

Consumer Pressure Is Key to Fixing Dire Labor Conditions in the Clothing Supply Chain

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Summary. The plethora of different audit systems and standards for assessing labor practices in factories in the apparel supply chain continues to produce disappointing improvements in working conditions. An approach under development would change that by using data... [more](#)

Despite decades of efforts and numerous initiatives to improve labor practices in apparel supply chains, worker rights violations continue to be rampant in low-cost countries. Increasing pressure from advocacy groups, financial analysts, and the media to

address such incidents has led Western brands, NGOs, and third-party certification bodies to develop a plethora of diverse auditing programs that vary in terms of goals, scope, and commitment.

However, the potpourri of assessments (certifications, third-party audits, brand audits, and self-assessment audits) remain ineffective, and in fact conditions in many factories appear to be getting worse since the pandemic began. Audits and assessments are difficult for factory owners to navigate and have contributed to the high levels of audit fatigue seen throughout the industry. In our interviews with factory owners, we discovered that Tier 1 facilities dedicate extensive resources and personnel to ensure that they pass the variety of audits they are subject to throughout the year. But somehow, these audits are not curtailing many of the fundamental human rights violations in extended apparel supply networks.

The complexity behind social compliance assessments needs to be reduced. To that end, our multi-disciplinary research team at North Carolina State University is developing a simplified system — which we call the Ethical Apparel Index (EAI) — to demystify the vast amount of audit data being collected and enhance transparency in the apparel industry. The essential framework for this index has been developed and we are preparing to conduct a pilot test next year through a partnership with a variety of brands, retailers, and factory owners across the globe.

Today, the outcomes of apparel factory audits are invisible to consumers, yet we know that many consumer segments, especially younger consumers, are eager to support producers who respect human rights in apparel production. This means that brands that mandate human rights compliance in factories throughout their supply chains are not getting rewarded in the marketplace. To remedy this problem, we developed a highly structured coding process that synthesizes the multitude of audit outcomes into a simplified message that can then easily be communicated to consumers.

Our goal is to make it possible for a consumer who is considering whether to buy a garment to scan a QR code that would take them to a simple, easy-to-understand summary of the ethical production performance of the factory that made the garment. This summary would let consumers know that they can trust that the brand is doing its best to improve its suppliers' factory conditions. It is our belief that this type of "market pull" mechanism will be far more effective than regulatory compliance "push" mechanisms in driving change in apparel supply chains. In doing so, we seek to create an independent source of truth based on the best available information that already exists; it would simplify the data produced by a plethora of methods for assessing factories that manufacture garments sold in retail channels.

Our research team is guided by an advisory board that includes stakeholders from all parts of the apparel supply chain, including WRAP, one of the largest third-party apparel-factory-certifications programs in the world; the American Apparel and Footwear Association; and Shahi, one of the largest apparel-factory groups in India. The Templeton World Charity Foundation is funding the effort.

Simplifying a Complex System of Audits

To improve transparency for consumers, we employed two rules of thumb that guided our goal of connecting consumers with the complex world of factory social compliance.

1. Let's agree that every there is no perfect standard.

There is no single standard that will meet the unique needs of brand audit. Audits are flawed by design — they are infrequent snapshots that can be gamed by suppliers and that rely on the judgment of auditors. However, the creation of a simplified score can provide evidence that a company is making a genuine effort and is following a set of established standards that most people would agree is sufficient.

2. Since supply chains are complex, let's start with Tier 1 suppliers.

We should start by ensuring that brands are driving the right behaviors within their Tier 1 suppliers — that is, the suppliers over which they have direct influence. In apparel, this is typically the “cut and sew” supplier that assembles the garment from various components. Later, lower tiers of suppliers (spinning mills, dye mills, and cotton farms) can be included.

We then addressed three broad questions: 1) What content should be included? 2) How could this content be effectively communicated to consumers? 3) How could the credibility of EAI data be ensured?

In deciding what content to include, we recognized early on in our work that to communicate effectively to apparel consumers, the confusing array of different audit standards must be simplified. Our goal is not to replace the audit standards being used but instead to take advantage of the fact that there is significant overlap across standards to produce a simplified summary of ethical production performance of factories that can then be easily communicated to consumers.

Accordingly, we developed a taxonomy based on an analysis of 10 sets of labor standards developed by organizations such as the UN's International Labor Board, governments, and NGOs and about 30 different audit systems used in third-party certification programs. We then synthesized it into eight common themes concerning essential working conditions in factories: non-discrimination, no harassment and abuse, no forced labor, no child labor, freedom of association, health and safety, humane working hours, and fair compensation (see the exhibit “Reducing the Eight Common Themes in Standards and Audits to Three Simple Questions”).

Based on our interviews with supply chain stakeholders, we reduced the eight categories to three key questions. The answers to those questions can provide consumers with enough

information to understand the working conditions inside an apparel factory without overloading them:

1. Are the workers treated fairly in the workplace?
2. Are the workers working in a safe environment?
3. Are the workers paid fairly?

Reducing the Eight Common Themes in Standards and Audits to Three Simple Questions

Labor standards and questions used in most audits of apparel factories' labor practices can be grouped into eight common themes. The information related to the themes can then be used to answer three simple questions, which can provide consumers with visibility into the working conditions at the factories that make the apparel they are considering purchasing.

| Common themes | Questions designed to provide consumers with easy-to-digest information |
|--|---|
| Nondiscrimination Ensuring the appropriate treatment of workers, especially women and minorities | Are the workers treated fairly in the workplace? |
| Harassment & abuse Preventing worker harassment and bullying and providing programs to prevent it in the workplace | |
| Forced labor Prohibiting illegal actions such as restrictions on movement from one's place of work, threatening income withholding, and forced overtime | |
| Child labor Complying with the country's minimum age policy, as well as having policies and providing documentation for young workers | |
| Freedom of association Ensuring workers' rights to organize and form collective bargaining associations | |
| Health & safety Complying with regulatory requirements for all aspects of facility safety, including access to bathrooms, dormitories, canteens, and first aid | Are the workers working in a safe environment? |
| Working hours Providing payroll documentation that verifies compliance with legal working hours and the payment of | |

A Call to Action for Brands

The EAI will only be as good as the audit data upon which it is built, and there is much work ahead to improve the system of audits and assessments that form the basis for the EAI. Our research suggests that brands should consider using a recognized independent third-party such as WRAP or SA8000 to conduct audits and certify factories rather than relying on their own internal auditors. Third parties are moving to more standardized audit frameworks that can provide objective audit data that serves as an input to the EAI.

Employing unbiased third parties would not only make it possible for a single audit of a factory to be conducted for multiple brands but would also send a message to consumers that “the fox is not guarding the henhouse” — i.e., would be more credible than the results produced by brands’ own auditors. To enhance our database of supplier audits and further strengthen the EAI, we are working with partner companies to augment the EAI with crowd-sourced data such as texts and phone-app survey responses from factory workers.

Admittedly, our approach poses a risk to the thousands of parties: brands, factories, and distributors. What if a factory audit reveals a problem that is then exposed to consumers? But whether they like it or not, transparency is rapidly becoming an expectation in retail markets. It may be time for brands to admit to consumers that their supply chain has some problems but that they are doing their best to make factories a safe and fair place for workers.

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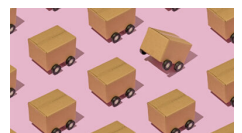
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