textsuperscript{75}.

\textsuperscript{74} The debate on abolishing child labour as an ethical issue is subject to debate and controversy.

\textsuperscript{75} In chapter 2 the section on feminization of labour already describes the existence of both gender and non-gender discrimination in the garment factories.
3. *Wages and benefits as per labour law* - the codes of conduct lay stress on the payment of wages as per the Minimum Wage Act, 1948\(^{76}\). It requires that the workers be paid the minimum wages as per the clarification notified by the local government from time to time. This is considered relevant for the worker so as to allow him/her to meet living standards. This is the most important standard that has to be complied with because the highest percentage of non-compliance is in terms of low rate of payment or non-payment of wages.

4. *Social security* - this includes monetary benefits given to the workers as part of employment. It includes:

   i. Employees state Insurance (ESI) includes part of employer income that is saved for meeting medical expenses due to illness or accidents,
   
   ii. Provident Fund (PF) includes 12% contribution from the employer and 12% contribution from the employee's income. The amount goes into saving and is obtained after retirement,
   
   iii. Maternity benefits include both monetary and non-monetary benefits for pregnant women employees,
   
   iv. Disablement/death compensation and so on.

These are all parts of state policies for welfare and hence integral part of all codes of conduct. These are well taken care of by all auditors as suggested in most studies\(^{77}\) done on impact assessment of the code of conduct.

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\(^{76}\) The Act provides for fixation of minimum wages for notified scheduled employment. Payment of wages is per different categories of workers in different industry. As per Delhi Minimum Wages as on 1/2/2005 the wages for skilled, semi skilled and unskilled workers in the textile industry are 133, Rs 123 & Rs 117 respectively. (Source: Labour Department. Delhi)

\(^{77}\) The impact assessment study done by ETI, 'The ETI code of labour practice: Do workers really benefit?', 2006 & CEC, 'Garment Industry and Labour Rights in India-the post MFA context by Sujana Krishnamoorthy, CEC, 2006
5. Normal working hours - working hours is an important issue in garment factories. This is a double-edged sword, that is, it is pursued both by the employer as well as the employee. The former stresses on extra hours of work to increase output and hence profit and the latter tends to work more with an ever-increasing greed to increase income, as extra hours of work fetch extra money. The Indian Factories Act specifies that a worker shall not perform more than 48 hours of work in a week. Any duration above 48 hours will be compensated with double-overtime premium on normal wage rate. Setting a high overtime rate has hindered the employers to go for extra working hours but workers complain that it is against them as incomes come down.

6. Safe and hygienic working environment, no physical abuse - It is mandatory for employers to maintain conducive working condition that protects the health and safety of all workers. This includes clean working conditions, the provision of canteen facilities for workers, provision to fight fire accidents and other emergencies, easy availability of medicines and medical aids. It also includes the non-existence of abusive working conditions, pollution free environment, absence of sexual harassment at the work place, the availability of forum to lodge complains and discuss problem directly with management. Compliance to these provisions guarantees that workers are not subject to ill treatment by their employers.

7. Establishment of regular employment relationships - The principle employer has to ensure that employment is offered on regular basis and avoid seasonal or contractual employment to ensure employment security. The clause has been incorporated in order to prevent use of contract, subcontract, part-time and casual workers. In actual practice the employers do not prefer permanent workers in order to avoid legal provision for them. The way out is large-scale employment of
contract and subcontract workers. One of the main reasons for not employing permanent workers is the fear of organization and therefore the management adopts the strategy of maintaining casual and part-time workers. During the SCA process all the workers are provided factory identity card to prove that they are permanent workers. Therefore it is difficult to actually find out the contract and subcontract workers through SCA process.

8. Freedom of association and the right to collective bargaining- Freedom of association is unquestionably the key element in ensuring respect for other fundamental rights at work. Indian Constitution guarantees freedom of association and workers are free to join trade unions of their own choosing. Various laws and regulations currently in force are very detailed and the labour relations system functions reasonably well in the formal sector industries. Therefore the clause on collective bargaining is integral part of all codes of conduct. Collective bargaining is the normal means of fixing wages and settling disputes in the formal sector, where trade unions are represented. However with the absence of trade union in the garment factories collective bargaining remains simply a clause on paper and non-implemented even during SCA.

There are other codes related to the provision of ventilation, use of safety equipments and so on. Having looked at the procedures involved in SCA, the next section looks at how the procedure is practiced in garment factories by key actors. This requires looking at the hierarchy of roles and also the social characteristics if different actors.

III. The Practice of SCA in Garment Factories
The garment industry where SCA is strongly present, as discusses in the second chapter, is part of the global supply chain. Indeed, the structure and operation of commodity chains play a defining role in the development and implementation of
transnational private-sector initiatives, especially in the case of codes of conduct (Van Liemt, 1999). The key actors involved in the SCA process are also part of the global supply chain. And as discussed earlier workers are at bottom of the hierarchy.

**Hierarchy of roles**

The various actors and the hierarchy of role of persons involved in the process of compliance audit in factory setup are described below. Refer to Figure 5.

1. *Managing Director* occupies the highest hierarchy in the factory. His/her role is to take part in crucial business decision-making and meeting important international clients. He/She is at the crucial junction whereby he/she has to please the buying agencies as well as to safeguard his margin profits. He/she is in the position to negotiate between the buyers (TNCs) and producers (workers) and make SCA a fair game. He/She is part of the opening and closing meeting during an audit. The main role is to discuss the areas of compliance and non-compliance and to discuss with the auditors on means of improving the factory conditions.

![Figure 5: Hierarchy of roles](image)

2. *Human Resource/Compliance Manager* is the main actor as it is his/her responsibility to ensure that the facility is compliant as per code of conducts, see
that workers are satisfied and the wages are dispersed timely. They are the
mediating link between the workers and the auditors. They understand the
intricacies of compliance and are the ones to explain them to the workers. They
have the sole responsibility of getting SCA done and also improve on the areas of
non-compliance.

3. Supervisor is in-charge of maintaining discipline at the work place, grants
leave to the workers; maintain attendance, listens to workers’ complaints if any.
He/She monitors the work of the workers and if the worker has to go any where
he has to take permission from the supervisor. The supervisor is the main link
between managers and workers. In day-to-day practice the workers share their
complaints with the supervisor who then discusses with the management. During
audit the supervisor closely monitors the process and is alert on what workers talk
with auditors.

4. Auditor is the external regulating agent. Their role is to visit factories and see
that the factory is in compliance with vendor’s code of conduct. They are in touch
with the managers as well as with workers. However the relationship with
managers is more personal whereas the relation with worker is professional. The
auditor meets and talks to workers only on the day of audit. The auditors
themselves feel that they cannot make much difference in workers’ life, as they
are not present in the factory, all the time, that is 24/7.

5. Workers occupy the lowest position both in the global supply chain and role
hierarchy in the factory. They are central to the formulation of code of conduct but
their awareness and knowledge on SCA is negligible. SCA process comes to them
from top. They are not involved actively in the process. Rather than being
partners they are treated as mere informants. The voices of the workers are not part
of the SCA.
Below is an illustration of the role of different actors of global supply chain in the process of SCA (refer to figure 6).

**Figure 6: The Process of SCA**

- **Formulation**
  - TNCS, ILO, UN, NGOs

- **Implementation**
  - Auditing firms & buying Agencies

- **Impact**
  - Workers

It is evident that there is top-bottom approach followed. It is the TNCs, international institutions and NGOs involved in formulation of the clauses to be verified, it is implemented by auditors and factory management and the impact of the process is on the workers. In latter section it be seen how the non-involvement of workers in the formulation and implementation is the main reason for the failure of the process.

**Social dimension of garment factories**

In this section the attempt is to understand the social dimension of the following actors involved in SCA.

- Factory owners
- Managers/Supervisors
- Contractors/Subcontractors
- Auditors
A. Characteristics of Factory Owners
A study of around 25 factory owners from different garment factories (including audited and non-audited factories), revealed the following characteristics: A high percentage of the owners are above 45 years of age and there small percentage of women as owners and managers, that too, by virtue of being friend or relative of factory owners. And the most interesting aspect is that these women work only as representing their male relatives/friends. The work is done as help and support to male partners. Another salient feature in the garment factories is that the position is ascribed status, that is, they are in the position as owners by inheriting it from their parents and grand-parent. Only small percentages (10%) of factory owners have set their factory on their own.

B. Characteristics Managers & Supervisors
On the basis of interview with 20 managers and supervisors from different factories the following characteristics emerged: Earlier the recruitment of managers was based on the physical appearance like heavy body weight and stern looking face. The educational qualification or work experience did not form the main criteria for selection. The reason behind this was to have supervisors who could control the workers, keep them disciplined and prevent any protest in the factories. After the process of SCA this has changed. The managers and supervisors are now selected on basis of their education, experience and their ability to handle SCA. The managers and supervisors are in the age group of 30 to 50, having degree in human resource management and industrial relations.

C. Characteristics of Contractors/Subcontractors
The subcontractors are men in the age of 30-50 with primary education upto standard VII$^{th}$ or with no education. They are mainly from North India from Bihar, Uttar Pradesh, Haryana and Rajasthan. The contractors and sub-contractors
are men who have experience of working in the garment factories as supervisors. After working for several years and having developed good relationship with factory owners, they have become contractors supplying casual and part time workers as and when required. These men also have a strong hold in the villages from where they get the workers. Therefore they act as middleman between workers and management. In most cases it is the contractor/sub contractor who decides the piece rate and wage rate for the workers and this includes their own commission.

D. Characteristics of Auditors

The auditors are those who are employed and trained either by an auditing firm or by buyers/retailers themselves. In the beginning most of them were engineering and management graduate but in the recent years more with degree in law and social sciences are being taken as compliance auditor. This is so because of the realization that audit needs understanding of laws and social context of garment factories. Both men and women are working as auditors though they are more men than women. The age group of auditors range from 25 years to 45 years. Since auditors are being paid high salary there has been an sudden increase in the number of auditors in the industry.

E. Characteristic of Garment Workers

A study of around 100 workers from garment factories spread across Delhi, Noida and Gurgaon, the following characteristics came out: Majority of the workers in the garment factories are in the age group 21-40 for men followed by the age group 15-20 for women. The age of the workers is depicted in table below. From the table it is clear that there is no child labours employed in the garment factories.
Table 8: Age of Workers in garment factories

<table>
<thead>
<tr>
<th>Age Group</th>
<th>No of workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-14</td>
<td>0</td>
</tr>
<tr>
<td>15-20</td>
<td>27</td>
</tr>
<tr>
<td>21-30</td>
<td>44</td>
</tr>
<tr>
<td>31-40</td>
<td>21</td>
</tr>
<tr>
<td>41-50</td>
<td>8</td>
</tr>
</tbody>
</table>

As discussed in chapter 2, garment factories are characterized by low percentage of female workers. The ratio of men and women in the factories in Gurgaon, Noida and Delhi is in approximately 62:38, 65:35 & 60:40 respectively as depicted below in figure 8.

Figure 7: Percentage of Men & Women in Garment Factories

The nature of work in the garment factories is a combination of both skilled and unskilled. While the skilled work requires secondary and higher secondary education, the unskilled work like thread cutting, pressing, packaging etc requires no education. Therefore a large percentage of unskilled workers are uneducated or having studies till class VII. Here again we see a gendered nature of work. There is gender stratification between skilled and unskilled workers. It is evident that majority of skilled workers are men while the unskilled workers are female.
The majority of workers consist of migrant men from states of Bihar, UP, Orissa, Rajasthan and also some migrants from Bangladesh and Srilanka (refer to figure 9). Though the percentage of neighbouring countries is low, one can spot few of them working in the factories. They are illegal migrants to Delhi who in search of
work landed up working in garment factories. Due to high rate of migration the workforce in the garment factories is flexible and fragmented. Most of them are employed as casual and part time workers.

All most 90% of the workers in the garment factories are recruited through reference, no outsiders are employed so it is like a family and each worker has some affiliation to the managers. This is again a policy deliberately followed by the managers so as to give a workforce that is loyal and commitment to factory owners. This group does not share any information with the auditors about any problems faced by them. They help in projecting a positive picture of the factory.

This section deals with role and characteristics of different actors involved in the garment factories. The next section examines these different actors understand the process of SCA and the reason for the practice by TNCs.

IV. Purpose of SCA

SCA is leading to change both in terms of economy and social impact. In this section the changes has been analysed separately for different categories- factory, garment export and workers. SCA offers several advantages to the firms involved in global business. The system, as already discussed in chapter two, has been built on the central principles of contemporary globalization that is, outsourcing production. And therefore the process advances a form of regulation that is compatible with business strategies (Wach & Nadvi 2000, Sabel 1994). Suppliers from developing countries increasingly see compliance with new labour standards as a prerequisite to enter into global supply chains. Today, contractors not only have to perform to world-class standards on quality and price, but also on labour and environmental standards. Meeting these new standards can mean greater market access, closer ties to global buyers, and in some cases price premiums (Conroy 2001, Nadvi & Kazmi 2001).
Perceptions from the field

In the course of interviewing factory owners/managers, auditors and workers, the two important aspects that explained their understanding of the process of SCA are:

i. As part of corporate social responsibility
ii. As part of business profitability

To get a more comprehensive understanding of the process in terms of its actual practice in the garment factories it is important to look at each of the above separately. Based on these understanding the motive behind SCA will be examined in the latter section.

i. SCA as part of corporate social responsibility

The auditors and factory owners/managers were of opinion that SCA is part of CSR\textsuperscript{78} initiated by TNCs. This is illustrated below in figure 5. Several definition of SCR has been in use but for our reference the following definition is relevant.

Corporate social responsibility has been defined as the ethical behaviour of a company towards society. It recognizes that not only shareholders but also multiple stakeholders have a legitimate interest in the activities and performance of a business and that a company needs to be responsive to their concerns (Schmidheiny, et al., 1997).

While often used in a broad sense, strictly speaking, the notion of responsibility is restricted to the realms of ethics and principles and not concrete actions nor outcomes. For this reason there is considerable interest in the concept of corporate social performance, which includes not only motivating principles but also processes and observable outcomes on stakeholders (Hopkins 1997).

According to the above definitions, CSR means addressing the legal, ethical, commercial and other expectation of society by corporate or business houses.

\textsuperscript{78} The concept of CSR is exhaustive and a workable definition has been given on page 2. Here the use of the concept is restricted understanding its relationship with SCA.
In simple words, CSR is a comprehensive set of policies, practices and programmes that are integrated into business operations. CSR typically includes issues related to ethics, community investment, environment, governance, human rights, market place and workplace. SCA process involves partnership between TNCs and civil society to work together in their effort to be more socially responsible. In the words of an auditor:

Social compliance is part of corporate social responsibility in the sense corporate sector is a partner in the process of change. By networking with NGOs and other, it is trying to bring change in the lives of the workers.

According to an auditor working with GAP INC, 'SCA is part of corporate social responsibility in a sense that corporate sector enters into partnership with NGOs for bringing in social change'. Putting forward his argument, he cited several examples of such initiatives of GAP Inc with NGOs. Some of these are:

a) **Formation of Self Help Group** among women workers in Jahingirpuri, Delhi. This was done by networking with Navjyoti an NGO working in Delhi with women and children.

b) **Initiation of project 'Swabhiman'** - In network with another NGO, Nariniketan has started a project with women in Delhi prisons. These women are engaged in doing home based work for GAP Inc while spending the period of punishment in the jails among women while working from their residences.

c) **Opening of ATM machines** near the garment factories so that workers could easily deposit and withdraw money. The step was taken to inculcate among the workers the habit of saving from their monthly incomes.

79 GAP Inc is one of the largest retailers in USA having outlets across the globe. Most of its garment production takes place in China, Bangladesh, Srilanka and India.

80 This tie up of GAP Inc as representing TNC and NGO as representing civil society reflects on the dynamic relationship between the two in the global period. And also supports the argument made in the earlier chapter that civil society as a heterogeneous entity works either with state or TNCs or both who ever support its activities.

81 A Self-Help Group is a voluntary, small group structures formed for income generation.
d) *Formation of community centre for women workers*- the idea was to initiate community feeling by providing women workers a platform to work together in a group.

Thus by getting involved in social and developmental work the argument put forward is that SCA is not policing activity but an effort in improving the conditions at workplace. In the words of an auditor:

Compliance is not policing activity but an effort to improve. It is a partnership and something above compliance-a step moving towards corporate social responsibility. It is not a cat and dog fight-it is not that because of certain non-compliance rather it has to be a major fault that a brand cuts business with a vendor. For example, it is not because a factory does not have fire extinguisher that we consider it non-compliant. Non-compliance in certain areas does not lead to cut in production order. When there is cut in production order it implies no work for many workers, in other words, it is the workers who are affected. So it is always taken as corrective action, attempt is to improve. We do not work with a stick in our hand, not for policing but rather are partners for change.

Through the united system of the drive for free market and the consumer pressure, corporate do make a choice between being ethical and applying principles of CSR or else being expelled from business (Korten 2001).

*ii. SCA as part of increasing business productivity*

The second most common understanding of the process of SCA is related to increasing business productivity. The narratives of the factory owners suggests that inspite of SCA being an expensive process they prefer to get their factories audited as it implies increase in productivity. This comes out from a large percentage of factory owners and managers saying that they get their factory audited to increase productivity.
The auditors said that it was more related to CSR (46.7%), secondly as strategy to improve business globally (26.7%) and thirdly to the movement for ethics and human rights (20%).

The factory managers and owners also felt that SCA was part of CSR initiative (64.6%), secondly as part of business (36.6%) and thirdly as part of ethics and human rights (9.09%).
If for the factory owner SCA means increase in productivity it is accepted even if it incurs an additional cost. The same logic applies for the TNCs as well; it implies more business for them by protecting brand image. This is suggested by one of the most familiar brand in Indian garment industry:

When we are doing compliance the motive is to protect brand image. This is very important for business and compliance is to see that there is no bad image. We are not doing 'charity' but trying to protect our business by being more socially responsible. Compliance is about both commerce and social but the former always takes the lead'.

**Figure 11: The reason for doing SCA**

<table>
<thead>
<tr>
<th>FACTORY OWNERS /MANAGERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase business</td>
</tr>
<tr>
<td>Demand from International consumers</td>
</tr>
<tr>
<td>Demand from Institutional institutions</td>
</tr>
<tr>
<td>Service to the law</td>
</tr>
</tbody>
</table>

Thus for the TNCs, SCA is not to do with charity nor to do with social cause but a demand of the restructured economy, where consumer and media have a strong hold, to keep their business going. A representative⁸² from a reputed brand made the following observations:

Compliance means productivity plus corporate social responsibility; it is part of business for international brands⁹⁻

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⁸² On request from auditors and brand representative that name are not mentioned in the study. This does contradict the question of transparency because there is so much of confidentiality and secrecy. These points will be taken up in the next chapter.
This observation spreads across all brands and buying houses as per the auditors interviewed.

**Figure 12: SCA leads to increase in business & productivity**

Thus the manifest function of SCA is to increase productivity for the factory owner and safeguard the brand reputation of the TNCs. And the latent function is the concern for being socially responsible and respect for ethics.

**Why is SCA actually done?**

From the previous section it is evident that a large percentage of factory owners and auditors consider SCA as part of the CSR and profitability of TNCs and also garment exporters. Thus there is contention between the ‘social’ and ‘economic’. The argument in favour of CSR suggest that TNCs have a ‘social’ role in protecting the working conditions if the factories but then the debate in favour of profitability suggest that TNCs have no social role but are concerned with the economic profits. Milton Friedman argued that,

*In a free society, “there is one and only one social responsibility of a business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud (Friedman 1994)*
The important question that arises in the context of growth of capitalism is why does TNCs engage in SCA? Are they really concerned with social responsibility in the business or are there other motives behind the practice of SCA? In this section the above questions are examined by the factors that make SCA a necessity for both suppliers/manufacturers and the buying agencies/retailers. Some of the factors are:

i. Avoidance of media report on abusive practices

As mentioned earlier, SCA has emerged in response to media reports against top brand companies that used international contractors and sub-contractors. By the 1990s, due to media activism, most of these companies were being criticized for abuse of human rights established by their own ethical codes of conduct (Fagerfjäll et al., 2001: 99). The following abuses were reported which forced TNCs to take initiative to make their business more ethical and abuse free.

- 1992- The first report of abuse when a public scandal followed a report in the Washington Post about the production of Levi jeans by Chinese prison labour in the Island of Saipan. Levi-Strauss immediately reacted by drawing up a code on labour standards for all its overseas suppliers\(^3\).

- 1995- A famous American coffeehouse chain was appalled that its outlets were picketing because workers' rights were abused in the Central American coffee fields.

- EPZs in Noida reported of having following practices in factories- Locking workers in the factories, forcing them to work for 12 hours a day and all seven days a week, paying no overtime, doing pregnancy test at the time of hiring, not giving maternity benefits etc.

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\(^3\) See Jean-Paul Sajhau, 'Business ethics in the textile, clothing and footwear (TCF) industries: Codes of Conduct', *ILO Bulletin*, no. II-9, (June, 1997).
These media reports were coupled with reports from civil society and organizations working for labor rights. In recent years, some major international companies have experienced numerous protests against conditions in factories. Continuous reports by media, civil society, and other organizations mainly in the USA and West Europe created tremendous pressure on international buyers and retailers to avoid such abusive practices in their supplier's factories, lest it attracted media attention and bad reputation.

**ii. Civil society campaigns against unethical practices**

The concern for environmental and social impacts of global manufacturing practices on workers in developing countries was initiated by civil society campaigns. These campaigns focused on specific injustices of TNCs in third world countries (Clark 2003). Most of the campaigns are against "sweatshop" manufacturing of products such as toys, electronics, garments, and shoes. These campaigns demanded that leading companies stop abusive practices, improve overall conditions for workers and ensure the rights of workers to organize. Internet campaigns, NGO actions and demonstrations criticizing globalization enlarged the pressure on companies to behave according to human rights and enhanced the value of trustworthy statements of ethical behavior (Neef 2004). Under TNCs started to project their concern for social responsibility.

**iii. Consumer boycott of goods produced under sweatshop**

Consumer awareness of ethical issues in business have increased in the last five or six years (Fagerfjäll et al., 2001:100). Consumers in developed countries became more concerned with the conditions under which goods are produced, in fact surveys by agencies have shown that consumers in United states are willing to pay more if retailers guaranteed that their products are not made by child labor and that most would avoid goods made in sweatshops.
A national survey of 1826 adults conducted by PIPA suggests that 74% believe they have moral obligation to ensure that people in other countries who make 'products that we use ... do not have to work in harsh or unsafe conditions and 76% said they would choose the sweat free garment (PIPA 1999)\textsuperscript{84}.

Elliott and Freeman (2001) report that over 80% of consumers polled in the United states are willing to pay more for products that are made under "good" conditions, over 75% report feeling a moral obligation to help improve workers' conditions, and over 90% agree that countries should be required to maintain minimum standards for working conditions.

A recent poll by Environics International (1999) found that 51 % of Americans reported 'punishing' a firm for bad social performance in their business\textsuperscript{85}.

Consumers often boycotted goods on report of unethical practices under which they were produced. Thus consumers were in many ways at the root of the processes of SCA (Freeman 1994). Increasing aware consumers started demanding more information on the products they bought, and systems to help them avoid sweatshop products. Several initiatives were taken up by different organization to increase awareness among the consumers about the conditions in the garment factories across the globe. The aim has been to raise awareness about how clothes are made and to pressurize retailers to take responsibility of labour conditions throughout subcontracting chains. The access to information became easier with the development of new technologies like the internet. Through the worldwide web, these activists could easily and quickly generate negative publicity that could tarnish corporate image and eat into market share and profit margin.

Global communication flows and civil society have made Northern consumers increasingly aware of the origin of the goods they purchase and the adverse circumstances in which they are produced. Consumer-led campaign have put pressure on large brand name companies and retailers to address poor employment standards within the supply chain or risk adverse exposure that could damage their reputation and market share (Barrintos 2002).


\textsuperscript{85} See http://www.environics.net/eil/millenium/.
As a result consumer power was increasingly being wielded to affect company behaviour.

iv. Protection of brand image

Today, as never before, an enterprise's public image is an asset which must be protected and developed to the maximum. In highly competitive consumer markets, a company's public image often determines the decision of whether the consumers will buy its product or not. Companies face enormous difficulties in designing and enforcing global policies. Retailers and manufacturers risk damage to their reputation and the value of their brands, if workplace abuses at their factories or those of their contractors / suppliers are exposed. Therefore companies promote ethical concerns in order to project an image of a social responsible business. The ethical commitments undertaken by the company are communicated externally. It is strategically important that the message reaches the market.

The TNCs are under constant fear of media report, boycott by consumers and bad publicity. Due to this large retailers in the United States and Europe are now giving high priority to social responsibility, safety and environmental issues, besides corporate ethics. They try to respond to the requirements by establishing code of ethics as an integrated part of the corporate culture and make it an essential business policy (Drury 2000).

Firms are “voluntarily” participating in or leading these programs because of significant new pressures to improve their labour, environmental, and social performance. Brand-sensitive firms are joining non-governmental initiatives or creating their own codes of conduct and monitoring schemes in response to direct pressures and demands from activists. Codes and monitoring systems are viewed as a strategy to reduce reputational risks in the market place (Conroy 2001). One
bad supplier can significantly damage a firm’s reputation, and in turn its sales and stock value. Firms with suppliers in countries with weak enforcement systems, or a poor track record on child labour, are viewed with suspicion by informed stakeholders. These firms thus need independent means of establishing their “good” performance (Nadvi & Wältring 2001:28). Many firms that source consumer goods from developing countries adopted codes of conduct in order to protect their brand reputation (Jenkins 2005).

Effects on different actors
The implementations of the standards have several advantages for the different actors in the factories.

I. Advantage for Garment Exporters
   - Global acceptance of their business which increase the profit margin as there is higher chance of acceptance by consumers in western countries.
   - Long time improvement in productivity by having better working condition. This help to increase productivity as the workforce is satisfied and committed.
   - Increase in the productivity of workers improves the amount of export from the country. It attracts more TNCs to invest with factories complying to codes of conducts.

II. Advantage for TNCs
   - To strengthen corporate image by following social policies that avoids human right violation and follows principles of social justice.
   - To remain in business by satisfying consumers. Due to tough competition in the international market, it is seen that only those who respects principles of justice and welfare survive in the market.
   - To avoid backlash from consumer media and civil society. In the global market with high speed communication any illegal activities carried on
catches media attention and therefore corporate sectors have to be on the toe to check that they do not get involved in such activities.

- Strengthened investor’s relations by protecting brand image. This is related to the above two factors. As a result of better brand image and more profitability leads to increase in investment and expansion of business.

III. Advantage for Workers

- Safer working conditions in the factories. The process creates safe working conditions for the workers. The health and safety of the workers and the workplace is important.
- Increased morale of workers. It tends to act as motivator for the workers as they see that the management is taking care of their problems.
- Reduced complaints by workers. There are fewer claims of harassment, discrimination or unequal pay practices. All codes of conduct ban these practices in any form. It becomes mandatory for the management to ensure that such incidence do not occur in factory premise.

As mentioned earlier in the study garment manufacturing in Delhi takes place for both international and national market. SCA as process is applicable and found only in the manufacturers for the international market. Thus with the garment industry the process is beneficial only those catering to international market. This comes out clearly by comparing the audited and non-audited factory.

Description of Production Area of an audited factory - The Production area consists of a total area of 1500 sq. meters. It is spread out in two floors and basement. In the basement packaging and storing of finished products is done. In the first floor there are looms for weaving and on the second floor there is the stitching and checking unit. The factory was in a neat and tidy condition with water coolers, fire extinguishers, and first aid box installed in sufficient number.
All workers were wearing protective masks and earplugs. The management was ready with all official records required for verification.

*Description of Production Area a Non-Audited Factory* - The production was taking place within the basement and ground floor of the residence. The factory was dark, dingy and dirty. The factory owner was not cooperative and also suspicious of my effort. Talking to him and some owners it was evident that they were unknown to the process of compliance audit. The difference can thus be highlighted:

**Table 9- Comparison of Audited and Non-Audited Factories**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Audited Factories</th>
<th>Non-Audited Factories</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of male Employee</td>
<td>240</td>
<td>50</td>
</tr>
<tr>
<td>No of female employees</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>No of working hours</td>
<td>14hrs in a day</td>
<td>20 hrs in a day</td>
</tr>
<tr>
<td>Working days in a week</td>
<td>Six with Sunday off</td>
<td>Seven days working</td>
</tr>
<tr>
<td>Minimal Wage</td>
<td>Rs 3125</td>
<td>Rs 50 to 200 per day</td>
</tr>
<tr>
<td>Overtime Wage Rate</td>
<td>2.5@ per monthly wage</td>
<td>Not fixed, Rs 10 to 50 per day</td>
</tr>
<tr>
<td>Presence of Trade Union</td>
<td>Registered formal groups exist outside the factories but not inside</td>
<td>No presence of any group</td>
</tr>
<tr>
<td>Availability of facilities like drinking water, toilet etc</td>
<td>Complies to the code of conduct and hence provision of these facilities is mandatory</td>
<td>No provision for these facilities</td>
</tr>
</tbody>
</table>

From the description of the audited and non-audited factory it is evident that the former now have workplace more conducive for production. In the words of a factory owner:

In the beginning when SCA had started, all most all vendors considered it as a useless, stupid, expensive and time wasting activity. But over a period of time, the vendors have been able to understand that being compliant only increases productivity that in turn leads to profit. By increasing productivity one can reduce overtime and its related
problems. If there is no overtime then no problem of maintaining double records. SCA is an expensive exercise only if you have to do something beyond the state laws, if you follow state labour laws then it is not an expensive exercise.

Thus it is evident the main gainer are the large garment exporters catering to international market. The important question that arises is to what extent SCA affects the workers.

**Impact on Workers**

Most of the audited garment factories are located in EPZs where due to globalization of production, the amount of work available has increased tremendously. The garment factories have created a large space for both skilled and non-skilled labour. Around 64% of workers stated in the interview that it was their first job. And most women said that prior to employment in the garment factories they were doing household work. The most distinguishing aspect is that garment factories have provided employment to unemployed men and women migrants from other states. As discussed earlier a high percentage of workers in the garment factories are migrants from North Indian states (refer to figure 11).

The garment factories have been attracting a large workforce in the recent years. In the opinion of the managers of the factory, the common factor for this was the unorganized structure of the factories and also changes accomplished due to the enforcement of code of conducts in these factories. For men the decision to work in the garment factories have been mainly their own decision. About 90 percent of male workers reported this. But in case of female workers, it is the decision of their husband, parents and brother/sister that is more crucial than their own decision. While talking to many women in their residence it was found out that prior to the process of compliance audit women were not allowed to take up work
in the garment factories. The process of compliance audit is changing mindset towards women employment as told by women worker:

Pahle tu humare paati mera kaam karne ke khilaf thein. Mera kahne par ki main usi factory main kaam karma chaathi huin jise main mera paati thain, u bigar jaate thain. Unka kahna tha ki factory main log aache nahi thein anur manager ka uewahar aacha nahi hot...Paar yi thode saal pahele ki baat hai aab mera paati khud hi mera liye naukri talaash kiyan aur aab main kaam kar rahein.

(Earlier my husband was against my decision to work. On my request that I would work in the same factory in which he worked, he told me that the people in factory are not good and that the behavior of manager is very bad. But now he himself has looked for the job and asked me to join. Now I am working in this factory).

But this change is very miniscule as the percent of women in the garment factories in Northern India is low.

Besides increase in employment of both men and women, the other changes seen in the garment factories are: improvement in health and safety conditions at work, timely payment of wages as per legal standards, reduction in overtime hours of work leading to increase in time spent with family. These changes have been stated by managers, auditors and workers themselves (refer to figure 13).

1. Improvement in health and safety conditions at work – After a decade of SCA the workplace looks more neat and clean and payment of wages are done in time. While talking to the workers, it became clear that they prefer garment factories as they get timely and accurate wages which is not found in other factories. Now the manager is more polite in his behavior towards the workers. The workers’ observed that:

Worker 1- SCA se aacha kaam ho rahi hai kyoinki aajkaal factorio main safai hota hai, kaam karne ka jagha shaf shuthra hota hai, humein samaye par thankha mil jata hai, manager humse tameej se baat katrta hai. Ye saari baatein sif idhar hi hai aur dusre bahut sare factory main nahi hai. Islie humein yehan kaam karma accha lagta hai.

(SCA is a good thing in the sense that it has brought about many changes in the factory setup, now the workplace looks neater and clean, the payment of wages are done in time even the manager is more polite in his behavior. This is not found in
many factories and only found in the garment factories in this area. This is one reason we like working in this factory).

**Figure 13: Changes due to SCA**

Worker 2- SCA ke pahle factory main pine ka pani bhi nahi tha. Bathroom main tala laga hota tha and mahilayo ko supervisor se bathroom jane ke liye aayga lena parta tha...par aab factory main bahut badlab aaya hai, jagha-jagha par pina ka pani ka intejaam hai, mahila aur purush ke liya aalag bathroom hai...aurato ko aab aayga nahi lena parta hai. Factory aab saaf shuthra lagta hai.

Before compliance audit, there wasn't proper drinking water. Locks were put on bathroom doors, women had to ask permission to go to the bathroom, and retired army men were kept as supervisor in the factory. But things have changes now, we get proper drinking water, there are separate toilets for men and women and need not seek permission for using them, the factories are now clean and ventilated.

The workers themselves feel that the process of SCA has led to improvement in health, safety and timely payment of wages. Many of big export factories give the impression of a five star hotel from outside.

2. *Payment of wages as per minimum wages set by respective state* - prior to SCA the garment sector was characterized by low payment of wages, often lower than that set by labour law of the country. The positive aspect of SCA, as observed by
managers and auditors, is that wages are being paid as per laid out by state legislation from time to time.

Factory manager 1: The process of SCA has brought changes in the working conditions. The workers today are more aware of the system. The wages are paid as per the law. The frequency of the SCA has made the owners and managers more conscious of improving the lives of the workers.

Auditor- We stress on payment of wages as per the minimum set by state law. This is one of the most crucial part of SCA as there was strong practice of paying very low to the workers, especially women workers. We ask factories to follow non-discrimination and pay equal to both male and female. Our effort has indeed reflected in proper payment of wages.

Along with timely payment of wages there is reduction in the hours of work. Overtime work is done as per stipulated in code of conduct and labour law. The regulation of hours of work however is not accepted by the workers themselves as it implies decrease in their monthly income. By doing overtime the workers would earn double the amount of their monthly wages. Many factory managers find it difficult to restrict the hours of work. The workers express their discontent and often leave the factory and join one that has no regulation of overtime work.]

3. Improvement in time spent in family-While talking to factory managers and supervisor it was found that the most common reason for the workers to do overtime was that they had no work to do back home unlike their female partners. Rather than wasting time being idle, the workers preferred spending time in factory doing overtime work. When overtime was restricted under code of conducts and overtime payments made compulsory, the workers started spending time with their families. Gradually they get themselves involved in household work. This helped improve inter-personal relation. In the words of worker’s wife:

Worker’s wife: aajkaal mera paati samaye se ghar aaja te hai...kai din to laet jaatain hai kyoiki unke paas koi kaam nahi bota hai paar kabhi kabhi mera saath rasoi main madaat kartain hain aur bache ke saath bhi khel te hain. Muje ye aacha laagta hai
kya duke ke itne daer se aatain their nhay bana aaye khana khat day au so jata thein par aab ina thak te bhi nahi aur khus rahtain hain.

(Nowadays my husband comes back from home in time...many a days he is not feeling well so he takes rest but on other days he helps in the kitchen and also plays with the kid. I am happy with these changes because earlier he would come very late at night, would be so tired that he would just eat food and go to bed. Now he is not so tired and is cheerful).

This change was not easy because as stated in the last point workers resented against reducing time of work. They felt that it was just wasting time going home early. It was the task of auditors who counseled them for doing less work and spending more time with their factories. Here the welfare aspect of SCA is evident.

From the above analysis it is clear the process of SCA has resulted in changing the outlook of the factory in the sense that they appear neat and clean. The workers have benefited in terms of better health and hygiene, timely payments of minimum wages and overtime amount. In simple words the process has laid to removal of 'sweatshop' from the garment factories. However these changes appear only in very few factories and in large part of the industry there have not been any changes. This is so because of certain shortcomings in the process it self.

**Shortcomings in the process**

It is relatively easy for a company to draw up an ethical code. It is much more difficult to ensure that it is implemented. All companies require certificates of compliance from suppliers but there are differences in the extent to which this compliance is monitored. Some of shortcomings in the entire process are:

a) **Expensive Exercise**: - SCA is an expensive exercise. According to data collected it can be estimated that one audit costs the factory around 5 lakh rupees. And many of the garment factories are catering to multiple buyers/retailers, so the
factory is audited for each of them. This implies that the total cost for getting an audit done amounts to 20 lakh rupees approximately. This is just a rough estimate and the figures can increase or decrease. The idea here is to state that audit is an expensive and adds to the administrative cost of the factory.

In spite of high expense the factory cannot say no to SCA because of the fear of loosing production order. Because of the ease of relocating, the buyers do not hesitate to cancel contracts if they find “gross violation” of compliance norms. So the factories doing large-scale production for foreign markets have no option but to adhere to the norms and standards set out by the buyers and retailers. Due to high cost involved in getting SCA done and voluntary nature of the process the small firms producing for domestic market avoid the process. For them the adoption of corporate codes appears as an additional burden. Small firms cannot survive due to strict compliance norms and hence restricted to producing goods for domestic market.

b) Multiple codes- there is hundreds of codes being designed by companies and industry associations. Each entity, it seemed, applied different criteria and promotes different standards. According to OECD study there are 246 codes of conduct and the types of issues addressed by these codes varied considerably (Gordon and Miyake, 2000). There are some codes incorporating standards for wages while others do not. Some permit public monitoring, others do not.

c) Lack of Uniformity: - One of the problems with independent monitoring is that since these codes are a new development there are no existing frameworks or procedures. Every buying house has their own code of conducts and standards.

86 Small Garment Exporters Get Washed Out, Times News Network [Monday, August 09, 2004]
across which the factory is audited. Though these are in accordance with national legislation and ILO standards often there is scope for exceptional grievances.

c) Limited Applicability- Corporations do not adopt codes unless faced with public pressure and negative publicity. This means that codes are adopted by only a few sectors that are especially vulnerable to consumer pressure and boycotts, and hence especially keen to preserve respected brand names. Moreover since consumer boycott and pressure is a Western phenomenon the process is applicable for business conducted for international market. There are hardly any examples of companies manufacturing for the domestic markets adopting codes of conduct dealing with labour (Sood & Singh 2001).

d) Codes limited to formal sector-Both existing company codes and the model codes developed by trade unions and NGOs have been drawn up with the formal sector in mind. Regulations about health and safety and working hours are difficult to apply outside a factory environment. Yet an increasing proportion of workers in the garment factories work are in irregular employment in small production units or at home. However the problems of implementation and monitoring are enormous. There is evidence of companies avoiding these demands, either by concentrating on a few main suppliers, with consequent job losses in smaller enterprises, or by using hidden workshops where protection is non-existent. The whole point of codes of conduct is that they should be applicable to all workers wherever they are based.

Working conditions for goods produced in the informal sector, as in private homes or small workshops, are typically difficult to monitor. Moreover, the scope of monitoring rarely extends beyond the primary suppliers (garment factories), which means that there is little private effective regulation of secondary ones (contractors & subcontractors), though these play an important role in the
production of many internationally traded goods. Workers themselves have expressed this. One of the workers stated:

Audit is conducted in the mother unit but it necessary to check if the unit is sourcing out work to other and if using sub-contracting, if using then has to assure that the sourcing unit is also socially compliant.

Factory managers have expressed the same opinion and they too consider the non-involvement of SCA in the informal sector as one of the main cause of failure of this process.

Factory Manager- One major drawback of the process is that audit is conducted only at the exporters' unit. This is the mother unit and work is sourced out to auxiliary units-suppliers, sub-contractors and home based workers. The mother unit is certified to carry out production but what about the auxiliary units that are not audited. In-order to make SCA more successful, it is important to see that the canteen, which supplies factory workers with tea, is also socially compliant.

e) Non-Involvement of workers- Workers have not been involved in negotiating company codes. The codes are formulated by TNCs and buying agencies, implemented by factory owners and management but are impacting workers. With a few exceptions companies have drawn up codes without any reference to the trade union movement either at a local or international level. Furthermore few efforts have been made to inform workers when codes have been introduced into places of work.

The fact that workers have not been consulted on the content of codes means that there is no guarantee that their needs and demands are reflected. Workers would clearly welcome provisions covering issues such as health and safety and forced overtime, but others such as the minimum age of employment may be more controversial. Workers may have other priorities, which are not covered by existing codes. Most workers in these industries are women and women workers frequently place freedom from physical and sexual abuse high on their list of demands, issues often ignored and neglected during SCA process.
Codes are written in a language that workers could not understand. Workers were often unaware of how to channel complaints, and management received little if any training to facilitate code implementation, either in relation to learning about the different elements of the code or technical aspects related to environment, health and safety standards. Thus it can be concluded that the auditing program is focused and designed primarily to solicit information from factory managers, rather than workers.

f) Ineffectiveness of Workers' interview - Worker interviews are biased towards management. Auditors asked the managers to help them select workers to be interviewed, collect the workers' personnel files and guide workers to the place interview. As a result the managers knows who was being interviewed, for how long, and on what issues.

A workers interview does not effectively help in gathering information about workers, as there is no pre-visit information collected from workers and no opening or closing meeting performed with workers. There is no protocol to explain the program to workers. There is no strategy for helping workers collect and then provide accurate, verifiable information. Workers are not given the chance to gather information before the audit, such as recent pay stubs or records of pieces worked on specific days to compare to management reported hours and wages. Workers don't have records in front of them to compare to management records. Workers are chosen “at random” throughout the plant. The opinion of a worker on what he believed about worker's interview:-

Every month there are two to three visits by buyers in the factory and the visitors basically talk with the management. Workers get prior notice for such visit and sometimes visitors also talk with 10-15 workers who are selected by the management. These workers are instructed by the management what is to be said to the auditors and if there are any workers who are unable to speak according to the instructions then they asked not to come till the visit of the auditors ends.
The workers that I interviewed knew about code of conduct as they had seen it posted on the walls of the factory. However, they never read it carefully because the employer put the code only on the window of the factory security building. The auditors themselves feel that worker’s interview is of not much use:

Yes the workers are tutored, and it is not necessary to do every time audit is carried out, once we have told the workers they say the same to all the auditors. The workers know that being loyal to the management is more important than telling truth to the auditors. The permanent workers are more loyal to the owner and those who are new are scared of losing their job, so both do not share anything with the auditor in the workers interview.

The workers felt that the security guards always watched who was reading the code and carefully kept their eyes on the workers who wanted to read the code. The workers fear that if there is ever a strike in the factory, the workers who were seen by security guards reading the code will be suspected as leading the strike. Due to ineffectiveness of worker’s interview many auditors adopt other means to extract information from the workers. In the words of an auditor:

If the workers are coached, it is evident and it depends on the ability of the auditor to identify that, once it is sure that workers are giving tutored response then there is no need to do further worker interview. But there are other ways to know the truth, the auditors leave their phone number with worker, the contact number is posted all round the factory in the Code of Conduct, the worker can call and give the information, I have received phones many times and responded immediately.

Such cases may be a small percent of reporting on abusive behaviour of the employees. Most workers do not even read the code of conduct in detail and even if they do very few take the step of informing malpractices in the factories. They are so exhausted after days’ work that they simply want to get back to their homes and take rest.

h) Malpractices /Frauds – The process is not free of malpractices. Fraud is a major problem in the field of social audits. Various types of frauds that are carried out are:
i. The factory keeps two sets of wage records- In one set of factory (that I visited with an auditor) a worker maintained one set of time record that showed that he worked for sixteen hours whereas the auditor showed the same workers time card as working for just eight hours and this was the time reflected in wage slip and wages calculated according. What is important is that the workers time card reflects overtime which has been concealed from the auditor. The workers are aware of these corrupt practices indulged by the factory manager to hide records from the auditors.

Worker- All records are kept in two different sets – one for the worker and one for the auditors. For example the pay slip that I get does not show any deductions for Provident Fund, and I get the amount that has been sanctioned at the time of appointment, the pay slip that is given to me on the day of audit has all deductions made.

ii. Maintenance of Model Factory- Another popular method of tricking auditors is to maintain a “model factory”, into which auditors are welcomed, whilst subcontracting out the bulk of the work to other factories. In the course of field work in Delhi, it was found out that in a group of four commonly-owned by a single owner one has an SA8000 certification and indeed provides relatively good working conditions for workers by all accounts—this certainly helps it get contracts from a number of international buyers that have faced international pressure to improve working conditions, including Disney and M&S. Workers in the other three factories in the same group reported that work from this model factory is being subcontracted to their factories, in which working conditions are considerably worse.

Worker- The factory gives a total different look on the day of audit, the first aid box that is empty on other days is full of medicines, and water coolers that are dry on other days are full of water and so on.

iii. Creating a false picture of the factory by getting involved in the following activities:
• Whenever social auditors came to the factory the contract and piece rate workers are given holiday

• All workers are given identity card with name of factory and identity number to show that they are permanent employees.

• Workers are coached prior to interview. Even on surprise visits — by the time the auditors come to the workplace, the supervisor sends message across and all the workers are put on alert.

Even amongst the management there is the belief that not much is being done at the factory level in comparison to the attention given to it in TNCs reports and reports for the Western consumers. One of the owner on being assured that his name wouldn’t be mentioned anywhere said that …

…the entire process of SCA is an ‘hoax’ and that there are multiple ways to show that factory is compliant but in reality not following the codes of conduct.

Because of these limitations compliance audit provides is only a snapshot of existing conditions condition. It can be concluded that SCA per se cannot in itself provide relief to workers or bring factories to legal standards.

V. SCA- Regulation or Organization

SCA is failing to deliver as a tool for assessing code compliance, particularly in determining violations of freedom of association, and right to organize. Workers and their organizations are marginalized in the social audit process. Without their full participation in the auditing process the workers’ concerns, particularly gender-related concerns, are missed.

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. On the other hand 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.

Social audits are usually too short, too superficial and too sloppy to identify certain types of code violations. 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. The vast majority of social audits are conducted by global firms whose staffs are generally unskilled and inexperienced to do the job, and whose business model conflicts with the requirements for credible, independent social auditing. Audits are often not followed by effective remediation. Improvements at the workplace are limited to health and safety issues and tend to be superficial. The audit industry is closed and secretive, preventing serious discussion about its policy and practices and possible improvements to its methods.

Social audits are meant to help identify workers’ rights violations in production facilities, to assess and evaluate suppliers’ performance in relation to social standards and encourage improvements at the workplace. However they cannot, by themselves, create change. At the same time, flawed auditing can have the opposite effect by providing a false or incomplete picture of working conditions at a production site. Much, therefore, depends on the quality and scope of an audit. The process of SCA has failed to address the problem of collective bargaining for worker’s right.