

# The Yawning Gap ...



... between 'good intentions' and socially-responsible behaviour in the Indian textile and garment industry:  
**a failure of commitment?**

*Presentation to DSA CSR Study Group*

## Four main questions:

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1. What is the size and nature of the gap?
2. What causes it? Are brands and suppliers *really* committed to social responsibility?
3. If there's a gap, does it matter?
4. How can the gap be closed?

WORK IN PROGRESS ...

# Examples of gap

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## Stated intentions

## Reality

### Codes of conduct

### Traditional labour practices

#### *Brand X*

'We expect all our suppliers to extend fair and honest dealings to their employees and to all whom they do business with.'

Extensive and persistent non-compliance with codes. No impact beyond the first tier of suppliers  
Little real pressure exerted by brands to comply, no sanctions imposed for failure

#### *Supplier Y*

'We take our commitment to society very seriously ... we have factories which are fully compliant to local laws.'

Little engagement with civil society – intimidation of 'trouble makers'  
Widespread flouting of local laws

# Sources of empirical data

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Social issues in global garment industry thoroughly studied by:

- International organisations (World Bank, ILO)
- Multi-stakeholder initiatives (such as the ETI)
- NGOs (Oxfam, CCC, WWW)
- Consultancies (Somo, Impactt, Ancona), and
- Academic institutions (IDS, MIT/Sloan)

There are also a number of national and regional studies –eg,

- South Asia (ILO)
- Mumbai and Delhi (CEC)
- Tirupur (Partners in Change)

Recent fieldwork in India has focused on ‘social commitment’

- Over 100 interviews carried out, covering 88 separate organisations, of which 18 mainstream garment manufacturers
- Large, medium and small companies, serving export and domestic markets, farming groups, textile mills and others

# How big is the gap?

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Varies by size/sector, place (culture and historical legacy) and position in value chain:

- **Large garment exporters in south:** worst abuses largely ironed out; some intractable issues remain (eg freedom of association)
- **Mid range manufacturers** (export and domestic branded): patchy, depending on owner's outlook
- **Local, small-scale companies and suppliers** (sub-contractors and catering for local, unbranded markets): largely untouched by codes

Perspectives differ among companies, NGOs, unions, workers

- Codes are imprecise, leaving scope for different interpretations
- Some judge by incremental improvement, others by absolute standards (eg, rights-based, 'living wage')

# *Why* is the gap so widespread and persistent?

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- ❑ Why haven't brands been able to enforce codes (as they have quality standards etc) despite their public pronouncements?
- ❑ Why are manufacturers apparently so resistant to change in social matters (unlike commercial, technological) despite signing up to codes and standards?
- ❑ Why has pressure from civil society been relatively ineffective (except in a few specific instances) despite prolonged campaigning?

## The behavioural perspective:

- What factors create or sustain inconsistencies between what people say and what they do?

# Can commitment theory help explain the gap?

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# The qualities of 'social commitment'

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Working definition: '*undertakings affecting worker welfare*'

What does the data tell us about social commitment in the Indian textile and garment industry?

- Its scope (breadth and depth of coverage) is very limited
- The aim of most actors is procedural (ie, 'code compliance') rather than substantive. Regarded as a buyer requirement
- Sometimes no more than vague statements of principle, not specific enough to be implemented (eg, discrimination)
- Lack of urgency, with little sign of specific timetables and resources for implementation
- Accorded low priority (vs commercial commitments)

... so, in general, social commitment is weak, fuzzy, conditional

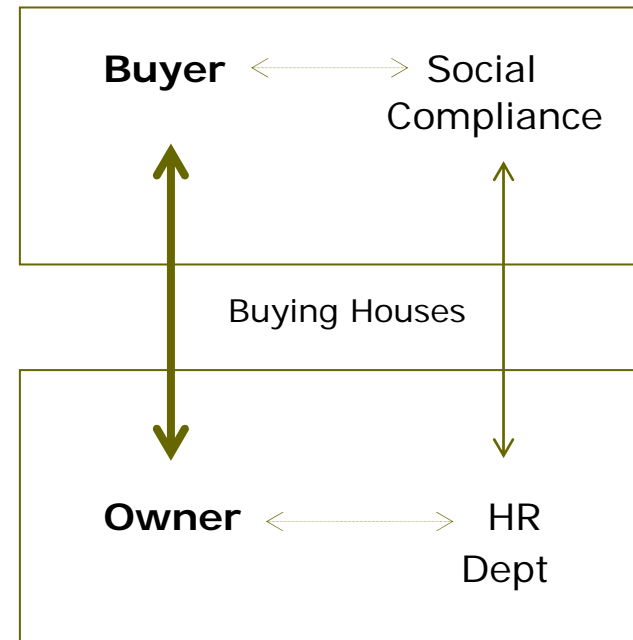
These are the symptoms of the 'failure' of commitment.

But what are the causes?



# Buyer-supplier relationship

- ❑ Power lies disproportionately with buyer, so the relationship is unbalanced
- ❑ Mutual dependence leads to a common interest in cover ups
- ❑ Implicit understanding that commercial priorities trump social ones
- ❑ Separation of functions and weak integration into business practice
- ❑ Brands make no commitments themselves, merely 'transfer' them down the line
- ❑ Lack of accountability at all levels



# Fruits of buyer pressure

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There have been some positive effects:

- Progress in 'visible' areas (eg, health and safety)
- Helped increase awareness of some issues (eg, child workers)
- Reinforced legal compliance (to some extent)
- Provided 'focus' around key issues (eg, homeworkers)

But negative patterns of behaviour have arisen:

- Imposition of codes from above has created defensiveness, procrastination and a 'compliance mentality'
- Resulting in concealing of vital information, smokescreens, double bookkeeping, false 'intentions', fake 'commitments'
- Conspicuous lack of trust, openness and transparency
- System is reliant on constant monitoring and control, stifling 'bottom up' initiatives and participative approaches

## Other external pressures are weak ...

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### Governmental regulation is ineffective

- Provisions on statute book are extensive but not enforced
- Law is generally considered by manufacturers as out of date and too restrictive

### Civil society influence is negligible

- Limited to non-controversial areas, eg charitable, recruitment
- Hostile reaction by business to NGO campaigning

### Unions are ineffective

- Not organised at factory level; workers see limited benefits
- Strong negative perceptions of their role (history)

### Workers are submissive

- Discouraged from organising (except on company's terms)
- Bound by traditional gender and cultural roles (as at home)

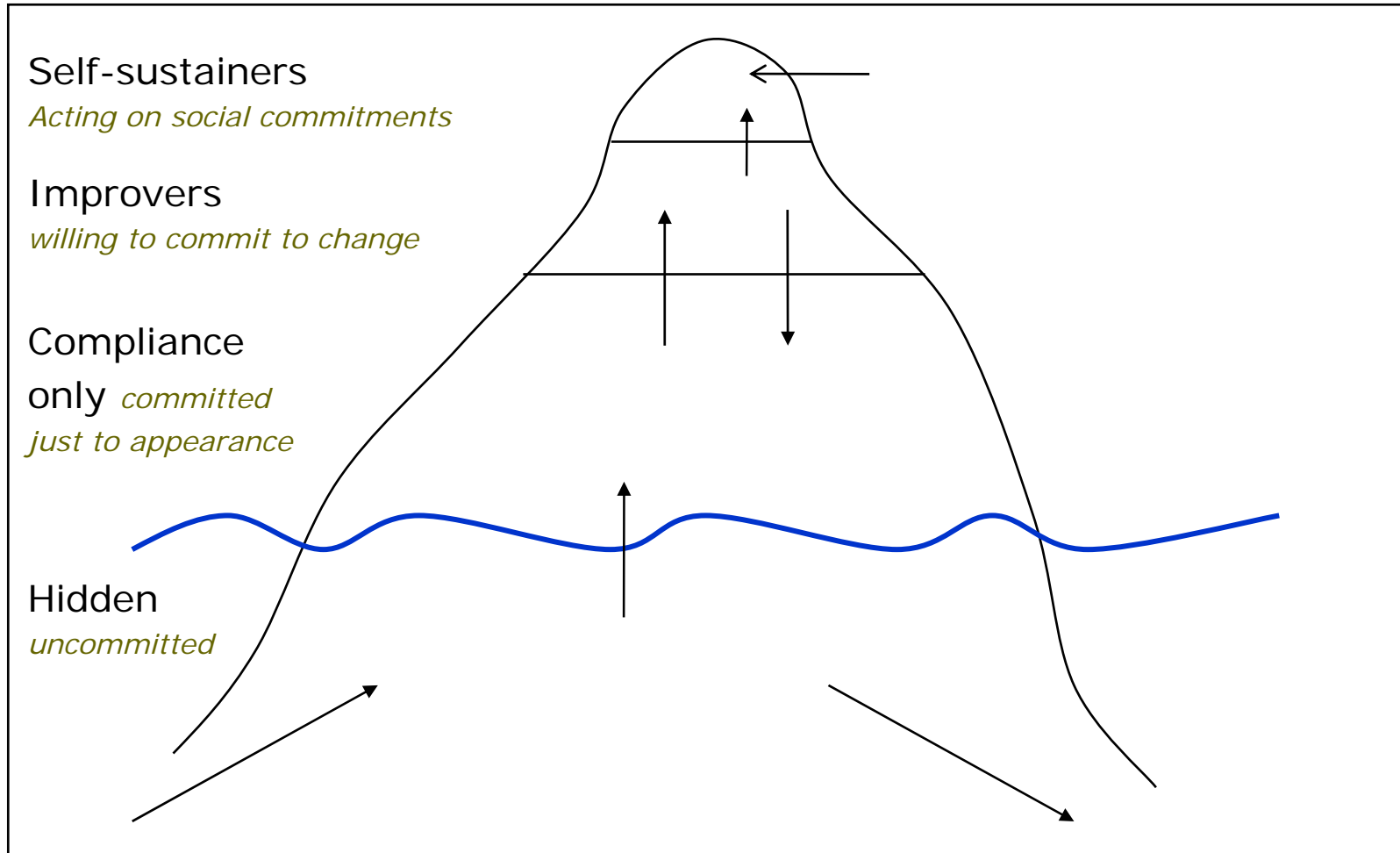
... but market forces are beginning to exert a role as labour markets tighten

# Social commitment varies greatly by company

for example, the case of a medium-sized exporter ...

<i>Factors affecting response</i> \ <i>Sources of c/t</i>	Respect for the law	Buyer pressure	Civil society influence	Market forces	Strategic choice by company
<b>Awareness &amp; understanding</b>	√ √	√ √ √		√ √ √	
<b>Perceived Legitimacy</b>	√			√ √ √	
<b>Business benefits</b>				√	
<b>Consequences of failure</b>	√	√		√ √ √	
<b>Internalisation</b>	√			√ √	
<b>Reinforcement</b>	√	√			

# Differentiating companies by their behaviour



# Does it matter? 1 – the ‘credibility gap’

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- ❑ Consumers may think that abuses are isolated instances: How will they react if they learn how widespread and persistent they are?
- ❑ Those in the industry committed to social justice seem to assume that progress is being made: What will be the results if disillusionment sets in?
- ❑ The implicit ‘social contract’ relies on business responding effectively to societal concerns: Is business delivering on its part of the bargain? If not, is the credibility of CSR and self-regulation being undermined?

# Does it matter? 2 – livelihood issues

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- ❑ Over **5.5** million work in the ready made garment sector in India
  - Most earn about the minimum wage, or less (c. £1.20 per day)
  - Few have any job security or social protection
  - They lack representation or means of redressing grievances
  - Many suffer poor conditions (eg, toilet access, clean water)
- ❑ A further **27.5** million work in other sectors of the textile industry, including powerlooms, processing and supplies
  - 'Below the radar' but generally agreed that their conditions are worse
  - They face significant health and safety issues
- ❑ There are around **38** million in cotton farming and trading, many living on a knife edge
  - Tens of thousands of farmers commit suicide every year, mainly because of financial problems and uncertainty
  - The position of bonded and seasonal labour and children is worse
- ¶ Just **3-4%** of the value of the final product sold in export markets goes to all these workers and their families

# Exploring the 'commitment gap'

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## Studying corporate behaviour

- Comparing leaders and laggards; learning from 'best practice'
- Studying companies in transition, at 'tipping points'

## Analysing the stages of commitment and mutuality

- 'Code imposers' and 'compliance only'
- 'Pro-active' brands supporting suppliers 'willing to improve'

## Identifying clashes of 'conventions' (explicit or implicit rules):

- Buyer codes (rooted in ideas of social justice and rights)
- Traditional patterns of behaviour (based on acceptance of hierarchical chains of authority, embedded in the local culture)
- Notions of free market and unfettered competition

## Recognising differences arising from ownership and control:

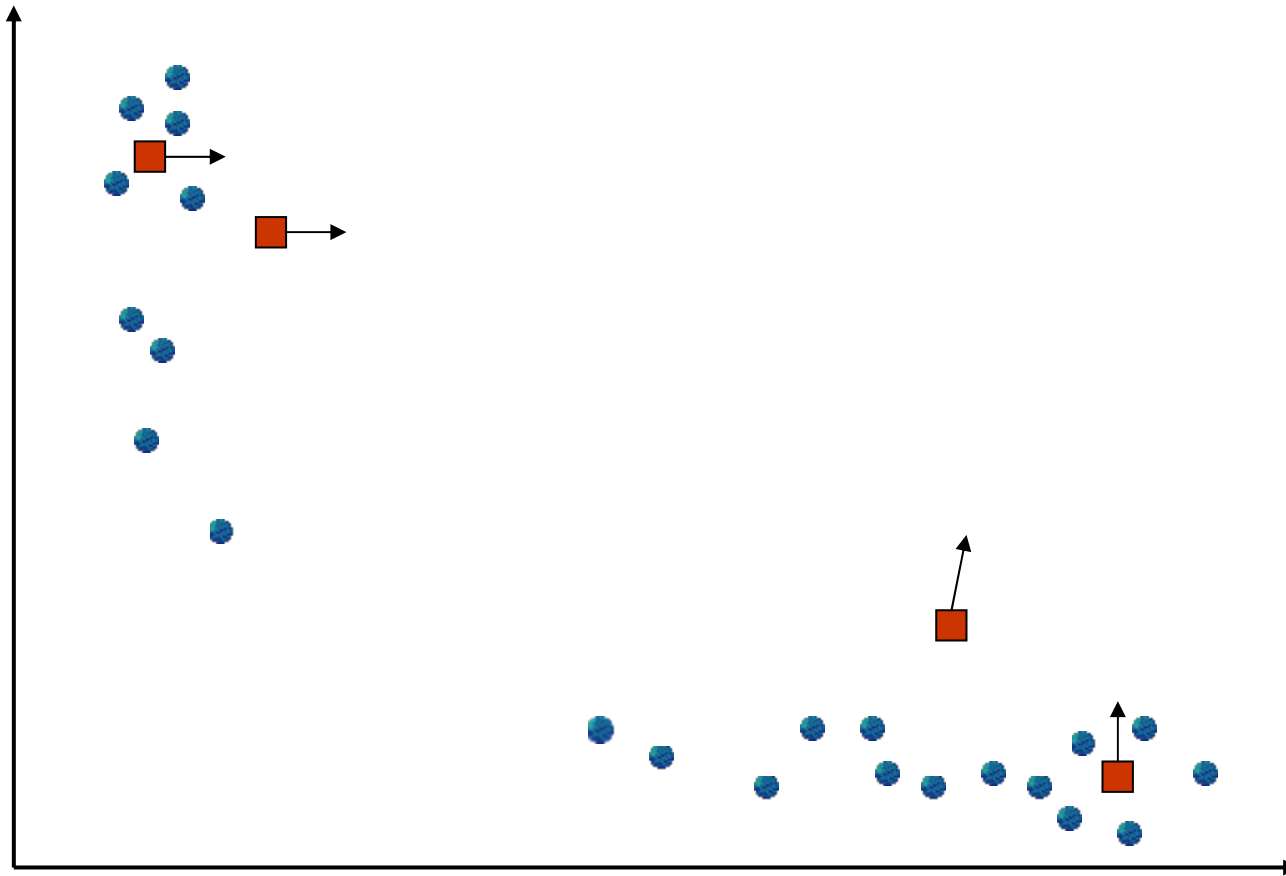
- First generation owners, many 'uneducated', resistant to 'interference'
- Next generation and 'more professional' managers
- Established large business houses, esp in domestic market



# Clustering and case selection

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**Social commitment**



**Commercial commitment**

# Implications – aligning sources with actors

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Helping key actors shape their own commitments –eg,

- Involving the front line (supervisors, production managers)
- Putting 'good practice' at heart of suppliers' business models
- Letting the Indian garment industry develop its own codes
- Refocusing brands on their own responsibilities
- Building social criteria into job descriptions and reward systems of buyers

... should result in a more firmly grounded sense of commitment

- Better understood, more strongly internalised
- Perceived as more legitimate
- With greater consensus among local stakeholders
- Adapted (to some extent) to the local context

# Implications – differentiated approaches

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Brands can tailor approach to different categories of supplier:

- Recognise 'self-sustainers' as role models and test beds
- Encourage and support 'improvers', reduce criticism
- Expose the 'compliance only' group and put incentives and penalties in place to encourage move to next level up

Civil society activists need to

- Form local partnerships, where common ground can be found, and develop cooperative relationships with companies
- Concentrate their ammunition when cooperative approaches have failed

# Implications: partnerships

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Develop partnership ideas further:

- Brands and suppliers working together to change systems and procedures
- Suppliers establishing relationships with local NGOs and unions
- Tripartite initiatives in India (embryo scheme in Tirupur)
- Value chains including commercial and social enterprises (as fair trade and organic cotton)

# Implications – effective scrutiny & accountability

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Sustained improvement in standards can only come when data on actual performance is available, with clear accountability and mechanisms for holding those responsible to account

- Greater **public scrutiny** of performance is needed. The case for making performance data publicly available needs to be made and effective measures developed
- Measures to strengthen the **role of civil society** in India. Entrenched attitudes (eg, to roles of NGOs) and behaviours (eg, secrecy) need to change
- Visibility in the **market place** is also required. Forms of labelling for consumers, whose commitment is a prerequisite for sustainability