



“OBSESSED WITH AUDIT TOOLS, MISSING THE GOAL”

Why Social Audits Can't Fix Labor Rights Abuses
in Global Supply Chains



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“You have to ignore a whole bunch of things you can sense is a problem. Because you have to pay all your staff salaries and what do you want to do? A three-week audit? It’s not just all the days going to the factories, but it’s also going to the slums to meet the workers [for offsite interviews], writing the notes, coaching all the staff, you have to worry about retaliation both for the auditors and workers. There is a lot of elaborate worrying and planning if you really want to do something deep. It takes time. And time is not part of this whole game. They [the auditing industry] get all obsessed with their audit tools and their reports and they miss the goal which is to uncover the abuses.”

— Andrew A. (pseudonym), auditing industry expert who chose to remain anonymous, South Asia, May 29, 2018.

SUMMARY

Andrew A. is one of numerous auditing experts who spoke with Human Rights Watch and shared insights about the social audits and certifications industry.

Social audits (private inspections) and related certifications of suppliers have proliferated over recent decades. As brands and retailers began to source their products from different countries, they came under public pressure to ensure that their suppliers were not involved in human rights abuses or environmental harm. In response, these companies began to rely on voluntary codes of conduct and on social audits and certifications by third parties to assess compliance against such codes. These voluntary codes of conduct, either created by brands or other third parties like multistakeholder initiatives, or auditing or certification programs, incorporate international labor rights standards to different degrees. In theory, these social audits or certifications are supposed to supplement inspections by governments in countries where the goods are being manufactured. While the precise revenues generated by the social audits and certification industry is difficult to assess, the auditing industry itself estimates it at least at US\$300 million annually.

In the last few years, there has been a growing call within the European Union and elsewhere for laws regulating how companies respect human rights and environmental standards in their own operations and their global supply chains. As these countries consider how

best to regulate companies, they should closely scrutinize the way social audits and certifications have worked. Companies may seek to use social audits and certifications as part of their efforts to demonstrate compliance with such laws, but the social audit and certification process is riddled with conflicts of interest, loopholes, and other problems that render it an inadequate tool to ensure respect for human rights and environmental standards.

This report highlights the challenges associated with social audits and certifications as they apply to manufacturing facilities or factories around the world, focusing on labor abuses in factories. It draws on the experiences and insights of 20 current or former experienced auditors, many of whom had spent over a decade conducting social audits of suppliers across numerous countries and different sectors including apparel; 23 industry experts from the apparel industry; interviews with workers and worker advocates; an analysis of social audit reports; and other academic analyses of social audit reports. The report builds on other publications of civil society organizations and academics.

Pricing and Other Business Pressures

According to auditors Human Rights Watch interviewed, the time allocated to conduct an audit directly impacts its quality. The pressure to drive down costs by limiting the time available for audits undercuts auditors’ ability to interview workers offsite in safe settings, follow information leads, and corroborate information.

Brent W., an auditing industry expert with decades of experience conducting and overseeing social audits, said that, “If one auditing firm spends three days when another auditing firm will take half a day or one day and that’s cheaper, then where are the incentives for a supplier to choose an auditing firm that will do more work and cost more?” He contrasted the quality of social audits that last a few days with other tailored in-depth investigations that are more expensive, and rarely deployed when complaints about working conditions make frontpage news. Other auditing industry experts similarly felt that the pressure to control costs impacted audit quality. Jason M., an auditing industry expert said:

[W]e know the weaknesses in sort of the shortchange audits [conducted] in a couple of days. It’s almost like you get what you pay for. If you just want to send one person for a day, you’re going to get one-person-for-a-day level of results.

A 2021 publication analyzing 21,041 social audit reports between 2011 and 2017 across different sectors revealed that these audits generated a low number of findings on a range of issues, including child labor, discrimination, forced labor, freedom of association, and harassment and abuse. The study argued that the low number of findings could be because of the limitations of audits spanning a few days.

Conflicts of interest between the auditing firm and their paying client can cloud the social auditing process. Human Rights Watch spoke to auditors in different countries who provided insights into how this dynamic works. While auditors gave examples of the ways in which they had come under pressure by brands and suppliers who were their clients, several auditing experts felt the pressure was higher when suppliers, rather than brands, paid for and appointed auditing firms. Auditors gave examples of how they were asked to delete findings or transmit more serious findings orally or separately in emails, but not in the audit report itself.

A 2015 academic publication found, among other factors, that “third-party monitors tend to be more lenient when monitored firms pay them directly.” A 2016 academic publication that analyzed a large auditing firm’s 16,795 standard social audits of 5,819 factories across different sectors conducted between 2004 and 2006 in 66 countries concluded that “[a]udits also yield fewer

violations when the audits are paid for by the supplier as opposed to the buyer.” A 2021 academic analysis of a major global supplier who produced and supplied for 70 global brands stated that, “in nearly half the cases, the brand required the factory to pay the auditors—a serious design flaw that can result in collusion between factory management and auditing firms. The cost per audit varied from as little as US\$645 to as much as US\$3,700.”

Efforts to Hide Adverse Findings During Audits

Many suppliers, eager to get good social audit reports or be certified, attempt to hide actual working conditions during audits. Research by Human Rights Watch as well as other organizations and academics shows that efforts to deceive auditing firms include coaching workers, keeping double-books and fake records, and “hiding” children who are employed illegally. Pre-announced social audits increase the risk of such tactics.

Information provided to Human Rights Watch by several auditors, as well as other research by academics and journalists, reveals that there are numerous auditing consultancies across many countries that help “game” the social auditing system, assisting factories to “prepare” for the actual audit by coaching workers and management on how to answer questions, helping generate fake documentation, and so on.

Unfair buying practices of some brands, especially practices to drive down prices, demand discounts, or reduce the time needed to manufacture products, coupled with an inadequate commitment to help remediate problems in factories can create perverse incentives for suppliers to utilize audit consultancies to “prepare” for the audit and for suppliers to provide deceptive information.

Social Audits Not a Substitute for Remediation, Support for Remediation

Even the most robust investigation of labor conditions at a supplier cannot force improvements. Auditing firms can only report findings and suggest corrective actions to the party that paid for the audit, whether it is a supplier, brand, or multistakeholder body. Remediation depends on how the supplier and brands sourcing from the factory act on the findings.

A brand’s commitment to act on the findings by remediating or supporting remediation by suppliers allows for financial and other support to correct problems and lays out a series of warnings and consequences, up to and including severing the business relationship in a responsible manner with an emphasis on minimizing harms to workers where corrective actions are not taken in a timely manner.

Moreover, social audits and certifications do not detect other structural root causes for labor abuses, such as unfair purchasing practices of buyers.

No Transparency, Low Trust

Finally, the social audits and certification industry is largely opaque. Social audit reports of suppliers are not published. This lack of transparency allows poor-quality audits to thrive unchecked, under the radar. It leaves everyone guessing why and how a particular facility was certified as the underlying basis for certification is not made public. It fails to build trust with relevant stakeholders, especially workers, or to assist local unions and worker rights organizations in monitoring progress of corrective actions. As one auditing industry expert said:

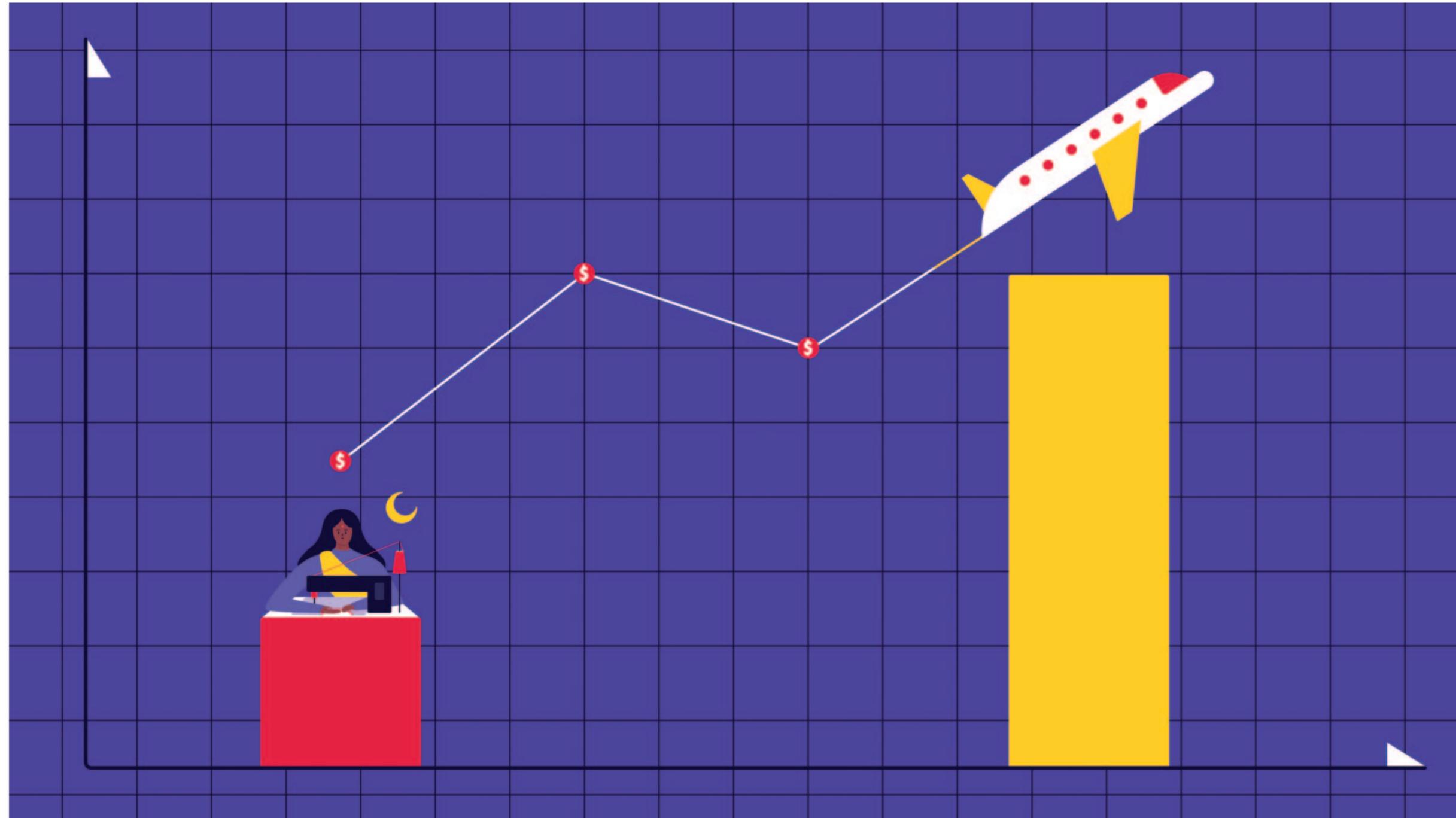
Without transparency, it is very hard to build trust in what these reports say or don’t say, so how do we build trust? I think transparency is critical.... transparency would force everybody to slow down and it might lead to much more

comprehensive reports. The reports might end up having more disclaimers, but transparency will force everybody to do things more carefully and more professionally.

Given these significant limitations and challenges around the use of social audits and certifications to de-

tect labor abuses in supplier factories, policymakers and regulators should not treat social audits and certifications of suppliers as sufficient proof of human rights and environmental due diligence by brands and retailers. Policymakers and regulators should not create “safe harbors” or allow companies to immunize themselves

from administrative penalties or civil liability by citing such social audits and certifications.



KEY RECOMMENDATIONS

- Policymakers and regulators should require companies to undertake human rights and environmental risks-based due diligence using a smart mix of tools developed in consultation with stakeholders, especially affected populations. These should include requirements to disclose their supply chains; implement effective and accessible independent grievance mechanisms in-country; examine and rectify their own purchasing and buying practices; publish social audits and corrective actions if companies opt to use them; have clear policies and processes to remediate and support remediation; and institute warnings and escalations, including ultimately conducting a responsible exit from a supplier with an emphasis on minimizing harms to workers and communities.
- Policymakers and regulators should ensure that laws requiring companies to conduct human rights and environmental due diligence do not equate compliance with such laws with conducting social audits or certifications, and do not treat social audits and certifications as sufficient proof of such due diligence.
- Policymakers should not create “safe harbors” or allow companies to immunize themselves from administrative penalties or civil liability on the basis of social audits and certifications.
- Where companies incorporate social audits and certifications into their human rights and environmental due diligence efforts, regulatory and judicial scrutiny should extend to such social audits and certifications to determine whether the particular social audit or scheme generated credible information pertaining to the specific human rights risks.
- Policymakers should also develop complaints-based and penalties-based regimes to hold auditing and certification programs, and firms offering social auditing and certification services, accountable and address some of the conflicts of interest and other challenges described in this report.



BACKGROUND

Brands and retailers in a variety of sectors including garments and footwear, toys, electronics, jewelry, mining, and agriculture, typically rely on social audits and certification schemes to verify compliance with their chosen social and labor standards in their global value chains.¹ Reliance on voluntary codes of conduct and social audits or certifications to assess compliance against such codes is often a part of their approach to human rights due diligence of suppliers.² In the garment industry, for example, the Fashion Revolution, a network of designers and consumers that advocates for labor rights, reports that nearly half of the 250 brands they surveyed in 2020

conducted supplier assessments that “are typically social audits of factories.”³

Global corporations began relying on private inspections in recent decades to supplement government inspections in many parts of the world, since weak legislative protections and regulatory frameworks created a gap.⁴ The growth of the social audit industry has been substantial, but its overall revenues are difficult to assess.⁵ The Association for Professional Social Compliance Auditors estimates that auditing firms generate over US\$300 million per year conducting social audits of suppliers in the global supply chains of brands.⁶

In the manufacturing context, social audits (or social compliance audits) are private inspections of suppliers.⁷

These include hiring third-party firms that offer social auditing services. Since brands usually use suppliers from different countries, social audits are used to assess labor conditions in those suppliers.⁸ Typically, social audits involve physical inspections to measure performance against a particular social and labor standard that the brand specifies.⁹ The findings are then used to help develop corrective and preventive actions that suppliers should implement if problems are found.

The precise methods and questions auditors are expected to ask as part of standard audits vary in their minutiae and reporting formats, but the overall approach that social auditors take is comparable.¹⁰ Typically, auditors are expected to visit the factory and complete the audit over a few days, depending on the number of workers.¹¹ The precise number of days varies

depending on the social audit program.¹² In theory, these visits may be announced (where the factory knows the dates of inspection), semi-announced (where the exact inspection dates are not provided but the factory is aware of the window within which it can expect to be audited), or unannounced.

In the case of certification programs, the third party certifies that a facility inspected complies with the standard against which it is audited, and the certification is typically issued after providing the facility time to take corrective actions if the initial audit has detected any labor abuses. Certifications are valid for a certain period, for example, ranging between six months to three years.¹³ Certification programs usually have rules about withdrawing certification.

KEY CHALLENGES WITH THE USE OF SOCIAL AUDITS

Human Rights Watch and other labor rights organizations have long documented labor rights abuses in global supply chains, including in garment suppliers.¹⁴

Social audits and certifications of suppliers have come under increasing scrutiny since the fire and building disasters in the garment industry in Pakistan and Bangladesh. The Ali Enterprises factory fire in 2012 in Pakistan and the Rana Plaza building collapse in 2013 in Bangladesh cost hundreds of lives, even though social audits of these factories had been conducted.¹⁵ Previously, Human Rights Watch has researched and reported on the problems of relying on social audits for detecting and responding to workplace discrimination and sexual harassment in garment factories.¹⁶ Other reports by civil society groups, such as the Clean Clothes Campaign and the AFL-CIO, have also documented the failures of social compliance initiatives.¹⁷

A few auditing firms have also begun to speak out publicly about the limitations of social audits in detecting labor abuses. For example, ELEVATE, a prominent social auditing firm, said in September 2019 that it “acknowledges that social audits are not designed to capture sensitive labor and human rights violations such as forced labor and harassment.”¹⁸ ELEVATE’s Worker Sentiment Surveys revealed significant differences from its social audits. In Bangladesh, ELEVATE’s Worker Sentiment Survey found that 30 percent of the workers witnessed or experienced sexual harassment, compared to 0.18 percent cases of inhumane treatment (including sexual harassment, verbal abuse, and physical abuse) reported through ELEVATE’s social audits in the same period.¹⁹ In India, 28 percent of workers who took ELEVATE’s Worker Sentiment Survey reported experiencing sexual harassment while only 0.8 percent of social audits detected inhumane treatment (including sexual harassment).²⁰

Impactt, another firm that conducts social audits, explained that standard audit methods are inadequate to detect the payment of recruitment fees.²¹

Governments are proposing new laws requiring companies to conduct human rights due diligence in their supply chains.²² Companies may turn to social audits and

certifications as part of their efforts to demonstrate compliance with such laws. Policymakers should be aware of the risks associated with relying on social audits and certifications and, further, that social audit reports and certifications do not constitute sufficient proof of human rights due diligence. Whether they can be regarded as

a tool of human rights due diligence at all should be evaluated on a case-by-case basis, looking at the nature of human rights risks being examined, and the quality of information generated in the report. Industry stakeholders and state authorities, including regulators,

should implement legislation keeping in mind the challenges of using social audits and certifications.



Insufficient Time and Rapport with Workers

Effectively evaluating working conditions and detecting labor rights abuses depends on numerous factors: the composition of the audit team (including gender diversity and language skills); sufficient expertise on labor rights and training to conduct audits; adequate time (auditor days); and appropriate audit design and methodology depending on the nature of labor rights risks, including the ability to build workers’ trust and interview them in safe settings.²³

The time spent conducting audits and time with workers strongly influence auditors’ ability to conduct in-depth interviews with workers off-site, investigate evidence of noncompliance, and gather corroborating evidence.²⁴ Several auditors and industry experts told Human Rights Watch that “traditional” or “standard” social audits spanning a few days are more commonly used than expensive “deep-dives” that are conducted by “boutique firms.”²⁵ As one expert said, “deep-dives” are commissioned by brands “only if brands think they have a very sticky, messy problem.”²⁶

According to auditors Human Rights Watch interviewed, the amount of time allocated to conduct an audit directly impacts its quality. For example, Brent W., an auditing industry expert with decades of experience conducting and overseeing social audits, said:

Auditing firms do not have a whole lot of influence on the methodology. We can influence it in a very limited way—2 days versus 2.5 days or 3 days or 1 day. It’s very price-sensitive and the market has already defined what is the standard model.... If one auditing firm spends 3 days when another auditing firm will take half a day or 1 day and that’s cheaper, then where are the incentives for a supplier to choose an auditing firm that will do more work and cost more?²⁷

He contrasted the quality of social audits that last a few days with other tailored in-depth investigations he had been involved in, which are more expensive. He recounted an example of a recent in-depth investigation of an Asian manufacturer that spanned 100 staff days, and said:

This kind of a comprehensive investigation spans multiple factories and dormitories, with off-site interviews, onsite investigations, and other forensics and technology. This has unearthed several thousand undocumented workers or irregular workers. If you compare that report... with a traditional audit report, it’s not the same thing. It’s completely different. These are apples and oranges. But this kind of in-depth investigation is rare. It happens when something hits front page news, or the US threatens an import ban.²⁸

Jim T., an expert with over 20 years of experience in the auditing and testing industry, and over 5 years of overseeing social audits, explained how controlling prices is a major factor in choosing auditing firms.²⁹ He said: “[I]f you look at the social audit in terms of being a product, a potential client could come to us and say, ‘Can you take on this order [to audit] and how much would it cost?’ But they could go to another auditing firm or certification body and ask the same question.... But suppliers are looking at how much it costs, and the price does become an issue for suppliers.”³⁰ He elaborated:

Certification or audit schemes defines the timeframes or have guidance. Put guidance in inverted commas because there’s a kind of push to minimize time.... There’s constant pressure to strike a balance between the number of audit days needed and what we can settle for. In terms of flexibility for audit days, the contracts contain some text but as a firm you’re able to negotiate only additional hours—an extra hour or two to complete the work or maybe half a day. But we wouldn’t have the flexibility to add additional days. The overall time includes the time to prepare for an audit (or go through the pre-audit pack) and report-writing time.³¹

Andrew A., who has over 15 years’ experience conducting social audits in five Asian countries, told Human Rights Watch that he initially wanted to conduct thorough audits but underestimated the reality.³² In his experience, the companies commissioning audits do not pay for the time that would allow auditing to be thorough and the audits are not comprehensive as a result. He said:

You have to ignore a whole bunch of things you can sense is a problem. Because you have to pay all your staff salaries and what do you want to do? A three-week audit? It’s not just all the days going to the factories, but it’s also going to the slums to meet the workers [for offsite interviews], writing the notes, coaching all the staff, you have to worry about retaliation both for the auditors and workers. There is a lot of elaborate worrying and planning if you really want to do something deep. It takes time. And time is not part of this whole game. They [the auditing industry] get all obsessed with their audit tools and their reports and they miss the goal which is to uncover the abuses.³³

Gerry B., a former Corporate Social Responsibility (CSR) representative of a European fashion brand, said that auditors are expected to spend one or two days in a factory and cover “the whole scope—from environment to wages, to safety, to working hours.” He continued: “You probably don’t have any time for any of that. Probably only going to see what the management brings to you.”³⁴

Jason M., an auditing industry expert with nearly two decades’ experience of conducting hundreds of social audits spanning more than 50 countries, explained that auditors and firms know that short audits have significant flaws. He told Human Rights Watch:

[W]e know the weaknesses in sort of the shortchange audits [conducted] in a couple of days. It’s almost like you get what you pay for. If you just want to send one person for a day, you’re going to get one-person-for-a-day level of results.... For complicated issues like forced labor, traditional audits [conducted over a few days] under many types of audit regimes do not detect these issues and are inadequate to both understand what’s going on, but most importantly, understand what the root causes of the problems are.³⁵

Taking monitoring for forced labor as an example, he explained how there needed to be enough time to tailor the methodology to the context and complexity of the issue, saying:

So, there’s a worker part, but there’s also the complexity of the issue.... We’ve gone into suppliers and one example from Thailand, they had 21 different labor brokers, and a couple dozen different migration corridors. Each of which had its own problems. It doesn’t mean that there’s not overarching ways to address that, but you’re not going to unpack all of that if you have a couple of people, for a day or a couple days.³⁶

Jason M. also felt that in addition to having sufficient time, a firm’s overall staffing and approach to building trust with workers also influenced audit quality.³⁷ “[W]ith additional time and level of effort comes additional depth,” he said. But where firms are “staffing the teams with people who are dedicated to only that task [verifying working conditions], they have only been trained to do that task and that is their role on that team.... I think that’s a tremendous asset.”³⁸

In the absence of sufficient time, auditors cannot follow up on leads they receive regarding labor abuses. For audits spanning a few days, the risk is higher that auditors are unable to follow leads, for example, with more off-site worker interviews. For example, Bima B., an employee of an auditing firm who had conducted social audits since the mid-2000s, recalled his experience of conducting them in Indonesia. He said he had heard that factory managers ended the contracts of pregnant workers but explained that this did not make its way into his audit findings. He explained:

It is very difficult to catch the management. When they [workers] get pregnant, we are not in the factory. So it is difficult to get information about the pregnant workers. We only get information from their colleagues and to get further confirmation, it becomes difficult. The workers are already dismissed from the factory or it’s the end of the contract.³⁹

Other quantitative analyses of standard social audit reports raised similar questions. A 2021 publication analyzing 21,041 social audit reports between 2011 and 2017 across different sectors revealed that these audits generated a low number of findings on a range of issues, including child labor, discrimination, forced labor, freedom of association, and harassment and abuse.⁴⁰ The

study argued that the low number of findings could be because of the limitations of audits spanning a few days.⁴¹

Business Pressure on Auditors

Conflicts of interest between the auditing firm and their paying client can cloud the social auditing process. In some cases, auditors feel pressure to gloss over labor abuses to keep their client happy. Human Rights Watch spoke to auditors in different countries who provided insights into how this dynamic works. Auditors are not necessarily appointed by the brands, but by suppliers to the brand. Those suppliers may appoint “friendly” auditors or put pressure on auditors to change or hide findings so the supplier can do business with brands. Some brands that pay for auditors and appoint them may ask them to be lenient during an audit because they want to place orders or continue doing business with the supplier being audited. Several auditing experts felt the pressure was higher when suppliers paid for and appointed auditing firms instead of brands. These commercial dynamics make the scope of the audit, along with the choice of auditing firm, integrity of auditors, and their commitment to labor rights central to the credibility of the audit.

Than T., an auditor, recalled her experience as an employee of an auditing firm. The firm conducted social audits and her supervisors passed on the pressure from “customers” to water down audit report findings. She recalled one instance where a Japanese brand hired them to conduct a social audit of a factory in Myanmar and she was the lead auditor on the team:

The audit was two days. First day I had to get everything done and second day was to double-check. After I finished writing the findings, I sent it to my reviewer [supervisor in the auditing firm]. My reviewer left out many findings. I sent the report with 20 something findings and it was sent back to me with 9 findings.... I asked him why he wanted to do that. He [reviewer in the auditing firm] said that the brand wants the factory to pass the audit. And we don’t want to let down our customer [brand]. Since it’s the brand request, they are the one dealing with the

factory.... It’s not our role to tell them what to do. I had to let that go.⁴²

When Than T. returned after conducting another factory audit, her supervisor in the auditing firm advised her not to put serious violations in her audit. She said:

I was told to leave all the big findings because they [supervisor in the auditing firm] said, “It’s our customer. You cannot hurt the relationship between us and our customer. Just tell the factory informally and they can fix it.”⁴³

She ultimately resigned from the job out of frustration.

A freelance auditor, Hla Tun, who was hired by firms since around 2015 to join audit teams in Thailand and Myanmar, said:

We are told [by auditing firm] to put some findings only in email and not put it in the report. One time I found pregnancy tests being conducted in the factory.... I found this in Thailand and informed it to the lead auditor. The lead auditor said, “Don’t put it in the report but put it in the email to me and I’ll deal with.” This was an audit paid for by the brand.⁴⁴

Another auditor, Bima B., an employee of an auditing firm who had conducted social audits since the mid-2000s, recalled his experience with audits in Indonesia. In his opinion:

If they [the brand] are not happy with the report, they will just change the third-party auditor. I remember one time I didn’t pass a factory during the audit because they were not paying workers minimum wages and they were hiding working hours.⁴⁵

He found out later that the brand had then hired a different third-party auditing firm and felt it was business retaliation for accurate reporting. He estimated that the auditing firm faced this kind of retaliation from clients in about 20 percent of the cases he had worked on.⁴⁶

Several auditors explained how they came under more pressure when they were appointed by suppliers. Nester C., the owner of an auditing firm that has conducted social audits across different countries in Asia for about 15 years, said suppliers typically spoke to a few different

auditing firms to assess whether the “auditor is strict or flexible.” He explained:

For example, they will say during the conversation, “Oh, we have had some bad experiences in the past because the auditor was very rigid. We want someone flexible to build a long-term business—we can give 50 audits or 100 audits afterwards.” When they say things like that, the ball is in our court—we [auditing firms] need to think, “Do we really want to take them on as a client?”⁴⁷

He also felt that unscrupulous auditing firms offered lower audit fees and later recovered them by offering consultancies to the same factory, and even closing audit findings, exacerbating conflict of interests. “They find other ways to make the real money. At the time of the closing meeting with the factory, they will offer that they can provide a consultancy to fix all the problems and come back for another audit when things have improved,” he complained.⁴⁸

Paul S., an auditor who joins social audit teams for certification bodies in India, gave an example of a Western Europe-based client who was sourcing from a factory producing plastic items in India. “I made a couple of visits and found a lot of non-compliances. Toilets, working hours, wages—non-compliances,” he said.⁴⁹ He recalled that the factory management offered him about one lakh rupees (about US\$1,210) to provide consultancy services for “continuous compliance special arrangement.” He said he balked at the offer: “My role is more of a facilitator, and I don’t want to stoop down to the level of broker and liaise with a certification body and get you [factory] a certificate.’ I simply closed the offer. It takes a lot of courage from an individual to do that,” he said.

Brent W., an auditing industry expert, said there was a “race to the bottom in the industry on pricing and negotiating on scope.”⁵⁰ He explained how the pressure to control costs and the findings increased when factories were involved in appointing and paying for auditing firms, which gave them greater control over the auditing firm. He said:

When a brand stops directing the auditing firm, but the brand’s factory starts to direct the auditing firm, it gets even worse. Because the suppliers choose auditors that they feel are not going to be tough or want to direct

how auditors will work.... And the reason that exists is because there is no oversight and no consequences for that. So there needs to be really rigorous oversight.⁵¹

A 2015 academic publication found, among other factors, that “third-party monitors tend to be more lenient when monitored firms pay them directly.”⁵² A 2016 academic publication that analyzed a large auditing firm’s 16,795 standard social audits of 5,819 factories across different sectors conducted between 2004 and 2006 in 66 countries concluded that “[a]udits also yield fewer violations when the audits are paid for by the supplier as opposed to the buyer.”⁵³ A 2021 academic analysis of a major global supplier who produced and supplied for 70 global brands stated that “in nearly half the cases, the brand required the factory to pay the auditors—a serious design flaw that can result in collusion between factory management and auditing firms. The cost per audit varied from as little as US\$645 to as much as US\$3,700.”⁵⁴

Efforts to Hide Adverse Findings During Audits

Human Rights Watch’s research has found that some suppliers attempt to hide real working conditions during auditors’ site visits. Suppliers can even hire consultants—firms or individuals—to help generate false records to show they are complying with a particular standard and coach workers and factory management on how to answer questions during the audit.

Advance notice of audits—fully announced or semi-announced audits—increases the risks of falsification and coaching.

According to Human Rights Watch interviews and other research, unfair buying practices by some brands coupled with an inadequate commitment to help remediate problems in factories can create perverse incentives for suppliers to utilize unscrupulous audit consultancies and for suppliers to provide deceptive information.⁵⁵

Several auditors told Human Rights Watch about how some audit consultancies helped the factory “prepare” before the inspection. For example, Tarik A. felt that in Pakistan, some suppliers try to deceive auditors by hiring consultants to organize “double-book-keeping” for things like retirement benefits and other insurance or

provide false vouchers showing that certain benefits or salaries are paid when they are not.⁵⁶

Brent W., an auditing industry expert, said that, “[t]here’s an entire consulting industry that helps game the system.” He said, in his experience, consultancies to avoid audit scrutiny were particularly pervasive in China, but that such practices were also common in other countries, including Bangladesh, India, and Malaysia. He explained:

These consultancies operate with the sole purpose of preparing a factory for an audit so they have a higher likelihood of passing. One might interpret their role as a good thing, because they’re there to prepare the factory for the test. But in most instances, they are there to help game the audit. Manipulate records, coach workers, prepare the documentation, so that there’s a lower likelihood that the auditor can detect the violations on things like excessive working hours or underpayment of wages, etc. They will be involved in health and safety to clean up of the factory to avoid things like blocked exits, unlocking certain doors during the audit process.⁵⁷

The anecdotal information provided by auditors about the role of audit consultancies that help “fix” audits is supported by in-depth analysis conducted by others. For example, a recent study by Sarosh Kuruvilla, professor of Industrial Relations, Asian Studies and Public Affairs at Cornell University, documented the use of audit consultancies in China to help factories “pass” audits.⁵⁸

The nongovernmental organization Transparentem, which specializes in labor investigations, in its 2021 report based on research spanning 20 garment factories and spinning mills in India, Malaysia, and Myanmar, described tactics they found being used to deceive auditors. These included “falsifying documents, coaching workers to lie, and hiding workers who appeared to be employed unlawfully.”⁵⁹

Human Rights Watch’s research has also found evidence of factory managers coaching garment sector workers prior to audits in Cambodia, Bangladesh, and India.⁶⁰ Some factory managers told workers that a negative audit would cost them their jobs. If they are truthful, they risk losing their jobs if the factory loses business,

or they could gloss over working conditions and continue working. One worker who was experiencing sexual harassment said:

All of us workers are struggling to earn our livelihoods—each one has their own difficulties. We don’t know whether they are able to eat properly or not—what their problems are at home. Some of us are brave and want to tell the truth [about factory working conditions]. But we don’t want our courage to ruin other workers’ lives by making them lose their jobs. We don’t want orders [purchase orders from brands] to be canceled. We just want those [factory supervisors and management] who are harassing us to stop or leave the factory.⁶¹

Auditors told Human Rights Watch that coaching of workers by factory managers is a common problem. For example, Andrew A., an auditor, described trying to get a true picture of working conditions in a factory as a “cat and mouse game.” He said: “I’ve been doing it for 20 years. Like Tom and Jerry or like treasure-hunt.”⁶²

Hla Tun, another auditor, said:

We don’t get confident workers onsite. Sometimes they are coached. If the auditor asks, “How many hours a day?” They will say eight hours. If an auditor says, “How many hours overtime?” “No overtime.” And then we have to ask, “On Sunday, did you go to visit the pagoda?” We have to constantly try to find different ways of asking the same things.⁶³

The practice of coaching workers and risk of reprisals against workers who choose to speak freely is why off-site interviews are emphasized as a crucial practice by civil society organizations and others. That approach allows auditors to interview workers in a safe space, where the pressures of being identified are minimized. Yet, cost and time considerations, as noted above, disincentivize these important practices. According to the 2020 Fashion Transparency Index, an annual survey conducted by the fashion activism movement, the Fashion Revolution, only 10 percent of the 250 fashion brands surveyed for the Index reported that their audit processes included interviews with workers away from factory premises.⁶⁴

Gerry B., a former CSR representative of a European apparel brand who had visited many factories across China and Southeast Asia, said that in his experience, conducting worker interviews off-site was key to credible information about factory working conditions, regardless of whether the audit was conducted by in-house brand auditors or third-party auditors:

Onsite interviews more often than not will not give you better information. I’ve personally seen a lot of coaching and you’ll realize that their answers are all the same [onsite]. It’s their employers and if they were to place their loyalty somewhere, why would they place it in an auditor or a buyer’s representative? It’s a perfect[ly] understandable reaction to not say anything.⁶⁵

Audits Cannot Make Brands Fulfill Their Responsibilities to Remediate or Support Remediation

Even the most robust investigation of labor conditions at a supplier cannot force improvements. Audits and investigations can only report findings and suggest corrective actions to the party that paid for the investigation, whether it is a supplier, brand, or multi-stakeholder body. Remediation depends on how brands sourcing from the factory act on the findings.

A brand’s commitment to act on the findings by remediating or supporting remediation by suppliers allows for financial and other support to correct problems and lays out a series of warnings and consequences, up to and including severing the business relationship in a responsible manner with an emphasis on minimizing harms to workers where corrective actions are not taken in a timely manner.

Several auditing experts said the lack of commitment by brands to support remediation following an audit was a key challenge. For example, Than T., an auditor, said:

I don’t think brands even read the report. I did an audit and one year later I met someone from the brand and it was clear that they weren’t even reading the audit report. They asked me, “Really, those problems were there in the factory?” I don’t see their will to improve the working conditions here.⁶⁶

Andrew A., another auditing expert, explained how frustrating it was to be “ignored by brand reps who hired you to find the problems and then they don’t want to respond—whether they fixed them or not.”⁶⁷ Based on his experience he felt that the primary reasons why brands did not act was because “they don’t have the staff or resources needed to follow up”⁶⁸ and often that brands’ purchasing teams had more clout on sourcing decisions than the teams working on corporate social responsibility.⁶⁹

Brent W., an auditing expert, said that in his experience:

[S]ome groups of buyers [brands] are not willing to provide the support to pay for compliance because the costs are too high. So, the cost of remediation is what’s breaking this apart. The key challenge for social audits is the cost of remediation and some of the more nuanced issues like discrimination, harassment, and so on.⁷⁰

Ben Skinner, the founder and president of Transparentem, a nongovernmental organization, cited their investigations into ethical recruitment issues at garment factories in Malaysia. They found risks of forced labor, including foreign migrant workers incurring wage deductions for labor recruitment fees, in eight Malaysian garment factories in Malaysia. Transparentem contacted 46 brands sourcing from these factories and 34 of those agreed to work together or with their supplier on remediation for workers. However, only eight brands made financial contributions towards reimbursing migrant workers the recruitment fees and costs they had incurred.⁷¹

Unfair Purchasing Practices

The sourcing and purchasing model for brands is to place orders with suppliers to produce their products. As a result, the purchase prices and other buying practices of brands—which are closely tied to cost and time of production—strongly influence working conditions in factories.

Numerous studies, including by the International Labour Organization,⁷² the Center for Global Workers’ Rights,⁷³ Human Rights Watch,⁷⁴ and the Worker Rights Consortium during the Covid-19 pandemic,⁷⁵ have shown that risks to rights increase when brands use unfair purchase

prices and other buying practices that put pressure on suppliers.

The social auditing industry has very little visibility or influence on the purchasing practices and other buying practices of brands, according to auditors Human Rights Watch interviewed.⁷⁶ The impact of purchasing practices on working conditions is not part of audit reports since those issues are typically outside the scope of the audit. It is also difficult to assess whether particular brands are consistently problematic, in part because suppliers are hesitant to provide information about specific brands and their unfair commercial practices out of fear of retaliation, or if they are bound by non-disclosure agreements.⁷⁷

Aroon, a Thai auditor who has over a decade’s experience conducting social audits for over 500 suppliers in Thailand, Cambodia, Laos, Indonesia, Malaysia, and Vietnam across the garments, electronics, and agricultural sectors, said:

The role of the auditor is very limited. We can only go to the factory and it’s like firefighting. Majority of the brands are only interested in seeing the results of the audits and are not doing the kind of root cause analysis that understand how brand practices cause problems.... Majority of them try to push the costs to the factory—directly or indirectly.... And then the brand leaves the factory and there’s no money to maintain the [compliance] system.⁷⁸

Than T., an auditor, also cited purchasing practices as a problem and told Human Rights Watch that she had encountered situations where workers were doing excessive overtime. When she raised it with factory managers, they attributed the problem to tight delivery dates and inflexibility by the brands that necessitated longer hours. She said, “As an auditor, we are hired to find out problems. There is no box in the audit report saying anything to the brand.”⁷⁹

She explained how she had unsuccessfully tried to squeeze in a few lines about brands’ delivery dates causing excessive overtime under “Observations” but that was removed by her supervisor as it is not considered part of the audit scope.⁸⁰



Tarik A., a Pakistani auditor, gave the example of towel manufacturers in Pakistan, where he felt brands sourcing from these factories kept purchasing prices low while turning a blind eye to the impact of those practices on workers:

The profit margins [for factories] are very low....It’s shameful the condition of towel manufacturers and their workers. The [manufacturing] process is so fluffy and the lungs are damaged. The fluff of cotton... if you inhale... the capacity of the lungs, breathing

capacity decreases day by day. Then there is no ventilation and exhaust systems. Brands know everything—they have lots of information and research. They know what is going on. They close their eyes when they need production from cheap areas.⁸¹

A key challenge highlighted by manufacturers is that they do not have any independent mechanism to raise disputes about purchasing practices and have them resolved, without fear of further commercial retaliation for raising the grievances. The Sustainable Textile of the Asian Region, Better Buying Institute, and International Apparel Foundation organized workshops among manufacturers’ associations across 10 production countries listing key recommendations as well as areas that require additional research and reform. This included a recommendation to develop an international arbitration mechanism that allows manufacturers to bring disputes or grievances related to buyers’ purchasing practices.⁸²

No Transparency, Low Trust

Social audits are mired in secrecy. Social audit findings and corrective actions are typically not publicly available, or made available to workers whom they concern, even though audits are conducted regularly.

Certification schemes, in which suppliers are certified as adhering to a particular standard, like SA8000 and Worldwide Responsible Accredited Production (WRAP), publish the names and locations of facilities certified by them.⁸³ Private entities administering the SA8000 standard also publish the name of the auditing firm that certified the facility using their standards.⁸⁴ At this writing, neither program publishes the underlying audit reports and corrective actions that preceded the certification.

At this writing, the Initiative for Compliance and Sustainability, a business membership organization that administers a social audit program operating across different sectors, has started to pilot public disclosure of facilities covered by its social audit program through the International Trade Centre’s Sustainability Map.⁸⁵ This effort has yet to cover all facilities from which ICS member brands source.⁸⁶ The disclosure is still limited and does not provide details of social audit findings or corrective action plans, yet it is a small step towards injecting more transparency about audits.⁸⁷ Other frequently used social audit programs, including amfori BSCI’s audit program and Sedex Members’ Ethical Trading Audit (SMETA) have yet to publicly disclose the names and locations of facilities that participate in their audit programs. These programs also do not yet publish social audit report findings or corrective action plans.

Several auditing industry experts told Human Rights Watch that transparency was important.⁸⁸ For example, one of them said:

Without transparency, it is very hard to build trust in what these reports say or don’t say, so how do we build trust? I think transparency is critical. And I think that even auditing firms like ours, if we were forced to put all of our audit reports publicly, it would definitely change our behaviour too. We would probably spend a lot more time reviewing and triangulating information. We already do some of this better than most others, but transparency would force everybody to slow down and it might lead to much more comprehensive reports. The reports might end up having more disclaimers, but transparency will force everybody to do things more carefully and more professionally.⁸⁹

THE WAY FORWARD

There is growing momentum for laws regulating how companies respect human rights and environmental standards in their own operations and their global supply chains. France,⁹⁰ Germany,⁹¹ and Norway⁹² have adopted general cross-sectoral laws imposing obligations on corporations governing their human rights responsibilities in their global supply chains. The Netherlands adopted legislation specifically on child labor in global supply chains.⁹³ Other legislation is either being developed or civil society groups are actively lobbying for them.⁹⁴ For example, the EU is actively debating a proposed directive on Corporate Sustainability Due Diligence

⁹⁵ and is gearing up to adopt a Corporate Sustainability Reporting Directive;⁹⁶ and the European Commission conducted public consultations to develop a proposal on import restrictions tied to forced labor.⁹⁷

Policymakers should ensure that social audits and certifications are not equated with, or treated as substitutes for, compliance with regulations that require companies to ensure effective human rights and environmental due diligence of their own operations as well as their global value chains.

Policymakers should not assume social audits and certifications yield credible information relevant to assessing specific human rights risks. Where companies use social audits or certifications of suppliers as part of their due diligence efforts, whether the audit or certification can even be considered a tool that evaluates working conditions and detects labor abuses depends on numerous factors. These include who paid for the audit and what the costs covered; who appointed the firm to conduct the audit; the audit team’s composition (example, gender diversity and relevant language skills) and expertise in relation to the standard being used to verify; the methodology used; the scope of the audit and issues it covers; whether sufficient time is built-in, including to conduct in-depth interviews with workers off-site; whether brands are willing to support corrective actions; and whether there is sufficient transparency of audits and corrective measures to ensure oversight. In particular, policymakers and companies should be aware that social audits spanning a few days (and any resulting certifications) present greater risks for labor abuses being under-detected or undetected, especially for issues like discrimination and harassment, forced labor, child labor, and freedom of association.

Transparency of social audit reports is an important check against poor audit quality but also builds greater trust in audit methods and findings. Transparency about audit findings is especially critical to equip local unions and worker rights advocates to have a role in monitoring improvements in working conditions based on such reports.

Any human rights and environmental due diligence legislation should require companies to adopt a range of measures to demonstrate compliance with new rules or regulations that require companies to stop, prevent, mitigate, and remediate actual and potential adverse human rights and environmental impacts. These measures should be tailored to the context and actual and potential adverse human rights and environmental impacts in the countries they source from. They should include requirements to disclose their supply chains; implement effective and accessible independent grievance mechanisms in-country; examine and rectify their own purchasing and buying practices; publish social audits and corrective actions if companies opt to use them; have clear policies and processes to remediate and support remediation, institute warnings and esca-

lations, and ultimately conduct a responsible exit from a supplier with an emphasis on minimizing harms to workers and communities.

Companies should also be accountable for human rights and environmental harms in their global supply chains. Legislation should include provisions for regulatory penalties for not complying with laws and introduce a civil course of action to access judicial remedies for victims who have suffered human rights or environmental harms. In particular, legislation should not exempt companies (buyers) from civil liability even if they conduct social audits or demonstrate that they do business with “certified” suppliers. Such approaches to due diligence, however well-meaning, will not significantly alter how brands respect human rights in their global value chains without the accountability that new legislation can provide. Regulators should scrutinize the quality of such social audits and certifications, and hold all parties, including social audit programs, certification schemes, and audit firms, accountable where they have caused or contributed to delays in detecting human rights abuses. They should do so through a combination of complaints-based and penalties-based legal regimes that drive more scrutiny and accountability.

Voluntary or multistakeholder social audits and certifications are not substitutes for effectively enforced human rights and environmental due diligence legislation.

NOTE ON METHODOLOGY

This report is based on in-depth interviews, sometimes multiple, with 20 current or former auditors, and 23 suppliers and brand representatives in the apparel industry, mostly between April 2018 and January 2019, and April 2021 and April 2022, to detail their experiences and the key challenges regarding social audits. The report is also informed by interviews with 46 garment workers in Myanmar and India in 2018 and representatives from worker rights organizations between April 2021 and September 2022.

Human Rights Watch also conducted an analysis of 50 audit reports of garment factories. These audits used a standard social audit program and were conducted by six large auditing firms. These 50 social audit reports were provided by a European brand in 2018, on the condition of anonymity. Most of these audits were conducted in 2017 and early 2018. All of the factory names and other identifying information were redacted at the time the brand provided the reports to Human Rights Watch. Human Rights Watch also reviewed academic research and reports by labor rights organizations. The report also draws on previous Human Rights Watch research and publications in the garment industry.

The current and former auditors whose expertise is reflected in the report had, in most cases, extensive experience of conducting social audits, including in the apparel sector. Most had experience conducting audits for over a decade and in more than one country. Most auditors also said they had conducted social audits in different sectors beyond just garments and textile.

Human Rights Watch has used pseudonyms in the report to respect the informed consent wishes of interviewees—whether workers, auditors, or other industry experts—most of whom were willing to speak and provide information on the condition that they were not described in an identifiable manner to minimize the risks of workplace or business retaliation.

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NOTES

¹ Jodi L. Short, Michael W. Toffel, Andrea R. Hugill, “Monitoring Global Supply Chains,” *Strategic Management Journal*, 37: 1878–1897 (2016). The paper analyses social audits of suppliers from different countries across many sectors, including accessories, chemicals and plastics, electronics, food, agriculture, and beverage, garments and footwear, furniture, toys, paper, printing, and metal products.

² Brands may themselves develop their own codes of conduct for suppliers; alternatively, brands may adopt codes of conduct developed by others such as multistakeholder initiatives or third-party auditing or certification programs. Voluntary codes of conduct incorporate international labor rights standards to different degrees. Usually, they cover a broad range of issues, including wages and working hours, child and forced labor, discrimination and harassment, and freedom of association. The precise language used in codes can vary, resulting in differences in how auditors are expected to assess against them. Suppliers can be repeatedly audited using different standards and audit regimes. The “audit fatigue” of suppliers—a legitimate complaint—has received a lot of attention. See, for example, Sarosh Kuruvilla, *Private Regulation of Labor Standards in Global Supply Chains: Problems, Progress, and Prospects* (New York: Cornell University, 2021), pp. 48-64; Ivanka Mamic, “Implementing Codes of Conduct: How Businesses Manage Social Performance in Global Supply Chains,” ILO, 2004; Dara O’Rourke, “Multi-Stakeholder Regulation: Privatizing or Socializing Global Labor Standards?” *World Development* 34(5): 899-918.

³ Fashion Revolution, “Fashion Transparency Index 2020,” https://issuu.com/fashionrevolution/docs/fr_fashiontransparencyindex2020?fr=sNm15NzYxMDkoOA (accessed October 31, 2022), pp. 15, 44. Of 250 brands surveyed, 53 percent responded. Of the 53 percent brands that responded, 92 percent said they conducted supplier assessments.

⁴ See, for example, AFL-CIO, “Responsibility Outsourced: Social Audits, Workplace Certification and Twenty Years of Failure to Protect Worker Rights,” April 2013, <https://aflcio.org/sites/default/files/2017-03/CSReport.pdf> (accessed October 31, 2022).

⁵ This is in part because large auditing firms that provide a range of testing and certification services do not disaggregate the income derived from social audits and related certification.

⁶ See the Association of Professional Social Compliance Auditors, <https://www.theapsca.org/> (accessed October 31, 2022).

⁷ Social audits can be conducted by a brand using its own internal teams or by hiring third-party auditing firms. In some cases, suppliers may be asked to provide a self-assessment of their labor conditions, which is subsequently verified by the brand’s own team or third-party audit firms.

⁸ See for example, Association of Professional Social Compliance Auditors, “FAQs,” <https://www.theapsca.org/faqs/> (accessed October 31, 2022). APSCA defines social compliance audit as “a means of evaluating, measuring, understanding, and reporting an organization’s social and ethical performance.”

⁹ Since the Covid-19 pandemic was declared, some auditing firms also conduct “virtual audits” where physical inspections are dispensed with. The Association of Professional Social Compliance Auditors (APSCA) states that the organization “does not consider virtual/remote assessments/audits as a full social compliance audit.” See APSCA, “FAQs,” <https://www.theapsca.org/faqs/> (accessed October 31, 2022). Brands may develop their own codes of conduct or use those developed by multistakeholder initiatives, social audit programs, or certification schemes.

¹⁰ See, for example, Cornell University Industrial and Labor Relations School New Conversations Project, “Where Do We Go From Here? Social Dialogue in the 21st Century Global Garment Industry,” April 22, 2020, <https://cornell.app.box.com/s/swgaexrjs1bne4tk4magraf14894hpr7> (accessed October 31, 2022), pp. 16-17.

¹¹ APSCA, “About Us,” <https://www.theapsca.org/about-us/> (accessed October 31, 2022). “Appropriate time is a function of many factors, including but not limited to the number of workers and physical size of the facility. Industry standard practice indicates that effective consideration would generally require a minimum of one auditor day on-site for small facilities (e.g. less than 100 workers), whereas for larger facilities with more workers, two or more auditor days will be required, incrementally, based on the number of workers and the physical size of the facility.” If two auditors spend two days in a factory, it is counted as four auditor days.

¹² See, for example, Sedex, “Sedex Members Ethical Trade Audit (SMETA) Best Practice Guidance, Version 6.1 May 2019,” <https://www.sedex.com/wp-content/uploads/2019/05/SMETA-6.1-Best-Practice-Guidance.pdf> (accessed October 31, 2022), p. 33; one to five auditor days for 1 to over 2000 workers; amfori BSCI, “amfori BSCI System Manual,” <https://www.amfori.org/sites/default/files/amfori-2019-12-03-amfori-BSCI-system-manual-2018.pdf> (accessed September 6, 2022), pp. 53-55. 1 to 5 auditor days, for 1 to over 1,201 workers; ICS, “ICS Handbook for Factories, ICS Social Complete Requirements 2020,” <https://ics-asso.org/resources/> (accessed October 31, 2022), p. 21.

¹³ See, for example, Social Accountability Accreditation Services, “Audit Requirements for Accredited Certification Bodies for the SA8000 Program,” March 2020, https://sa-intl.org/wp-content/uploads/2021/10/SAAS_Procedure_200_v-4.2_March.2020.pdf (accessed October 31, 2022); Worldwide Responsible Accredited Production, “WRAP Facilities’ Handbook,” 2021, <https://wrap-compliance.org/wp-content/uploads/2021/01/2021-01-15-Facilities-Handbook.pdf> (accessed October 31, 2022).

¹⁴ Human Rights Watch, “*Work Faster or Get Out: Labor Rights Abuses in Cambodia’s Garment Industry* (New York: Human Rights Watch, 2015), <https://www.hrw.org/report/2015/03/11/work-faster-or-get-out/labor-rights-abuses-cambodias-garment-industry>; “*Whoever Raises their Head Suffers the Most: Workers’ Rights in Bangladesh’s Garment Factories* (New York: Human Rights Watch, 2015), <https://www.hrw.org/report/2015/04/22/whoever-raises-their-head-suffers-most/workers-rights-bangladeshs-garment>; “No Room to Bargain”: Unfair and Abusive Labor Practices in Pakistan (New York: Human Rights Watch, 2019), <https://www.hrw.org/report/2019/01/24/no-room-bargain/unfair-and-abusive-labor-practices-pakistan>. See also, Clean Clothes Campaign, “Fashion’s Problems,” <https://cleanclothes.org/fashions-problems> (accessed October 31, 2022); Worker Rights Consortium, “An Industry Fueled by Labor Abuse,” <https://www.workersrights.org/issues/> (accessed October 31, 2022).

¹⁵ Italian National Contact Point, “Final Statement of the Italian National Contact Point for the OECD Guidelines, Specific instance submitted to the Italian NCP on the 11th September 2018 by Ali Enterprises Factory Fire Affected Association (AEFFAA); National Trade Union Federation (NTUF); Pakistan Institute for Labour Education and Research (PILER); European Center for Constitutional and Human Rights (ECCHR); Stichting Schone Kleren Kampagne/Clean Clothes Campaign; Campagna Abiti Puliti and Movimento Consumatori (MC) versus RINA Services S.p.A.,” https://pcnitalia.mise.gov.it/attachments/article/2035928/Final%20Statement%20RINA_DEF.pdf (accessed October 31, 2022); European Centre for Constitutional and Human Rights, “Complaint on Audit Report by TÜV Rheinland on Rana Plaza Factory,” <https://www.ecchr.eu/en/case/more-for-show-than-safety-certificates-in-the-textile-industry/> (accessed October 3, 2022).

¹⁶ “Combating Sexual Harassment in the Garment Industry,” Human Rights Watch news release, February 12, 2019, https://www.hrw.org/news/2019/02/12/combating-sexual-harassment-garment-industry#_ftn1.

¹⁷ Clean Clothes Campaign, “Fig Leaf for Fashion,” September 2019, <https://cleanclothes.org/file-repository/figleaf-for-fashion.pdf> (accessed April 22, 2021); AFL-CIO, “Responsibility Outsourced: Social Audits, Workplace Certification and Twenty Years of Failure to Protect Worker Rights,” April 2013, <https://aflcio.org/sites/default/files/2017-03/CSReport.pdf> (accessed October 31, 2022).

¹⁸ “ELEVATE Response to Clean Clothes Campaign report, “Fig Leaf for Fashion: How social auditing protects brands and fails workers,”” September 30, 2019, <https://www.business-humanrights.org/sites/default/files/documents/ELEVATE%20response%20to%20CCC%20report%20Fig%20Leaf%20for%20Fashion%2020190930.pdf> (accessed October 31, 2022), p.2. ELEVATE was founded in 2004 and has over a decade’s experience conducting social audits spanning over dozens of countries across numerous sectors. See ELEVATE, “About Us,” <https://www.elevatelimited.com/about-elevate/> and “Assessment,” <https://www.elevatelimited.com/services/assessments/> (accessed October 31, 2022) for more information about the firm.

¹⁹ Ibid. See also, ELEVATE, “Worker Engagement,” <https://www.elevatelimited.com/services/advisory/worker-engagement/> (accessed October 12, 2022). ELEVATE describes its Worker Sentiment Survey as a tool that goes “beyond social audits.” It is a mobile-based app that “comprises 17 questions that cover six topics (grievance mechanism, work atmosphere, wages and hours, production efficiency, workforce stability, demographics).”

²⁰ “ELEVATE Response to Clean Clothes Campaign report,” *ibid.*

²¹ Impactt, “Principles and Guidelines for the Repayment of Migrant Worker Recruitment Fees and Related Costs,” <https://impacttlimited.com/principles-for-repayment-of-recruitment-fees/> (accessed October 31, 2022). Impactt states: “Standard audit methodologies recommend sample sizes which are, based on Impactt’s field experience, typically too low for recruitment fee investigations. A more in-depth investigation into Recruitment Fees and Costs requires a larger sample size, due to the range of fees often reported, and the need for a high level of statistical significance of the results.”

²² See below, section titled “Way Forward” for a brief description of proposed new laws as well as laws that have already been adopted by several Western European countries.

²³ The time dedicated to an audit is defined in “auditor days.” For example, a five-member audit team spending one day is counted as five auditor days.

²⁴ See below, section titled “Efforts to Hide Adverse Findings During Audits,” to understand how previously announced audits influence audit findings.

²⁵ Human Rights Watch phone interviews with Brent W. (pseudonym), auditing expert who chose to remain anonymous, Asia, September 23, 2021; Charles M. (pseudonym), garment industry expert who was also a former brand auditor who chose to remain anonymous, US, September 11, 2019; Oliver R. (pseudonym), brand representative who was also a former auditor who chose to remain anonymous, Germany, July 3, 2018.

²⁶ Charles M. (pseudonym), *ibid.*

²⁷ Human Rights Watch phone interview with Brent W. (pseudonym), September 23, 2021.

²⁸ *Ibid.*

²⁹ Human Rights Watch phone interview with Jim T. (pseudonym), social auditing industry expert who chose to remain anonymous, UK, October 5, 2021.

³⁰ *Ibid.*

³¹ *Ibid.*

³² Human Rights Watch interview with Andrew A. (pseudonym), auditing industry expert who chose to remain anonymous, South Asia, May 29, 2018.

³³ *Ibid.*

³⁴ Human Rights Watch phone interview with Gerry B. (pseudonym), November 27, 2018.

³⁵ Human Rights Watch phone discussion with Jason M. (pseudonym), auditing industry expert who chose to remain anonymous, US, April 7, 2022.

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ *Ibid.*

³⁹ Human Rights Watch phone interview with Bima B. (pseudonym), auditor who chose to remain anonymous, Indonesia, April 24, 2018.

⁴⁰ Sarosh Kuruvilla and Jinsun Bae, “Chapter 4: Has Private Regulation Improved Labor Practices in Global Supply Chains?” in Sarosh Kuruvilla, *Private Regulation of Labor Standards in Global Supply Chains: Problems, Progress, and Prospects* (Ithaca: Cornell University Press, 2021). The sectors included agriculture, apparel, accessories, electronics, food, footwear, furniture, hard goods (other), jewelry, kitchenware/housewares, toys, and other soft goods.

⁴¹ *Ibid.*, p. 83. “It is possible, however, that the low number reflects that audits conducted over only one or two days are ineffective at uncovering some instances of discrimination because auditors do not have the time for detailed discussions with workers.” In the case of forced labor, Kuruvilla’s analysis found that the “average number of violations per audit is less than 0.10 and has been declining since 2016. Here, too, the ability of a two-day audit to uncover violations of forced labor is limited.” Similarly, in the case of low number of findings for freedom of association, Kuruvilla states, “as noted for other measures, the contemporary audit regime does not do a good job of detecting FOA violations, and so these figures should be taken with a grain of salt.”

⁴² Human Rights Watch interview with Than T. (pseudonym), auditor who chose to remain anonymous, Myanmar, May 16, 2018. Than T. participated in a group discussion with other auditors Hla Tun (pseudonym) and Aung A (pseudonym).

⁴³ *Ibid.*

⁴⁴ Human Rights Watch interview with Hla Tun (pseudonym), auditor who chose to remain anonymous, Myanmar, May 16, 2018. Hla Tun participated in a group discussion with other auditors Than T. (pseudonym) and Aung A (pseudonym).

⁴⁵ Human Rights Watch phone interview with Bima B. (pseudonym), April 24, 2018.

⁴⁶ *Ibid.*

⁴⁷ Human Rights Watch phone interview with Nester C. (pseudonym), auditor who chose to remain anonymous, Hong Kong, March 12, 2020.

⁴⁸ *Ibid.* See below, section titled Business Pressures on Auditors for more information.

⁴⁹ Human Rights Watch phone interview with Paul S. (pseudonym), auditor who chose to remain anonymous, India, April 20, 2018.

⁵⁰ Human Rights Watch phone interview with Brent W. (pseudonym), September 23, 2021.

⁵¹ *Ibid.*

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⁵⁷ Human Rights Watch phone interview with Brent W. (pseudonym), September 23, 2021.

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⁶⁶ Human Rights Watch interview with Than T. (pseudonym), Myanmar, May 16, 2018. Than T. participated in a group discussion with auditors Hla Tun (pseudonym) and Aung A (pseudonym).

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⁶⁹ Ibid.

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“OBSESSED WITH AUDIT TOOLS, MISSING THE GOAL”

Why Social Audits Can't Fix Labor Rights Abuses in Global Supply Chains

In recent decades, as pressure to demonstrate supply chains are not tainted with abuses, social audits (private inspections) and related certifications of suppliers have proliferated. *“Obsessed with Audit Tools, Missing the Goal : Why Social Audits Can't Fix Labor Rights Abuses in Global Supply Chains*, highlights the challenges associated with social audits and certifications, focusing on labor rights abuses in factories, including in the garment industry. Among other sources, it draws on the insights of current or former experienced auditors to reveal pricing and other business pressures that auditors face, and efforts to hide true working conditions in factories. The social audits and certification industry is largely shrouded in secrecy making it difficult to build trust in audit findings and corrective actions. Brands have a key role to play in driving the implementation of corrective actions and addressing root causes that may contribute to labor abuses, such as unfair business practices. Policymakers should pursue legislation that requires companies to adopt a smart mix of concrete measures to respect human rights in their own operations and their global value chains and not equate social audits and certifications with proof of effective human rights and environmental due diligence.