

# ОГРАНИЧЕНИЯ НА СОЦИАЛНИЯ ОДИТ И СЕРТИФИКАЦИИ

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## LIMITATIONS OF SOCIAL AUDIT AND CERTIFICATIONS

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### Introduction:

Outsourcing of manufacturing to countries with inadequate laws and weak enforcement has created a significant need for private systems to monitor negative social and environmental impact. Companies have adopted own audit approach to enforce supplier compliance<sup>1</sup>. Independent third party voluntary certifications have also gained popularity and acceptance. However, in the recent years, social audits and certifications have come under severe criticism. The audit regime is claimed to be 'working' for corporations, but failing workers and the planet as labour abuses, poor working conditions and environmental degradation within global supply chains remain widespread<sup>2</sup>. In this context, an effort has been made to list and analyse the major limitations of the social audit and certification.

### Information sources:

Information and opinions presented in this article are learnings from Fairtrade Textile Support program as well as authors own work experience in the sector. Authors experience in the sector includes standard setting, implementation support, quality management systems development, management of certification companies, auditors' training, audits, etc. for in Asia, Africa and Eastern Europe.

### Fairtrade Textile Support Program:

Fair trade is an alternative approach to conventional trade based on a partnership between producers and traders, businesses and consumers. The international Fairtrade system - made up of Fairtrade International and its member

organisations - represents the world's largest and most recognised fair-trade system, members of World Fairtrade Organization (WFTO) and adhering to its principles<sup>3</sup>. Cotton is one of the products under the Fairtrade Standards. A new standard for the Textile processing was launched in March 2016. Working mainly with small farmer organisations and hired labour plantations, Fairtrade has developed robust permanent support systems for them in the areas of organisational development, labour rights, environment and marketing areas.

In line with its other standards, Fairtrade has developed and implemented a support system called 'Fairtrade Textile Program' for the Textile Standard also. It is based on a five-year roadmap approved by Fairtrade board on living wages, occupational health and safety, workers' rights and productivity improvement. It will be later merged with the permanent support system. First implemented in Asia, it is currently being run by the local producer network (Network of Asia Pacific Producers-NAPP) which also handles the permanent support for other standards. Local NGOs and labour rights activists and industry experts are roped in for additional expertise where required.

First activities as trialed in 2015 were implemented in Gujarat, Tamil Nadu and Karnataka, India. Considering local industries allocation (see Figure 1). Bangladesh and Ethiopia are further in focus as per initial discussions with German brands and included in the program's planned activities.



**Figure 1** Knitting unit in North India (photographer Joerg Boethling)

Studies were carried out from 2014 till now in textile units in India, Bangladesh, Ethiopia, Romania, Germany and the Czech Republic. The level of fulfilment of social and environmental standards against the requirements of the Textile Standard was checked. Details are presented in Table 1. Most of the units studied were also certified against different voluntary social and environmental standards or audited to different Codes. Outcomes of the study indicate that the social auditing and certification has its limitations. As the studies were done under confidentiality agreements, only the general limitations identified are presented in the discussion section.

Social and environmental studies were carried out by specialists. Studies included stake holder consultation, onsite studies. Interviews, physical verification and document verification, were used for onsite studies. The objective was to review existing systems and process control to plan for the necessary support. Based on the findings and recommendations of the experts, supports like training were tailored and implemented by Fairtrade NAPP along with specialised NGOs, trade Unions and technical experts. Base lines were established with Key Performance Indicators for measuring improvements achieved through the Textile Support Program.

**Table 1**

Overview of onsite studies and training - Oct 2017

Tier	No. of units	No. of studies	No. of Trainings	Trainings in
CMT and Embroidery	16	18	20	Basic training in Fairtrade principles, Workers rights, productivity improvement
Spinning/ Knitting	6	1	6	Basic training in Fairtrade principles, Workers rights
Weaving	2	-	2	Basic training in Fairtrade principles
Dyeing and Printing	7	3	7	Basic training in Fairtrade principles, Management of chemicals
Ginning	8	5	2	Basic training in Fairtrade principles, Workers rights
Orientation to the standard	3	-	-	Introduction to the Standard and the Program, site visit with technical staff



**Figure 2** Workers unload raw Fairtrade cotton from a truck at a ginning factory (photographer Suzanne Lee)

#### Discussion: Limitations:

**1. Audits are not solutions:** Social audit is a valuable tool to monitor working conditions if used effectively. However, over a period, social audits and certifications have been wrongly projected as a panacea for all the problems in the textile supply chain. Implementation of

better working conditions and ethical practices in countries where law and enforcement are poor requires a commitment in spirit and finances from the supplier. On the other hand, buyers keep looking for cost effective locations/ factories. Except for very few standards (e.g. Fairtrade with its producer



support system) almost all the voluntary private standards do not have any systems for supporting the companies to resolve the key issues involving the stakeholders. In the end, it is the supplier who must resolve all the issues including those involving significant investments, e.g. health and safety, wages etc.

If not recognised and compensated by the buyers, such investments can be disadvantageous for the companies against their competitors as they increase product cost. To avoid such scenarios, companies are most likely to go for superficial solutions or to mislead or even convince the auditing companies to go around the problems than resolving them. Standards and codes without parallel systems to bring up and resolve the issues in collaboration with the stakeholders will not be able to bring any change.

**2. Conflict of interest:** One of the key advantage claimed by the third party-voluntary standard certification system over the second party or the buyer audit is its independence in taking the certification decisions. However, mostly it is the auditee, who is paying the certification fee and the business interest of for profit certification companies can affect the certification decision. This inherent conflict of interest is also noted by the management system standards like ISO 17025.

Financially independent, not for profit and sole certification bodies (only one for the standard) may have lesser risks as they are less afraid of commercial implications of their decisions.

**3. Accountability:** Accountability is key to quality. A Certain level of accountability exists in the product certification, e.g. engineering products or food products. The accreditation requires the certification bodies to have insurance against quality claims by the certified entities to a certain extent. However, social certification lacks such direct accountability. Fixing such a direct accountability for both the auditee and audit company can bring in significant improvements in the audit quality management, audit outcomes and compliance.

**4. Price versus quality:** Multiple certifiers offer major voluntary standards in a location. Standards claim that this improves service quality of the certification companies.

However, too many certifiers can bring in an unhealthy competition among the certifiers, which has a direct impact on pricing and quality of the audit. Certification companies may adopt easier audits with weaker auditors for client retention and business margins. Major and controversial issues may not be documented for fear of losing business. If service quality is taken care of, sole certification bodies (e.g. Fairtrade Standards) do not have such business pressures.

**5. No chance for continuous improvement:** Most standards set an ideal rule or best practice as a requirement for compliance. The approach often neglects commitment to the spirit and ongoing improvement by the financially and technically disadvantaged suppliers. Few standards have development criteria (E.g. Fairtrade Standards, Fair Wear Foundation Code). Progressive improvement will give the companies sufficient time, and they may not need to use deceiving techniques like double book keeping or coaching the workers to pass the audits.

**6. Un-announced audits:** Audits are normally announced in advance and agreed do reduce inconvenience to the auditee. It also helps the auditor to get access to necessary people, sites and documents. Majority of the audits (around 80-90%) are announced ones in case of major standards. However, the system has huge risks in terms often not being able to see the reality beyond the staged show. Increasing the share of un-announced audits (to around 50% or more) can bring in sea changes in the audit outcomes. However, as this can increase pressure on the supplier, a balanced, collaborative approach, avoiding policing and limiting audits to maintaining the spirit of the standard can reduce such pressures.

**7. Audit methodologies:** The general audit methodologies, e.g. site inspection, onsite interviews and document verification have their limitations. Often the supplier companies develop professional compliance departments which establish systems to pass the audits, e.g. parallel book keeping, coaching, motivating or even threatening the workers not to give any information or false information to the auditors.

Auditors often do not have industry experience or technical knowledge or sufficiently trained.

They may not be able to understand and evaluate the technical processes and documents like production or accounting which is critical to cross check key issues (e.g. subcontracting etc.). Some of them are not sufficiently trained or experienced to handle the managements in getting access to the sites and documents. Some are poorly trained to manage the conflicting situations arising during the audits and successfully to document the situation observed. Some certification bodies do not provide flexibility regarding time and burden the auditors with documentation.

Workers often are not comfortable to provide information on poor working conditions during an onsite interview as the system to ensure confidentiality is too weak. Managements also exert pressures on auditors while selecting workers for interviews, fixing interview rooms, adding coached worker during interviews etc. Additional offsite research, off site worker interviews, interviews with other stakeholders like the trade unions or local NGOs etc. can reduce such risks. However, offsite worker interviews have risks safety for the auditors, difficulty in identifying the workers and managements refusing to accept the results, etc.

**8. Quality of the auditors:** Efficacy of an audit depends mainly on the capacity and motivation levels of the auditor carrying it out. Only an auditor with the right combination of professional competence (qualification, experience, language etc.) and personal qualities (integrity, honesty, motivation etc.) can be effective. However, retaining such staff is difficult for the certification companies' due to nature of the work and compensation. Excessive travel, work pressure, poor compensation, etc. make them leave auditing after some experience. They may also try to go easy, avoid confrontations and keep a good relationship with the clients which can affect the audit outcomes.

Using experienced, motivated upright auditors, preferably independent, shielding them from business and client pressures can reduce such risks.

## **9. Insufficient control by the standard holders:**

The standard owners set criteria for the certifiers which includes organisation structure, quality systems and special competence or skills for the verification. Some standard holders accredit the certifiers on their own, in addition to the general certification of the certifier (ISO 17065). However, some rely only on the certifiers ISO 17065 accreditation. Normally, it is the standard holder who is technically better as well more responsible than the ISO accreditor to monitor and control the implementation of the standard. The standard holders should also be made accountable for the impact as well as the failure of the standards and certifiers to improve the situation.

**10. Interpretation of the standards:** Global social standards are developed for implementation across the world. The requirements are often general so that it can be adapted to different situations. Standards normally provide additional interpretations & guidelines on how to interpret and look for compliance. However, there is a risk of certifiers using this freedom to interpret them in a way which suits them or business (making it easier to pass for the supplier companies). It is also difficult to have guidelines for every possible situation and this is also creating confusion for the implementing companies. The requirements can be based on common principles which can be agreed and adopted by different standards. Different interpretations can be avoided if the requirements based on commonly agreed principles are explicitly stated in the standard.

**Conclusion:** Certification based on audit with its limitations, if used effectively is still a valuable tool for assessment and monitoring. There are no adequate alternatives currently for the same. A collective effort from the stakeholders is required to remove the shortcomings of the audit based certification. Equally important is creating parallel systems involving the stakeholders to provide support for the implementation of the standards and to resolve key issues which are beyond the capacity or burdensome for the supplier companies.

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