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## Beyond Labour Regulations – The Achievements and Limitations of Social Compliance Audit in Delhi Garment Factories

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### **Abstract:**

*Corporate Social Responsibility (CSR) and Social Compliance Audit (SCA) have today emerged as buzzwords familiar to all business organizations. SCA can be understood as private and voluntary rules adopted by companies for improving working conditions in transnational production chain. SCA can be seen as a specific type of CSR because it organizes corporate commitment to ethical standards in the forms of rules. The common objective of CSR and SCA is to ensure that business takes responsibility and accountability for its actions. However, the accountability cannot be at the cost of business profitability of the organization. The present state of affairs highlights the twin process of responsibility and profitability. In such a situation it is important to understand where does one fit in the process of SCA? In practicing SCA, are business organizations really concerned with social responsibility and accountability or are there external pressures to follow international standards and appease the consumers? This article by critically examining the practice of SCA argues that it has failed to fulfil the norms of responsibility and accountability. As a process of regulation working condition it should have benefitted the labours, on the contrary, it has failed to re-organize workers in developing countries.*

**Keywords:** *Corporate social responsibility, social compliance audit, labour reorganization, globalization, collective bargaining*

### **1. Introduction**

In the recent years there have been debates on transparency and accountability of the corporate sector arising out of international pressure to accept and adhere to Corporate Social Responsibility. The term "Corporate Social Responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, *Strategic Management: A Stakeholder Approach*, published in 1984<sup>1</sup>. CSR refers to various forms of corporate self-regulation integrated into a business model. CSR initiatives are a response to new challenges presented by economic globalization, notably corporate efforts to oversee the operations of increasingly-complex global supply chains(Anner). Today CSR can be described as a phenomenon of contemporary capitalism that raises eyebrows and arouses suspicion (Fransen 2012:1).

CSR is a very broad term referring to the overall corporation's operational, processes and behavioral impact on society and stakeholders. It is implemented at the policy level and therefore assessing its outcome is difficult. In order to ascertain effective CSR policy, practices and culture, the notion of Social Compliance Audit (SCA) emerged as an important mechanism to ensure that business and social responsibility converge. In this context CSR is seen as a tool through which buying companies and chain stores seek to influence the social and environmental conditions of employment in the outsourcing networks (Nadvi and Waltring 2004:71-73). Within the universe of CSR activity, private regulation takes a special place because it organizes corporate commitment to ethical standards in the forms of rules, in sector wide approaches, with mechanism for external review of compliance. It thereby is in terms of scope, purpose and organizational form probably the most ambitious and comprehensive variety of CSR currently on offer (pg 7)

The concepts of corporate social responsibility (CSR) and labour standards are distinct, and yet closely related. Blowfeld and Frynas (2005:503) describe CSR as a set of practices that reflect three distinct concerns for companies – first, their need to be aware and take responsibility for the impact of their activities on society; second, that companies need to be concerned about the actions and practices of those from whom they source, in particular their dispersed supply chains; and finally that companies 'need to manage their relationship with wider society'. Debates on CSR and socially responsible business have focused on philanthropic measures by corporate actors, to an interest in viewing poor communities as critical customers at 'the bottom of the pyramid'. There are also concerns, especially amongst sceptics of the CSR agenda, that CSR initiatives are essentially aimed at mitigating risks for leading global brands, or providing a public relations fig leaf to hide dubious sourcing practices, or being insufficiently monitored to lend credence to the claims made by corporate actors. These debates are outside the purview of our focus. We here are concerned in particular with the narrower focus on work practices, and the link between CSR and labour standards. Thus, labour standards are often a subset of CSR codes, and most CSR codes require compliance with international labour standards and norms. At a general level,

standards are commonly accepted benchmarks that transmit information to customers and end-users about a product's technical specifications, its compliance with health and safety criteria, or the processes by which it has been produced and sourced. Standards take many shapes and forms.

It is necessary to go beyond the general assumption that CSR & SCA are voluntary processes without any legal obligations. On the contrary SCA intends to ensure that corporations abide by the national/international law. The legal nature of CSR often conflicts with implantation of worker's right especially in the third world countries. A large section of global outsourcing takes place in the Third world countries like India, China, Bangladesh where the labour laws are weak and the implementation of CSR questionable. An attempt has been made to eventually make CSR an instrument for achieving the protection of workers' rights. Corporations in the intent to portray their acceptance and adherence of CSR ensures compliance to labour laws and standards.

## 2. Conceptualizing CSR & SCA

A large number of literatures from different discipline have used the term CSR in different ways. For the reference in the present literature, the following definition is relevant.

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

While often used in a broad sense, strictly speaking, the notion of responsibility is restricted to the realms of ethics and principles and not concrete actions nor outcomes. For this reason, there is considerable interest in the concept of corporate social performance, which includes not only motivating principles but also processes and observable outcomes on stakeholders (Hopkins 1997). According to the above definitions, CSR means addressing the legal, ethical, commercial and other expectation of society by corporate or business houses. In simple words, CSR is a comprehensive set of policies, practices and programmes integrated into business operations. CSR typically includes issues related to ethics, community investment, environment, governance, human rights, market place and workplace.

The concept of SCA can be understood by looking at three-component part-compliance, social & audit. The Concise Oxford English Dictionary defines 'compliance' as the action or fact of being compliant, that is meeting or in accordance with rules or standards. In terms of regulatory compliance, the term refers to a state of being in accordance with established guidelines, specifications, or legislation or the process of becoming so<sup>ii</sup>. In the present context, the term compliance implies that the manufacturing factory is in conformity with the required standard, code of conduct, laws and regulations set up by organizations, brands and civil societies.

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

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

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

The term 'social' here implies the social aspect of the factory with reference to health, safety condition and well-being of workers. Further, the stress is on collective welfare rather than individual welfare. One implication of this is that such relation can alter the very meaning of the process of compliance audit. It implies transformation of market economy towards social obligation. '*Social Audit*' as a term refers to the growing interest in assessing the company's impact on community and society (Bendell 2001). A *social audit* is carried out by a company to evaluate the working conditions existing in a facility or supply chain (ILO 2003). The term '*social accountability*' used synonymously to refer to the commitment of business towards social life.

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

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

SCA refers to evaluating the performance of a business enterprise in relation to the rights and freedom of workers, as well as the safety and security of work place. It is a private and voluntary initiative for improving the working conditions under which goods are produced in the factories across the globe. SCA monitors the implementation of labour laws and standard intended to protect and improve the working conditions at work place. It covers all aspects of the workers welfare from health and safety conditions at the workplace to monetary benefits of the workers.

The process of SCA can be located within the framework of economic globalization of economy and emergence of production network or global supply chain. The changes taking place at the global economy in terms of increase in export of manufactured goods from developing countries and outsourcing of production process affected workers in these countries. Developing countries became important production sites due to easy availability of cheap labor and weak state regulatory apparatus. This led to increase in contract, casual and home workers, thus making the workforce highly fragmented and flexible for the employers to exploit according to their needs.

### 3. The Procedures Involved in SCA

It is interesting to reflect on the term 'social' as it is common to CSR and SCA. The 'social' emphasized, as the concern here is not to theorize the two process but rather to understand the impact of these processes as part of the economic agenda on workers. The stress is to understand the interpersonal relation between employer and workers, between private and public life of the worker and implications of SCA on society as a whole.

The procedure of SCA is participatory, making use of questionnaire, interview and involving a series of steps. The methods followed differ for different buyers and auditing agencies, as there is no standard procedure laid down. In general, the process consists of the following steps:-

Large export factories manufacturing for international brands approaches their sourcing department to take production order. This department, then contacts compliance department, which in turn sends an electronic mail requesting details regarding the factory license, area of production, health and safety measure and so on. Having got the details, an audit teams visits the factory and carries out audit. The objective of the audit is to ensure that the factory is compliant with state labor laws and international standards and thereby eligible for production. In case, there issues of non-compliance in the factories, the audit team gives 15 days period to improve on areas of non-compliance. After 15 days the audit teams again visits the factory and if satisfied send the audit report to the sourcing department to go on with business. The factory considered eligible for production.

SCA is done to verify application of various laws, standards and clauses set up by the state (Indian Factories Act 1948), International Labour Organization (ILO Conventions on Working conditions) and code of conduct issued by TNCs (GAP Inc).

#### 3.1. No Forced, Bonded or Prison Labor

Compliance demands that the factory should have contractor licenses; it should maintain proper records and documentation of all workers like attendance register, time cards and logs. Factories directed to be directly responsible for the workers' social security and working conditions.

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

#### 3.2. No Child Labor

The code of conducts bans use of child labor in garment factories. This is so because child labor is recognized as a grave human right violation across the globe. It is a criminal activity to employ child labor and therefore developing standards favoring unemployment of children below the age of 14 is an important step to eliminate child labor. Many initiatives like social labeling in the carpet industry have been successful in eliminating child labor.

#### 3.3. No Discrimination in Employment

Non-discrimination as a principle of recruitment and appointment is an integral part of all code of conduct. This is in keeping with equitable social order. The focus is to guarantee equality and equity in employment and conditions of work. With regard to the employment of women, the main source of discrimination lies in inequalities in wages paid to men and women.

#### 3.4. Wages and Benefits as Per Labor Law

The codes of conduct lay stress on the payment of wages as per the Minimum Wage Act, 1948. It requires that the workers be paid the minimum wages as per the clarification notified by the local government from time to time. This considered relevant for the worker as it allows him/her to meet living standards. This is the most important standard that has to be complied with because the highest percentage of non-compliance is in terms of low rate of payment or non- payment of wages.

#### 3.5. Social Security

This includes monetary benefits given to the workers as part of employment. It includes employees state insurance (ESI), provident fund (PF), maternity benefits and disablement/death compensations. These are all parts of state policies for welfare and hence integral part of all codes of conduct.

#### 3.6. Normal Working Hours

Working hours is an important issue in garment factories. This double-edged sword is, pursued both by the employer as well as by the employee. The former stresses on extra hours of work to increase output and hence profit and the latter tends to work more with an ever-increasing greed to increase income, as extra hours of work fetch extra money. The Indian Factories Act specifies that a worker shall not perform more than 48 hours of work in a week. Any duration above 48 hours compensated with double-overtime premium on normal wage rate. Setting a high overtime rate has hindered the employers to go for extra working hours but workers complain that it is against them as incomes come down.

### *3.7. Safe and Hygienic Working Environment, No Physical Abuse*

It is mandatory for employers to maintain conducive working condition that protects the health and safety of all workers. This includes clean working conditions, the provision of canteen facilities for workers, provision to fight fire accidents and other emergencies, easy availability of medicines and medical aids. It also includes the non-existence of abusive working conditions, pollution free environment, absence of sexual harassment at the work place, the availability of forum to lodge complains and discuss problem directly with management. Compliance to these provisions guarantees that workers are not subject to ill treatment by their employers.

### *3.8. Establishment of Regular Employment Relationships*

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

### *3.9. Freedom of Association and the Right to Collective Bargaining*

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

## **4. The Practice of SCA –Achievements and Shortcomings**

The process of SCA has led to certain positive changes in the garment factories subject to audit. The most evident changes are improvement in health and safety conditions at work, timely payment of wages as per legal standards, reduction in overtime hours of work leading to increase in time spent with family.

### *4.1. Improvement in Health and Safety Conditions at Work*

After a decade of SCA the workplace looks more neat and clean and payment of wages are done in time. While talking to the workers, it became clear that they prefer garment factories as they get timely and accurate wages, which is not found in other factories. Now the manager is more polite in his behaviour towards the workers. Visits to many of big export factories gave the impression of a five star hotel from outside. The workers in the garment factories feel that the process of SCA has led to improvement in health, safety and timely payment of wages.

### *4.2. Payment of Wages as Per Minimum Wages Set by Respective State*

Prior to SCA the garment sector characterized by low payment of wages, often lower than that set by labor law of the country. The positive aspect of SCA, as observed by managers and auditors that wages paid per state legislation guidelines reformed time to time. Along with timely payment of wages, there is reduction in the hours of work. Overtime work done as per stipulated in code of conduct and labor law. The workers themselves however do not accept the regulation of hours of work as it implies decrease in their monthly income. By doing overtime, the workers would earn double the amount of their monthly wages. Many factory managers find it difficult to restrict the hours of work. The workers express their discontent, often leave the factory, and join one that has no regulation of overtime work.

The process of SCA has resulted in changing the outlook of the factory in the sense that they appear neat and clean. The workers have benefited in terms of better health and hygiene, timely payments of minimum wages and overtime amount. In simple words, the process has laid to removal of 'sweatshop' from the garment factories. If one goes by the changes brought about by the process of SCA it would be correct to describe the garment factories as luxurious hotel/resort for imprisonment of workers.

The two astounding lacuna of the process is the limitation of its application in large export factories which employ only a small percent of the total workforce and secondly the contractual nature of the process implying that the process is applicable only as long as the factory is producing for international buyers. SCA is failing to deliver as a tool for assessing code compliance, particularly in determining violations of freedom of association, and right to organize. Workers and their organizations marginalized in the social audit process. Without their full participation in the auditing, process the workers' concerns, particularly gender-related concerns missed.

Social auditors are making it too easy for workplaces to receive positive evaluations, particularly by announcing audit visits in advance, thereby giving factory managers' time to prepare for audits and convey a false impression of working conditions. On the other hand factory managers are deceiving social auditors in many ways, most notably by coaching workers before they are interviewed by auditors to convey false or incomplete information and by falsifying records.

Social audits are usually too short, too superficial and too sloppy to identify certain types of code violations. Workers are badly informed about their rights, often too scared for their own jobs to speak up about problems during audits, and generally do not have

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

### **5. Purpose of Doing SCA- Responsibility or Profitability**

SCA built on the central principles of contemporary globalization that is, outsourcing of production and emergence of TNCs as main players of the economy. Therefore, the process advances a form of regulation that is compatible with business strategies (Wach & Nadvi 2000, Sabel 1994). Suppliers from developing countries increasingly see compliance with new labor standards as a prerequisite to enter into global supply chains. Today, contractors not only have to perform to excellent standards on quality and price, but also on labor and environmental standards. Meeting these new standards can mean greater market access, closer ties to global buyers, and in some cases price premiums (Conroy 2001, Nadvi & Kazmi 2001). The various reasons outlined below are more compelling on the organization to get compliance done rather than just the concern for social responsibility.

#### *5.1. Avoidance of Media Report on Abusive Practices*

As mentioned earlier, SCA has emerged in response to media reports against top brand companies that used international contractors and sub-contractors. By the 1990s, due to media activism, most of these companies criticized for abuse of human rights established by their own ethical codes of conduct (Fagerfjäll et al., 2001: 99). Media reports coupled with reports from civil society and organization working for labor rights created pressure on TNCs to initiate measure to avoid abusive practices at the workplace. In recent years some major international companies, have experienced numerous protests against conditions in factories. Continuous reports by media, civil society and other organization mainly in the USA and West Europe created tremendous pressure on international buyers and retailers to avoid such abusive practices in their supplier's factories, lest it attracted media attention and bad reputation.

#### *5.2. Civil Society Campaigns against Unethical Practices*

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

#### *5.3. Consumer Boycott of Goods Produces under Sweatshop*

Consumer awareness of ethical issues in business has increased in the last five or six years (Fagerfjäll et al., 2001:100). Consumers in developed countries became more concerned with the conditions under which goods produced; in fact, surveys by agencies have shown that consumers in the United States are willing to pay more if retailers guaranteed that their products not made by child labor and that most would avoid goods made in sweatshops. Consumers often boycotted goods on report of unethical practices under which they produced. Thus, consumers were in many ways at the root of the processes of SCA (Freeman 1994). Increasing aware consumers started demanding more information on the products they bought, and systems to help them avoid sweatshop products.

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

#### *5.4. Protection of Brand Image*

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

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

Firms are "voluntarily" participating in or leading these programs because of significant new pressures to improve their labor, environmental, and social performance. Brand-sensitive firms are joining non-governmental initiatives or creating their own codes of conduct and monitoring schemes in response to direct pressures and demands from activists. Codes and monitoring systems viewed as

a strategy to reduce reputational risks in the market place (Conroy 2001). One bad supplier can significantly damage a firm's reputation, and in turn its sales and stock value. Informed stakeholders view with suspicion firms manufacturing in countries with weak enforcement systems, or a poor record of accomplishment on child labor. These firms thus need independent means of establishing their "good" performance (Nadvi & Wältring 2001:28). Many firms that source consumer goods from developing countries adopted codes of conduct in order to protect their brand reputation (Jenkins 2005).

### 5. The Reality Check

SCA over the years emerged as a form of co-regulation taking over the role of state and making the organizations accountable for their actions. Regulation has thus become a multilayered process of political coordination between the state, market and civil society. Co-regulation seeks to extend regulation to a wide range of global business practices across national boundaries.

In spite of SCA being an expensive process they prefer to get their factories audited as it implies increase in productivity. This comes out from a large percentage of factory owners and managers saying that they get their factory audited to increase productivity. If for the factory owner SCA means increase in productivity it is accepted even if it incurs an additional cost. The same logic applies for the TNCs as well; it implies more business for them by protecting brand image.

It should be kept in mind that agencies/brands doing compliance at the same time also has the motive is to protect brand image. This is very important for business and role of compliance is to see that there is no bad image. It would be erroneous to assume that compliance is ensuring that organizations do 'charity'. On the contrary, it is only trying to protect business by portraying its abidance to law and thereby being more socially responsible. Compliance is about both commerce and social but the former always takes the lead'. Thus, for the organization, SCA is not to do with charity nor to do with social cause, but a demand of the restructured economy, where consumer and media have a strong hold, to keep their business going.

One way in which most business organizations practice CSR is to enter into partnership with NGOs and civil society to work together in their effort to be more socially responsible. The belief is that by networking with NGOs and others, it is trying to bring change in the lives of the workers. In the words of an auditor: Those involved in the process of compliance audit<sup>iv</sup> are of opinion that, SCA seen as part of corporate social responsibility in a sense that the corporate sector enters into partnership with NGOs for bringing in social change. Several instances where organizations have been involved in CSR practices are enabling workers to form Self Help Groups, contracting home based works to prisoners and destitute women, helping workers to avail banking facilities and teach them the skills of saving and investment and fostering the idea of community work among workers.

Thus, by getting involved in social and developmental work the argument put forward is that SCA is not policing activity, but an effort in improving the conditions at workplace. Compliance is not policing activity, but an effort to improve. It is a partnership and something above compliance—a step moving towards corporate social responsibility. It is not a cat and dog fight—it is not that because of certain non-compliance rather it has to be a major fault that a brand cuts business with a vendor. For example, it is not because a factory does not have a fire extinguisher that we consider it non-compliant. Non-compliance in certain areas does not lead to cut in production order. When there is cut in production order, it implies no work for many workers, thereby adversely affecting the workers. So it is always taken as corrective action, attempt is to improve. The process of SCA does not imply that retailers and buyers are disciplining or policing manufactures, but rather ensuring they are partners for change. Through the united system of the drive for free market and the consumer pressure, corporate do make a choice between being ethical and applying principles of CSR or else being expelled from business (Korten 2001).

An interesting contention arises when we consider SCA as part of CSR as it questions their concern with business profitability. The argument in favor of CSR suggest that TNCs have a 'social' role in protecting the working conditions of the factories, but then the debate in favor of profitability suggest that TNCs have no social role but are concerned with the economic profits. Does it imply that the idea that the 'social' and 'economic' go together. If one follows Milton Friedman (1994) it would be difficult to justify the argument that SCA performs both social and economic function. Friedman argued that,

In a free society, "there is one and only one social responsibility of a business — to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud (Friedman 1994).

The reality of SCA is that the process has supported the economic aspect more than the social. It has no doubt improved the lives of the workers in the third world countries, but these changes are only superficial. It has failed to address the core theme of workers' right that is the issue of collective bargaining. The decline of collective bargaining traced at level of broader structural framework, the nature of SCA and the relevance of paternalist relation in factory. Labour has not been able to be part of the process as such. An examination of the process reveals that it has displaced government regulation as well as hindered the growth of trade unions in the garment industry. SCA interventions designed not to protect labor rights or improve working conditions but instead to limit the legal liability of global brands and prevent damage to their reputation (Esbenshade 2004).

SCA can become more effective when all the players/actors in the global supply chain from top to bottom work are involved in a more participative manner. This implies the workers, who occupy the bottom of the chain, be involved in the process right from formulation to implementation. It started as an effort to protect the workers, which can be done only when they themselves get involved. In a world where workforce is highly fragmented and capital is, flexible workers have to move to integrate themselves into global networks. However, in the complex global supply chain network, the workers are often confused about whom to oppose when their interests are threatened. There is a total lack of 'class consciousnesses' among the workers in today's capitalist world. There is need to create environment that increases the level of class-consciousness so that workers can reorganize themselves against the offensives of globalization.

Therefore, a reorganization of labor needed at the micro level- at the level of daily interaction. Such reorganization of labor is feasible and effective when in alliance with global civil society, the state and market. This can fitter up to global level and manifest itself in institutional change. The issues of labor right, collective bargaining and freedom association respected only when non-state local actors linked globally with other civil actors to assure their enforcement. Along with grassroots effort of organization, what needed is that workers have a space to pressure the government to enforce their rights. The state has to play a proactive role along with voluntary efforts of business organizations and civil society.

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## End Notes

<sup>i</sup> R Freeman, Strategic Management :A Stakeholder Approach (Pitman 1984)

<sup>ii</sup> [http://en.wikipedia.org/wiki/Main\\_Page](http://en.wikipedia.org/wiki/Main_Page), see 'compliance –regulatory'.

<sup>iii</sup> The definition taken from [http://www.interpraxis.com/social\\_audit\\_resources.htm](http://www.interpraxis.com/social_audit_resources.htm)

<sup>iv</sup> A large number of international brands have inbuilt into their organization the process of SCA, example would be of GAP Inc, Levi, Mark and Spencer and so on.