

Hidden Harm:

Audit Deception in Apparel
Supply Chains and the Urgent
Case for Reform



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1 Precis and Executive Summary

Precis

Transparentem’s investigations suggest that audit deception is a pervasive problem in apparel supply chains. At most worksites included in our recent investigations, workers have described strategies used by their employers or recruiters to cover up possible labor rights violations. This problem reveals the need for changes to conventional audit processes, such as increasing workers’ involvement in audits and enhancing transparency around audit findings. Additional measures to uphold workers’ rights must complement social audits, including support for worker organizing, proactive rights training for workers, effective third-party grievance mechanisms, and sustained buyer-supplier relationships based on trust and a shared commitment to human rights.

Executive Summary

Social audits, whether conducted by buyer representatives, third-party certifiers, or other independent groups, are a crucial tool for apparel companies seeking to monitor on-the-ground conditions at distant supplier factories. These audits are high-risk undertakings for suppliers: findings of violations can spur buyers to intensify oversight or terminate a business relationship altogether. Suppliers



therefore have a strong incentive to ensure they pass audits, which leads some to deceive auditors, resulting in misleading and inaccurate audit findings. Recruiters who connect workers to jobs may also hide abusive practices from suppliers in ways that later prevent auditors from detecting these problems.

Audit deception is a serious impediment to identifying and remedying human rights abuses in global supply chains.¹ This report compiles evidence from Transparentem's past investigations of efforts to conceal labor rights violations from social auditors in the apparel industry in India, Malaysia, and Myanmar, as well as research from peer organizations and academics, which indicate that audit deception is a pervasive problem in apparel supply chains.

Transparentem has uncovered evidence of audit deception at most worksites included in its disclosed investigations since 2019. Interviewees across nearly 20 garment factories and spinning mills in India, Malaysia, and Myanmar described various strategies by employers and recruiters to conceal labor rights violations. Common tactics included falsifying documents, coaching workers to lie, and hiding workers who appeared to be employed unlawfully. Some workers said they feared that buyers would cancel orders, and thus jeopardize their jobs, if they did not help their employers cover up violations. Collectively, workers' testimony suggests that what auditors observe during a worksite visit is often not representative of typical conditions, and evidence shows that documents auditors review may sometimes be inaccurate.

Interviewed workers' accounts reveal that many types of labor abuses can be hidden from auditors, including passport retention, wage and hour violations, and hazardous working conditions. Transparentem's investigations found evidence of audit deception around illegal adolescent labor and prohibited recruitment fees to be particularly common. Adolescent workers were either hidden on the premises or ordered to stay away from the workplace during audits, according to workers at almost all investigated worksites in India and Myanmar. At some factories in Malaysia, Transparentem found evidence that recruiters or employers attempted to conceal excessive recruitment fees foreign workers had paid to secure their jobs.

In order to combat audit deception, buyers must structure audit processes to minimize the chances of deception and maximize worker agency. Buyers should increase worker involvement in audits, improve auditing techniques, and enhance

transparency around audits and remediation processes. Improvements to auditing processes alone, however, are insufficient—buyers and suppliers should also do more to uphold workers’ rights, by providing greater support for worker organizing, proactive rights training for workers, and effective third-party grievance mechanisms, among other measures. Buyers must also work to develop sustained relationships with their suppliers based upon trust and shared human rights commitments.

Efforts by buyers and suppliers to improve auditing practices and working conditions can also be supported by others. Notably, investors and nongovernmental organizations (NGOs) can support buyers and suppliers attempting to improve auditing practices and working conditions. They can also hold buyers and suppliers accountable when they fail to protect workers.

About Transparentem

Transparentem is an independent, philanthropically funded nonprofit organization that uses frontline investigative methods to identify environmental and human rights abuses in global supply chains. Our mission is to advance the well-being of workers and their communities by exposing hard truths to those with the power to transform industries. We strive to be a catalyst for systemic change and work with diverse stakeholders, including brands and manufacturers, to eradicate those human and environmental abuses, and encourage supply chain traceability and transparency.

Transparentem is tax exempt in the United States under Section 501(c)(3) of the Internal Revenue Code.

2 Introduction

As consumers and activists increasingly demand that apparel companies engage in ethical sourcing, companies have turned to social audits to detect labor abuses in their foreign suppliers' factories. When audits find violations, buyers may increase oversight of their suppliers or cut off a business relationship completely. Suppliers thus have a strong motivation to pass audits, leading some to hide violations by deceiving auditors. Recruiters who link jobseekers to suppliers may also have incentives to hide abusive practices in ways that later undermine audits.

Social audits can take multiple forms and vary significantly in scope, depth, and rigor. Buyers may carry out their own audits, using their own staff, or contract audits to third parties, such as private auditing firms or nonprofit organizations. Buyers may also mandate that suppliers achieve certain certifications that require the supplier to arrange for assessments of compliance with the certification standard, to be reported to the buyer. Either the buyer or the supplier may bear the cost of the audit, depending on who contracts or conducts it, and for what purpose.

At best, an audit provides visibility into conditions at a supplier, equipping buyers with the information they need to uncover potential abuses and plan for remediation. But at worst, a misleading or incorrect audit can conceal serious ethical, safety, and legal lapses. Ultimately, conducting an audit where findings are distorted by deception, or incomplete or inaccurate information, is worse than having no audit at all. Audits under these circumstances paint a false picture



of labor conditions, obscuring potentially severe violations and further placing vulnerable workers at risk.

This report focuses on instances of “audit deception,” a term Transparentem uses here to refer to efforts to conceal labor rights violations from social auditors. Typically, suppliers perpetrate audit deception, but third-party recruiters may also hide information from suppliers or buyers that auditors might review. Audit deception is one important reason, among others, why social audits often fail to serve their intended purpose and instead risk rubberstamping noncompliant workplaces, according to Transparentem’s past investigations and extensive research by other organizations and academics.

Though the extent of audit deception cannot be known and is inherently difficult to study, research indicates that the problem is pervasive throughout global supply chains.² An examination of over 40,000 factory audits in 12 countries found that 45 percent were based on “unreliable” or “falsified” information, according to a 2020 study by Sarosh Kuruvilla, a professor of Industrial Relations at Cornell University.³ In a 2018 survey of 203 auditors from 16 countries, 40 percent of respondents described encountering workers who seemed to have been coached to give certain responses during interviews.⁴ And in 2010, the Fair Labor Association revealed that a staggering 40 percent of the suppliers it had audited that year presented “fake records” of workers’ wages.⁵ The political economist Genevieve LeBaron, who studies labor governance in global supply chains, has described “audit cheating” as a “major” and “widely acknowledged” problem,⁶ a conclusion further supported by the advocacy organization Clean Clothes Campaign, which has stated that “audit fraud” is “wide-ranging.”⁷

Transparentem’s own investigations of labor conditions at garment factories have provided rare insights from workers into audit deception. Interviews with workers in apparel supply chains across India, Malaysia, and Myanmar suggest that audit deception occurs with troubling regularity. Transparentem has found evidence of at least one form of audit deception at the majority of worksites it has investigated. Interviewees described a variety of schemes by which suppliers, and sometimes recruiters, actively attempted to evade the detection of underage workers,

How Deception by Recruitment Agents Can Distort Audit Findings

Recruitment agents sometimes seek to conceal illicit practices from the companies for which they find workers. Such deception may not directly target auditors, but could nevertheless prevent audits from uncovering labor rights violations. For example, Transparentem investigations in Malaysia found that recruitment agents tried to conceal prohibited recruitment fees in ways that could undermine auditors’ ability to uncover this problem, including by coaching workers to lie about the amounts they paid and providing inaccurate receipts.



prohibited recruitment fees, passport retention, wage and hour violations, and hazardous working conditions, among other issues.

Though Transparentem documented evidence of at least one form of audit deception at most investigated worksites in India, Malaysia, and Myanmar, it rarely found the same form consistently across all investigated factories in a country. Transparentem's documentation of a problem in a particular country should not be taken to mean it exists in every garment factory or spinning mill there, or that the problem is unique to that country.

METHODOLOGY

Across several investigations since 2016, Transparentem investigators have interviewed hundreds of garment workers in Malaysia, Myanmar, and India. The findings of audit deception described in this report are based on a fraction of these interviews. (Transparentem completed its work in Myanmar prior to the 2021 coup.) In general, investigators did not ask a standardized set of questions on audit deception to all interviewed workers, and many interviews never touched on auditing. Instead, the topic often came up organically as workers discussed other issues.

Transparentem investigators always interview workers away from their workplaces and without the knowledge of their employers. They also speak with workers in their native languages. Most interviews are in depth, semi-structured, and conducted one-on-one.

To protect workers' identities, this report does not include workers' names or the names of specific factories.

3 Background

The Proliferation of Social Audits

Social audits have emerged as a principal tool for buyers monitoring labor standards in supply chains, due in large part to two trends. First, apparel companies have shifted substantial production to third-party factories in countries with weak labor protections and under-resourced labor inspectorates.⁸ Second, consumers and regulators have increasingly demanded that buyers engage in ethical labor practices.

Consequently, buyers have turned to a multitude of corporate social responsibility initiatives to monitor conditions in their own supply chains and reassure consumers. Social auditing is central to many of these initiatives, serving as an instrument to verify compliance with voluntary certification standards and buyers' codes of conduct. The industry is now worth billions of dollars.⁹ Though audits alone are merely a diagnostic tool, they are a fundamental part of—and can be a prerequisite for—remediation. Without audits, buyers often have limited visibility into conditions at their supplier factories.

In recent years, a spate of legislation across the globe has further pressured companies to conduct human rights due diligence throughout their supply chains. The United Kingdom Modern Slavery Act, the French Corporate Duty of Vigilance Law, and a potential forthcoming European Union directive on human rights due diligence, among others, mandate reporting on labor conditions in supply chains.¹⁰



Audit Deception in Global Supply Chains

Despite their widespread use, social audits often do not capture serious labor abuses, in part due to audit deception. As suppliers have become more aware of buyers' requirements for social compliance, audit deception has grown more sophisticated and pervasive.¹¹

Certain government agencies and international organizations, including the International Labour Organization (ILO),¹² have acknowledged this problem. For example, the United Kingdom Home Office issued guidance on supply chain transparency in 2015, which highlighted that suppliers may “go to great lengths” to hide labor abuses.¹³ In 2017, the US Department of Labor's Bureau of International Labor Affairs (ILAB) warned that “violations can . . . [be] deliberately concealed from auditors.”¹⁴ In addition, the United Nations Global Compact has highlighted that “there are many examples of suppliers” finding ways “to mask the real situation in their company.”¹⁵

Furthermore, human rights groups, including Human Rights Watch, the Clean Clothes Campaign, and the Better Work Programme (a partnership between the ILO and International Finance Corporation) have documented many forms of audit deception across various countries and sectors. Managers coach workers to give specific answers to auditors' questions¹⁶ and steer auditors away from interviewing the most vulnerable or aggrieved workers.¹⁷ Factories help create fake identity documents to conceal underage workers (stating that the worker is an adult, when in reality the worker is under 18 and thus entitled to greater protections),¹⁸ draw up false training logs (indicating that workers had received training they did not),¹⁹ and engage in double bookkeeping of payroll records and time sheets (fabricating records to falsely inflate the wages workers were paid and deflate the hours they worked).²⁰

Some factories go to extreme lengths to hide true conditions, according to research by journalists and academics. For example, some factory personnel bribe auditors or wall off areas of a factory they want to conceal from auditors.²¹ In India and China, certain consultants specialize in helping factories pass social audits by deceiving auditors.²² Such consultants have generated documents for entire teams of nonexistent workers and brought auditors to “show factories” that are more likely to meet audit standards, rather than taking auditors to the factories they intend to inspect.²³

4 Transparentem's Findings on Audit Deception

In recent years, Transparentem has investigated endemic labor abuses in the apparel sectors of Malaysia, Myanmar, and India. These investigations documented a diverse range of labor abuses across nearly 20 worksites, but most had something in common: workers reported audit deception.

Interviewed workers described numerous strategies by employers and recruiters to conceal violations from auditors, some of which occurred before workers even started their jobs. Common tactics included coaching workers to lie, hiding adolescent workers, and document falsification (primarily by recruiters). As detailed below, workers' accounts reveal that many types of labor abuses can be hidden from auditors, including child labor and illegal adolescent labor,* prohibited recruitment fees, passport retention, wage and hour violations, and hazardous working conditions. Collectively, workers' testimony suggests that what auditors observe during a factory visit may be far from representative of normal conditions.

Transparentem's findings are based on interviews with a subset of the hundreds of garment workers interviewed for Transparentem investigations in Malaysia, Myanmar, and India since 2016. Investigators did not ask all interviewed workers about audit deception. Many interviewed workers did not mention audit deception, and some said they had not observed instances of audit deception that their coworkers had reported to investigators.

* In India and Myanmar, children who are above 14 are permitted to work under certain circumstances, but national laws set restrictions on working hours and night work to protect this vulnerable group.

In India, under the Child and Adolescent Labour (Prohibition and Regulation) Act, "adolescents" (defined as individuals 14 to 17 years old) may not work more than six hours a day (inclusive of a one-hour break), at night (between 7:00 p.m. and 8:00 a.m.), during overtime shifts, or in hazardous occupations. In addition, India's Factories Act of 1948 (amended in 1987) also outlines conditions under which a young person can work in a factory. The act allows a "certifying surgeon" to issue a "certificate of fitness" for an adolescent to work as an adult in a specific role at a factory if they are deemed sufficiently fit after a medical exam. (Transparentem found no evidence a certifying surgeon had issued fitness certificates for young workers at investigated factories, though investigators did not specifically ask about such certificates).

In Myanmar, the Factories Act 1951 (Act No. 65 of 1951), amended in 2016, prohibits factories from employing children under the age of 14 and permits them to employ 14- and 15-year-olds only if they have received: (a) a medical certificate of fitness from a doctor; (b) do not work more than four hours per day; and (c) do not work between 6:00 p.m. and 6:00 a.m.

Transparentem contacted the investigated factories and manufacturing groups with requests for comment following these investigations, although not every request for comment specifically solicited a response about audit deception. Representatives of three manufacturing groups in India, one factory in Myanmar, and one factory in Malaysia explicitly denied Transparentem’s findings of audit deception.

Child Labor and Illegal Adolescent Labor

Transparentem has uncovered evidence of audit deception aimed at concealing illegal adolescent labor at nearly every worksite it has investigated in India and Myanmar. Testimony from many interviewees across several factories in these countries suggests that auditors likely failed to detect many instances of illegal exploitation of young workers.

In both locations, adolescent interviewees reported working night shifts, excessive hours, or under hazardous conditions, in violation of national laws. They described steps their employers or recruiters took to conceal these abuses, including hiding underage workers, coaching workers to lie about their ages, falsifying workers’ dates of birth on identity documents, and creating fake medical records that misrepresented workers’ ages.

These findings corroborate work by other organizations and media outlets.²⁴ For example, a 2016 survey of workers at 18 garment factories in Myanmar, conducted by the ethical trade consultancy Impactt and the C&A Foundation, found that 20 percent of respondents said they had been instructed to hide children during inspections.²⁵

Recent Transparentem investigations have shown that standard social auditing methodology may fail to uncover problems that investigators find when speaking directly to workers. In response to Transparentem’s findings, buyers commissioned audits of all investigated factories in Myanmar and all but one investigated manufacturing group in India. In Myanmar, none of these audits found current workers younger than 18 within any of the investigated facilities. However, one company told Transparentem that one section of a factory in Myanmar had “probably” employed casual workers as young as 15, prior to the company’s audit. Likewise, in India, follow-up audits did not find evidence of excessive hours for workers under 18 at any of the three manufacturing groups. However, they did reveal that age-verification systems needed strengthening and, at one manufacturer, corrective action plans included reassignment of some workers under 18 to lighter duties without overtime.

Transparentem has uncovered evidence of audit deception aimed at concealing illegal adolescent labor at nearly every worksite it has investigated in India and Myanmar.

Hiding Workers

Many interviewees described how young workers would leave the factory floor before auditors arrived, briefly creating the appearance of a workforce comprised only of lawfully employed adults. At almost every investigated worksite in India and Myanmar, interviewees said young workers were either hidden on the premises or ordered to stay away from the workplace during audits. They waited out audits in a variety of hiding places, including employer-owned dormitories, bathrooms, a pump room, a warehouse, and a factory cellar, according to interviewees.

“If [auditors] come, they don’t let us outside. . . . They let us out only after they leave.”

—Interview with a 14-year-old worker in India

In India, workers said they were instructed to hide during audits for as little as 10 minutes and as long as eight hours. At one mill, several interviewees said workers younger than 18 were locked in a room when auditors arrived and kept there for the duration of their visit. One worker, who was 14 according to her national identification card, described the experience: “If [auditors] come, they don’t let us outside. . . . They lock us in a room. They let us out only after they leave.” Another worker at a different worksite in India recalled being held in a cellar past 4:00 p.m., when her shift normally ended. She had been told that officers “have come to inspect” and that “no one should come out until they leave.”

Workers in Myanmar described similar experiences. For example, young workers at one factory, who lived too far away to travel home during audits, would sometimes wait underneath container trucks parked on the street, according to one interviewee. “Those who live very far away would seek shelter in [the trucks’] shadows because it was too hot, or if it was raining, to avoid getting wet from the rain,” one said. In addition, a young worker in Myanmar said her manager told her she was required to work night shifts so that auditors, who visited during daylight hours, would not find her on the job.

Workers in both countries also told investigators that young workers were instructed to go home (or stay home if they had not yet arrived at work). A worker in Myanmar said, “The audit[or] comes from the front; we go home from the back.” Another said that when auditors visited her factory, day laborers, who were often adolescents, “were ordered to wait outside the factory grounds where they were told not to come to work this week, and if they did that they wouldn’t be paid for it.” Similarly, in India, one factory supervisor told an investigator that some female employees were too young to legally work the shifts that the company assigned them. The supervisor said the company had to be careful during audits. She said

managers “ask the underage ones not to come for work. They ask them to stay in their rooms or they send them home.”

Coaching Workers to Lie About Their Age

In Myanmar and India, some young workers said factory staff coached them to lie to auditors about their ages. In India, one interviewee, who was hired at 15, described such coaching: “They informed us about our fake date of birth and asked us to use it when anyone asks. . . . They would say, ‘So, memorize your date of birth correctly and tell them this one only. Do not reveal your real age at all.’” Similarly, a worker at a mill in India, who was 16 at the time of her interview, told an investigator, “If big officials come . . . they asked me to tell them that I was 18 years old.” Another worker described being warned that she needed to lie about her age to protect the factory: “They tell us that our actual age will be asked and that if we revealed it, the mill would face consequences.”

Two interviewees indicated that young workers could be punished for telling the truth about their ages. Speaking of a coworker who had lied about her age, one Burmese worker said, “They were afraid of the supervisors. Everyone is like that. You can’t tell the truth.” Another Burmese worker echoed this claim, saying, “When [the factory] fails the audit because of the kids, their supervisors discriminate against them.”

Falsifying Identity Documents

In India, several young workers said their employers, or the vocational training center that placed them in their jobs, falsified identity documents to misrepresent them as 18 or older. Textile companies in Tamil Nadu frequently rely on a national identity card (called an Aadhaar card)* to verify workers’ ages.²⁶ Worker testimony and documentation reviewed by Transparentem provided evidence, however, that such identity cards were sometimes falsified to facilitate the employment of adolescents as if they were adults.

Falsification of Identity Documents by Third Parties May Prevent Auditors from Finding Underage Workers

In India, Transparentem found evidence that third parties helped falsify adolescent workers’ identity documents to facilitate their employment as if they were adults, in contravention of local law. This was most likely intended to deceive management at garment factories and spinning mills about workers’ ages—or to create conditions that would allow management to overlook the hiring of underage workers. That deception in turn may interfere with social audits, since auditors may review copies of identity documents that agents falsified, which could obscure the presence of underage workers.

* In 2009, the Indian government introduced the Aadhaar national identification system. Since then, employers have increasingly relied on the Aadhaar card (which lists an individual’s name, date of birth, and biometric information) when hiring new workers. According to the Indian government’s latest interpretation of the Child Labour Act, the Aadhaar card is now the primary way to verify a child’s age; in its absence, an employer can consult a school or birth certificate.

For example, a former factory worker, who began her job when she was 16 (according to her school records and a pay slip), claimed that the ages of more than half the girls from her hometown were altered on documents so that they appeared old enough to work as adults. “The sirs changed the date of birth and made it around 18 or 20,” she said, referring to staff at a training center that placed her in the job. The girls, she said, were actually then 15 or 16. Similarly, a 15-year-old worker at a spinning mill described how staff encouraged some workers to secure falsified documents: “They don’t let them join if they are 15 years old. . . . They tell them to change the age on their Aadhaar [national ID] card and come back.” She said someone from the mill told her where she could have her Aadhaar card changed to make it appear as if she were old enough to work as an adult.

“They informed us about our fake date of birth and asked us to use it when anyone asks. . . . They would say, ‘So, memorize your date of birth correctly and tell them this one only. Do not reveal your real age at all.’”

—Interview with a 15-year-old worker in India

Additionally, Transparentem found that several factories affiliated with three out of four different manufacturing groups appeared to have false birth dates listed in their Employees’ State Insurance Corporation (ESIC) records. (Factories in India with 10 or more employees are required to register their employees for coverage through the ESIC.)²⁷ These birth dates were between one and six years earlier than the dates listed on workers’ school transfer certificates or genuine Aadhaar cards.

Falsifying Dental or Medical Records

In India, some factories had employed dental or medical records to prove that their workers were adults. Transparentem investigators gathered evidence at one investigated factory that dental and medical records were falsified to make young workers appear older. Testimony from young workers, their identity documents, internal company records (including more than 150 medical “age proof certificates”), and the insights of former company managers, pointed to a scheme to falsify age proof documentation for young workers. At one facility, all but one of the interviewees were between one and four years younger than the age on their proof-of-age certificates, according to their testimony and/or official documents. “They didn’t tell us anything,” said one employee who was hired at 15, according to the birth date listed in her school records. “They put [the age] as 19 and hired us.” She said the factory had not taken her to a dentist or physician. (When contacted with a request for comment, the company denied that it had attempted to mislead auditors).

Prohibited Recruitment Fees

There is a growing international consensus that workers should not have to pay recruitment fees or related costs in order to secure their jobs. International organizations, including the ILO;²⁸ trade associations such as the American Apparel and Footwear Association;²⁹ national governments;³⁰ buyers;³¹ and NGOs³² support this position. However, steep recruitment fees remain the norm in certain migration corridors, creating a discrepancy between the policy commitments of multinational apparel companies and the reality on the ground for migrant workers. The proliferation of “no fees” policies has created a strong incentive for recruitment agents and employers to conceal instances when workers have paid for their jobs. Transparentem’s work, and that of others,³³ suggests that these well-intentioned policies may be driving recruitment fees underground, where standard social auditing methodologies cannot detect them.

Transparentem uncovered this problem during recent investigations into forced labor and unethical recruitment practices among migrant workers at several apparel factories in Malaysia. At four of five factories investigated since 2019, Transparentem found evidence of various forms of deception aimed at concealing recruitment fees. The investigated factories relied heavily on migrants from South and Southeast Asia. Many of these workers paid recruiters steep fees—amounting to months or even more than a year of earnings in Malaysia. Some took on debt to pay these costs, leaving them vulnerable to debt bondage, an ILO indicator of forced labor. Interviewed workers described different ways their agents or employers tried to hide information about their recruitment fees, including coerced videotaped statements, faked recruitment fee reimbursements, false receipts for recruitment fees, and omissions of recruitment-related deductions from pay slips.

Deception by Recruitment Agents May Prevent Audits from Uncovering Prohibited Recruitment Fees

Transparentem’s investigations in Malaysia uncovered evidence that recruitment agents charged workers prohibited recruitment fees and then took steps to cover up this practice. Agents tried to conceal recruitment fees in ways that could undermine auditors’ ability to uncover this problem, including by coaching workers to minimize the amounts they paid, coercing workers to be videotaped misstating the amounts they had paid, and providing inaccurate receipts with lower amounts than workers paid.

At four of five factories investigated since 2019, Transparentem found evidence of various forms of deception aimed at concealing recruitment fees.

Concealing Workers' Payment of Recruitment Fees to Agents Through Coerced, Videotaped Statements

At two investigated factories in Malaysia, all Bangladeshi interviewees said recruiters compelled them to participate in an apparent cover-up scheme to hide the fact that they had paid recruitment agents in their home country. The owner of the two factories had a policy of paying the cost of recruitment fees upfront and then requiring workers to reimburse the factories through wage deductions. It also had procedures to gather evidence that workers were not charged fees in their home countries, such as requesting videotaped interviews with workers. These policies may have unintentionally caused workers to be charged twice for the costs of their recruitment—once in their home country and a second time in Malaysia—and coerced by the recruiters to lie about the fees paid in their home country.

Nearly all Bangladeshi interviewees said recruitment agents coerced them to lie on camera, telling them they would lose the opportunity to migrate to Malaysia, and the recruitment fees they had already paid, if they did not comply. One Bangladeshi interviewee said he was not videotaped, but had to sign a document after arriving in Malaysia stating that he had not paid fees, though he had in fact paid 280,000 taka (\$3,294).³⁴ During the videotaped statements, workers said they were asked questions and told how to respond. One worker said he was instructed to say, “We haven’t given any money to anyone in Bangladesh. [Employer name] gave us a loan and we are going [to Malaysia] with the help of that loan.” He had, however, already paid 140,000 taka (\$1,647)³⁵ to a recruitment agent when he made the statement. When he and other workers protested, saying they did not want to lie, he recalled the agents responding, “Whoever will not say this, his flight will be cancelled.” Another worker said his agents handed out the plane tickets and passports one by one after each worker had completed his false statement.

“Whoever will not say this [lie], his flight will be cancelled.”

—Migrant worker recounting the words of a recruitment agent prior to the worker’s departure to Malaysia

Workers said they had no choice but to comply with the agents’ demands. One interviewee, who reported paying 180,000 taka (\$2,118)³⁶ to an agent, said he felt he had to make the video: “Since I had already given all the money, there was no way out.”

Some workers said agents warned them not to disclose the fees they had paid in Bangladesh. One recalled being threatened: “If you say that you have paid money, then they will detain you [in Malaysia] and they will not give you the job . . . [then] you will not get back [your] money.” Agents told another worker that if he was asked about his fees, he should reply, “We didn’t even pay one taka for coming to Malaysia.”

Misrepresenting Recruitment Fee Reimbursements

At one investigated factory in Malaysia, a few interviewees described what appeared to be efforts by factory staff to misrepresent recruitment fee reimbursements to auditors. These workers said staff asked workers to take steps to mislead auditors into believing the factory had already reimbursed workers for recruitment fees, even though they had not yet been reimbursed.

Two Indonesian workers recalled that managers had gathered many workers in a room and asked them all to sign a document stating, falsely, that their employer had already reimbursed them for recruitment fees. These interviewees said they believed factory management shared these signed documents with auditors. Approximately one year later, management held a meeting with workers the day before an audit to coach them to lie to auditors and say they had already received reimbursements, if asked, according to two workers (including one of those mentioned above). At that time, these workers said they had not yet received reimbursements, though managers promised them they would in the future. They said managers warned that buyers might break ties with the factory if workers failed to lie about this issue during the audit. When Transparentem followed up with these workers later, they reported that they did eventually receive payments that they believed were for recruitment fee reimbursements. The factory also confirmed that it had reimbursed workers for recruitment fees. It did not state whether these reimbursements were for recruitment fees workers had paid in their home country or after they arrived in Malaysia.

False Receipts for Recruitment Fees Paid in Home Country

At one factory in Malaysia, a few Nepali workers reported that their recruitment agency gave them a falsified receipt showing they paid just 10,000 rupees (\$88)³⁷ in recruitment fees, the legal limit in Nepal,³⁸ although they had paid many times that amount. Interviewees said their costs had been at least nine times higher. “They told us that in the airport we have to show the receipt for 10,000 [rupees] if anyone asks,” said one worker. He stated that he was unaware of the legal limit on recruitment fees when he was hired, and realized that he had been deceived when the agency gave him the falsified receipt. He said, “I feel bad thinking that we could have come for 10,000 rupees but we had to pay 100,000 rupees.”

A group of companies contacted by Transparentem contracted a third party to conduct an assessment at this facility. According to the companies, the assessment found that Nepali agents had coached workers to lie about the amount of fees they paid, but it did not uncover falsified receipts.

Hiding Wage Deductions for Recruitment Expenses

At another factory in Malaysia, two Indonesian workers described how their employer had hidden payments for recruitment expenses from auditors by requiring workers to pay Indonesian agents directly. One of these workers said the factory had previously deducted money from her paycheck to repay debts to a recruitment agent, and her pay slips had included these deductions as a line item. But after an audit, she said the factory “couldn’t deduct from our pay” for that purpose, so workers began paying agents directly. Though the recruitment fee deductions no longer appeared on their pay slips, workers still had to pay this money to recruitment agents.

“The company made an agreement saying that they wouldn’t exchange money with Indonesian agents. . . . It’s just a matter of manipulation so that we would pass the audit.”

– Interview with an Indonesian migrant worker in Malaysia

The second worker echoed this story: “The company made an agreement saying that they wouldn’t exchange money with Indonesian agents. . . . It’s just a matter of manipulation so that we would pass the audit.” While this worker had already repaid her fees at the time of her interview, she said other workers continued to repay their fees but deductions were not shown on their pay slips any longer.

Transparentem later received confirmation from the factory, as well as these two workers, that after these interviews had taken place, the factory had reimbursed them for some recruitment fees.

The factory denied that it deducted from workers’ wages and pointed Transparentem to a company policy prohibiting wage deductions that did not have approval from the Department of Labour.

Passport Retention

Withholding of identity documents is an ILO indicator of forced labor. The ILO states, “The retention by the employer of identity documents . . . is an element of forced labour if workers are unable to access these items on demand and if they feel that they cannot leave the job without risking their loss.”³⁹ Without their passports, migrant workers in Malaysia are vulnerable to detention and deportation if they leave their jobs, due to Malaysia’s restrictive immigration policies.⁴⁰

At one factory in Malaysia, all interviewees said they did not have their passports in their possession, and a few described a scheme by factory staff to hide this fact from auditors. Workers said factory staff had taken their passports and placed them

in guarded lockers, which several stated was to prevent them from quitting. Though they received keys to the lockers, most workers said they could not use them freely and could only access their passports through a long and complicated process that involved obtaining approval and signatures from supervisors.

A few workers alleged that the purpose of providing the keys was to trick auditors. “They gave a key, but it is of no use. . . . We are like hostages here,” one worker said. The room where staff held his passport was locked, he said, and that a security guard would stop him if he attempted to enter. Factory staff had implemented this “system” with the lockers so that “the company is not caught,” one worker explained. “When auditors come, then they show that workers take their passports with their keys and go out, and then when [the workers] come back they return [their passports] to the secured room, which is not true. They don’t give us our passports.”

Two workers said factory staff coached them to lie to auditors about this system. “The company teaches the workers to say that they have their passports,” one worker said. However, he reported that his passport was in a locker that he was “not allowed to open.” The other worker said he was instructed to tell auditors that “we have given the passports willingly” to avoid misplacing them.

“The company teaches the workers to say that they have their passports.”

—Interview with a Bangladeshi migrant worker in Malaysia

Despite these obstacles, several workers said staff had granted them access to their passports for travel. An additional worker said he believed staff would give him his passport if he had to return home in the event of a family emergency. One Bangladeshi worker said factory staff gave passports to some workers who asked for them, but not to others, and another said that while workers previously needed permission to access their passports, the company no longer obstructed workers’ access.

Transparentem contacted the manufacturer directly about these allegations, and a representative told Transparentem that workers may access their passports at any time, and that the company did not deceive auditors about whether workers have free access to their passports. Additionally, one of the manufacturer’s buyers told Transparentem that it had contracted a local NGO to conduct an assessment of the facility. The assessor found no evidence of audit deception, and found that some workers preferred to keep their passports in their possession rather than storing them in lockers.

However, following this assessment, Transparentem interviewed several workers who continued to report that they could not access their passports freely. One worker

said he did not have his passport when he left the factory before the end of his contract, leaving him undocumented in Malaysia. The worker stated that he knew he would not be granted access to his passport, and therefore did not attempt to retrieve it before he left.

Workers at a second investigated factory in Malaysia described a similar scheme, in which workers had a key to lockers where their passports were stored, but still needed permission to access them. These workers were not asked whether factory staff provided the keys in order to deceive auditors.

Wage and Hour Violations

In Myanmar and Malaysia, Transparentem has found evidence of audit deception to hide wage and hour violations and prohibited wage deductions.

In India, an audit commissioned by buyers following a Transparentem investigation found a double-bookkeeping system at one manufacturer that had previously obscured workers' hours from third-party auditors. (The manufacturer denied that the purpose of this system was to deceive auditors, claiming instead that it had kept two sets of records to safeguard against technological error in an attendance-tracking system. The manufacturer agreed to reform the procedure.)

Coaching Workers to Lie About Wages and Hours

In Myanmar, interviewed workers said they were instructed to lie about their wages and working hours, and to understate the amount of overtime they were required to perform. At one factory, some interviewed workers said staff coached them to falsely state that they did not work on Sundays and that they had received required breaks. One worker said the factory handed out instructions on how to answer auditors' questions, and that these documents were hidden prior to audits.

Audit Deception to Hide Passport Withholding at Top Glove

Transparentem is not alone in documenting audit deception around passport retention. In 2018, the *Guardian* exposed the practice at Top Glove, a Malaysia-based company that is the world's largest manufacturer of rubber gloves. (Top Glove denied allegations of passport withholding). Top Glove reportedly sought to deceive auditors into believing that migrant workers had access to their passports—when in fact they did not—by temporarily giving workers keys to passport lockers. According to worker testimony, workers did not regularly have keys for these passport lockers. Twenty-eight social audits within a two-year timeframe failed to resolve the problem.⁴¹

“I’m just worried that I’m going to say the wrong thing when [auditors] ask me questions. . . I’m afraid I’m going to make a mistake.”

—Interview with an apparel worker in Myanmar

At another factory, several interviewees said staff instructed them to say the factory paid workers well or did not ask workers to perform overtime, when in reality factory staff required workers to work paid or unpaid overtime. A worker said factory staff watched and listened when workers talked to auditors, preventing them from speaking openly:

“When the auditor calls us from upstairs, from downstairs, [factory staff] tell us a bit [of what to say]. Say like this, like this. ‘Is the factory good or not?’ ‘Good.’ ‘Do you have to work overtime? Do you get paid for it?’ ‘Yes.’ They tell us like this.”

One worker described feeling concerned about giving the proper answers to auditors’ questions: “I’m just worried that I’m going to say the wrong thing when they ask me questions . . . I’m afraid I’m going to make a mistake.”

Concealing Prohibited Wage Deductions

At a factory in Malaysia, several workers reported that their pay slips did not reflect rent and utilities their employer deducted from their pay. (The factory denied that it deducted from workers’ wages). A few workers said the omission was meant to conceal these deductions from auditors or buyers. One explained, “There was a buyer who complained. . . .The factory got rid of the line about the housing, so that it doesn’t go on the pay slip.” She said she thought that the buyer had forbidden such deductions in order to “protect” workers. However, she said wage deductions for rent and utilities continued, although they were no longer shown on her pay slips.

Two workers said the factory concealed deductions for housing from their pay slips by taking these deductions out of their overtime pay, so they would not appear as a separate line item. One worker explained, “The deductions [for housing] are from our overtime. If we work 50 hours, we’ll have 25 hours deducted. So those 25 hours are to pay for housing, electricity, and water.” The other worker said she did not understand the amount the factory deducted for housing and mentioned that “sometimes if we haven’t had a lot of overtime, there is nothing cut.”

Hazardous Working Conditions

Some workers in all three countries mentioned that their employers enforced safety measures more strictly during audits, an issue that external researchers have documented as well.⁴² For example, in Myanmar, a worker said she was not required to wear a mask (for protection against inhaling down feathers) “unless the auditors

are due to come and inspect—that’s when we’d be ordered to wear them.” Several interviewees at factories in India and Malaysia described similar experiences. In Malaysia, one worker said he only received safety equipment when buyers visited. An interviewee at another factory, describing workers’ use of masks and needle guards (which prevent needles from stabbing workers’ fingers), said, “When there are audits the factory is really strict about this, but generally some people use the equipment and some do not.”

Additionally, one worker in Myanmar said her factory only stocked medicine at the clinic and soap in the bathrooms when auditors visited.

Workers’ Motivation to Lie to Auditors

Workers themselves, in addition to managers and recruiters, may have incentives to lie to auditors about labor abuses they have experienced. Some workers indicated that they thought concealing violations from auditors might have been necessary to protect their jobs, a phenomenon that other investigations have recorded as well.⁴³ Employers and recruiters have obvious incentives to make workers believe that they benefit from participating in audit deception.

Fear of Telling Auditors the Truth

Transparentem interviewees in India, Malaysia, and Myanmar expressed concern that their employers would lose business if audits uncovered labor violations. One worker in Myanmar said, “If the factory fails the audit, they won’t get orders, so the workers lie for that.” Another stated, “If you told [auditors] the truth, they would take away the orders, even the ones you were still sewing.” A third interviewee explicitly linked her factory’s failure to pass several audits to a loss of orders from buyers. When investigators asked a worker in India why her employer allegedly falsified documents to make adolescents seem older, she replied, “If we are not old enough to work, when some people from foreign countries come to check our products and they catch children working, the company will shut down.”

“If the factory fails the audit, they won’t get orders, so the workers lie for that.”

—Interview with an apparel worker in Myanmar

Some interviewees implied that they were motivated to hide problems from auditors out of fear that failing an audit could cause their factories to shut down or lose business, leaving them unemployed. Many workers who spoke to investigators faced pressure to retain employment in order to support themselves and their

families. One migrant worker in Malaysia, speaking about her employer's practice of concealing recruitment fees that buyers did not allow, said that if the factory stopped hiding the fees or workers spoke about it to auditors, "The factory would not pass the audit." She added, "If we don't have orders, it's over for us, right? We cannot work."

Bribing Workers to Lie to Auditors

A few workers in Myanmar described factory managers' practice of paying workers to lie to auditors. One factory had paid workers between 10,000 and 30,000 kyat (\$6.67 to \$20), or between two and six times the daily minimum wage of 4,800 kyat at the time, according to a few interviewees. One interviewee said workers received such payments if they "can answer well to pass the audit inspection." At a separate factory, one worker said factory staff selected the workers whom auditors interviewed and promised them pocket money.

"If we are not old enough to work, when some people from foreign countries come to check our products and they catch children working, the company will shut down."

—Interview with an apparel worker in India

5 Limitations of Social Auditing That Increase the Risk of Audit Deception

Social auditing has inherent limitations that leave it vulnerable to deception and manipulation. First, audits offer only a snapshot of conditions when auditors are present, allowing savvy managers to maintain the illusion of a compliant workforce during a brief timeframe, without changing their usual business practices.⁴⁴ As a result, auditors may see excellent conditions that hardly resemble those on a normal day. When audits are announced in advance, which remains common, factories can prepare by, for instance, giving workers safety gear that is otherwise unavailable, or coaching workers to lie to auditors.⁴⁵ When auditors suspect they are being misled, they have limited power to challenge and investigate potentially false claims in the ways public labor inspectors can.⁴⁶ In addition, social auditors and the buyers that hire them seldom face legal consequences for reporting inaccurate results that mask abuses and hazardous conditions.⁴⁷

Lack of transparency around audit results can prevent inaccuracies from coming to light, allowing suppliers or others to get away with deception. Worker organizations and other stakeholders—who would have a strong interest in ensuring that audit reports are accurate, and have firsthand knowledge to confirm or dispute audit findings—typically cannot access audit reports.⁴⁸



Those who do control the audit process and access to audit reports sometimes lack incentives to ensure that audits probe deeply and find serious problems. First, some buyers may find that bringing noncompliant factories up to standards or finding new suppliers is inconvenient and costly. Second, most auditors are paid by the buyers or local factories that hire them, so they are not truly third parties.⁴⁹ When hired by factories, auditors may choose to be lenient to please their clients and increase their chances of being rehired.⁵⁰ Third, suppliers have a strong financial motivation to pass audits, since failing them can jeopardize lucrative business relationships.⁵¹ Concealing misconduct is often less resource-intensive than bringing factories up to code. As a result, one 2016 study found, audits can incentivize suppliers to hide violations rather than work to prevent violations in the first place.⁵²

Concealing misconduct is often less resource-intensive than bringing factories up to code.

In addition, as noted above, workers sometimes feel that deceiving auditors is in their own best interest.⁵³ Even workers who are victims of exploitation may nevertheless be motivated to avoid losing their livelihoods. Failing an audit due to violations of labor codes can lead to a sustained loss of business from buyers,⁵⁴ which, paradoxically, could hurt the very workers these codes are designed to protect.

6 Recommendations

At their best, social audits offer an opportunity for workers to bring serious issues to the attention of companies with the capacity to improve workplace conditions together with supplier management. Buyers should welcome the chance to hear directly from workers, including during audits, about the issues they are facing, and should support structures that facilitate worker-led solutions to workplace issues. Moreover, social audits are only one tool. They should be used within the overall context of buyers and suppliers working together to build sustainable supply chains based on a shared commitment to labor rights, living wages, decent work, and worker leadership.

The following recommendations are intended to address most, if not all, social audits. However, depending on the requirements of a specific audit or standard, not all recommendations may apply.

I. Strategies for Combatting Deception

Buyers should prioritize auditing practices that minimize the risk of deception and maximize worker agency—wherein workers can advocate for themselves—throughout the assessment process. Buyers can safeguard the independence of an



audit, facilitate accurate recording of workers' perspectives on workplace conditions, and check the accuracy of documents provided by factory management by taking the following steps:

1. Increasing worker agency in the assessment process
2. Improving auditing techniques
3. Enhancing transparency around audits and remediation processes

Increasing Worker Agency in the Assessment Process

Genuine worker participation in audits, free from pressure or coercion, is critical to accurately assessing working conditions. Workers and their representatives should play a central role in audits, and buyers must prioritize gathering information directly from workers.⁵⁵ Wherever an independent union or other worker representative body is present at a factory, auditors should consult this group on any workplace conditions that deserve extra scrutiny—or any other input the group may have—before beginning an audit.⁵⁶

In order to encourage forthright testimony, auditors must conduct all interviews free from management interference and assure workers that they will not face retaliation for speaking openly. To build trust, auditors should talk with workers off factory premises and conduct multiple rounds of interviews, sometimes over multiple days, with the same workers. If auditors do not speak a worker's native language, they should work with independent translators to accurately interpret the worker's testimony.

Auditors should also clearly communicate to workers who they are and the purpose of interviews. Auditors must assure workers that their testimony will not lead to their termination or a loss of orders for their employer. If workers do not understand why they are speaking with an auditor or the potential impacts of an audit,

Worker Interview Techniques: Same Factory, Different Results

Following a recent Transparentem investigation, multiple companies approached by Transparentem audited the same worksite of between roughly 1,500 and 2,000 workers. The companies used different interview approaches and timelines, and the audits yielded contradictory results.

One company used its internal auditors and a local NGO representative to interview 135 workers over a four-hour period. The company did not specify whether auditors conducted interviews individually or in groups. This audit found no major issues requiring immediate remediation.

A separate group of companies commissioned an ethical trade consultancy to conduct an audit of the same worksite. Auditors interviewed 210 workers over two-and-a-half days, using a mix of individual interviews (which lasted 30 minutes, on average) and group interviews (which lasted 45 minutes, on average). The latter audit—which included more workers and had a longer timeframe—found several major issues requiring remediation.

it may be difficult to develop a meaningful rapport.⁵⁷ When possible, auditors should provide workers with means to contact them directly. This allows workers to follow up with auditors after their interviews to discuss any issues they were initially hesitant to raise, or to share information about instances of retaliation after an audit.

Auditors must interview a wide enough sample of workers to accurately represent a factory's entire workforce. This requires creating an interview pool that aligns proportionally with the gender makeup, age range, and nationalities of the factory's workers. Auditors should also ensure interview diversity related to workers' length of service, representation of specific workplace departments, and representation of workers living in company-provided housing. Understanding the experiences of workers in all these categories is paramount for a quality assessment; workers across various groups may have different experiences, and omitting any category could cause an audit to miss a critical issue.

Finally, auditors must have the proper documentation methods to record worker conversations. The US Department of Labor's Bureau of International Labor Affairs recommends that auditors record information "that [they] gain nonverbally, through observation of site conditions and workplace climate, interviewees' body language and other cues," and that auditors document information that may not be directly linked to a specific question, but could still be relevant.⁵⁸

Improving Auditing Techniques

Whether they use internal or externally contracted social auditors, buyers should make sure that their audits use techniques that can reduce the likelihood of deception. Specifically, buyers should strategically utilize unannounced audits, enhance age-verification protocols, and provide auditors with the proper resources to conduct audits appropriate for the specific context of a given factory.

Strategically Utilize Fully Unannounced Audits at Times When Code Violations are Most Likely to Occur

Transparentem recommends that buyers prioritize unannounced audits to ensure that auditors can accurately assess conditions on the factory floor. Announced audits may give suppliers time to conceal violations. Crucially, buyers should conduct audits when code violations are most likely to occur. For example, auditors who conduct unannounced visits at night or on weekends may more easily detect forced overtime or illegal child or adolescent labor.

Buyers should note that suppliers may be resistant to unannounced audits; factory management may not feel comfortable allowing unexpected, unknown individuals into the worksite. To mitigate these challenges, buyers should be clear with suppliers that unannounced audits are a part of their monitoring processes and that suppliers should let in unannounced auditors. Buyers may also provide auditors with clear documentation to present to factory management, stating the audit's purpose and providing proof that they are there on the buyer's behalf.

As buyers develop long-term relationships with suppliers, it may become beneficial to integrate announced audits, which can signal to a supplier that a buyer has trust in their practices and takes a collaborative approach to monitoring.⁵⁹ However, if a buyer has reason to suspect the supplier is participating in any form of deception, unannounced audits are much more likely to uncover violations.

Incorporate Age-Verification Techniques

As noted previously, Transparentem has found several instances of factories concealing underage or young workers, including coaching workers to lie and falsifying identity documents. To combat age concealment, auditors can use specific interview techniques to better ascertain the ages of workers, even when workers have falsified documents or been coached to lie to auditors about their age. It is important to note that interviews may be particularly stressful for young workers, even more so if they have been told to lie. Transparentem thus suggests the following interview approaches to verify a worker's age:

- 1. Reviewing the worker's education history:** Asking which grade level a young person has reached can help determine their age. Auditors can ask these related questions:
 - How long has it been since you left school?⁶⁰
 - What did you do after you left school?
 - How long have you worked at this factory?
 - How long were you at school before you started working at this factory?
- 2. Comparing the person's age to those of family members:** Contrasting a young person's age with that of someone in their family can also provide clarity. One approach is to inquire about the worker's siblings. For example, if a young worker says they have an older sibling who is 17, then the interviewee is likely younger than 17.

- 3. Asking about significant events:** Auditors might be able to pinpoint a worker's age by asking them about major local events. Posing questions about recent history or holidays in relation to the worker's life can assist with identifying a worker's age.⁶¹ For example, investigators can ask workers questions about how many presidential elections they have lived through or how many national holidays they have celebrated.
- 4. Comparing more than one form of identity document, if possible:** So doing could detect the falsification of any particular form of identification.

These examples are not exhaustive. Buyers, suppliers, and auditors can refer to international organizations that set labor standards such as the International Labour Organization, or child-rights-focused NGOs such as Stop Child Labour, for additional guidance on age-verification techniques.⁶²

Provide Auditors with Proper Resources for Context-Specific Audits

To ensure that auditors can conduct audits that offer a full, in-depth, and accurate assessment of working conditions, buyers must provide auditors with proper resources and methodologies. Critically, auditors need time prior to an audit to research the vulnerable demographic groups—including women, migrant workers, and low-caste workers—employed at a factory. The composition of auditing teams should also be adapted to the local context of a factory, including through the creation of gender-sensitive teams that can appropriately address delicate and often-overlooked issues such as discrimination and sexual harassment and violence. Including female auditors can be crucial to gathering and processing information on gender-sensitive topics and uncovering violations.⁶³ All auditing processes and resources should be regularly reviewed and updated as needed to align with evolving local contexts and the demographic makeup of workers.

Even the best-prepared auditors, however, may not understand the context of a given workplace as well as the staff of local, worker-focused NGOs that may be more attuned to specific issues facing the most vulnerable groups of workers in a specific region or sector. When possible, buyers should recruit relevant and reputable local NGOs to join auditors.⁶⁴ Local NGOs can act as a neutral third-party to accompany auditors, translate worker testimony, and provide expertise on local worker issues.

Together, a well-informed and specially tailored auditing team with assistance from a local NGO is best prepared to identify violations and pick up on deception, including if workers feel subject to pressure or coercion.

Enhancing Transparency

Finally, a key step in combatting audit deception is for buyers to increase transparency surrounding audits. Proactive transparency allows for oversight of audit quality and accountability for results.⁶⁵ Buyers should publish social audit reports, time-bound corrective action plans, and progress reports shortly after their completion, so workers and unions—when present—can review for accuracy. These reports should be made available to workers, translated into workers' local language(s), and include pictorial material so that they are accessible to all. Access to these documents empowers workers, their representatives, and/or unions to flag any inaccuracies in audit reports, and, when necessary, to challenge the conclusions of an audit.⁶⁶

II. Beyond Auditing: Bigger-Picture Steps to Avoid Deception and Improve Conditions for Workers

Although enhancing social auditing processes and combatting deception are essential to improve conditions for workers, the audit process alone is insufficient to fully address human rights issues in company supply chains. To confront the limits of social audits, buyers must pursue a holistic approach to upholding human rights standards within their supply chains, which should include support for freedom of association, rights training for workers, establishing effective third-party grievance mechanisms, and sustained supplier relationships based on shared values. Such an approach may also eliminate the systemic incentives that can lead to deception in the first place.

Uncompromising Support for Worker Organizing

Buyers should first and foremost ensure that they have incorporated a strong freedom of association commitment into their corporate codes of conduct. Workers are often deprived of full freedom of association, which is essential to improving working conditions. Buyers must clearly communicate their support for worker representation and organizing to their suppliers. They must require that suppliers not only communicate this commitment to workers, but also actively encourage worker representation and organization. Legitimate worker participation and organizing that is free from fear of retaliation is critical to developing accurate systems for monitoring suppliers.⁶⁷

Proactive Rights Training for Workers

Even the strongest buyer statements of support will prove ineffective, however, if factory-level worker organizations are weak or nonexistent and workers are unaware of their rights.

Buyers should encourage suppliers to support worker agency through independent rights trainings. Suppliers, in turn, should collaborate with worker representative organizations, unions, or local worker-focused NGOs to develop third-party-administered training programs that teach workers about the treatment they can expect at work, the wages they should be paid, limits on the hours they can legally work, and how to access legal support if they need it. If buyers are sourcing from a region without local NGOs to support the development of rights training, Transparentem recommends using other appropriate outside groups in their place.

For example, a supplier that Transparentem recently investigated in Tamil Nadu, India was found to have been using a double-bookkeeping system to record working hours, which had obscured workers' hours from scrutiny by third parties. In response, the supplier not only eliminated its double-bookkeeping system, but also introduced trainings for all workers on legal working hours and overtime regulations. In so doing, the supplier worked to both eliminate the unethical practice and provide workers with clear expectations on working hours.

Effective Third-Party Grievance Mechanisms

Workers who understand their rights can better advocate for themselves and speak up when those rights are violated—though successful grievance reporting depends on access to a trusted, effective mechanism for reporting workplace issues.

Both buyers and suppliers should take an active role in ensuring workers' access to proper grievance mechanisms that are free, safe, accessible, confidential, and guaranteed not to trigger any reprisals from company management. Grievance channels are a vital outlet for workers to share issues, including those that were concealed or missed during audits. The Organisation for Economic Co-operation and Development and the Office of the United Nations High Commissioner for Human Rights have each published guidelines for effective and just grievance mechanisms that buyers, suppliers, unions, or other relevant actors can use to develop or evaluate a grievance channel.⁶⁸

Suppliers must offer multiple grievance channels to workers, which allows them to choose whichever outlet they feel most comfortable with to share concerns. At

least one channel should be through a credible, independent, worker-focused third party, such as a trade union, labor rights NGO, or worker-representative group. Supplier management should conduct trainings for workers and post throughout the workplace the procedures for using all available grievance mechanisms—including the processes in place for resolving all submitted complaints—in languages workers understand. A complainant and any other affected workers must also be notified of the outcome of a grievance.⁶⁹ Buyers must insist upon all of the above measures from their suppliers, and should also offer a supplemental grievance channel as a safeguard against other systems failing, and to hear directly from workers about the conditions they face.

Grievance Mechanisms and the UNGPs⁷⁰

Principle 31 of the United Nations Guiding Principles (UNGPs) outlines the effectiveness criteria for non-judicial grievance mechanisms. According to the UNGPs, grievance mechanisms should be:

- a. **Legitimate:** enabling trust from the stakeholder groups for whose use they are intended, and being accountable for the fair conduct of grievance processes;
- b. **Accessible:** being known to all stakeholder groups for whose use they are intended, and providing adequate assistance for those who may face particular barriers to access;
- c. **Predictable:** providing a clear and known procedure with an indicative time frame for each stage, and clarity on the types of process and outcome available and means of monitoring implementation;
- d. **Equitable:** seeking to ensure that aggrieved parties have reasonable access to sources of information, advice and expertise necessary to engage in a grievance process on fair, informed and respectful terms;
- e. **Transparent:** keeping parties to a grievance informed about its progress, and providing sufficient information about the mechanism's performance to build confidence in its effectiveness and meet any public interest at stake;
- f. **Rights-compatible:** ensuring that outcomes and remedies accord with internationally recognized human rights;
- g. **A source of continuous learning:** drawing on relevant measures to identify lessons for improving the mechanism and preventing future grievances and harms;

Operational-level mechanisms should also be:

- h. **Based on engagement and dialogue:** consulting the stakeholder groups for whose use they are intended on their design and performance, and focusing on dialogue as the means to address and resolve grievances.

Sustained Supplier Relationships Based Upon Shared Values

Efforts to promote worker agency—proactively supporting freedom of association, developing rights trainings, and optimizing grievance channels—should be executed by buyers with the goal of developing long-term relationships with suppliers. These relationships, based on shared human rights values, can build trust and promote continuous improvement of working conditions.⁷¹ A supplier that is committed to labor rights and supported by its buyers, including with the financial support needed to implement a best-in-class human rights program, may have little incentive to cut corners, or to subsequently conceal its shortcomings.

The Importance of Root-Cause Analyses in Strengthening Buyer-Supplier Relationships

When a supplier is motivated to violate a buyer's standard and then actively hide that violation, trust is missing from the buyer-supplier relationship. Thus, a simple request to fix an identified problem will likely be insufficient to prevent future violations and deception. Therefore, buyers should work with suppliers to conduct root-cause analyses of all issues identified during an audit, in order to openly discuss why the violations are occurring and devise sustainable corrective action plans.

Root-cause analyses should always include an assessment of whether and how a buyer's pricing, sourcing, and purchasing practices potentially contribute to the violation.⁷² For instance, if a buyer provides a short lead time on an order, it may not be possible for a supplier to fulfill that order without requiring excessive overtime from workers. Without a frank discussion of how a buyer and its supplier can work together to eliminate the need for excessive overtime, a supplier could be motivated to hide its reoccurrence during a future audit, in order to retain the buyer's business. Buyers should adopt purchasing practices and business terms that facilitate a supplier's ability to live up to high labor rights and social responsibility standards, engendering a mutual sentiment of trust and support.

7 Conclusion

Audit deception is a serious problem that buyers must address in their social compliance programs with their suppliers. Transparentem’s past investigations and other available evidence suggest that what auditors observe is often far from representative of normal conditions. As one worker described: “During that time [of the audit], they act like they care for us and give us easy work. . . . During other times, we have to work fast. They yell at us even if we walk slowly—but they don’t say anything during the audit.”

As long as social audits are used to monitor factories and fulfill human rights due diligence responsibilities, they must be structured so they act as both a diagnostic tool and an outlet for workers’ voice and representation.⁷³ To best protect workers in their supply chains, buyers should use worker-led auditing methodologies and advanced auditing techniques, as well as enhance transparency around audit findings.

Buyers must also proactively support worker organizing and worker rights education, and ensure that workers have grievance outlets they feel safe and comfortable using to express concerns. Finally, to help build sustained buyer-supplier relationships based upon trust, buyers should examine their own purchasing, sourcing, and pricing practices to see how they might compel suppliers to violate standards and then potentially conceal violations.



Suppliers, of course, also play a critical role in combatting audit deception and improving working conditions. Above all, suppliers must prioritize fostering transparent and honest relationships with their buyers and workers. Suppliers should affirm to buyers that they are committed to upholding human rights standards within their facilities, and must be transparent with buyers about the type of support they need, including financial commitments and long-term purchasing agreements, in order to effectively implement all human rights standards and codes of conduct. When a particular buyer-supplier relationship strains the supplier's capacity to maintain high standards—for example, through unreasonably short lead times for orders—suppliers need to communicate these challenges to buyers.

To further protect workers, suppliers must rigorously vet their labor recruitment channels to ensure that no deception occurs throughout the recruitment process. Suppliers and buyers may wish to jointly support direct recruitment programs to better ensure that no deception occurs. Where direct recruitment of workers is not possible, suppliers should maintain their own due diligence programs to ensure that the recruiters they use treat workers fairly. Suppliers should make certain that all new employees are provided with accurate information about their jobs, and that recruiters do not conceal recruitment fees borne by workers. Once workers arrive at a factory, suppliers must provide effective communication to workers about their rights and all available grievance channels to lodge complaints, including third-party grievance mechanisms, emphasizing nonretaliation policies for sharing complaints.

Buyers and suppliers are not alone in their ability to effect change. Their efforts to improve auditing practices and working conditions can be supported by other actors.

Investors in particular can hold buyers accountable for improving auditing practices and fostering worker agency. Investors should ask for and review portfolio companies' due diligence processes and supplier codes of conduct to assess any policies or statements related to auditing practices, ongoing monitoring of suppliers, freedom of association for workers, and grievance channels. Where written policies fall short, investors should consider making investments contingent upon strengthened documentation of auditing procedures, access to grievance channels, and strategies for supporting worker agency and freedom of association.⁷⁴ If written policies appear sufficient, investors should ask portfolio companies for evidence of how these policies are communicated to suppliers and workers, and what measures a company is taking to ensure proper implementation of policies.

International NGOs and advocacy organizations should likewise hold buyers accountable for their auditing policies and for efforts to support worker agency

and leadership. They should use their platforms to highlight positive examples of worker-focused auditing strategies, and of buyers and suppliers working to improve or uplift worker organizing and leadership, worker rights training, and grievance channels. They should similarly draw public attention to areas where buyers or suppliers have failed to protect workers, particularly when instances of audit deception are uncovered.

Local labor NGOs in sourcing countries, unions, and worker representative organizations can help improve auditing practices by participating in auditing teams, especially when they have knowledge of the specific sensitivities and vulnerabilities of the worker population. They can also support worker rights trainings organized by buyers or suppliers by providing valuable insight into what issues may be most relevant or important to include in trainings.

Sustained efforts to prioritize worker-focused auditing practices must be combined with further actions from buyers, suppliers, and others to enhance worker agency, fully support supplier compliance with strong social standards, and center worker-led solutions to workplace problems. Together, these measures can curtail the systemic incentives to engage in audit deception and build better workplace environments for those who make the world's clothing.

Notes

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