

# CEC Working Paper

## Study on Social Audits in Garment Industry in North India

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## *List of Abbreviations*

AITUC	All India Trade Union Congress
AVE	Außenhandelsvereinigung des Deutschen Einzelhandels
BSCI	Business Social Compliance
BVCPS	Bureo Vertiaes Consumer services India pvt ltd.
CAP	Corrective ActionPlan
CEC	Centre for Education and Communication
CITUC	Centre for Indian Trade Union
CSR	Corporate Social Responsibility
CT-PAT	Customer Trade Partnership against Terrorism
CWDS	Centre forWomen Development Studies
ESIC	Employee State Insurance Corporation
ETI	Ethical Trading Initiative
FLA	Fair Labour Association
GOI	Government of India
HMS	Hind Mazdoor Sabha
ICFU	International Confederation of Free Trade Union
IKEA	Ingvar Kamprad Emtaryd Agunnaryd
INTUC	Indian National Trade Union Congress
NGO	Non- Governmental Organization
PIC	Partners in Change
UK	United Kingdom

## *Preface*

Clothing industry is one of the most globalised Industries in the world today. Asia leads world's garment production. India is the third largest exporter of clothing from Asia (after China and Hong Kong) accounting for 1284.7 million pcs. valued at US\$ 4769.4 million in 2002-03. Relatively, a new sector, it evolved with great speed with the large-scale relocation in garment trade in 70s and by mid 80s had a formidable workforce. The textiles industry employed roughly around 35 million people, making it the second largest employer in the country after agriculture. The economic significance of the textile sector is further established by the fact that it contributed about 14% of the industrial production in the country and about 27% of its export earnings.

In the recent years particularly in the post MFA context, MNCs sourcing from developing countries like India are increasingly committing themselves to Social Responsibility and Codes of Conduct. Social audits have become the dominant mechanism for implementing codes of conduct.

However, Labour rights advocates have raised serious concerns about the current dominant models of social auditing. First, because the quality of the workplace investigation is very low (checklist model, it does not involve workers, etc.). Secondly the attention of the European and US retailers to auditing has taken attention away from other activities that labor rights advocates believe to be equally important to ensure code implementation for example complaints mechanisms, worker training and changes in buying practices. Thirdly the model does not take national realities (political, bureaucratic, cultural and societal) sufficiently in account.

With this background Centre for Education and Communication (CEC) collaborated with Clean Clothes Campaign (CCC) in a research project which aimed at collecting information on social auditing process in nine countries. The research results critique BSCI and other proponents of the 'minimum-model'. This synthesis report is the basis for the second part of the project which is public campaigning towards more worker-inclusive models of code implementation, working directly with local partners to develop different, more locally-grown methods for workplace investigations and combine this with complaints and genuine worker training.

Objective of the Research is to collect information about social audits done by European and US retailers in workplaces in India - find out how the social audits are organised and understand their impact on the labour situation in these workplaces. Aim of this exercise is to examine the activities undertaken in relation to social auditing practices in India and offer a critical perspective and recommendations to ensure meaningful and sustainable processes that will generate positive improvements.

J. John  
Executive Director  
Centre for Education and Communication

## Chapter 1: Social Auditing in Garment Industry in India - An introduction

Monitoring of labour standards in production facilities through social audits has become a common practice for all international brands. Social audits can be traced back to the 1990s when a large number of high profile companies were exposed for having poor labour standards in their supply chains. Abuses documented by human rights monitoring agencies such as Human Rights Watch, Amnesty International and Maquila Solidarity Network<sup>1</sup> (MSN) highlight concentration camp-like working conditions, wages of less than a dollar a day, physical and sexual abuse and the use of police and military to violently break strikes and lawful picket lines.<sup>2</sup> In order to avoid scandals a large number of brands and retailers, including Gap, Nike and Levi Straus adopted Codes of Conduct and started to increasingly rely on social audits for monitoring.

The key question here is whether monitoring the implementation of Codes of Conduct through social audits alone is the solution to improve labour standards in a production facility? To understand this let us look at some key market trends in the global garment industry. First, prices of ready made garments have been falling. For example, in the UK women's clothing prices have fallen by a third in ten years<sup>3</sup>. Second, fashions are changing faster. Where high street stores used to change their collections just twice each year, the pressure is now on to have something new in stores every month, in response to rapidly changing trends. Such "fast fashion" gives shoppers the latest styles just six weeks after they first appeared on the catwalk, at prices that mean they can wear an outfit once or twice and then replace it<sup>4</sup>. Third, low cost retailers such as Tesco and Wal-Mart are fast expanding their business. At one level they have to maintain their monopoly over the low priced middle segment and at the second

level they are also trying to capture the high end segment. For the supplier this 'fast fashion' translates into reduced lead times and more frequent but small orders. This aggravates the race to bottom among the suppliers - manufacture and deliver quality product just-in-time, at a competitive price. This pressure is carried down the supply chain to the workers.

With consumer campaigns making headlines, on the one hand brands and retailers have to reassure their customers that their products have been made under ethical conditions. On the other hand is a race to be big, be the first, and sell at the lowest costs. Brands and retailers responded to this by initiating social audits within their supply chains. However, little, in fact no attempt to integrate concerns on ethical sourcing with their existing purchasing practices. Moreover, industry-led initiatives tend to adopt the lowest possible denominations for labour standards. The monitoring systems are deftly designed to suit the purchasing practices - social audits following a check list method, pre announced visits and excluding workers and their representatives from the process.

The other side of the story is how flawed social auditing has had the opposite effect by providing a false picture of positive working conditions at the production site. In 2000 a report by Dara O' Rourke to light how the social auditing practices of PwC, a key player in labour monitoring, doing more audits than any other company in the world, were flawed. He pointed how auditors failed to identify major labour issue in their inspections such as violation of overtime laws, violation of wage laws, use of hazardous chemicals and other health and safety issues, barriers to freedom of association and collective bargaining<sup>5</sup>. Another example which illustrate the anomalies within a code and how its standard falls below the requirements stipulated by national laws and ILO is the Self-Assessment Handbook of Worldwide Responsible Apparel Certification Programme (WRAP)<sup>6</sup>. The handbook focuses on how to

<sup>1</sup> [www.maquilasolidarity.org](http://www.maquilasolidarity.org)

<sup>2</sup> <http://www.peak.sfu.ca/the-peak/2003-1/issue13/fe-nosweat.html>

<sup>3</sup> <http://www.cleanclothes.org/news/newsletter22-08.htm>

<sup>4</sup> 'Who Pays for Cheap Clothes,' Labour Behind the Label: <http://www.labourbehindthelabel.org>

<sup>5</sup> Monitoring the Monitors: A critique of PriceWaterhouse Coopers (PwC) Labour Monitoring, Sept 2000

<sup>6</sup> [www.wrapapparel.org](http://www.wrapapparel.org)

ensure respect for freedom of association indicates that employers must respect the "right" of individual workers to not join any association or bargain collectively. On the issue of discrimination, the handbook appears to indicate that mandatory pregnancy testing is not acceptable<sup>7</sup>. Nowhere in WRAP's published materials are monitors required to interview workers at all. The monitor is paid by the factory being monitored. Payment for the initial site visit includes a 10% additional fee which is meant to pay for a further surprise visit<sup>8</sup>.

This study by CEC tries to bring out how the existing social audit practices in the garment industry are not stringent enough and allow enough scope for the factory management to escape scrutiny. We look at five case studies located in North India – Delhi, Gurgaon, NOIDA and Ludhiana. All the cases are tier one suppliers exporting mostly to USA and Europe. The report elaborates on how far are labour standards being monitored and improved as a result of social audits. This is done by looking at the perspectives of the workers, exporters, social auditors and various other representatives from civil society – trade unions and NGOs.

## Chapter 2: Research Methodology

The methodology used for the study was largely based on one to one interviews with the workers and the management. Given below are the research questions and details of the workplaces selected, methodology for interviewing the workers, management, auditors and trade unions and NGOs and also a note on the research constraints.

### 2.1. Research Questions

1. What are the labour conditions in the export units in Delhi and Punjab

<sup>7</sup>

<http://www.maquilasolidarity.org/resources/codes/memo12.htm#A>

<sup>8</sup> Critique of the Worldwide Responsible Apparel Production (WRAP) Program, Maquila Solidarity Network, April 2000

exporting to European markets and European brands?

2. Have the labour conditions in the workplace changed in the last one year/ two years? Can the changes be linked to the social audit practice?
  - a. What has changed in the workplace since the audit?
  - b. Who are the auditors, how are they hired and what methodology do the auditors use?
  - c. How are the results of the audit reported?
  - d. What follow-up (corrective action) is taken?
3. What is the impact of social auditing on civil society and industry?
4. Are the auditors in contact with local stakeholders?
5. What is the perspective of civil society on social auditing?

### 2.2. Workplaces researched

A "workplace" meant the place where garments are assembled or knit (CM or CMT). It includes factory and a smaller (informal) unit. Workers from all the departments involved in the production and exports to European countries or European brands have been interviewed.

For the research workplaces producing for big brands Wal-Mart, Carrefour, Gap, Quelle and Nexx were identified. In Delhi and Punjab total six factories were investigated. These are as follows:

- Mayur Overseas- Delhi
- Fashion Club Global- Delhi and its three sub-contracted units
- MIRA EXIM- Delhi
- Vallabh Exports (Ltd.)- Punjab
- Dulari Export (Pvt.) Ltd- Delhi
- Eveline International- Punjab

Each case study includes interview of at least twenty workers except Eveline International in



Ludhiana. In all these Export houses researchers conducted both the interview of workers and management. In case of Fashion Club Global and Dulari Exports (pvt.) ltd. interview of workers in the sub-contracted units were also covered. The case study of Eve line international (Ludhiana), is narrative and highlights the violation of workers rights despite social auditing since one decade as claimed by the management. During the period between 2003-2004 there were three strikes in the factory pertaining to fulfillment of basic rights of workers. Testimony of six workers authenticating the hire and fire policy of Eve line international despite social auditing process conducted by Buyer is described in detail.

## **2.2 Interview of Workers**

Interviews of workers were conducted on one-to-one personal basis outside the factory . Some workers were interviewed at their home, local trade union office, tea stall and local dhabahs. In case of Vallabh Fabriks group interview was also conducted . All the workers in the group interview were male, primarily in the age group of 25-35 years of age and had similar problems with the management. All the workers interviewed by CEC belong to different export houses and various departments (cutting, sewing, packing etc.). Attempt was also made to cover different branches of respective export house. In this research work CEC found inputs from women workers were not forthcoming despite the repeated attempts. Wherever possible

## **2.3 Management interviews**

The researchers have even interviewed the management (top-level & middle-level providing detailed information). In order to get insight of the process of social auditing process HR mangers dealing with social compliance were interviewed. Apart from this researchers also interviewed supervisors, chief electrician in case of Mayur Overseas , accountants working in the factory were all covered providing rich insight about the working conditions, wages of workers, recruitment and safety conditions. Wherever possible the Researchers took factory

round after seeking permission from the management.

## **2.4 Interviews of Auditors**

The researchers have also interviewed auditors accredited as associates to BSCI. The interview provides insight into the process of social auditing, their intentions, methodology, constrains of research, role of Buyer and expertise of social auditors in this field.

## **6.6. Interviews of NGOs and Trade Unions**

The role of central trade unions (National, inter industry trade unions in India), Non-Governmental Organization and Research Organization in the process of social auditing, their perspectives and recommendations have been incorporated providing the insight into the status of social auditing and labour conditions in the garment industry in general .

## **2.5 Research Constraints**

- Women workers were not forthcoming. They were not willing to discuss their problems even outside the factories.
- Export units continuously shift their production base. At times the factory identified for research was found to have shifted from there when the researcher went to the field.
- Locating the subcontracting units outside the factory premises and getting information from them was difficult.
- Most of the times the workers were not aware of the brands for which they were producing.
- In one case the requisite number of workers (20 per factory) for the study could not be covered due to time constraint.
- It was not possible to cover any factory from the Special Economic Promotion Zone (SEPZ) as workers do not leave the factory premises for tea or lunch and the

management did not allow the researcher to meet the workers.

## Chapter 3: Case Study I

**Name: Company A**

**Brands include : BCL(UK); Saki (Germany)**

**RCC (Switzerland), River Island and ATPL**

**Location: Okhla, New Delhi**

**Product: Leather garment – Jeans, Pants etc**

**Workers: 200-250**

### 3.1 General Information on the Company

Company is a sole proprietorship with a turnover of about Rs. 100 crore. It manufactures leather garments – jackets, pants etc. The company exports to many European countries including Germany, United Kingdom and Switzerland. They produce for BCL(UK); Saki (Germany) and RCC (Switzerland). Brands for which they produce include River Island and ATPL. Total workforce of the company is approximately between two hundred to two hundred and fifty workers it excludes subcontracted units. The factory does not directly employ workers. They subcontract work both within the factory and outside.

The structure of management in the company is as follows: Senior level management which includes human resources manager, merchandiser and production manager, Factory managers and Supervisors. Departments in the factory are: Human Resource, Finance Department, Production, Documentation and Export Unit.

The work of cutting, packing and finishing are subcontracted in-house. There are four in-house sub-contracted units. Cutting, finishing, fabricating and stitching are outsourced to units mostly located in the same locality.

### 3.2 Methodology

Information on the factory was collected on the basis of one to one interview with workers, management representative incharge of social auditing, two subcontractors and supervisors. Twenty-one workers, both from the main factory and sub-contracted units were interviewed.

Supervisors interviewed by the social auditors were also interviewed.

The other sources of information for this study include places frequented by workers of this factory in their neighbourhood, supervisors, sub-contractors, management representative, workers and other staff directly employed by the owner.

### 3.3 Information on Labour conditions

#### a) Wages

Of the twenty-one workers interviewed in the Company, fifteen were piece rated and six were time rated. Most of the workers in the stitching department were piece rated. Piece rated worker, can on an average speed earn the minimum wage.

The workers said that while the company is prompt in the payment of wages, overtime is not paid at the premium rate (double the wage). According to the management however, overtime wage is paid at the premium rate.

According to the workers employed on piece or time rate in this factory clearly stated that they had no written contract or appointment letter at date of joining. The table 1.1 enunciates that more than half of the workers interviewed have been working in the factory for over five years. Yet none of them had any written contract at point of joining. No worker had been promoted.

All the workers interviewed were the main income earners of their family. Table 1.2 gives details of the earnings and main expenditures for seven workers who gave testimonies.

All these seven workers were migrants who spend most of their family income on housing and food. The workers have large number of dependents with no savings. The average family income of the seven workers listed above is Rs 4,400.

#### b) Working hours

All the workers interviewed in the factory stated overtime is common in peak season (October-March) in which case it extends upto 16 hours in a day.

The workers gave varying accounts of their normal hours of work. Of the twenty-one interviewed, eight workers said that they work

eight to ten hours in a day; three said that they work ten to twelve hours in a day and one worker said that he works eight hours in a day.

Thirteen out of the twenty-one workers interviewed said they get no over time wage (since they were on piece rate). Eight out of the twenty-one workers said that they work overtime hours and are paid for it at the normal rate (calculated on per hour basis). This overtime (for both piece rate and time rate workers) can be for anytime between two hours to eight hours depending on the workload.

As an incentive, the company paid Rs. 25 in lieu of dinner, for those worked after 9 pm. According to the workers there are no other incentives like attendance bonus, productivity bonus and incentives for meeting the targets. Workers only get an annual bonus. There are also no additional allowances for transport, housing or holiday.

Regarding incentives, the management said that there are no incentives for the piece rated workers. The time rated workers, on the other hand, are paid incentives for reaching targets, "otherwise the worker find ways of escaping from work during normal working hours like they remove the cord and say that the machine is not working," noted a management representative.

According to management, workers are entitled to one paid holiday in a week – Sunday. Many a time the piece rate workers also work on Sundays so that they can earn extra money. Majority of the workers interviewed said that besides Sunday they get less than twelve holidays in a year.

Out of twenty-one workers interviewed, fourteen workers said that they work six days a week. Seven piece rated workers said that they have been working all seven days in a week for a month.

According to the management, workers work forty-eight hours per week, six days in a week. Overtime is for two hours. The subcontractor selects workers for over time.

### **c) Health and safety issues**

Usually workers are not allowed to take days off while they are ill by their subcontractor. Out of a total of twenty-one workers interviewed, thirteen workers said that they are not allowed to take rest in fact their wages are deducted if they took

rest. The workers further said that there is no regular system of maternity leave in the company. Two women interviewed were also not aware of maternity leave.

Thirteen out of twenty one workers reported joint pain due to repetitive arms and legs movement and static work posture. A high prevalence of headache was reported among the workforce, which may be attributed to poor ventilation and light at the workstation. According to the workers, the company does not pay any attention to these health problems. All the twenty-one workers interviewed said that said no improvements been made in the health and safety situation in the factory since they joined the factory.

However according to the management lot of improvements in health and safety situation have been made over the last five years. The environment in the factory is neater and cleaner now. Water-cooling facility has been provided. First aid facility has also been provided. There are regular health check ups for the workers. About five workers have their check ups every day. According to the management, no workers had any complaints about the health and safety situation in the factory.

Workers on the other hand disputed the claims of the management. Sixteen out of twenty one workers interviewed said that regular health check-ups are for the employees of the factory and not for the workers employed through sub-contractors. Most of the workers are employed under contractors.

Similarly, according to the workers the first aid box has a collection of an expired and inadequate collection of medicines. No nurse or doctor ever visits the factory.

Supervisors and workers reported that minor accidents due to short circuits are common, but they have not caused any harm to the workers. On the issue of responsibility in case of accidents the management said that if there is an in-house accident the responsibility should be of the employer. But such a case has never occurred. Management also remained silent on the issue of responsibility in case of minor incident of fire down its subcontracting chain.

Fifteen out of twenty one workers said that they had not noticed any fire fighting

equipment in the factory. All the twenty-one workers confirmed that there had never been any fire drills. Four workers reported no emergency fire gate in their unit (subcontracted unit). Workers from the main factory building reported that the emergency exit is always locked. The researcher who visited the factory saw the emergency gate and at that time it was not locked.

There is no canteen in the factory. According to the management there is no requirement of canteen in the factory as there are not many workers. According to the management, "It is needed only if there are 450 in-house workers, we have 200 to 250." This is however not true as according to Delhi factory rules and Factory act it is mandatory for the factory with 200 workers to have a canteen.

Workers are not satisfied with the temperature regulation in the factory. They find it insufficient. Air coolers are not there and air ventilation is poor within the factory.

#### **d) Drinking Water**

According to the workers, drinking water in the factory is not clean and hygienic. Nineteen workers out of the twenty-one said that the tank from which they get water is never cleaned. Two workers, however, said that they do get clean water. The management says that it has installed water filters to provide clean drinking water to the workers.

*I have been working in this factory for almost eight years. At that time our working conditions were poor. Situation has not really improved even today. In our factory we were given absolutely dirty water to drink. Workers had no ESIC or PF coverage. We were never given any appointment letter, identity card or even a night pass. Police would harass us in the night while returning from overtime. Our trade union demanded for fair working conditions, decent working hours, ID cards, PF and ESIC coverage for our workers. But the management succeeded in breaking the union hence our basic rights remain still remains unfulfilled. In fact even today many subcontractors of this factory continue these mal-practices.*

---Worker of Company A

#### **e) The Right to Organize and Collective Bargaining**

According to the field survey, the factory does not have trade union in the factory. When workers had tried to form a union a few years back, the management used various tactics and unfair means to break trade union formed by the workers.

The management has completely denied the existence of any union in the factory in the last seven years. Workers, however, informed the researchers that the factory had a union some years back.

There is absence of any formal complaint mechanism between the management and workers within the factory. The workers thus manifest and protests in the form of wildcat strikes, anarchic protests, shop-floor arguments with supervisors.

Following could be some reasons for the absence of trade union:

- The factory is not located in an industrial area rather deliberately situated in residential vicinity. It reduces the interaction workers with locals from this area.
- There are no avenues to socialize with the workers of other factories and form a trade union.
- The factory does not have the billboard stating the name of the factory hence it will be difficult for trade union and labour representatives to reach this place.
- According to the management workers do not require trade union, as workers are satisfied with the wages paid to them as stated in Factory Act. It seems quite ironical since the researchers from CEC found reality otherwise. Out of the twenty-one workers interviewed, seventeen held that they want a union to represent their interests. Three said that they have no opinion on it. One said that unions are fine for men but not for women, as it is not right for them to attend late night meetings.

**Given below are different statements that came from the workers of the factory when asked whether there has been a union in the past and would they want to have a union now?**

- "... We have tried to unionize in the past. Now we do not intend to. We love our job. In our factory the supervisors represent the workers. Management is not in the favour to form a union"
- "... When we had a union it was a big problem for the workers. I cannot elaborate on it."
- "The reality is that the management does not want a union, so we shall never have one. When some people tried in the past to form a trade union the whole system of recruitment in the factory changed and we were thrown out as employees of the factory and taken in as employees of subcontractors. If we ever try to form a union we will be thrown out completely."
- "There was a union about three years back. But the management broke it. Since then workers are taken by subcontractors and not directly employed by the company."
- "Collectively we have tried in the past. Our leader told us that we could all become permanent employees. But management broke the union and nothing happened."
- "The management even tried to defame the union leader and they succeeded."

***Struggle of workers to form union and demand their basic rights***

*"The workers in leather factories are exploited by their factory owners. They pay workers according to piece rate. Even the rate of each piece is reduced every year. If we protested against the reduction in our wages management just asked us to leave. In order to fight this injustice leather workers from all parts of Delhi formed Delhi Leather Karigar Sangathan. In this context we approached the owner of our factory. We told him about the internationally accepted practice of standard working hours between 9 a. m. to 6 p. m. The management though accepted our demands but never executed. The workers were denied the extra Rs. 50 for overtime accepted by him. The labour office also intervened in this matter and many workers lodge complaints against the management. We also took the issue of forced overtime to Karka Duma court.*

*The workers of Company A found the legal course long and complicated and soon were disillusioned. The struggle for fair wages and other workers rights is quite tedious and requires lots of patience".*

*---- Former union President*

**f) Forced and Compulsory Labour**

The researchers did not find any instance of forced or compulsory labour. All workers interviewed by the researchers said that they could freely enter and leave the premises of the factory. Workers are able to resign taking into account legal regulations. There are no workers who have to pay off debts to the employer. No worker said that he/she had to lodge deposits, like money or other valuables, or identity papers with the employer. The factory is well guarded. According to the workers one or two security guards are always present at the entrance gate of the factory. They basically inquire from outsiders about the purpose of their visit and direct them accordingly.

**g) Discrimination**

In the factory the researchers found no cases of discrimination, for reasons of religion, race or caste. There were instance of discrimination on the basis of gender. Management during their interview conceded to the fact that they generally do not encourage employment of women workers in the factory. Also, the supervisors employed are generally men. Management informed the researchers that at the moment there is only one-woman supervisor in the packing and finishing department. Recruitments in the factory are not advertised rather by spread through the word of mouth. For new recruits the management depends heavily on the recommendation of the old workers. All the twenty-one workers interviewed said that there are no avenues of promotion or education present in the factory. The workers have been working on the same post for the past seven years.

**h) Child Labour**

No instance of child labour has been found in the factory. No worker below the age of 18 years is employed in the factory.

**3.4 Information on Social Auditing**

**a) General information on Audit and Auditors**

Factory A is SA 8000 certified since 30 January 2004. The company opted for the certificate due to the requirement of the buyer. Major issues in the Codes of Conduct are: Child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management system.

The company was last audited on five months back. Certified authority, an auditing firm associated with the Business Social Compliance Initiative audited the factory. After taking certificate auditing it is compulsory to carry out auditing every six months. Company A pays for the auditing. The audit is announced a week in advance.

According to the management there is no special planning for it. However, according to the workers management does a lot of preparation before the audit. The factory is cleaned thoroughly. Dustbins are kept in the factory and the first aid boxes are checked and updated. Quoting one worker, "The day our factory is cleaned, many dustbins are suddenly kept all over the factory and the floors are neatly swept. Workers are given needle guards it is an indication that auditors are coming."

### ***b) The process of Social Auditing***

The process of social auditing in Company A is a continuous process. There is thus a team of 10 people within human resources department to take care of the social auditing team. According to the Social Auditing firm that conducts audits in Company A, they are contracted after examining their quotations. The company makes preparation for auditing process by updating the documentation, repairing and cleaning the factory premises. Each department in the factory prepares details of wages and working conditions of workers employed directly by the factory. These reports are then compiled together with inputs from the sub-contracted units. The auditing team of Company A carries prepares the report for its sub-contracted units. However in the last audit the auditing firm took factory rounds in some sub-contracted units.

The social auditor of Company A further elaborated that the process of social auditing involves two important aspects *viz.* factory round and checking the documentation on the

basis of nine points specified in the codes of conduct of SA 8000. At least one day is required to complete the process of social auditing. "The focus of the social audits in company A is to check the facilities provided by the factory to its workers. Thus it gives importance to checking the facilities rather than interaction with the workers. The auditors check whether the working conditions in the factory are conducive for the workers and facilities such as first aid, fire exits, cross ventilation and hygiene are provided," he informed

He further added, "Auditor conducts interviews with workers in order to crosscheck whether the documentation of the factory is in proper order. The interview of the worker is conducted at the shop floor in the presence of everybody including the management." After the audits, they prepare a report and send it to both the auditor's Italy office and the factory's management.

According to the management, "The report is mailed to individual accounts. A print out of this is taken and kept in a file. On the basis of the report workers are given training to rectify their shortcomings." There is follow up if audit necessary. It happens six months after the audit. According to the management, "In the follow up visits the auditors check whether the lacunae of the previous audits have been rectified---If the issues of non-conformances are repeated in follow up visits then the certificate could be cancelled."

### **c) Interview of Workers during the Social Auditing**

According to the audit firm, during the process of social auditing, auditors spent two to three hours with the workers. According to the management, though the auditors can call any worker and interview, they come to know the names of the workers interviewed.

In the last two audits in July 2004 and January 2005, the auditing firm interviewed eight to nine workers. All the workers interviewed in the last audits were interviewed inside the factory at their workstation on the production shop floor in presence of everyone. In case of sub- contracted units social auditing is done by the auditing team from Company A. The export unit also allowed its audit firm to

audit some of its sub-contracted units. In this particular unit auditors interviewed five to six workers on the production floor. They are interviewed inside the factory in the working area where management is present.

Regarding whether the workers are coached before the audit, the management said, *“\*\*\*\*\*is present at the time of the interview of the workers so we know who were interviewed and what was asked. We hold meetings with the workers and train them, before the audit. We tell them what may be asked and how they should answer them. Training the workers is important so that they can understand the questions. We don’t tutor them, we just brief them.... Otherwise workers are free to say what they want. There is no restriction”*.

In this process of social auditing no foreigner has come as a social auditor to this factory. So there was no need for a translator. According to the workers usually auditors interview only the supervisors. If there are workers, they are those who are senior and close to the management.

#### **d) Involvement of Stakeholders**

According to management and workers, social auditing checks whether the factory is complying with international standards in relation to the quality of product and workers’ benefits. In this process thus the buyer, the supplier and the auditing firms are the three basic actors. There is no link with any NGO, Government of India or trade union in any form or at any stage of the auditing. According to the representative of the management, “Nobody else is involved in the process; it is only a deal between the auditing firm and the company.”

#### **e) Reporting of the Audit**

According to the management, the report of the social auditing is available in writing to the management. It is available both in soft and hard copy to the management as it sent by e-mail. The workers or their representative organization cannot directly access it in part or whole. The management shares the outcome of the report with the workers through a meeting.

#### **f) Workers and awareness about their rights**

The researcher who visited the factory and the sub-contracted units did not see any codes of conduct displayed in the sections visited by her. In the main factory the researcher had access to the human resource department, checking and finishing and cutting department. In case of the sub-contracted units the researcher did not notice any codes of conduct displayed. Workers interviewed were not aware of codes of conduct pasted in the factory. Only three out of twenty-one noticed codes of conduct displayed in the factory. Even these three workers out of twenty-one had not read them. All the twenty-one workers interviewed in the factory and sub-contracted units were aware of their labour rights and knew how to file complaints in case there are problems with labour conditions in the factory.

Workers in this factory are aware of labour rights since there has been an attempt to organize workers in this factory. However the attempt to organize the labour could not be realized. The workers still remember their leaders and there are wild cats strikes by workers even today for fair working conditions and wages. There is no formal training of workers.

#### **g) Follow up of the initial Audit**

In the follow up visits one or two main auditors remain the same, while other auditors would change. Follow up visits are quite important because the factory cannot repeat issues of non-conformances of the last audit. According to management, “If we do not rectify and the same mistake is found in second audit, they may cancel our certificate. It is not important that the same auditors always come.”

#### **h) Complaint Mechanism**

The workers do not have access to buyers or the auditing firm in case they have complaints after the audits. According to the management the factory has a complaint register where the worker can register his complaints. During social audit this register is checked by the social auditors. Workers had no knowledge of this.

#### **i) What type of corrective action has taken place?**

On the basis of the last audit, there were certain corrections that social auditors advised the management. A follow up audit was also scheduled. The management was however not very forthcoming with regard to the corrective measures sought by the auditors.

## Chapter 3: Case Study II

**Name: Company B**

**Brands include: GAP, Next and Wallmart**

**Location: 4 units in Okhla, New Delhi**

**Product: Casual wear for women and children and high-end fashion eveningwear**

**Workers: (300-350)\*4**

### 3.1 General Information on the Company

Company B is a partnership firm. It produces for GAP Next and Wallmart. Company B is manufacturer and exporter of readymade garments. They specialize in casual wear for women and children and high-end fashion eveningwear. In casuals they make blouses, dresses, trousers, shorts, shirts, co-ordinate sets and night wear. In high-end fashion they specialize in embroidered /beaded blouses, dresses, co-ordinate sets, accessories like bags and scarves. They also deal in home furnishings like bed linen, duvet cushion covers, floor mattresses and kitchen ware, table mats, napkins, runners etc. According to the management, the factory does not engage any sub contractors outside the export house.

Pressing and thread cutting units are subcontracted within the factory. The company has four branches in New Delhi. There are about three hundred to three hundred and fifty regular workers in each of these factories. Proportion of women including women workers employed is about ten to fifteen per cent of the total workforce in each unit. The various departments in the factory are production, merchandising & exports, finance and human resource. The structure of management in the company consists of senior level management that includes human resources manager, merchandiser and production manager followed by middle level managers or factory managers of various units and finally supervisors. Production

department consist of finishing, packing, thread-cutting, washing, stitching, buttoning, dying and colouring.

### 3.2 Methodology

The report is based on one to one interviews with the management and workers. The head of the HR department was interviewed on behalf of the management including chief electrician officer and accountant. The head of HR department is the person responsible for dealing in social compliance. The other sources of information includes meeting with the general secretary of a union that has some presence in the factory and local dhabha where workers eat their food. Researchers tried to contact women worker but they were not forthcoming with the information. They avoided talking to researchers on various occasions.

### 3.3 Information on Working Conditions

#### a) Wages

Workers are employed both on piece and time rate basis. According to the workers the wage payment in Company B is similar to other garment factories in the neighbourhood (Rs 2500-3500 per month). They further state that the factory is never late in paying the wages and overtime.

According to workers, the export house does not adhere to the norm of paying double wage for overtime. According to a worker, "Around Rs 13/- in lieu of two hours of overtime is paid to workers. Besides this we get tea in the evenings but no dinner."

According to the workers there are no additional incentives for reaching the target. There are also no additional allowances for transport, housing and holiday.

According to the management, workers receive annual bonus regularly. Sometimes they are given incentives based on the total production by the management.

#### b) Working hours

Workers work for eight hours each day, six days in a week. During peak season, they work upto



seven days in a week. Moreover, the workers state that many of them are asked to work overtime for two to four hour's everyday, even during non peak hours. Workers do not refuse to do overtime since it is an opportunity for them to earn more. During the peak season many cases labourers' works continuously for two-three days. "But a night shift does not mean that we can be late the next day. We have to reach at 9:00 am irrespective of the fact that we had to work for late hours."

The management however, denies the practice of overtime in the factory. According to the workers they get an off only on Sundays. Besides that workers are not entitled to any other government holiday. However according to the management, "the workers get all the holidays as per government rules i.e. more than 20 in a year ", says the management.

### c) Health and safety

On the basis of interview conducted by the management and workers researchers found that there were instance of negligence by the management. There are no permanent or visiting doctors or nurses to the factory. According to one of the workers "no doctor ever comes. There is an instance when auditors have come and helpers have been asked to act as doctors". The workers further state that no improvements have been made in the health and safety situation in the factory in the last five years. The management however claims that the facilities for the workers are constantly being improved. The management on its part claims that there is a doctor visiting the factory every week. Other medical facilities include first aid and ESIC insurance.

*"If workers in this factory refuse overtime, he is not given work the next day."*

*--- President, Readymade Garment Export Karamchhari Union-*

However worker explaining the difficulty in accessing ESIC insurance: "We can get the check-up done at ESI hospital but it is for name sake. In an ESI hospital for the paper work alone it takes at least three hours, while I can get relaxation of maximum half an hour from my

*export house. Thus to visit the ESI hospital I need to take an off for the entire day and sacrifice the wage."* The management however said that the workers were given rest and sick leave if the ESI Hospital recommends.

*"Once while I was working on a new stitching machine, its motor burst. I along with a few other workers working around me ran and managed to use the fire extinguishers (None of these workers were taught how to use fire extinguishers). Managers reacted by saying that we raised an alarm for no reason. Only a few workers came to help. The room was filled with smoke but we had to continue to work in that room. This incident happened last year."*

-----Worker (Company B) -----

The other instances on which workers complaint about health and safety conditions are as follows:

- The workers told the researcher that the temperature in the factory is not properly regulated. It is very hot inside the factory.
- Drinking water in summer is too hot and sometimes it is not clean. The workers reported many health problems. Some of the common complaints were burning sensation in the feet, suffocation, pain in the arm and legs, eyesight problems and severe headache. According to the workers, the company has never bothered to take notice of these problems.
- Minor accidents due to short circuits are very common. But no major accident injuring any worker was reported. In this context one of the workers narrated an incident:
- Fire extinguishers are there in the factory but there have been no fire drills. There is one emergency exit, which is always closed.
- There is no canteen in the factory the workers eat food in local *dhabhas*. There was a canteen in the factory but in 2004 management closed it since according to management workers were wasting time there after finishing lunch.
- There are instances of minor accidents due to short circuit.
- In the study conducted by CEC the workers by and large felt that the health

and safety situation in the factory was inadequate.

- *“The women in the finishing department have to stand throughout and work for twelve hours at a stretch. There is only one common toilet for all the workers,”* noted a local union leader.

**Here are some comments on how safe are the drinking water facilities in Company B**

*“There is one tap for 350 workers on the other hand managers get mineral water,”* noted a worker

*“Water is very dirty. The tank is never cleaned,”* said another worker... Workers reported instances where frogs were jumping in the tank during rainy season. Also one worker reported that a dead rat was found in the tank.

According to a worker who has been interviewed by social auditors, *“the water is very hot in summers. There is a fridge but it does not work hence we have to drink water from tank.”*

**d) The right to organize and collective bargaining**

**Workers are forced to resign and they are discriminated since they sought the help of local trade union for getting their job back**

*“I joined this company as a tailor in September 2003. I had to resign in February 2004 as I was not granted leave to visit my native village. I rejoined the company in March 2004. Since then I worked without a holiday (except Sunday) till April 10, 2005. On that day I requested the management to grant a leave as there some family problem. This time I got the leave, but my train got delayed by two days and so I resumed my duties two days later hence disciplinary action was taken against me. I lost my job. I had to resign and leave without any compensation. I was inducted back along with five others only when local trade union intervened. But we are discriminated like we are not paid any overtime. If we are late even by five minutes, we are punished.”*

----- Tailor in Company B

In Company B the researchers from CEC found that presently the factory does not have a recognised trade union. According to the workers interviewed by the CEC researcher, the management is not in favour of a formation of union by its workers. There were many attempts to form trade union, but the management has managed to successfully break them all by using all sorts of unfair means and even dismissing workers. Nevertheless, even today some workers

are trying to form a union secretly. According to the management, formation of union is not possible since all the workers are migrants from different states. They are usually agricultural labourers and work in the factories during slack season at their native place. They work only five to six months in the factory.

Workers in one of the units of this company were successful in organizing workers affiliated to All India Trade Union Congress (ATIUC) in 2000. The organization of trade union received a jolt when in 2004 management terminated the services of nearly 2000 workers associated to Readymade Garment Export Karamchhari Union affiliated to AITUC. The management took disciplinary action against those demanding ESIC and PF facilities and abolishment of sub-contraction within the factory. The local trade union also raised their concern with government authorities. However management came to know about it and fired those involved in organizing the workers. The management also sought the help of local police and administration.

---- Workers of Company B

According to the workers interviewed management does not allow them even to complete one year of service in the factory on paper. They are forced to resign especially when they have to visit their families in their native village, even if this is for 10 days in the whole year. In one instance a local trade union intervened and management were forced to induct workers back.

All the workers interviewed noted that they were forced to take break in service every year.

According to one worker interviewed by CEC researcher, he was thrown out of service by the management when a piece of cloth used in the export was found in his tiffin box. The worker however alleged that it was kept in the tiffin box by the guard, *“This was done to throw me out of job since the management was aware that I am in touch with a local trade union,”* he said.

**e) Forced and Compulsory Labour**

Researchers from CEC did not find any instance of forced or compulsory labour in the factory. All workers said that they had free entry and exit from the factory. There are no workers who have to pay off debts to the employer. No worker said that he/she had to lodge deposits (money or other valuables) or identity papers with the employer. Researchers after visiting the factory found the factory is well guarded. According to workers interviewed by the researchers the guards keep a constant vigil on the workers.

#### **f) Discrimination**

The researchers from CEC, did not find any instance of discrimination, for reasons of religion, race and caste in the factory. There was however instance of discrimination in case of recruitment and promotion based on gender. The management do not employ women workers in the factory. There are few women workers restricted to thread cutting and finishing. There are only 10-15 per cent women in each factory. Women workers who are employed are mostly unmarried. All the workers interviewed by the CEC researchers said that there are no avenues for promotion or training in the factory. They considered enhancement of their skills important in order to increase their bright future prospects. The team of supervisors are only men in the factory.

#### **g) Child Labour**

The researchers found no instance of child labour in the factory. No worker below the age of eighteen years is employed in the factory.

### **3.4 Information on Social Audits**

#### **a) General Information on Audit and Auditors**

According to the management, Company B follows the codes laid down by the buyers i.e. the ethical codes of GAP, Walmart and Next. It is a precondition laid by the buyers for establishing business relation with suppliers in India.

Buyers own compliance staff last audited the company in March 2005. The Management

informed that audits in Company B started four to five years ago. Initially the management of the company was not happy with the process. But now their perception has changed. According to the management, there are ten main points in the codes of conduct on the basis of which social auditing are conducted. It includes personal documentation, forced labour (there are no prisoners of war working), child labour, working conditions and wages also Health and safety issues (including hygiene and sanitation facilities and fire fighting equipment). According to the management, two of their suppliers are more particular about social auditing. They are Walmart and Next. The other buyers like GAP base their auditing clearance on Walmart's and Next's audits.

According to the management at least two social auditors are involved in the process of social auditing of the export house. The management is not aware whether the auditors are specialists or generalists. Sometimes audits are announced as early as one year in advance. According to the management the audit procedure is the same for both the buyers i.e. Walmart and Next.

#### **b) The Social Audit Process**

The social auditing as explained by the management in this company is a three-step process. In the first phase the auditors begin with a general introduction. A factory round follows this. During the factory round they interview the workers, both in groups and individually at their workstation and also in an isolated room. Auditors interview the workers using questionnaires. Third step is checking the documents. According to management, the cost of social auditing is not borne by Company B but by the buyers.

According to the management, the visible change as a result of audits is that there is greater discipline in the factory. *"Now the workers are strictly asked to come on time. If they are late their half-day wage is deducted. If a piece-rated worker says that he cannot work for ten days at a stretch without attributing any reason, he is told that he cannot continue. Similarly workers are entitled to a fixed number of holidays, which they get,"* the management explains.

### **c) On Workers Interview**

According to the management of Company B, they are not aware of workers interviewed by the auditors. In the last two audits about thirty to thirty-five workers out of a total of three hundred and fifty were interviewed. All the auditors were Indians. According to the management, the workers are interviewed in the shop floor as well as in separate room within the factory premises.

According to the workers, during the process of social auditing the management keeps a strict vigil on the workers while the auditors are interviewing them. According to the workers, management ensures that no worker says anything against the management. There have been times when workers have tried to walk up to the auditors and talk to them but they have been prevented from doing so.

A worker who had been interviewed by social auditors narrated his experience: *“All throughout the interview of the workers conducted by social auditor, management kept a strict vigil. I was not comfortable at all while conversing with the auditors. I was so scared by the management’s presence that under pressure I even gave wrong answers.”*

### **c) On the involvement of stakeholders**

According to the management and workers, no government organization, NGO or business association is involved in the process of social auditing in this factory. According to the management, there is only one instance when a representative from a London based NGO, accompanied the auditor.

### **d) Reporting of the audit outcome**

According to the management, outcome of the audit is reported in writing through Email within a week or ten days after the audit. This findings/recommendations/report are not shared with the workers. It is only accessible to the management. The management nevertheless claims that the workers are informed about the audit report. The supervisor communicates the report individually and also in form of group meeting to workers. At times the management

directly informs the workers about the audit results.

### **e) Management Reaction**

According to the management the workers are not coached at all. *“The management does not require preparing itself prior to social audit. All the workers know about the ethical codes. The company is working according to the ethical norms of the buyers and the regulations set by the government. We are paying the workers the minimum wage,”* the management claims. However according to the workers, in their factory a week before the social audit the preparation for audit begins. *“Soaps are kept in the toilets and factory is cleaned properly before a social audit,”* noted a worker. *“Last time the management even promised to attempt resolve problems of workers such as holidays to visit their native village and hike in wages if they cooperated with the management in the social auditing process,”* noted another worker. According to the workers, the management also threatened them with dire consequences if the workers spoiled the image of the factory.

### **f) How are the Workers informed about their Rights**

The management claims that the workers are informed and educated about their rights. Displaying the codes on the walls of the workplace ensures this. Codes of Conducts displayed in Hindi and other languages clearly state the rights and duties of the workers. The codes stipulated by Wal-Mart are put on the walls of the factory. On the other hand the workers lament that they are not informed about any labour laws by the management. They are also not aware of how to file complaints in case they have any problems with the working conditions. The workers testify that they are not given any training or education on workers’ rights.

The researcher from CEC observed that all the workers interviewed were familiar with codes, as they had been put up at a place where they are visible to the workers. Many workers had also read them. Some workers in the case of Company B are familiar with their rights including the right to collective bargaining. This

is largely due to contact with the trade union and other workers who are members of it. The trade union leaders teach them how to file complaints with the government authorities if they have any problem with the management.

#### **g) Complaint Mechanism**

According to the workers of Company B they are not aware of any mechanism to contact the auditor/ buyer in order to register their complaints or voice their grievances once the audit is complete.

#### **h) Follow up of the initial Audit**

The buyer conducts follow up visit only in cases where the findings of the audit report point to many shortcomings. In such cases there is more than one audit during the year. The next audit of the company will be on the next year. According to the management, no corrective action has been suggested in the last audit.

### **Chapter 4: Case Study-III**

**Name: Company C**

**Brands include: Karstadt, Quelle, Kingel and Derma Group**

**Location: NOIDA, UP**

**Product: ladies garments**

**Workers: 300-350**

#### **4.1 General Information about the factory**

Company C is located in NOIDA and is a private limited company. It is a family owned business. The company produces exclusively for export. It produces for its in-house brands, as well as produce for European Brands. The European brands include Karstadt, Quelle, Kingel and Derma Group. The countries to which Company C exports include USA, UK, Germany and France.

The factory has about three hundred and fifty employees directly working under it. Among these employees, women outnumber men. Entire production within and outside the factory is subcontracted. According to the management since the entire work is sub-contacted, it is difficult to give information

about total number of workers employed by the factory. Besides finishing and packing, all the other jobs are outsourced in this factory.

The distinctive feature of Company C was that its name is distinctly displayed. It is a well-guarded factory. Security guards of the factory are hired from security agencies. It also has in-house security guards to maintain discipline among workers. According to a supervisor of the factory, they also act as 'eyes and ears' of the management. The company management consists of three levels *viz.* top-level management, middle level management and line staff.

In Company C the supervisor is a company employee who looks after the work of the sub-contractor. He is an important point of contact between the workers employed by the sub-contractor and the management of the company. According to the workers there are up to three levels of subcontracting within the factory. Workers working under subcontractors are free to get three to four or even more workers to work with them and help them meet the target. The subcontractor pays the main worker, who in turn pays a part of his salary to the other workers working under him.

The different departments in the company are HRD, finance, production, marketing, technical, administration, and documentation. The production department is further sub-divided into cutting, stitching, and embroidery, washing, finishing and packing.

#### **4.2 Methodology**

The researchers from CEC conducted interview of management inside the factory in the conference room. The researcher posed as a university student pursuing higher studies. The interview with the management lasted for two hours. The management was cooperative and forthcoming with information. In case of workers, one to one interviews with the workers were conducted at a tea stall near the factory. According to the workers total number of three hundred workers work in the factory. For the study twenty-five workers were interviewed at random. In this case study no women worker could be interviewed.

#### **4.3 Information on the labour conditions**

### **a) Wages**

According to all the workers, their wage has not increased since they joined. The table 3.1 indicates the family size and income expenditure of workers. Out of twenty-five, seven workers gave testimonies to the fact that their income is insufficient to support their families. According to them, the expenditure is mostly on housing and food. According to the workers there are no additional bonuses or incentives given to them. According to workers there are no additional allowances for transport, housing or holiday for the workers.

Overtime in the factory is a source of extra income and hence workers like to work overtime. However the workers in the factory claims that wage payment for overtime is not at the premium rate. According to the management, the workers are paid overtime at the premium rate. The overtime is also quite rare according to the management. However according to the workers, overtime depends upon the order.

All the workers interviewed by the researchers said that the factory is never late in the payment of wages and overtime.

According to, table 3.2 workers have large number of dependents and most of the expenditure of the household is on necessity goods.

### **b) Working hours**

According to the workers, they work for eight hours in a day for six days in a week. Overtime goes upto 8 hours (double shift). Workers have no specific complaints regarding working hours.

### **c) Health and Safety**

According to the workers, medical facilities within the factory are in the form of first aid box. There are no permanent or visiting doctors or nurses in the factory. All the workers have ESIC cards. The workers however expressed practical problems in using this facility since the factory allows them maximum an hour to see the doctor. So in that time workers can only visit a private clinic for which they have to pay.

According to workers, no improvements have been made in the health and safety situation in the factory in the last five years. Minor accidents due to short circuits have occurred but no major accident has taken place. Twenty-three out of the twenty-five workers interviewed had noticed fire extinguishers in the factory. But all the twenty-three workers confirmed that there had never been any fire drills. There is one emergency exits in the factory. There is no canteen in the factory and workers either bring their tiffins or eat at local *dhabha*.

### **d) The right to organize and collective bargaining**

According to workers interviewed, there is no union in the factory. The workers say that the management does not have a positive attitude towards the formation of a union. There is no collective bargaining agreement in the factory. Out of the twenty-five workers interviewed eighteen said that they want a union that would work in the interest of the workers. There have also been no strikes or manifestations of unrest in any other form during the last five years.

According to the information by a worker working in the factory for more than five years, *“about seven to eight years ago the workers tried to organise themselves. The leader of the workers negotiated with the management on the issue of wage increment. At that time the workers were employed on the basis of labour contracts and the wages were fixed. The workers got annual increments, but they workers demanded higher increment. Finally the workers and the management settled for an increase in the wages of workers as per government’s regulation. However the increase in the government minimum wage since then has been negligible. Workers actually lost after the settlement since the government scale of wages for state of Uttar Pradesh has not increased.”*

Two other workers also working for almost 10 years also testified this.

### **e) Forced and Compulsory Labour**

The CEC researchers found no instance of forced or compulsory labour. According to the

workers, they could freely enter and exit the premises without any restrictions. Workers are able to resign taking into account the legal regulations. In this factory no worker is under the debt of the employer. No worker said that he/she had to lodge deposits (money or other valuables) or identity papers with the employer.

The factory is well guarded. According to the workers two security guards are present at the entrance gate of the factory. They keep a check on the outsiders entering the factory premises. They inquire from the visitors the purpose of their visit and direct them accordingly. They also check the workers when they enter and leave the factory. The management does not usually allow the workers to take days off when they are ill, unless a doctor recommends it and the in extreme case.

According to the workers there is a policy of giving maternity leave. But none of the workers interviewed by the researcher could recall any instances of this facility being availed. No worker recalled any specific instance of women being dismissed due to pregnancy.

#### **f) Discrimination**

The researchers from CEC found any instance of discrimination, for reasons of religion; race and caste have been reported in the factory. Company C follows two procedures in the recruitment of workers. The first procedure is advertising vacancies on the notice board outside the factory. The second method is through the word of mouth. However, all the workers in this factory said that they had come to know about the vacancy through a notice. According to workers, all the supervisors were men. Men and women are treated in the same manner by the supervisors/ the management. Men and women get equal pay for equal work. However all the workers interviewed by the researchers of CEC said that there was no practice of promotion or training in the company.

#### **g) Child Labour**

The researcher from CEC found no instance of child labour in the factory. No worker below the age of 18 years is employed in the factory.

### **4.4 Information on Audits in the Factory**

#### **a) General Information on Audits and Auditors**

According to management, Company C has been undergoing social auditing since 2004. The factory is audited both by the audit firm (audit firm used by the buyers) and also by buyers' own compliance staff.

According to the management there is no difference between the audit conducted by the audit firm and buyer's own compliance staff. In both the cases the base code remains the same. The only difference is that buyers emphasise more on product safety, while on the other hand audit firm give equal emphasis on health, safety and labour conditions. The factory undergoes one audit every year, with follow up visits after six months.

According to the management, Company C has been following various Codes of Conduct (CoC) since February 2004. One of the important Codes followed by the factory is ISO 9001. This code is not related to social auditing; rather its focus is on improvement in the quality of the product. For social auditing the factory follows SA-8000 as a base code. The social auditing is conducted on the basis of AVE sector model approach. The auditing is done down the sub-contracting chain. It is primarily a first party audit.

In the Company except the task of finishing and packing every other task is outsourced. Seven units of cutting and stitching and two units of dyeing and printing are outsourced.

According to the management since social auditing began in the factory the overall situation has improved on all fronts, especially with regard to safety of the workers. It has increased the productivity and improved relation between the management and the workers. In the year 2005 there have been two social audits. In 2005 third party audit was conducted by an audit firm on 28 February, while on 23 February a second party audit by the buyer's compliance staff was carried out.

According to the senior manager looking after social auditing, "*the factory never has any problems with social auditing since our*

*documentation and compliance system are always in order. Since the social auditing process has started the compliance systems and documentation has only improved. We have become more productive and competitive in our sector".* He further elaborates, "Since the social auditing started in the company the storage conditions have improved. Earlier there was congestion due to placement of machines close to each other. Now the factory is much neater and cleaner. There is also proper ventilation and certainly workers are told to wear masks and safety caps while working with machines. Workers are not accustomed to take safety measures seriously. Now we need to implement these measures at least under the pressure of social auditing process. Social auditing has reduced labour turnover hence their productivity has increased. Apart from this better safety measures imply that risks of accidents and other hazards are reduced."

#### **b) The process of Social Auditing**

According to a social auditor who has audited this company, "The audits are always announced in advance so that the management prepares for it. The whole idea is to improve labour conditions and productivity in the factory." In this factory there are three types of social audits. These are first party audits; second party audits and third party audits.

When the supplier does the audits on his own it is called first party audit. The basic objective is to find issues of non-conformances by the management. Second party audits refer to audits in order to strengthen the social compliance by buyer's own compliance staff. Third party audits refer to audits conducted by the audit firm designated either by the supplier or by the buyer. The cost of first party audit is borne by the factory itself. In case of cost in second and third party audits is negotiated between buyer and supplier among themselves.

According to the management, in case of European buyers all the three types of audit follow the AVE sector model approach. AVE sector model is a lower form of SA 8000. It emphasises on the following issues: child labour, forced labour, bonded labour, working hours,

work environment and Health and Safety Procedures.

According to the management, the

#### **Social Auditors regard the process of social auditing management friendly**

*According to the social auditor from the auditing firm, "unannounced audits cannot materialize in India immediately. In many factories management system and other conditions are not in order. It needs improvement hence it is necessary for the auditors to announce and come for audits. Presently the entire exercise aimed at those firms, which are in operation for a long time, and yet their documentation is not in order. At least now the management of such firms is becoming attuned to labour laws of our country. They have realized that conformances to labour laws and its conditions only benefit management. There was a time when large number of labourers used to win cases in labour courts since management had no records of workers. Today management is winning most of these cases just because they have complete paper work in order. Social auditing process is actually benefiting the management. It just makes the company more competitive and they do not even loose orders. The social auditing is done because it benefits both buyer and supplier."*

auditing process involves the following steps: Introductory meeting, factory round and review of documents. This is supplemented by interviews conducted by the auditors with factory workers who are chosen randomly. Social auditors in case of third party audit spend one hour with the workers while in case of second party audit they spend only half an-hour. After the audit a closing meeting is organized with management. The results of the audits are informed to management in the closing meeting or later. On the basis of result of the audit the buyer's own compliance staff or the audit firm ask for corrective action plan (CAP).

The social auditors also conduct auditing down the sub-contracting chain. Buyers conduct the social audits of sub-contractors within the company. However in case of third party audits even some external sub-contractors are covered.

According to the management chances of finding non-conformances reduces to great extent. "The chances of finding issues of non-conformances in case of second and third party audits is less compared to first party audits. In case of second or third party audits random sampling is done and there is also a time constraint. The random sampling thus might cover only thirty to one percent of the total workforce. In case of both second and third



*party audits hence chances of finding instances of non-conformances by the social auditors reduces to a great extent. This is also acknowledged in the reports of the social auditors,” Management, Company C.*

### **c) On the Workers Interview**

According to the management, in the last two audits in the factory number of workers who were interviewed inside the factory varied. In case of third party audit conducted by SGS on 28- 2-05 at least twelve to fifteen workers were interviewed in a separate room while more than thirty workers were interviewed at their workstation. In case of second party audit by CWF-DKNY Kids five to six workers were interviewed inside the conference room while twelve workers were interviewed on the spot.

According to the workers they are interviewed inside the factory. A worker who was interviewed at his workplace by the social auditors last year said, *“they asked me about fire extinguishers in the factory and if I was getting my wages on time. No worker from my department (stitching department) was interviewed in any separate room”*. According to another worker who works on piece rate under a subcontractor within the factory premises,

*“Whenever social auditors come to this factory, we are given holiday,”  
- worker working on piece rate in  
Company C.*

### **d) Involvement of Stakeholders**

According to the management, the social auditing process involves primarily three actor’s viz. the buyer, audit firm and the supplier. *“There is no trade union but a worker’s committee exists. In the process of social auditing auditors check the documents provided by this committee on improving the working conditions within the factory. This committee is very vocal in putting forth the demands of workers. For example workers working on the second and third floor felt that it was very hot and wanted a cooler. They reported it to the social auditors and the management conceded to their demands. Similarly in case of drinking water the workers have been provided with thermos. It was not possible to place water cooler due to lack of*

*space,”* noted the management. In this process of social auditing no NGO is involved either, during the process of social auditing or afterwards.

### **e) Reporting of the Audit Outcomes**

According to management, once the process of social auditing is complete the auditors file a report on both non-conformances and positive aspect in the factory. These reports are then sent to both the buyer and the supplier. The report is communicated to the company in writing and through e-mail. If the management requires any clarification about the report it communicated through telephone or email by the auditors. The managers dealing with social compliance can access this report. At present workers cannot access this report either in part or in full. However the workers representative belonging to the working committee can access some part of this report. Management does not take any initiative in this regard.

The management said that the results are shared with the workers through the observations of the social auditor on the issues of non-conformances of the safety rules by the workers. For example a worker might not be wearing a needle cap when social auditor conducted a spot interview. This is discussed with the workers.

### **Management reaction**

According to the management does not prepare itself for the social audits. The workers reconfirm this and said that their company is very neat and clean. The owner of the company literally touches the floor and ensures the floor is spick and span. This cleanliness is not due to social auditing rather due to our owner’s initiative, say the workers. According to the management it does not have any prior knowledge of the workers to be interviewed by the social auditors. However when the auditing is taking place auditors ask the management to send the specified workers to the conference room. It is only during the process of social auditing that management comes to know of the names of workers being interviewed by the social auditors.

According to the management, workers who are interviewed by the social auditors do

not suffer any repercussions. This is because when the interviews are being conducted no management representative is present in the room. The personal detailed interviews are conducted behind the closed doors away from the management. As far as giving instructions to workers are concerned, “no answers are literally fed to workers” says the management. The management nevertheless conducts training for the workers in order to make them aware of safety measures and policies of the management.

None of the workers interviewed by CEC said that workers who meet the auditors separately suffered any repercussions. One of the workers interviewed had met the social auditor at his workplace. He also denied that he had ever been scared or suffered any repercussions because of meeting social auditors.

#### **f) How are workers informed of their rights?**

All the workers interviewed said that they had not seen any Codes of Conduct pasted on the walls. They are not informed about what codes mean and what the labour standards in the codes are. In contrast to the workers’ statements, the management claims that workers are informed about labour laws. The management claims that they organize training for workers in which they give orientation about labour issues. The workers who are remotely associated with trade union also provide information about the labour laws. Workers keep themselves aware of labour laws in the country through local newspaper and interactions among themselves.

They are informed about the trade unions working in their area as a means to file complaints about labour conditions and wages. Workers only visit them when they are in trouble and management does not listen to them. According to the management there is no formal training on labour rights. The information gathered by the workers through self-education is also an important means through which they keep themselves aware. There are healthy discussions on wages and working conditions that takes place in a tea stall located near the factory. It is an important place for socialization and articulation of their demands or concerns.

#### **g) Complaint Mechanism**

According to the management there is no mechanism by which a worker can contact an auditor or the buyer once the auditing process is completed. The worker however can write to the management about the working conditions or any other problem related to factory. For this purpose the company has placed suggestion boxes at various places. The matter reported is kept strictly confidential. The key of the suggestion box is with the personal assistant of the senior manager. The name of the person who had written the complaint is made public only if he wants. The management always takes the action on the complaints by the workers. The workers also denied that there was any complaint mechanism by which they could reach the auditors.

#### **h) Follow up initial visits**

There has been the follow up audits. In the follow up audits the principal auditor remains the same but the other auditors in his team might change. The follow up audit is scheduled to take place in July 2005. In the follow up audits the approach is simple. The auditors check for the non-conformances only. The corrective actions that have so far been suggested according to another management representative are:

- In one sub-contracted unit one worker’s ESCI and PF benefits were missing.
- There were some occupational, health and safety issues
- Buyer found some instance where product safety was missing.

## **Chapter 5: Case Study IV**

**Name: Company D**

**Brands include:**

**Location: Okhla, Delhi; Gurgaon , Haryana**

**Product: ladies, men and children, casual wear, evening wear, night wear, sportswear**

**Workers: 150+300**

### **5.1 General Information on the Company**

Company D. is a corporate entity. It manufactures and exports readymade garments.

The company is deals in product range comprising of ladies, men and children, casual wear, evening wear, night wear, sportswear, etc. They specialize in cottons like poplins, cambric, voile, organdy etc in printed and solid designs. The top-level management consists of managing director, two executive directors and other members on the management. As can be seen in Table 4.1 all workers in the stitching, cutting, packing and finishing department are under contractors.

## 5.2 Methodology

The researchers from CEC collected information on the factory through personal interviews with the workers and management. The management representative interviewed by CEC is a consultant to the company. He is a chartered accountant by profession, looking after finance, accounts, and social compliance audits. He has been working with Company D since December 2000. There was also one informal meeting with ex workers of one unit.

The factory has two branches one in Okhla and another in Gurgaon. The stitching and machine embroidery units are located in the Okhla Branch. There are about hundred and fifty workers here. Departments in the Gurgaon branch are store, cutting, stitching, finishing, packing, sampling, merchandising, accounts and finance unit. At the moment there are about three hundred workers in Gurgaon, which according to the management will soon go up to six hundred.

Out of these twenty-two workers were interviewed by CEC for this case study. No woman worker could be interviewed.

## 5.3 Profile of the Workplace

### a) Wages

Workers are paid both on the basis of piece and time rate. All the twenty-two workers interviewed got the minimum wage. Sixteen workers out of the twenty-two interviewed were earning between Rs. 2,500-3,500 a month (Table 4.2). Four out of the twenty-two workers

one branch at Okhla. However when CEC's researchers went to the field on the first day, they found out that the factory is shifting to Gurgaon and that all the workers are being called and their dues are being cleared within the next two days. On further visits and conversations with the workers outside the factory the researchers got to know that the company had another factory outside Delhi in Gurgaon (Haryana State) and all the production was being shifted there. All the workers in that factory, about hundred and fifty of them, were asked to either join the factory in Gurgaon or clear their dues. For this they were given a three-day notice. "All our dues have been cleared. We have been paid money. We have no complaints from the company. But we were given a notice of only three days before being thrown out," lamented one of the ex workers of the company. When questioned on why the factory was being shifted another worker informed, "we were told that it has been recommended by the inspectors and auditors. Minor accidents were common here. But this is a trend we are seeing in this area." Another worker complained, "We were asked to either leave or join the company in Gurgaon. We all live in Delhi near Okhla. Going to Gurgaon from here means at least one and a half to two hours of travel one way. It was practically impossible for any of us to go there." It was only after our researchers met the management that we came to know about yet another unit of the company in Okhla.

interviewed were earning between Rs 3,500-Rs 6,000 a month. One worker was earning Rs. 2370 a month. According to the management, there are no additional bonuses or incentives for reaching the target. There are also no additional allowances for transport, housing or holiday. Factory does not adhere to the norm of paying double the wage as overtime. According to the management, "we are willing to pay double for overtime but if we do that the workers productivity in the normal hours will go down drastically and all workers will work only during overtime." Moreover there is no overtime on paper.

The six workers described their problems both at home and office front in detail. According to the six workers most of their income is spend on necessity goods such as food, clothing, housing and education. The wage paid is low and their savings are negligible. These workers were migrants from states of Uttar Pradesh and Bihar who had dependents.

## b) Working hours:

“I joined Company D about three years back. Since then there has been no wage increase. In Company D we (workers) have to work seven days in a week. We are never paid double the wage for overtime since we are paid on piece rate. We always had complaints about low wages and working hours but we could not express it. Auditors have interviewed me once. Before that the management instructed me that we regularly use needle and pulley guards, that we do not have overtime, that we are all paid very well and that all the workers are very happy.

---Worker of Company D

According to workers, they usually work eight to ten hours a day. All the twenty-two workers interviewed said that they do overtime. The frequency of overtime depends on the workload. Twelve of the twenty-two workers interviewed said that they do overtime often. According to the workers, duration of overtime varies from two hours to eight hours. According to the management, at times workers work all seven days in the week.

Nineteen of the twenty-two workers interviewed said that they get less than twelve paid holidays in a year. In complete contrast to this management said that workers are given all holidays as per the statutory norms (earned leave, paid leave and casual leave). This works out to approximately forty-two leaves in a year.

## c) Health and Safety

- According to workers, there is no doctor or nurse, permanent or visiting in the factory. In fact according to workers there is no need for a doctor. One of the workers said:

“Why should a doctor visit the factory? If the worker is not well for long, say more than five days, he is thrown out of his job. And if the illness is such that you get cured in five days then you do not need a doctor for that.”

- Out of the twenty-two workers interviewed thirteen had access to the

medical facilities through Employees State Insurance Corporation (ESIC).

- Eight out of the twenty-two workers interviewed said that there had been instances when the subcontractors and supervisors had not allowed them to visit the doctor. All the twenty-two workers said that when they visited the doctor they had to pay the fee themselves. Even those workers who had the ESIC facility said that they could not use it. This was because according to the workers check up in the ESIC hospital takes at least four hours whereas their manager gives them a maximum time of two hours to visit the doctor.
- Further first aid boxes have expired medicines.
- Fourteen of the twenty-two workers interviewed said that they are not allowed to take rest when ill. If they rest their salary is deducted. None of the workers interviewed had any knowledge of the maternity leave policy of the company.
- Twelve out of the twenty-two workers felt that the temperature regulation in the factory was sufficient. Ten however felt that it was insufficient and suffocating.
- Health problems related to work are pain in the legs, arms and headache.
- No major accident causing any causality could be recalled by the workers. There is an emergency exit in the factory.
- However according to the workers, the factory has fire extinguishers but they do not have fire drills.
- Not all workers have an ESIC card in the company.
- According to the workers there is no canteen in the factory. The Gurgaon unit has a lunchroom.

According to the workers the visible improvements in the health and safety situation in the factory in the last five years are first aid boxes and clean drinking water through water coolers. There is also enough light at their workstations. According to the management a lot of improvements have been made in last five years. These include monitoring the labour conditions, canteen and lunchroom for the workers.

#### **d) The right to organise and collective bargaining**

According to both management and workers at present there is no union in the factory. Sixteen of the twenty- two workers interviewed said that they want to have a union the company. Six out of the twenty-two workers interviewed said that they do not want a union in the factory. The management said that the factory does not have any union or collective bargaining agreement, as it is not important. "We pay the workers their dues. They have no complaints from us", says the management.

#### **e) Forced and Compulsory Labour**

The researchers from CEC found no instance of forced or compulsory labour in the company. All workers interviewed in the factory said that they could freely enter and leave the premises of the factory. Workers are able to resign, after fulfilling the legal requirements. There are no workers who have to pay off debts to the employer. No worker said that he/she had to lodge deposits (money or other valuables) or identity papers with the employer. According to the workers, the factory is well guarded. There are two security guards present at the gate. They check the workers at the time of entry and exit. They also check the outsiders entering and leaving the factory. The security guards keep a constant vigil on the workers.

In the Okhla unit of the company there are only men workers. In the Gurgaon unit women are there but their number is very less. Out of a total of 300 workers there are not more than 20 women. According to the workers interviewed none of the women workers have conceived during their work tenure.

#### **f) Discrimination**

The CEC researchers found no instances of discrimination, for reasons of religion, race or caste in the factory. According to workers interviewed by the CEC researchers vacancies are advertised by putting up a notice outside the factory. The factory generally does not directly employ the workers. The subcontractor recruits them after evaluating their work. According to the management there is no gender discrimination in case of recruitment of women for the post of supervisors. Presently all the supervisors in Company D are men. According to the workers, about a year ago there used to be women supervisors in the Gurgaon unit. Till last year women supervisors were employed in the factory.

Men and women get equal wages for equal work. All the workers interviewed by the CEC researchers said that there was no practice of promotion or education in the company.

#### **h) Child Labour**

The researchers found no instance of child labour found in the factory. No worker below the age of 18 years is employed in the factory.

### **5.4 Information on Social Audits**

#### **a) General on Audit and Auditors**

According to management, Company D follows the Ethical Codes of Walmart, Kellwood, Sears and Reebok. They are following these codes, as it is a compulsion from the buyers. The Kellwood code is followed for the last fifteen years and Walmart code since five years. Main issues in the codes are related to labour and social compliance issues. Foreign Buyer Walmart last audited the company in March 2005. The buyers own compliance staff audited the company. According to the management the difference between an audit by audit firms and an audit by the own compliance staff of the buyer is in case of former the auditors are casual in their attitude and can believe in any documents shown to them. While in case of the

own compliance staff of the buyer focus is on investigation. The audits were always announced in advance before the company got compliance certificate from the buyers. After the company is certified, the visits by the social auditors are both announced and unannounced. According to the management, the company does not subcontract work outside. The in-house subcontractors are covered under the social auditing process. In the last two audits at least two social auditors audited the factory. According to the management, the auditors are Indians and are generalists. When foreigners accompany the auditors, they do not interact with the workers or conduct interviews. According to the company a translator does not accompany the foreigners. According to the management, the entire process of social auditing takes one whole day except in case of Kellwood.

The process of the audit as informed by the management was the same as Company C – Opening meeting, factory round, document checking and closing meeting. Social auditors suggest recommendations and corrective action plan is drawn.

“I have been working with Company D for more than a year. Auditors visit the factory but there is no visible change in our working conditions. Health and safety situation here is very bad. I still do not have an ESIC card. During working hours we are never allowed to rest. If we are ill we cannot see a doctor. There is no doctor visiting this factory. First aid boxes here contain expired medicines. All the workers have one or the other health problem. I have been having a constant leg pain since I joined. I have complained to the supervisors but have not got time off to see the doctor.”

-----loader, Company D

According to the management social auditing has helped in improving the relation between the workers and the management. None of the workers however support this argument. They stress that no change of any kind has taken place in the relation between the employees and the management. According to the workers interviewed, only three of the twenty-two

workers interviewed said that there are visible changes since social auditing began five years ago. The improvement is in the form of first aid kits and medicines kept in the factory.

### **b) On the Workers Interview**

According to the management the auditors interview twenty to twenty-five workers in about three to four hours.

However, the workers response absolutely contradicts the management’s claim. According to the workers social auditors never interview the workers.

According to a supervisor interviewed by social auditors, the interview was in the local language. “They asked about the drinking water facilities in the factory, the health and safety situation and about the general cleanliness in the factory. All my answers were positive, as all these facilities are very good in our factory”, he said. According to the management in the last audit the changes asked were to put up visible signs for ‘toilets’, ‘exit’, ‘canteen’ and ‘fire extinguishers’ at various places. The management of Company D implemented these non-conformances.

### **c) On the involvement of Stakeholders**

According to the management, there is no contact with any trade union, NGO, business association or the government for audit purposes.

### **d) Reporting of the Audit Outcome**

According to the senior level manager, audit report is intimated to the management in writing through email. This report is not accessible to the workers. According to the management it is shared with the workers by the management and the supervisors, in writing or verbally.

### **e) Management Reaction**

According to the management, workers to be interviewed by the auditors are coached a day before. The management elaborates, “...otherwise they may say what they want, even

things like there is overtime which might be interpreted as that there is forced overtime.”

**f) How are the workers informed about their rights?**

None of the workers interviewed by the researchers of CEC had seen any codes of conduct posted in the factory. They were not aware of what codes mean. They had no knowledge about labour laws. One of the workers had been working in the company for fifteen days but he did not know what his wage was. All the workers denied that they received any training or education on their rights.

**g) Complaint Mechanism**

According to the management, there was no mechanism by which workers could contact auditors with complaints.

**h) Follow up of initial audit**

According to the management the initial audit is called as follow up visit. It is not necessary that the same auditors come for follow up audits. The procedure of the follow up audit is the same as the initial audit. The auditors particularly check whether issues of non-conformances are rectified.

**Chapter 6: Case Study V**

**Name: Company E**

**Brands include: IKEA, Carrefour, Mother care and Colby and Wal-Mart**

**Location: Ludhiana, Punjab**

**Product: men’s wear, children’s wear and lenin**

**Workers: 600**

**6.1 General Information on the factory**

Company E is a family owned business and a private limited enterprise. The head office of the factory is located at Ludhiana. Company E primarily export to European market (for countries like Switzerland and Germany). They produce primarily for IKEA. The other European buyers of are Carrefour, Mother care and Colby and Wal-Mart. The factory produces

men’s wear (shirts), children’s wear, and home furnishing items (bed sheets) and other knitted garments for the European buyers. Within the factory different departments are human resource, export, production and commercial department. In each of these departments there are three levels of management starting from top, middle to supervisory level.

The researcher from CEC noticed that the factory name was displayed prominently outside the factory gate. There were around four security guards at the factory gate.

At present six hundred workers are employed in the factory. Fifty out of six hundred workers in the factory are women. Female workers in the factory are either above the age of forty-five or are still unmarried.

According to the management all the workers employed are permanent. On recruitment, an appointment letter specifies the employment conditions, wages and other policies related to worker. There are sub-contracted units outside the factory. At least twenty-five units are sub-contracted outside the factory.

**6.2 Research Methodology**

Initially workers of Company E were not forthcoming. They asked the researcher from CEC to seek permission from the management for conducting the interview. Management denied the request to interview the workers, but permitted interview of supervisors. But the interview with the supervisors was not useful at all as they projected a perfect image of their company. For eg: The supervisor denied the existence of any form of overtime in the company. This was in contrast to the information provided by the senior manager who acknowledged the practice of overtime in Company E.

Finally eleven workers from the factory were interviewed with the help from a local trade union.

**6.3 Working Conditions**

**a) Wages**

Nine of the eleven workers were above the age of twenty-five. All were migrants - eight belong

to U. P. and three belong to state of Bihar. All the workers interviewed said that they get monthly wage and are permanent.

Four out of eleven workers employed in the factory were in the checking department while two were helpers in the finishing department. Two other were also from finishing department. Three workers were from stitching department.

All the workers who were interviewed said that there are no additional bonuses or incentive given to them. According to the management workers receive an attendance bonus.

The overtime in the factory extends upto 16 hours (double shift). According to workers overtime wage is not paid at the premium rate while according to the management it paid. The average monthly wage of the workers interviewed was between Rs. 2500-3500. However, all the workers acknowledged that the factory is never late in making payments to workers.

All the workers interviewed clearly stated that this wage is insufficient to sustain their families. Migrant workers living in rented accommodation said that they spend their entire wage on necessities such as food, rent and transport. A worker in the knitting department lamented, "Even after working for five years in this industry we have no savings."

## **b) Working Hours**

Nine workers out of eleven said that working hours is between eight to ten hours while other two said that they work for only eight hours. According to the management working hours do not exceed more than forty-eight hours in a week. Workers acknowledged working on Sunday when work pressure was high.

Both according to management and workers the factory has two shifts from (9:00 a. m. - 7:00 in the evening and then from 9:00 p. m. - 6:00 am) and overtime meant double shift. Workers noted that it is not possible to refuse a double shift in the factory.

Eight out of eleven workers got less than twelve paid holidays.

Workers on working hours and Wage in Company E *"Supervisors are rude to workers.*

*They can terminate any worker without prior notice."* Another worker said, *"Despite raising our concern regarding hike in wages to the supervisor, nothing concrete happened."* Another worker stated, *"Wage paid to the workers is less compared to working hours. We end up working double shifts to earn a sufficient income"*.

## **c) Health and Safety Situation in the factory**

All the eleven interviewees responded positively to the question whether they have access to medical facilities. All these workers were accessing the ESIC facility.

According to the management of the factory, there are ten national and festival holidays, fifteen earned leaves, seven casual leaves and ten sick leaves. However the workers were not aware of this. According to the workers interviewed, they were entitled to fifteen sick leaves but had never used all of them.

On the issue of maternity leaves the management simply stated that there is a provision for maternity leave but presently there is no scope for its implementation among the workers since all the women labourers in the factory are above the age of 45 or are unmarried.

According to the workers interviewed there is enough light at their workstation. On the question of temperature regulation workers said that there are fans but it is hot inside their factory. Drinking water is clean.

All workers said there is improvement in factory's health and safety conditions in the past few years. Here are some statements of the workers:

"At least the management fears that the buyer will cut orders and hence there is some improvement in safety situation in the factory. There are fire extinguishers placed in different parts of the factory. Supervisors know how to operate them."

"Wages are better here compared to other factories. The contribution to PF is deducted on a regular basis. Another worker said "We have facility for PF and are made permanent employees of the factory. Yet we are afraid to communicate our demands to the management". Another worker said "Yes there is some improvement in the factory since there is first aid box and clean drinking water. Due to the



practice of inspection by our buyers we have become aware of our wages, medical facilities in the factory. But if we have any problem we can't communicate it to our buyer or inspectors."

None of the workers interviewed could recall any accidents in the factory. They also responded positively to the fact that there are fire extinguishers placed in different parts of the factory. They were also aware of fire drills. According to workers there are two emergency gates in the factory that are open and freely accessible to them.

Workers acknowledged that there is a canteen that is sufficient and hygienic.

#### **d) Right to Organize and Collective Bargaining**

The workers and the management stated that there was no trade union in the factory.

Seven out of eleven workers interviewed said that they would like to form a trade union. According to one worker, "in absence of a trade union it is very difficult to talk about wage hike. Many times we mustered courage and try to put our demands forward but we always reverted back due to the fear of reaction from the management."

The eleven workers who were interviewed were not aware of Works Committee operating in the factory. Workers said that in each department there are supervisors responsible to communicate the grievances to workers.

#### **e) Forced and Compulsory Labour**

The workers said that they can easily enter and leave the premises. The researcher from CEC found no evidence of forced or compulsory labour in the factory. The factory has a punch card system and worker is not allowed to enter the factory in case he forgets to carry his punch card.

According to the workers the production process in the factory is continuous. The production shifts in the factory start from 9:00 am-7:00pm and then from 9:00 pm-6:00 am. It is not possible to leave and break production sequence. However the worker can go out with the permission of the supervisor. According to one worker interviewed, "If we go to toilet or for

drinking water during working hours and do not come back within few minutes supervisor sends someone to call us back".

There are security guards in the company. According to the security guard of the factory, "we keep strangers out and check the people working here who leave the factory after work. There have been instances when brass fittings of water taps were found missing in the company. Someone also took the soaps kept in toilets. It is thus necessary that workers are checked physically so that they do not carry toxic substance or *Gutka* to the factory."

All the workers interviewed agreed that they are allowed to take rest if they fall ill. But they also said that wage for the day/s is cut. Only three workers said that they had availed sick leaves given to them. No worker was aware about maternity leave policy.

Workers said that they are free to resign from the company. No worker has ever taken any debts from his employer. In fact company does not give loans to its workers. All the eleven workers who were interviewed said that no worker has lodge deposits or identity papers with the employer.

#### **f) Discrimination**

The researchers from CEC found no instances of discrimination on account of religion, race or caste in the factory.

The workers who were interviewed said that both men and women supervisors are employed in the factory. However the female supervisors are very few. According to the management out of twenty-five supervisors in production only one is a woman. Women supervisors were confined to checking and finishing department where the majority of workers are women. However, no discrimination in payment of wage was identified.

#### **g) Child Labour**

According to both workers and the management on the issue of child labour, said that there are no instances of worker below the age of eighteen in the factory.

### **6.4 General Information on Audits and Auditors:**

According to the management, the company in the last two years was audited primarily by European buyers such as IKEA (Switzerland), Wall mart (USA), Colby, Mother care, Carre four and Khol (Germany). Audit firms and the buyer's own compliance staff audited the export unit. In case of last two audits Wal-Mart audited the company by using its own compliance staff while IKEA hired an audit firm called KPMG. The management sees no difference between the audits either by buyer's own compliance staff or audit firms. In case of this factory the last two audits were conducted about a month back by Wal-mart's own compliance staff and about 4 months back by IKEA.

According to Management (HR), "Since the social auditing began in 2001 both workers and company has benefited from this process in the following ways: The productivity has increased since workers are now more disciplined. It has also improved relations between the workers and the management. The visits by the social auditors have made workers more aware of their rights. It is one of the companies in Ludhiana which gives the minimum wages to its workers".

According to the management, the social audits in the firm are both announced and unannounced. It is announced five days in advance. The process of social auditing in this export unit is similar for both announced and unannounced audits. The only difference is that in case of former the buyer sends a pre-questionnaire form. The export units need to fill this pre-questionnaire within the specified period. The information collected by the buyer in this respect forms the basis for social auditing of the export unit. In case of unannounced audits the buyer/ audit firm checks the level of social compliance against the codes of conduct specified by the buyer. For this they use a checklist method.

According to the management, the process of both announced and unannounced audits consists of the following steps: the audit team visits the factory to see the condition of H&S, housekeeping and working conditions in the factory. Second step consist of on the spot interview conducted with the workers. Here the

auditors also see whether the workers follow safety norms in operating the machines. This is followed by interview of the workers. The social auditors also see the documents / paperwork pertaining to labour conditions and ensure that the environmental standards are met. The buyer gives the final report of the social audit to the company representative at the end of this process. The report is in the form of findings, recommendations, factory comments and the target date to achieve the stated objectives. On the basis of target date stated in the report a follow up visit by the social auditors is delineated. The follow up visits are always announced.

In each of the last two audits done this year three social auditors came to the export unit. All the social auditors were Indians and were well versed in the language of the interviewees. These social auditors were specialist since each had their own field of expertise namely- environmental standards, labour laws, health and safety. In social auditing process conducted by IKEA the social auditors spent two days inspecting the factory. While in the case of Wal-Mart the social auditor spent one day. The management accompanied the auditors throughout the inspection. In both these the social auditors spent social auditing two hours with workers.

#### **a) On the Workers Interview**

According to the management, in each of the two audits the social auditors interviewed at least fifty workers, both men and women. The workers were interviewed inside the factory both at their production shop floor and in the conference room where no representative of the management was present. However, one of the workers who had met the social auditors told us that he did not feel secure while giving interview to social auditors since he was aware of the management presence there.

*During the interview he narrated an instance when one of the workers complained to the social auditor about the low wages given by the export house. After they left he was rebuked by the management and was made to feel guilty as the buyer cancelled few orders of this export*

*house. He is thus afraid of repercussions if the management comes to know that workers revealed working practices to social auditors. They are not supposed to reveal anything apart from what is told to them by the management”.*

According to the management in the interviews conducted by the social auditors, there is no need for a translator since the auditor is well versed in the language of the labourers.

However according to a worker, “in this factory, social auditors ask about their personal details, their age, wage, how much time they spend working in the factory etc.” According to the worker they answer questions in the manner told to them by the management”.

#### **b) Stakeholders involved in the process of social auditing**

According to Manager (HR) “There is a Works Committee in the factory comprising of workers and some representatives from the management. This committee raises problems of workers to the management. Since we fulfill the mandatory requirement of a Works Committee, there is no trade union in the company. This work’s Committee is indirectly involved in the process of social auditing since it facilitates the company to maintain the labour standards and helps in the two-way communication from the management to the workers and from the workers to the management”. However the workers interviewed said that they are not aware of any Works Committee.

The management noted no involvement of NGOs in this process of social auditing.

Interestingly, the management informed that The Business Association of Exporters in Ludhiana prepares the exports units for social auditing process by conducting audits in the area of social compliance and customer trade protection against terrorism (as emphasized by European buyers). There is no other actor, involved directly or indirectly in the process of social auditing.

#### **c) Reporting of the Audit outcomes**

The outcome of the audit results is reported to the management at the end of the process of social auditing the same day itself. The results of the social auditing process are discussed with management and any query is cleared. The results are discussed verbally. The reports of the audits are given to the management in writing. It is also e-mailed to the representatives of the management. The results of the audit report are accessible neither to workers nor to its representative organization either in part or in full. The management contends that the results of the social audits are shared with workers. The management discusses only those parts of the audit that it thinks concerns the workers. The management through orientation programmes and meetings shares these results. The auditors had asked for certain corrective measures in audit conducted in January 2005.

#### **d) Management Reaction(s)**

According to the workers, “the management prepares the workers by giving instructions to clean the factory, ask the workers to wear gloves and masks.”

#### **Awareness of Workers on their Rights:**

In this factory, researchers from CEC found the Codes of Conduct of Wal-mart were displayed behind the seat of HR manager. The Codes of Conduct were in Punjabi and Hindi language.

According to the management, workers are informed on how to file complaints in case there are problems with labour conditions. According to workers, “we generally approach trade union when we need to file their complaints against this Company.”

#### **e) Complaint Mechanism**

According to the management and workers, there is no mechanism by which workers can contact the social auditor/s or the buyer regarding labour or social auditing. Within the factory the only complaint mechanism available for the workers is through the works committee.

#### **f) Follow- up of the initial audits**

According to the management, there is follow up of the initial audits. The same auditors need not conduct the follow up visit but the principal auditors remain the same. In the follow up visit the auditors interview the same persons who had given the information about the violation of some rule. They also check documents of the company in order to ensure whether the corrections have been made. In case of the social auditing by IKEA an appreciation letter was given to the company for implementing changes. The auditing is done down the sub-contracting chain. All the sub-contacting firms are located outside the factory.

## Chapter 7: Case Study VI

**Name: Company F**

**Brands include: Ox Bow, Lee Cooper, VH Men, Callaways, M. Kores, Quicksilver, Ashworth, Pierre Cardin, G Beene, IZOD, GH Bass, Russell and Arrow**

**Location: Ludhiana, Punjab**

**Product: Knitted garments - Polo shirts, Sweat shirts, Casual Sportswear, Night wear, Infant Rompers with Embroidery & Applique**

**Workers: over 1000**

### 7.1 Introduction

Company F is situated at Ludhiana. It is family owned business, a partnership between two brothers. It is an export house and does not produce for the domestic market. Countries to which it is exporting include USA, Canada, France, UK and Germany.

According to the management, approximately one thousand five hundred workers are employed in the factory. Eight hundred workers out of one thousand five hundred are on piece rate. No female is employed in any of the producing units of Company F. There are no sub-contracted units outside the factory. Inside the factory entire production process is sub-contracted. HRD, finance, merchandising and production are the important departments within the factory.

The production department consists of sampling, knitting, dyeing, and washing. Company F is producing hosiery items, knitted

garments and men/ women's wears for their clients. Important buyers of Company F are Ox Bow, Lee Cooper, VH Men, Callaways, M. Kores, Quicksilver, Ashworth, Pierre Cardin, G Beene, IZOD, GH Bass, Russell and Arrow.

According to the management of the company is following the codes of conduct for a decade.

### 7.2 The Process of Social Auditing

According to the management the social auditing process has enhanced the productivity of the workers, improved the relations between the workers and the management and has helped the company to get good orders from the buyers. The factory has been audited by both an audit firm and by the buyer's own compliance staff. The management finds no difference between the two social audits since the elements of the code remains the same. The company is following codes of conduct of various companies and finds no difficulty in implementing these codes of conduct.

The management categorically pointed that in Company F there were only announced audits. The process of social auditing is the same three step process explained in the previous case studies.

Last audit of the factory was done about a month back. The social auditors used a checklist system to verify social compliance by the company. The social auditor interviewed eleven workers from this factory.

According to the management local stakeholders are not involved in the process of social auditing. There was no involvement of trade union in advance, during the process of social auditing or afterwards. The management claims there was/ is no trade union in the company. There is a Works Committee comprising of both representatives from the management and the workers. NGOs are also not involved in this process.

The outcome of the social auditing process is reported verbally, in writing and also through e-mail. The management shares the outcome with workers by informing them about the improvements that have been recommended.

The issue of Corrective Action Plan (CAP) and the recommendations of the auditors

after the social auditing process (as shared by the management):

- Training in handling emergency situation should be improved as only few of the interviewed employees remember to have taken part in the drill.
- The procedure of investigations into accidents, including minor injuries, needs improvement. There should be a procedure to investigate the root cause of accidents and means of prevention in future should be defined and maintained\*.

### 7.3 Working Conditions

According to the General Manager of Company F, *“The workers in Company F are paid on a monthly basis. They are recruited on the basis of an interview. An appointment letter is given to workers that specify the terms and conditions governing workers employment conditions. The factory gives minimum wages to the workers and nothing more. Workers hardly do any overtime. Even this overtime is voluntary and depends upon the worker. The payment of overtime is double the wage of a worker. Worker in Company F does not work more than eight hours for six days in a week. The workers are provided with nine paid holidays. They also have mechanism to contact the social auditors once the process of social auditing comes to an end. The Codes of Conduct are put up everywhere in the factory which also states the address of the social auditors. There were instances when the workers called the social auditors and reported their grievances. Apart from this any worker can approach me when I am on rounds in the factory. The factory has really worked on the health and safety conditions. Over the years these facilities has only improved. There is a first aid box, ambulance room, permanent doctor and ESCI facility. Workers are allowed to go to doctors as and when they want. They don’t even have to pay for such facilities. Ever since social auditing process began in the factory overall working environment has only improved. The most important change in the present situation was introduction of PPE or emphasis on wearing mask while working on machines.”*

Trade Union leader of Textile Labour Union has a different version of the story. According to him, “Company F is one factory in Ludhiana that has never followed any rules and regulations in respect to labour conditions :

*“Last year fourteen hundred workers were thrown out of their jobs. Even today two hundred workers are waiting for justice. The Punjab government has referred the case to a tribunal”.*

In this incident all the workers except those in the dyeing unit were thrown out. Cases of the 200 workers mentioned by the worker are with CITU.

According to information from workers, a trade union (INTUC affiliated) was formed in the Company F some years back. Main issue before the union was that workers did get a single paid holiday and the wage increase.

In December 2003 management of Company F and trade union signed an agreement in the presence of representative from labour commission of Punjab: a) atleast 3 holidays (festivals and national holidays) in a year, b) daily wage even on days when there is no work in the factory, c) tea to be provided by the company on the condition that workers would not drink it during working hours or at their working stations and workers also promised that they would increase production and work hard.

On the issue of minimum wage and social security there were three strikes between September 2003 and 2004. According to workers there were several wrong practices in the company during this time such as a) the company was forging wage slips (showing wage of Rs 7, 500 per month, while giving workers Rs.3, 000 per month), b) worker’s attendance in the wage slip was carefully maintained as less than 15 days in a month.

The matter became further complicated in March 2004 when workers of Company F and the trade union reached a settlement: In order to give all workers records of employment and take them on payroll, the trade union agreed to show a break in their previous service record. It was agreed that all the workers from March 2004 will be regarded as new workers. The wages of workers was fixed at Rs. 3,510. However workers protested against this and refused to accept these service terms. In September 2004

the there was a lockout by the management throwing 1300-1400 workers out of job. The management however contends and calls this a strike.

Following these developments, the entire production process in the Company was sub-contracted. Presently there are three shifts in the factory.

Here are the testimonies from the ex-workers of Company F:

**Ram Singh** is a migrant labourer from Pipradau village of Uttar Pradesh's Devariya (district). In the Company F he worked in the finishing department from the period January 2003- 2004. In January 2004 he, along with some other workers, was fired from the job without a prior notice. The management asked them to take a month's salary and leave. In February 2004 a complaint was filed against Company F in the manner in which workers were terminated.

*"At the time of recruitment the worker was promised a wage of Rs171 per piece but was given only Rs. 150. At the time of recruitment workers were made to sign many papers but the management did not explain to them what the papers contained,"* he noted

Ram Singh further recalled, *"Workers were allowed to take rest when ill, but a day's wage was deducted. In case we insisted for a holiday, we were told to resign. Once a child of a worker was admitted in the hospital but the supervisor did not pass the message to him."*

On the social auditing process Ram Singh told the researcher that the management of Company F instructs workers what to say before the auditors.

Ram Singh is presently employed as a casual worker in another factory in Jalhandar Bi-Pass. His entire salary is spent on housing and food. There is little left to send to the family back home. He is indebted to private moneylenders. After eighteen years of service he just has eight hundred rupees in his bank account.

The story **Naresh Singh** is not different. At thirty five he has been working over 10 years in this industry. Even today he is just a casual/daily wage earner. In Company F he had been working in the embroidery (stitching) department. He was employed on time rate. His wage was Rs. 5,000. In company F he worked

for six days in a week, 8 hours in a day. Apart from this he had to often do overtime.

The overtime was for two to four hours. Naresh Singh was paid Rs 15 for dinner in lieu of his overtime. There were no paid holidays or sick leaves. It was only after trade union intervened that three paid holidays were given to him along with some other workers. The major problem concerning his working hours was that he was forced to do a night shift.

According to Naresh there was a permanent doctor and a first aid box. However the worker had to bear the expense of his treatment for long-term ailments. The factory provided just medicine to worker if he took ill in the factory. Naresh Singh experienced severe pain in his legs while working for long hours due to continuous movement of legs.

Last year Naresh was thrown out of job along with twenty other workers. It came as a shock to him. He wondered why the same person who had asked him to join the factory fired him. He was asked to leave without prior notice. He filed a case against the factory on inadequate compensation grounds.

**Surendra Sharma** worked in Company F for eight years. He was employed on casual/daily basis in the over-locking (knitting department). He was paid on time rate, Rs 3,500-6,000 per month. Elaborating on the working conditions in the company he said, *"Facilities provided to workers were not bad. However a worker had to work 7days in a week. The working hours depended on work load. During peak season a worker had to work for 12-14 hours. The worker was paid Rs 20-25 and tea for overtime. There were no paid holidays and sick leaves."*

Surendra had health problem due to continuous movement in leg and hand while at work. He also had pain in his fingers and a severe backache. *"Around 300-400 workers worked in a big hall. One person had fainted since there were no coolers,"* recalled Surendra.

*One of the major problems according to Surendra was, "workers were in constant pressure to increase production without any increase in the wages."*

Interviews with workers presently working in the factory:

**Parminder** works as a shift in charge and his work involves shade matching. Parminder has been working in the company more than five year now. He hails from Punjab. He works in the dyeing department. He looks after 50-60 workers who are working under him. His salary is over six thousand rupees. He has to work for six days in a week. In a day he works only for eight hours. Parminder noted on overtime, “Workers are paid Rs. 25-30 and tea in lieu of overtime. The worker knows about his duty for the week. After one-week shift in which the worker works changes. There are times when a worker does a double shift but for this he is paid double charge. Workers feel restless and tired after a double shift. There are three shifts in the factory.”

He further said ‘Not much has changed since I have joined the factory. Yes, over the years the numbers of parks in the factory have increased but no body is allowed to sit there. Also the factory has introduced punch card system to make the worker more disciplined. Presently there is no trade union to raise the demands of the workers. The earlier trade union has completely lost its influence over the factory.’”

**Shyam Jha** works as a Fabric dying operator. He has to work ten to twelve hours in a day, seven days in the week. During the peak season he works for 2-4 hours as overtime. The factory in lieu of his overtime gives him Rs. 20-25 and tea. The factory gives him less than 12 paid holidays. There is a shift system in place and sometime workers are forced to do a double shift. Shyam noted, “Supervisor tells us if you are ill there is no need to come for work”.

The story narrated by **Kishan** is not different from Shyam. Kishan while raising his concern over working environment said “the production in the factory is continuous and there is constant work pressure.”

The only concern of Shyam is that there should be some form of workers organization like trade union in the factory to raise the concern of the workers.

## Chapter 8: Analysis of the social auditing

### Impact on Working conditions

The above discussion clearly explains that social audits have not had any impact on the wage of the workers. Wage of workers in all the case studies, which also happen to be among the top garment export companies in India, remain the minimum or just above the minimum. Overtime is also practiced in all the cases but not remunerated at the premium rate. Social security benefits are available only for a small percentage of the workforce - Workers in Company E reported getting PF. Workers in, Company B, Company C and Company D reported having ESIC facility).

Working hours of the workers continue to be long and intense, extending upto 16 hours in case of all the companies, while the management continues to deny this. Workers cannot refuse overtime as they will be thrown out of work the next day. Company A, Company B and Company D extend work seven days in a week.

In terms of health and safety conditions social auditing seems to have made some impact but our field study raises doubts about whether these improvements are real. Tidying up the factory just when social auditors are about to arrive, decorating the factory with dustbins and toilets with soaps have been noted by several workers in the case studies. In some cases workers acknowledged first aid boxes as a visible change but at the same time also said that they have never used it as the collection of medicines is inadequate and even expired. Workers in all cases are not satisfied with the access to health facilities. Fire fighting equipments are another visible change noted by the workers but there have not been fire drills in any of the cases and so workers in neither cases are trained to use them. There is only one instance when ventilation and cooling has been made better, but in all other cases workers have complaints about ventilation and cooling at their work place. Clean drinking water problems remain in Company A and Company B.

All the companies studied deny workers the right to organize and collective bargaining. Infact in some cases under the pressure from buyers workers committees are formed which are only eyewash and prevent any proper system of industrial relations from emerging.

Discrimination on grounds of gender has been reported with management accepting that they do not encourage women to work, particularly women of reproductive age. Social audits have not brought any visible change in terms of curbing discriminatory practices towards women or ensuring that the mandatory requirement of sexual harassment committees are put in place.

The only part of the code of conduct where monitoring pressure of buyers seems to have made a definite visible impact and which all the companies in the Delhi and NCR follow diligently is with regards to child labour and forced labour. No instances of child labour or forced labour were found in any of the cases.

Even if we acknowledge that social audits have played a role in ensuring that all workers on the rolls get the minimum wage, it is important to note that they could not go beyond the basic legal wage, which not a living wage and as revealed by the workers, often not even enough to make ends meet. Workers end up working overtime which too is not paid at the premium rate. Moreover there remains an element of discrepancy in the number of workers on the rolls and the number of workers actually working in factory premises. Contracting and maintaining a flexible casual workforce is practiced in all the above cases. A direct link can be drawn here with the cost cutting and timely delivery pressures of the lead firm on the manufacturers. As long as there is pressure to produce at the lowest possible cost within a short and unplanned lead time, meaningful change with respect to wage, working hours and working conditions cannot be expected from social audits.

### How far does management influence audit process?



It can be inferred from the above case studies that the management has a definite influence over social audits. The management is always informed in advance about a social audit. According to one of the auditors from a lead firm interviewed in the course of the study: "In India the practice of unannounced auditing does not exist." Moreover in many cases it is the management that pays for the audits.

Usually social auditors interview supervisors and not the workers. When they interrogate workers it is at their work station. Management is invariably always aware of the workers who are interviewed by the auditors. Management in case of Company A also accepted coaching workers before interviews.

Some companies indicated that for a follow up there are unannounced checks but field information reveals that they are not practiced.

While financial audits may require the account books to be in place, and hence follow a practice of informing the factory management in advance, the same practice allows ample space for the management to 'clean up' the factory and set it up for a social audit.

### **Do workers understand the meaning of social auditing?**

It was observed during the field study that workers are aware that labour conditions within their factory are subject to external checks.

In none of the cases had codes helped in increasing worker's awareness about their rights. Codes of Conduct were either not displayed or displayed in a concealed way and none of the workers had ever read them. Outcome of the audits were also never shared with the workers.

In none of the cases was there any instance of an institutionalized complaint mechanism. Workers could not contact social auditors once they had conducted the audit.

Workers are not very optimistic about social audits because of the controlled manner in which they are conducted and the fact that these audits

are not bringing any visible improvements for them.

### **How Workers and their representatives are skillfully sidelined from the process**

Workers and their interviews are not a part of the social auditing process.

According to the representatives of national inter-industry trade unions, they have never participated in it or ever attended stakeholder consultation process. When CEC researchers contacted local trade unions, such as Delhi Prant Pichhra Varg, Majdoor Union, Delhi Leather Karigar Sangathan, Readymade Garment Export Karamchari Union and Textile Labour Union (Ludhiana), they too denied participating in any social audit.

### **Is social auditing translated into a process, which is increasing the control of the buyers over the suppliers?**

Let us place this question within a supply chain framework. Global supply chains are always dominated by the lead firms who control the entire chain. Buyers control the design as well as the entire production process. They determine the participation of all the other actors within the chain as well as the distribution of gains. Production activities that constitute the bottom rug of this chain are strategically located in developing countries like India. In order to maintain large scale production at lowest possible cost, it is this bottom rug of the chain that is squeezed to the maximum.

According to Indirani Mazumdar, a senior researcher with Centre for Women's Development Studies (CWDS) "Buyer has a control over design, production process and is now even inspecting the premises of the manufacturer without investing anything. Social Auditing has become an instrument in trade, which can be used against us. The organized workers generally do not support it."

## Chapter 9: Recommendations<sup>9</sup>

**Social Auditing can be an effective tool:** The above discussions have revealed systematic problems with the existing organization of social audits. Company driven models fail to provide an accurate picture of the working conditions of workers. Superficial changes are highlighted benefits of which do not actually reach the workers. Brands and retailers need to put in place a strategy towards ethical sourcing. Social auditing can only be effective if it is understood as a part of a larger strategy towards ethical sourcing. What is needed is a comprehensive approach.

1. Purchasing practices have to be addressed. In order to practically ensure the implementation of codes, it is important that buyers and brands address their purchasing practices. Buyers and suppliers should together plan business and compliance efforts. Buyers and brands should avoid giving short lead times for orders and plan orders in time. In case suppliers are fulfilling commitments under the codes, buyers should avoid terminating relations with them, in fact give them incentives.

2. Brands and suppliers must take proactive steps towards increasing transparency regarding their supply chains and working conditions within them. Audit firms should make public information about their members and their audits so that the effectiveness of their activities can be verified.

3. Brands and retailers should have a policy of enabling corrective actions within their supplier facilities. For this it is important that they give incentives to suppliers who allow honest and impartial social auditing and agree for sharing costs for improvements and remedial actions.

4. Social audits have become an industry in themselves. Auditors are involved in even 'preparing' companies for audits. In order to

make compliance initiatives credible it is important for brands and buyers to put in place a system of regular, unannounced audits, for all suppliers. Audits need to involve comprehensive worker interviews, as well as local trade unions and NGOs, who are better placed to judge what conditions are like.

5. It is important that there are systems in place to voice workers' grievances at all times. These complaints also actually feed into information on working conditions during audits. Hence grievance handling systems must be established by suppliers in their production facility. Buyers and brands must make themselves accessible for workers complaints in case they cannot be resolved at the supplier level.

6. Shift away from a formal top down compliance to the greater empowerment of workers and their representative organisations as an essential part of the process of improving labour standards and working conditions can alone ensure meaningful change. Participatory social auditing that directly involves workers and worker organisations can alone create the basis for sustainable improvements in working conditions and ensure compliance.

7. The field survey above has clearly shown that workers in most of the case studies are not aware of Codes of Conduct and what they mean or of their rights and duties. Management has never taken any initiative to educate workers on the codes or on their rights. In order to enable an effective participation from workers, it is important that workers are aware of Codes of Conduct and their monitoring process. For this it is important that companies engage with NGOs and Trade Unions and conduct independent training and education programme. It is important to note here that such training and education programmes need to be evolved and conducted independent from management influence in order to ensure quality and credibility.

8. Social audits must work towards ensuring that wages are improved beyond the legal minimum wage in their supplier base. Buyers and brands must evolve strategies towards ensuring that a living wage can be paid out of the unit prices

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<sup>9</sup> This section draws from the results of the field research as well as the synthesis document 'Looking for a Quick fix' (2005) by the CCC for which this research had contributed the North India part.

they pay to their suppliers. The suppliers need to understand that though it increases costs, living wage is a positive step that will help in improving quality of work and solve compliance issues. Industry wide strategy can be evolved to raise wage levels through involvement of NGOs and labour organizations.

9. As we have seen in the case studies Freedom of Association and Collective Bargaining is denied to workers in all the cases. Infact there is no negotiation happening between workers or management with regards to wage and working conditions. The anti union attitude of the management is clearly spelt out in these case studies.

Positive steps towards ensuring freedom of association are the key to ensure compliance. To ensure worker's participation in the compliance and monitoring process, it is important that workers and their representatives get space.