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## **Social Standards in the Indian Textile Export Industry and Corporate Social Responsibility**



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**GLOKAL Arbeitspapier zur Nachhaltigkeitspolitik – No. 16, 2022  
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## **GLOKAL Arbeitspapiere zur Nachhaltigkeitspolitik**

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Shazia Aziz Wülbers and Beate Zimpelmann • Social Standards in the Indian Textile Export Industry and Corporate Social Responsibility (CSR)

## **GLOKAL Arbeitspapiere zur Nachhaltigkeitspolitik Working Papers on Politics of Sustainability**

### **GLOKAL – Kompetenzzentrum Nachhaltigkeit im Globalen Wandel**

an der Hochschule Bremen fördert durch seine wissenschaftliche Arbeit die nachhaltige Entwicklung in Kommunen, Regionen, Unternehmen und Verwaltungen und vernetzt Wissenschaft und Praxispartner. Die „Arbeitspapiere zur Nachhaltigkeitspolitik“ präsentieren sowohl Befunde aus der Forschungstätigkeit der Mitglieder des Zentrums als auch herausragende Abschlussarbeiten zu diesen Themen, die von Studierenden der Studiengänge „BA Internationaler Studiengang Politikmanagement (ISPM)“ und „MA Politik und Nachhaltigkeit (PoNa)“ erstellt wurden.

**GLOKAL – Center of Expertise of the University of Applied Science Bremen (USAB) for Sustainability and Global Change** is dedicating its scientific capacities on supporting sustainable development of municipalities, regions, enterprises and administrations. Its work aims at linking science and practitioners. The series “Working Papers on Politics of Sustainability” presents results of research activities of the centre’s members as well as outstanding theses of students of the international BA program “Political Management (ISPM)” and the MA program “Governing Sustainability” related to these issues.

In the recent past, especially after the Rana Plaza incident in Bangladesh, more attention has been given to the working and living conditions of the workforce in the global South, who play such a pivotal role in the creation of the products designed for the American and the European markets in the global North. The responsibility of taking care of the well-being of the labour force can be given to the international institutions like the ILO or to the OECD. It could also be given to the national governments who are ultimately responsible for making and implementing a workforce-friendly policy for their country. The trade unions could be entrusted with the task of negotiating good deals and the NGOs on the field too for taking care of workers on the field. But the most critical stakeholder in the sustainability debate are the companies. How can it be ensured that the social standards in the textile industry in India will be respected? Are the companies the central actors and can they take over the regulation themselves, or is there a need for national regulations, as has already happened in some European countries? Do these legal regulations then have implementation potential or are they toothless tigers? Are we shifting the balance of power in global governance by expecting companies to be active in the social area?

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## Introduction

The definition of sustainable development involves looking at development from the social dimension, the environmental dimension, and the ecological dimension.<sup>1</sup> Only when all three dimensions are taken into account can development be sustainable and can be ensured that the future generations can grow and thrive on this planet Earth. Most often than not, one of these three dimensions comes short in the calculations of the policy makers, institutions and most importantly for the companies in the globalised world. The textile industry is one such example where production and distribution is spread out over the world and over countries where there is a huge deviation in employment regulations and wages. There exist mechanisms to take into account the economic and the environment dimensions in initiatives of waste management, non-usage of hazardous chemicals, and avoidance of animal furs in the textile industry. Sustainability does not just mean ecologically sustainable, although that is often the part of sustainability focused on today. Fewer measures account for the social dimension which includes the people that are working in the industry, the manpower without which the industry could not function.

One of the most important reasons for this state of affairs could be that the companies are focused on the demands of the consumers, and for the moment the consumer's appetite for eco-friendly products that don't pollute or destroy the natural resources is on the rise. However, fewer consumers reflect on the social side of consumption and the human costs involved in creating the goods.

In the recent past, especially after the Rana Plaza incident in Bangladesh, more attention has been given to the working and living conditions of the workforce, almost entirely women, in the global South, who play such a pivotal role in the creation of the products designed for the American and the European markets in the global North.

The responsibility of taking care of the well-being of the labour force can be given to the international institutions like the ILO that have traditionally dealt with the issue at the international level or to the OECD which works on the principle of blaming and shaming. It could also be given to the national governments who are ultimately responsible for making and implementing a workforce-friendly policy for their country. The trade unions could be entrusted with the task of negotiating good deals for the workers and the NGOs on the field too for taking care of the workers on the field. But the most important and critical stakeholder in the sustainability debate are the companies. The companies are the ones that make

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<sup>1</sup> Bruntland Report, „Report of the World Commission on Environment and Development: Our Common Future, last accessed 30th August 2021  
<https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

maximum profit out of the entire process. And in a labour-intensive industry like the textile industry, Corporate Social Responsibility (CSR) can play a major role in the company's management of its extensive workforce spread across the globe.

Moreover, during the past decades, business firms have started to engage in activities that have traditionally been regarded as governmental activities. To a certain extent, CSR assumes a more than regulating/instrumental role in business. Some protagonists<sup>2</sup> are therefore in favour of a new political role of business in a globalized world, calling it political CSR.

Political CSR is about business firms contributing to global regulation and providing public goods. It's an extended model of governance, in which private actors play an active role in the democratic regulation to address the already existing regulatory gaps.<sup>3</sup>

Regardless of if CSR becomes political or not, let us look at CSR and discuss if self-regulation is the answer to solving social problems.

How can it be ensured that the social standards in the textile industry in India will be respected?

Are the companies the central actors and can they take over the regulation themselves, or is there a need for national regulations, as it has already happened in some European countries?

Do these legal regulations then have implementation potential or are they toothless tigers? Are we shifting the balance of power in global governance by expecting companies to be active in the social area?

This article attempts to answer some of these questions.

## **1. Corporate Social Responsibility (CSR) - expecting Companies to self-regulate?**

Corporate Social Responsibility in a nutshell is a sum of mechanisms set up by companies to take care of their employee's social needs. Many attempts have been made to define the term<sup>4</sup> but the basic idea is that companies' social obligations are as important as economic profits. People who participate in providing the profit are taken care of not just by getting salaries, but their social and human rights are also accounted for.

Keeping in mind the social dimension of sustainable development and knowing that we live in a globalised world and the consequences of consumption on one part of the planet have

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<sup>2</sup> Andreas G. Scherer, Guido Palazzo, "The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy" in *Journal of Management Studies* 48:4 June 2011.

<sup>3</sup> Ibid

<sup>4</sup> This article analyses 37 definitions of the word 'Corporate Social Responsibility'. Alexander Dahlsrud "How corporate social responsibility is defined: an analysis of 37 definitions", in *Corporate Social Responsibility and Environmental Management*, Vol 15, n° 1, 2008, pp 1-13.

ramifications on another, companies seem to be in a pivotal role in making sure that parts of their profits can be used to improve working conditions of the labour force. This is especially true in the textile industry.

Increasing public awareness and sense of social responsibility related to environmental issues have led the textile industry to manufacture products with improved environmental profiles. In recent years, environmental benefit claims such as environmentally friendly, environmentally responsible, eco-safe, recycled, and green materials have often been used to describe and promote products which supposedly have minimal negative environmental impacts. For a long time, little was known about how CSR impacts consumer behaviour, but in today's day and age, CSR has begun to play an important role in consumer decision-making.<sup>5</sup> Since consumer loyalty is one of the key goals of companies, good CSR leads to an overall good evaluation of a company and its corporate image is improved in the eyes of the consumer, the shareholders, and other stakeholders.<sup>6</sup>

Needless to say, sometimes consumers are not aware of the CSR profiles of the companies<sup>7</sup> but they do know that Nike uses child labour, marks and spencer's relationship with its employees is far from rosy and Adidas wants to make shoes from old plastic bottles.

So, summing up, the discussion of CSR often begins with the general assertion that companies have not only a responsibility to generate economic returns for shareholders, but also a responsibility to the natural environment, as well as a social responsibility to other "stakeholders" including customers, employees, suppliers, and the community. This is often referred to as the "triple bottom line" – the company's returns for shareholders, the environment, and stakeholders.<sup>8</sup>

The idea that companies calculate activities based on what provides more profit still exists. But together with the idea of profit is the claim that companies have a social responsibility to the environment and the people who not only consume the products but also help in getting the profit in the first place. These people are the employees in general but also the suppliers and the communities they come from. "Although there is a clear difference between CSR

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<sup>5</sup> D Hofenk, M van Birgelen, J Bloemer, J Semeijn, "How and When Retailers' Sustainability Efforts Translate into Positive Consumer Responses: The Interplay Between Personal and Social Factors", in *Journal of Business Ethics*, vol 156, 2019, pp, 473–492. Last accessed 29<sup>th</sup> August 2021 <https://doi.org/10.1007/s10551-017-3616-1>

<sup>6</sup> Anupriya Sharma, Sapna Narula, "What motivates and inhibits Indian textile firms to embrace sustainability?", in *Asian Journal of Sustainability and Social Research* vol 5, n°6, 2020. Last accessed 28<sup>th</sup> August 2021 <https://doi.org/10.1186/s41180-020-0032-8>

<sup>7</sup> Thorey Thorisdottir and Lara Johannsdottir, "Corporate Social Responsibility Influencing Sustainability within the Fashion Industry. A Systematic Review", in *Sustainability Review*, vol 12, n°21, 2020, . 1-64. Last accessed 28<sup>th</sup> August 2021. <https://www.mdpi.com/2071-1050/12/21/9167>

<sup>8</sup> K Connell and J Kozar, "Introduction to special issue on sustainability and the triple bottom line within the global clothing and textiles industry", in *Fashion and Textiles* vol 4, n°16 2017. Last accessed 26<sup>th</sup> August 2021 <https://doi.org/10.1186/s40691-017-0100-6>

stemming from a desire to do good (the “normative case”) and CSR that reflects an enlightened self-interest (the “business case”), a firm’s reasons for engaging in CSR might reflect a mixture of these motivations”.<sup>9</sup>

The corporations, in essence, share the responsibility of taking care of the social dimension together with other actors like the governments, UN, civil society organisations and non-governmental organisations and last but not the least the trade unions. With this sharing of responsibility comes the sharing of political power. And as a result, the CSR debate does not stay in the economic realm but goes on to become an important factor in politics and policy making in the sectors of diversity, inclusion, education, and the environment.

So, it does not just have an impact on its work force, stakeholders and shareholders but more and more takes up the responsibility of regulating and implementing practices that have been traditionally not attributed to companies.

Thus, in this increasingly globalized world, governance by the national State becomes incapable of sufficiently addressing the problem of social standards in the business. The alternative mechanism of international governmental regulations cannot bridge the administrative and legal gaps in each country. Corporate business faces social and environmental demands from the general public which drives them to become political actors, promoting corporate social responsibility policies and strategies in their respective supply chains.<sup>10</sup>

This new role of the companies has started to encroach on activities that have traditionally been regarded as governmental activities. To a large extent, CSR assumes a more than regulating and instrumental role in business.<sup>11</sup> The academic world is in favour of this new political role for companies in the globalized world.

Political CSR implicates business firms in contributing to global regulation and providing public goods. This model suggests an extended model of governance, where private actors play an active role<sup>12</sup> in the democratic regulation to address the regulatory gaps. Conditions of globalization, global transformations and post-national constellations challenge the role of business in society<sup>13</sup> and give this role to the companies. This role has come about with new innovative linkages between economic and social actors.

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<sup>9</sup> C V Baxi and Ajit Prasad, *Corporate Social Responsibility: Concepts and Cases- The Indian Experience*, New Delhi, 2006. p. 525.

<sup>10</sup> Andreas Scherer and Guido Palazzo and David Seidl, “Managing Legitimacy in Complex and Heterogeneous Environments: Sustainable Development in a Globalized World”, in *Journal of Management Studies*, pp. 259-284, 2013.

<sup>11</sup> Andreas G. Scherer, Guido Palazzo, “The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy” in *Journal of Management Studies* 48:4 June 2011.

<sup>12</sup> Ibid

<sup>13</sup> Ulrich Beck “Reframing Power in the Globalized World”, in *Organization Studies*, vol 29 n° 5, pp 793-804, 2008.

This interdependence of economic and social actors is directly linked to globalization as a process of amplification of cross-border social interaction and an increased interface of capital, goods, and people.<sup>14</sup> This new setting challenges the authority of the nation-state. The erosion of regulatory power and rule of law of the nation-states establishes and fuels the power of the companies.<sup>15</sup>

Especially in the textile industry, locations of production have been moved to the global South lacking democratic control mechanisms and rule of law. This political gap due to the diminishing role of the nation-state and of international organisations like the ILO or the OECD and the erosion of division-of-labour between institutions at the state level and the international level is then filled by the companies. And although certain moral and legal principles apply to specific nation states in the globalised world, very few of these moral and legal principles are accepted at the global level.<sup>16</sup> Other actors in the civil society like NGOs and CSOs are also moving forward and contributing to not just the creation of a new assortment of regulations and rules but also the application and interpretation of these new norms and standards.<sup>17</sup>

Thus, companies have emerged as one of the strongest actors, have started to produce public goods and are becoming apt at the practice of self-regulation. This impactful transformation has made self-regulatory soft law more important than hard law.<sup>18</sup> Self-regulation is what CSR is all about.

Unfortunately, self-regulation is also the most problematic part of it because it excludes enforcement and sanctioning. Furthermore, when companies and the corporate world become political agents, then societal goals and public goods get another twisted reality and priority which is mainly beneficial for the companies.

When companies begin to see themselves as political agents while working in Multi-Stakeholder Initiatives with different stakeholders and give themselves a role that is inherently not theirs, this undermines the power of the democratic institutions and provokes legitimacy

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<sup>14</sup> Andreas G. Scherer and Guido Palazzo, "The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy" in *Journal of Management Studies* 48:4 June 2011.

<sup>15</sup> Ulrich Beck "Reframing Power in the Globalized World", in *Organization Studies*, vol 29 n° 5, pp 793-804, p. 797-798, 2008 and Andreas G. Scherer and Guido Palazzo, "The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy" in *Journal of Management Studies* 48:4 June 2011.

<sup>16</sup> Andreas Scherer and Guido Palazzo, "Toward a Political Conception of Corporate Responsibility: Business and Society Seen From a Habermasian Perspective", in *The Academy of Management Review* vol 32 n° 4, pp. 1096-1020, 2007.

<sup>17</sup> Ulrich Beck "Reframing Power in the Globalized World", in *Organization Studies*, vol 29 n° 5, pp 793-804, p. 797-798, 2008.

<sup>18</sup> Andreas G. Scherer and Guido Palazzo, "The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy" in *Journal of Management Studies* 48:4 June 2011.



issues.<sup>19</sup> These political decision making processes of new governance then do not really represent a broadening of the social and political role of the firms, nor do they represent the opening of new deliberative political arenas. These initiatives are rather essentially de-politicization mechanisms that limit political expression and struggle of the democratic institutions.<sup>20</sup> Therefore, CSR initiatives can be critically seen as something serving the extension of corporate influence and power.

So the natural question that needs to be asked here is, how successful has CSR been in the past and what role can it play in the future?

Even though today we talk about the novelty of the CSR concept, in reality this concept dates back to the industrial revolution where mass domestic migration from rural areas took place to the newly developing urban areas. Companies back then were responsible for housing and giving the basic amenities to the factory workers. In 1894, when Milton Hershey started his Hershey Company, he was known to have provided the factory workers with leisure activities. He and his wife constructed a park for family outings and the school they constructed back then is still up and running. So, the concept always existed, but in this modern day and age has been modified, tweaked and now includes the entire work force, even the workers in the supply chain.

Today, the concept of corporate social responsibility is an integral part of the vision and the purpose of companies. The stakeholders and most importantly the consumers expect the companies to not just keep their backyards clean but also engage with communities that are far away from the product destination and play a vital role in the supply chain.

Moreover, now new authors have chosen to refer to corporate social responsibility as corporate social justice. “Corporate Social Justice is a new paradigm that imagines a healthier and mutually beneficial relationship between companies and the communities they interact with. It is driven by the growing desire of socially aware consumers and employees for companies, especially socially-conscious and forward-thinking companies, to do better. Companies have an opportunity to rise to the occasion and leverage their influence to build a better world for all — including themselves.”<sup>21</sup>

CSR is no longer about minimising the harmful effects caused but about reversing global injustice. It becomes a potent tool which gives power of change into the hands of the companies. It has proven to not only enhance a holistic image of the company and company

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<sup>19</sup> Sandra Moog, André Spicer and Steffen Böhm, “The Politics of Multi-Stakeholder Initiatives: The Crisis of the Forest Stewardship Council”, in *Journal of Business Ethics*, pp 1-25, 2015.

<sup>20</sup> Ibid

<sup>21</sup> Lily Zheng, “We’re Entering the Age of Corporate Social Justice”, in *Harvard Business Review*, 2020 Last accessed 24<sup>th</sup> August 2021, <https://hbr.org/2020/06/were-entering-the-age-of-corporate-social-justice>

consumer identification, but also customer donations to company-supported non-profit organisations.

Despite many positive developments in this field, CSR remains on a voluntary basis of self-regulations and does not include enforcement mechanisms or sanctions if the stated goals are not met.

Let's look at the structure of the Indian textile industry and see if CSR could be an instrument that may or may not be effective.

## **2. The Structure of the Indian Textile Industry and its Challenges**

The Indian textile industry is one of the oldest thriving industries and dates back several centuries. India is the second largest manufacturer of textiles in the world and also the second largest exporter with a share of 5% of global trade. Since economic reform in India in 1992, the export sector has been growing steadily.<sup>22</sup> However, India's global share is way behind that of China, which has approximately 38% of the global textile and clothing trade. The share of textile and clothing in India's total exports stood at 12% in 2018–19. With 48% total textile and apparel export, EU-28 and the United States are India's major textile and apparel export destinations.<sup>23</sup> It employs nearly 45 million people through direct employment and many millions more through indirect employment and the textile export sector is one of the fastest growing sectors of the economy, and one of the most important sources of export earnings.

The reason for the swift growth is the increase in demand from the domestic market in India as well as the trend of fast fashion in the global North. India is able to cope with this demand because it is self-sufficient in terms of raw materials (cotton, jute, silk), has abundant cheap labour, long history in the textile industry that goes back to the times of the silk route, the capacity to manufacture a wide range of products and the flexibility that comes with a fragmented and informal structure.

The most important feature of this sector is that it's mostly unorganised, fragmented, informal, and decentralised. For example, approximately 95% of the weaving sector in India is unorganized in nature. The decentralized power loom and hosiery sector contributes 85% of total fabric production.<sup>24</sup> It has always ranged from very primitive to highly industrialised

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<sup>22</sup>Prasad Ananthakrishnan and Sonali Jain-Chandra "The Impact on India of Trade Liberalization in the Textiles and Clothing Sector" in *IMF Working Paper*, WP/05/214, 2005.

<sup>23</sup> Website of Government of India, last accessed 8<sup>th</sup> August 2021, <http://niti.gov.in/weaving-way-indian-textile-industry>  
Last accessed 08<sup>th</sup> June 2021

<sup>24</sup> Website of Government of India <http://niti.gov.in/weaving-way-indian-textile-industry>  
Last accessed 08<sup>th</sup> June 2021

mills, but it was not always like that. Studies<sup>25</sup> suggest that since early 1990s it's becoming more and more informal, decentralised, and unorganised. This trend is especially marked in the export hubs of the country.<sup>26</sup> These export hubs cater to the global market and are entirely designed for export.<sup>27</sup>

This sector of the economy is very expansive and labour intensive. It includes the hand spun and hand-woven sector on the one hand and the large sophisticated and capital-intensive mills on the other hand. It represents the entire value chain from spinning, weaving, knitting, and garmenting (apparel making). Participants in this sector include small household companies, micro and medium sized companies and big subcontracting companies and mills. These segments vary in terms of technology, volume of output and form of production and are often found competing with each other.<sup>28</sup>

The versatility of this industry and the demands of the global consumers have led to a continuous structural change in terms of not only technology but also infrastructure and most recently new human resource strategies. This change has been steered by the needs of the consumers in the destination markets like in the EU and the US.<sup>29</sup>

The key international companies represented in India are Zara, Mango, Benetton, Levi's, Esprit, Forever 21, Vero Moda, H&M, Promod, Zambiani, and Marks&Spencer, among others. As we have emphasised in the previous paragraphs, the garment and apparel industry is unorganised and informal in nature. The more informal and unorganised it is, the higher the lack of legal norms and implementation structures of the already existing legislation. This dearth creates circumstances and conditions of exploitation in the name of gender, caste, religion, and ages, to name the most important ones.

Most of the work force is female and of the lower caste and belongs to an economically backward community. Work force exploitation takes place in the form of long working hours, short to very short-term assignments, no medical care in case of work-related injury, sexual harassment at the work place, little trade union protection and little to no functioning

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<sup>25</sup> U Rani and. J Unni, "Unorganised and Organised Manufacturing in India, Potential for Employment Generating Growth", in *Economic and Political Weekly* 39(41): 4569-4580, 2004

<sup>26</sup> See B Harriss-White, *India Working: Essays on Society and Economics*, Cambridge University Press, 2003 and A Mezzadri, "The Rise of Neoliberal Globalisation and the "New Old" Social Regulation of Labour: The Case of Delhi Garment Sector", in *Indian Journal of Labour Economics* vol 51, no 4, pp. 603-618, 2008.

<sup>27</sup> The Ministry of Textiles, Government of India, Annual Report for the year 2017-2018 <http://www.texmin.nic.in/sites/default/files/AnnualReport2017-18%28English%29.pdf>

Last accessed 9<sup>th</sup> June 2021

<sup>28</sup> Sumana Chatterjee, "An overview of the small scale units in the textile sector of Gujarat", in *International Journal of Research in Engineering, IT & Social Sciences* vol 5, no 6, 2015.

<sup>29</sup> Noopur Tandon and E Eswara Reddy, "A study on emerging trends in textile industry in India", in *International Journal of Advancements in Research & Technology*, vol 2, no 7, pp. 267-276, 2013.

complaint mechanisms.<sup>30</sup> In the non-export section of the industry the factory workers are usually domestic male migrants<sup>31</sup> that may or may not be permanent or seasonal in nature. But in the export branch the workforce is primarily female and backward class.

In Tamil Nadu there is a specific practice that has caught the attention of the world media in the name of Sumangali. These are usually young girls of marriageable age who sign dubious contracts with sub-contractors to earn money so that they can save for their own dowry that will be given to the groom when she marries him.<sup>32</sup>

It is safe to say that measures need to be taken to improve basic living and working conditions. Is CSR the answer? How have the companies been dealing with the challenge in India?

### **3. Impact of CSR on the Indian Textile (Export) Industry**

To understand the actions of the multinational companies in India we have used the GRI criteria. According to the Global Reporting Initiative (GRI) guidelines,<sup>33</sup> that companies use to report on their CSR practices, there are four subcategories for the social dimension: - 1, labour practices and decent work - 2, society - 3, human rights - 4, product responsibility. The first three criteria will be used to analyse the impact of the CSR on social standards in the textile export industry in India since they are the relevant factors in India.

Labour practices and decent work: Good labour practices have a twofold impact. On the one hand they provide good working conditions by following health and safety regulations and empowering the work force through training and education, and on the other hand they improve consumer satisfaction and a socially responsible image of the company. It need not be stressed here that when we say work force, we mean the entire workforce including the suppliers.

How likely is CSR going to be able to change labour practices on the ground in India?

Looking at the H&M CSR report,<sup>34</sup> it can be seen that buzz words like ‘water and sanitation’ and ‘environment education’ play a big role while ‘empowerment and livelihood’, which are

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<sup>30</sup> Jan-Christian Niebank, “Bringing Human Rights into Fashion: Issues, challenges and underused potentials in the transnational garment industry”, in *Analysis for German Institute of Human Rights*, 2018.

<sup>31</sup> Alessandra Mezzadri “Garment Sweatshop Regimes: The Informalisation of Social Responsibility over Health and Safety Provisions Working Paper 30/15, SOAS, University of London, 2015.

<sup>32</sup> Last accessed 11<sup>th</sup> June 2021 <https://femnet.de/index.php/themen/120-indien/280-das-sumangali-system-in-den-spinnereien-von-tamil-nadu>

<sup>33</sup> GRI is an independent standard organisations that helps companies, governments and other institutions to structure their reports. Last accessed 11th June 2021 <https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/>

<sup>34</sup> H&M Retail India Corporate Social Responsibility Policy CSR, last accessed 12<sup>th</sup> June 2021 [https://www2.hm.com/en\\_in/customer-service/corporate-social-responsibility/corporate-social-responsibility-csr-policy.html](https://www2.hm.com/en_in/customer-service/corporate-social-responsibility/corporate-social-responsibility-csr-policy.html)

more in the social realm, remain vague and sketchy. Nevertheless, H&M is one of the few companies that allows trade unions. It has come to realise in India that CSR in collaboration with trade unions, NGOs and the government and expert agencies is the most useful.

In February 2021, H&M fired more than a thousand women<sup>35</sup> in its factories due to the crumbling consumer demands because of the COVID crisis. Two Indian trade unions negotiated with H&M that most of the workforce will be either rehired by H&M or be repatriated to other companies. One of the most important CSR tools for the workers at H&M in India has been the permission to organise themselves. In addition to that, H&M and C&A are the only two brands that ‘ring- fence’ negotiation about the wages. Ring-fencing labour costs means that wages are a fixed line item, which helps ensure that workers’ welfare like sick leave and medical expenses and access to decent working conditions are off the negotiation table with the suppliers.<sup>36</sup> In the Fashion Transparency Index, both companies are among the best overall scorers. This shows that in spite of the focus being on the environment side of sustainability, some measurable benefits could be seen through their CSR policies and practices in India.

The Nike India CSR report, just like the H&M CSR report, is more focused on climate change, environment, recycling, waste reuse and carbon footprint than on the well-being of the labour force. Nike has long been accused of allowing child labour, but the company’s focus on repairing consumer trust remains in the environmental dimension. The CSR report boasts of bold initiatives like setting a target of reaching 100% renewable energy for itself by the year 2025 and reducing its carbon footprint by investing in innovative products and operations. Promises of improvement in labour practices like diversity and equal opportunity and decent work remain underrepresented in the report and appear mostly for the employees working in the global north.

But in 2012,<sup>37</sup> Nike did acknowledge that the excessive overtime that its workers had to put in was caused by its own decision-making problems. Needless to say, it applies to the Nike workforce which is all in the formal sector and mostly in the production side of the chain. In this equation, the supply chain remains unaffected.

Inditex, the parent company of Zara, mentioned on their CSR website that it needs to be in competition with big companies like H&M who have well developed CSR policies. Zara

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<sup>35</sup> Anuradha Nagaraj, “ H&M factory in India set to rehire hundreds of fired garment workers”, in *Reuters*, 12<sup>th</sup> February 2021, last accessed on 10<sup>th</sup> of June 2021 , <https://www.reuters.com/article/india-textiles-workers-idU5L4N2KH0YZ>

<sup>36</sup> Fashion Transparency Index 2021, Fashion Revolution, last accessed on 19<sup>th</sup> August 2021  
[https://issuu.com/fashionrevolution/docs/fashiontransparencindex\\_2021](https://issuu.com/fashionrevolution/docs/fashiontransparencindex_2021)

<sup>37</sup> On page 20 of the Nike Sustainable Business Performance Report 2012, last accessed, [https://purpose-cms-production01.s3.amazonaws.com/wp-content/uploads/2018/05/14214952/Nike\\_FY10-11\\_CR\\_report.pdf](https://purpose-cms-production01.s3.amazonaws.com/wp-content/uploads/2018/05/14214952/Nike_FY10-11_CR_report.pdf)

announced that it was going to ‘try’ to be as climate positive as possible. “Pablo Isla, announced to a packed room of shareholders that 100 per cent of the cotton, linen and polyester used by all eight of its brands will be organic, sustainable or recycled by 2025.”<sup>38</sup>

Examining the contents of the CSR policies of companies active in India, it can be assumed that empowering the labour force, taking care of the health and safety of its workforces, training and education of the workers, equal remuneration for men and women, to name just a few, is not on the top of their priority lists. Although H&M allows trade union activities and partners with international trade unions,<sup>39</sup> they are rather the exception than the rule.

In addition to that, the textile export sector in India is so informal in nature that CSR may have little to no impact on the working conditions. In essence, CSR has proved to be a rather weak tool to improve working conditions in the Indian textile export industry.

Society: This subcategory includes anti-corruption mechanisms, anti-competitive behaviour, compliance with the rules and values of the society and grievance mechanisms for impacts on society.

The codes of ethics of all big companies include a statement that stipulates zero tolerance to bribery and corruption, but in the supply chain it is more difficult to control or to inspect.

In India the implementation of the laws is scant, and companies find loopholes to manage corrupt practices.

For example, C&A’s answer to corruption is shifting from semi-announced to unannounced audits.<sup>40</sup> Starting from 2019, all C&A audits were unannounced. The unannounced audits were supposed to help in the detection of unauthorised subcontracting. Due to that, more infringement and corruption cases were reported. But are unannounced audits the answer to the corruption issue? “Audits, in their current configurations, form part of the textile business, not an independent solution, since their remuneration depends directly on the judgements they pass on the same companies which finance them. This makes auditors both judge and interested party and invalidates them de facto”.<sup>41</sup>

In addition to that, setting up of hotlines, like is true for big companies like C&A, H&M and

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<sup>38</sup> CSR website of Zara, last accessed 09th of June 2021 <https://thecsrjournal.in/csr-zara-announces-commitment-to-sustainability/>

<sup>39</sup> “Partner with peers and trade unions. This includes our Global Framework Agreement (GFA) with trade unions IndustriALL and IF Metall, focused on strengthening industrial relations and enabling peaceful conflict resolution in our supply chain. National Monitoring Committees (NMCs) in Bangladesh, Cambodia, India, Indonesia, Myanmar and Turkey oversee localised implementation of the GFA. NMCs consist of H&M Group representatives working on the ground alongside national-level trade union representatives affiliated with IndustriALL.” H&M CSR Report 2021

<sup>40</sup> C&A sustainability report. 2018 <https://sustainability.c-and-a.com/uk/en/sustainability-report/2018/sustainable-supply/>

<sup>41</sup> Arturo L. Gonzalez, “Corruption in the transnational textile industry: an exception or the rule?”, in *Revista Empresa y Humanismo*, vol 21, n° 2 2018, pp 89-120, p 162.

Nike which is supposed to be used for anonymous reporting of breaches of code of conduct does not bring the hoped results. That hotline is nothing more than just a hotline and does not really contribute to improving transparency.

In 2017, Human Rights Watch appealed 72 global textile brands, including the big names present in India, to adhere to the Transparency Pledge.<sup>42</sup> Since then, most of them operating in India like C&A, H&M, Nike, Adidas etc. have included the transparency pledge in their CSR reports.

The pledge encourages multinational companies to adopt a consistent policy towards transparency in their supply chains. The pledge gives the industry a framework to publish and disclose information on the supply side of the chain.

Companies like Mango, Otto and Esprit who are also a big part of the export hub in India have also signed it. This pledge divulges the list of suppliers for everybody to see. This has gained momentum over the past years including pressure from ‘Civil Society Call for Supply Chain Transparency’<sup>43</sup> which includes 30 civil society groups<sup>44</sup> and ‘Who Made my Clothes Campaign’.

Since these are new but very promising changes, research needs to be done to see if the benefits can be felt on the ground in the form of reduced corruption. These pledges might work more than the ‘zero tolerance policies’ and hotlines set up by the companies.

To make palpable change the grievance and complaint mechanisms could be updated. They have not been given due space in the latest GSR Report of C&A<sup>45</sup> and H&M.<sup>46</sup> Confidential and independent grievance mechanisms are essential because they give the workers the opportunity to complain without fearing reprimands and intimidation from their superiors.

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<sup>42</sup> “In 2016 nine human rights and labour rights organizations, together with global unions, formed a coalition to improve transparency in garment and footwear supply chains. Drawing on positive industry practices at that time, the coalition developed and endorsed The Apparel and Footwear Supply Chain Transparency Pledge as a common minimum standard for supply chain disclosure. “ These nine entities were Human Rights Watch, Clean Clothes Campaign (CCC), ICAR, IRLF, Maquila Solidarity Network, Worker Rights Consortium, IndustriAll, UNI Global Union and ITUC CSI IGB). Work on the pledge was started soon after the Rana Plaza incident in 2013, last accessed 19<sup>th</sup> August 2021 <https://transparencypledge.org/the-pledge>

<sup>43</sup> Last accessed 19th August 2021, <https://call-for-transparency.medium.com/a-global-call-for-full-supply-chain-transparency-in-the-clothing-sector-33535011c1ed>

<sup>44</sup> Anti-Slavery International, Arisa, Asia Floor Wage Alliance, Changing Markets Foundation, Clean Clothes Campaign, Comitato Lady Lawyer Village, Corporate Accountability Lab, Environmental Coalition on Standards (ECOS), European Coalition for Corporate Justice (ECCJ), European Environmental Bureau (EEB), Fair Trade Advocacy Office, Fairtrade International, Fashion Revolution, FEMNET, Freedom Fund, Global Labor Justice/International Labor Rights Forum, Human Rights Law Centre, Human Rights Watch, Human Trafficking Search, International Corporate Accountability Roundtable (ICAR), International Rights Advocates, Justice in Fashion, Oxfam, Project on Organization, Development, Education and Research (PODER), Responsible Sourcing Network, Rights CoLab, RREUSE, SOMO, The Human Trafficking Legal Center, Together for Decent Leather, Traidcraft Exchange, Transparentem, WikiRate.

<sup>45</sup> C&A Global Sustainability Report 2020, last accessed on 19<sup>th</sup> August 2021 [https://www.c-and-a.com/uk/en/corporate/fileadmin/user\\_mediacenter/user\\_upload/CA\\_GSR\\_2020.pdf](https://www.c-and-a.com/uk/en/corporate/fileadmin/user_mediacenter/user_upload/CA_GSR_2020.pdf)

<sup>46</sup> H&M Sustainability Report 2020 <https://hmgroupp.com/wp-content/uploads/2021/03/HM-Group-Sustainability-Performance-Report-2020.pdf>

Information about the assessment of grievance outcomes remains taboo in these companies. Although anti-corruption and grievance mechanisms are in place, they seem to have little impact. The biggest reason for that is the fundamental problem that these mechanisms can have an impact only on the formal employees.

Human rights: Caring about the human rights such as prohibiting child labour, discriminations, forced labour, and protecting indigenous rights, is a part of this section.

For example, C&A's code for underage workers is set at the International Labour Organization (ILO) standard (16 years of age) that is above national regulation in India (14 years of age).

When it comes to child labour, the big majority of companies operating in India publish their supplier policies - those that apply to its manufacturers and workers in the supply chain.<sup>47</sup> This high level of disclosure can be attributed to the strong belief of companies that issues of child labour lay fairly and squarely on the shoulders of the national governments and in this specific case on the International Labour Organisation.

According to an ILO Report,<sup>48</sup> little to no child labour was found in the factories in Bangalore, India. But it should be noted that interviews of this sort on the field can be carried out only with official workers present at the factory. The informal realm remains covered and unaccounted for. However, the ILO officially claimed through its report that child labour is not rampant in these factories.

With the ILO out of the picture, the responsibility solely lies on the national government. According to the constitution of India, child labour is prohibited by law. So, the national government can also wash its hands off the problem. In this situation, as discussed earlier, companies can fill the governance gap and can make sure that even at the level of sub-contractors of the sub-contractors, some mechanisms exist that prevent child labour.

One simple technique to prevent child labour could be that firms ask for evidence of birth certificate of the workers, even at the sub contractual level.

With regards to forced and compulsory labour, it's widely researched that, although it is not really possible to understand the scenario of true working conditions from inspections, workers face long working hours, most of the times without breaks.<sup>49</sup>

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<sup>47</sup> Fashion Transparency Index Report 2021, pp 49.

<sup>48</sup> ILO Report, "Insights into working conditions in India's garment industry", 2015.

<sup>49</sup> Ibid, SOMO and ICN Report, "Maid in India: Young Dalit Women Continue to Suffer Exploitative Conditions in India's Garment Industry", Amsterdam 2012 and Shruti Tripathi, Working Conditions of Labors in the Apparel Industry: A Case Study of Noida Cluster, last accessed 20<sup>th</sup> August 2021  
<file:///C:/Users/Home/Documents/Publications/Indian%20Textile%20Industry/SSRN-id2531581.pdf>



Although some data is provided by the multinational companies about working conditions in their factories, it does not go beyond tier 1.<sup>50</sup> Tier 2, which includes laundries and embroidery units, and Tier 3, which includes the spinning mills are more prone to poor working conditions and long hours without breaks and little to no medical facilities in case of injuries. They are the ones posing higher risks of exploitation and vulnerability because they are the least visible. This human rights section would be incomplete without the mention of the practice of *Sumangali*. The term *Sumangali* in Tamil means the transformation of a girl to a married woman. It describes a practice where a girl makes a contract with a company, usually a textile company, for three to five years and gets paid a lump sum only when the contract is over. It turns here essentially into a bonded labourer for that period of time, physically and psychologically.<sup>51</sup> The money that she gets, if all conditions of the contract are fulfilled, goes to her dowry payment when she gets married.

*Sumangali* is rampant in the Southern States of India, especially Tamil Nadu, and is a hot topic for all the actors involved: the companies, the national governments, the trade organisations and the local NGOs.<sup>52</sup> Ever since damning reports have been published by Indian newspapers like *The Hindu*,<sup>53</sup> *Frontline*,<sup>54</sup> *Outlook*,<sup>55</sup> and global reports from Anti-Slavery International,<sup>56</sup> European Coalition for Corporate Justice,<sup>57</sup> or the FairWear Foundation,<sup>58</sup> all actors are scrambling to propose their resolution to the problem. The brands that were implicated in the reports were H&M, C&A, Marks & Spencer, Next Plc, S.Oliver, Diesel, Inditex, Old Navy (GAP), Timberland, Tommy Hilfiger, Primark, TESCO, Bestseller, Mothercare and Walmart.

To counter the negative publicity, most of these brands have joined Multi-Stakeholder Initiatives and have started including this progress in their sustainability reports. Immediately after the publishing of the SOMO/ICN Report,<sup>59</sup> multinational companies<sup>60</sup> signed a statement

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<sup>50</sup> Tier 1 - Cut and sew production units, Tier 2 - Printing and embroidery units, laundries, fabric mills and dye houses, Tier 3 - Spinning Mills

<sup>51</sup> Nancy A. Gnanaselvam and Bobby Joseph, "Causes and consequences of employment in textile industries: A study on employed adolescent girls of Tamil Nadu, in *Indian Journal of Social Psychiatry*, vol 34, n° 2 pp. 125-131, 2018.

<sup>52</sup> A Delaney and J Tate., *Forced Labour and Ethical Trade in the Indian Garment Industry*. In: Waite L., Craig G., Lewis H., Skrivankova K. (eds) *Vulnerability, Exploitation and Migrants. Migration, Diasporas and Citizenship*. Palgrave Macmillan, , 2015.

<sup>53</sup> "Wedded' to a life of exploitation," in *The Hindu*, National/Tamil Nadu, March 4, 2011.

<sup>54</sup> "Driven to despair," Cover story, *Frontline*, Volume 27 – Issue 20, September 25-October 8, 2010.

<sup>55</sup> "Wound on a spindle," in *Outlook*, National, June 23, 2008.

<sup>56</sup> *Slavery on the High Street: Forced Labour in the Manufacture of Garments for International Brands*, Anti Slavery International, December 2011.

<sup>57</sup> *Trapped in Chains: Exploitative Working Conditions in European Fashion Retailers' Supply Chain*, European Coalition for Corporate Justice, November 2010.

<sup>58</sup> *Eliminating Forced Labour in South India: Statement on Sumangali Scheme*, Fair Wear Foundation, May 2011

<sup>59</sup> *Captured by Cotton, Exploited Dalit girls produce garments, in India for European and US markets*, Centre for Research on Multinational Corporations and India Committee of the Netherlands, SOMO/ICN, May 2011

of intent to ‘look into the matter’.

‘To look into the matter’ meant in this case sending warnings to their Indian suppliers as was the case with GAP and H&M.<sup>61</sup> The other way ‘to look into the matter’ was participating in projects that analysed the situation on the ground and offered solutions.

C&A Foundation has supported a project to not just understand this practice but to even propose a law to ban it.<sup>62</sup> Surprisingly, this project works with the National Law Institute of India to look into the legal details of the law but does not work with the trade unions present on the ground.

H&M and Marks and Spencer have joined the Ethical Trade Initiative and created the Sumangali/Bonded Labour Group (SBLG) to investigate causes and mechanisms that lead to Sumangali and to take ‘appropriate action’.

It is true that companies have a big responsibility to consider the social conditions of their most precarious work force. But it would be irresponsible to place the entire accountability conundrum on them. The damning reports focused too much on brands and retailers and too little on the other stakeholders. Most of the brands have good relations with tier 1 companies but their relationships are fuzzy down the supply chain to tier 2 and tier 3. The trend to disclose these relationships and make them more transparent is a good one but measure need to be put in place to involve the local, the national and the international level actors.

Summarising this section after having read the CSR reports and the other initiatives we can firmly say that even if CSR does not have the deep impact that companies talk about, the absence of it would be even worse.

Public pressure, especially from NGOs like Clean Clothes Campaign, Trade Unions, CSOs, and last but not the least the consumers have pushed companies to do more for the labour force in the Global South. These multinational companies work closely with their Indian partners and contractors, who are well aware of the Indian cultural context, to improve conditions on the grounds. These companies are taking the task of filling the regulatory gap seriously and are self-regulating to an extent where sometimes self-interest does not play as big of a role as expected.

In addition to that, Multi-Stakeholder Initiatives are becoming increasingly important. A study of the successes and limitations of the MSI Tamil Nadu initiated by the Textile Alliance shows

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<sup>60</sup> C&A, H&M, Mothercare, Next, Tesco, Primark, among others.

<sup>61</sup> “GAP, Walmart, C&A, H&M warn their Indian suppliers against textile mills that involve child & bonded-labour,” in *Economic Times*, T Bureau; November 16, 2011.

<sup>62</sup> Project conducted with the help of the German Ministry for Economic Development and Cooperation and C&A Foundation. It was carried out by Terre des Hommes, Germany, the India Programme and Community Awareness Research Education Trust (CARE-T), a Coimbatore based NGO. Evaluation of Sumangali: Eradication of extremely exploitative working conditions in southern India’s textile Industry, June 2019.

that it was possible to achieve initial successes, both in terms of the training measures carried out for the employees, but also in terms of the confidence of the companies present on the ground. The NGO Save played a decisive role as a local partner in the field. They are, on their own accord, participating in Multi-Stakeholder Initiatives and disclosing company information for the sake of transparency and accountability.

When they started realising that they needed to control their supplier base and to build relationships with them, they started reducing their supplier base to make it more manageable. They invested in qualification and training systems to bring about the changes they promised on their reports. Instead of voluntary CSR, it looks like compulsory CSR. This change, especially after the Rana Plaza incident, has made CSR more potent and impactful.

Even though much progress has been made, the fact that it remains voluntary in nature sheds some doubt to its long-term effects. Maybe the new German Supply-Chain law is an answer to this?

#### **4. CSR vs legal Initiatives: the New Supply Chain Law passed by the German Bundestag**

After the tragedy of Rana Plaza in 2013 and several other dishonourable incidents, the German government started the initiative Textile Alliance (“Bündnis für nachhaltige Textilien”) in 2014, in which German based multinational companies, civil society and politics come together to create a new social and sustainable standard in textile industry.

This initiative was founded to improve the environmental and social standards in the textile supply chain. It is a Multi-Stakeholder Initiative that has managed to bring together all relevant actors to the negotiating table. The scope of regulating social standards in the German textile industries has widened to not only the corporate social responsibility policies but to a broad framework warranting collective action from all the stakeholders. This Textile Alliance played a big role in the formulation of the supply chain law.

In its 2018 coalition agreement, the German government pledged to comply with a corporate due diligence obligation by law unless the majority of large German companies would voluntarily initiate corresponding processes by 2020.

In response, the German government conducted a monitoring exercise to determine the extent to which companies with more than 500 employees comply with their due diligence obligations. According to this analysis, 13% to 17% of the companies surveyed voluntarily fulfilled the requirements of the National Action Plan (NAP) in the relevant survey year 2020. A further 10% to 12% of the companies were "well on the way" to meeting the NAP

requirements. This meant that the target set by the German government of at least 50% "NAP compliers" was missed.

As a result, the German supply chain law was passed in the German Bundestag on 11th of June 2021, which will come into force on 1st January 2023.<sup>63</sup>

How is this law assessed by the stakeholders? Will it solve the multiple social problems that arise in the textile supply chains?

The BDI (*Bundesverband der Deutschen Industrie*)<sup>64</sup> comments that the international supply chains today are so complex that a complete review is almost impossible and thus compliance with human rights along the supply chain cannot be guaranteed by the company.<sup>65</sup>

The law will be relevant for companies with more than 3,000 employees, which will be reduced to 1,000 employees a year later. This clause is criticized above all by trade unions and NGOs who want to see the limit go further down.

Furthermore, the German companies will be directly responsible only for their direct contractual partner in the future, that is, only for the first tier in the often long supply chain - not down the supply chain to tier 2 and tier 3. The German company will be obliged to intervene with the sub-sub-companies only if it possesses reliable information of human rights violations.

If a company breaches its obligations, it may be penalised with fines or even be excluded from procurement procedures. This will be monitored by the Federal Office for Economic Affairs and Export Control, BAFA.

The law does not provide for civil liability for German companies, as initially envisaged. As was the case before, Indian workers can only sue in German courts under foreign law - even if trade unions and non-governmental organisations can help them in compliance with the new law.<sup>66</sup> This process is long and usually does not promise success.

Many stakeholders now hope for the EU Commission and European regulation, which should be more far-reaching than national legislation in Germany, France, and the Netherlands.

What is the position of this new development with regard to our statement that companies are called upon as political actors and increasingly assume this responsibility as part of their CSR activities? We also concluded that, especially after the Rana Plaza incident, CSR in India became more potent and impactful.

Will national legislation and EU legislation change the role of CSR? Or will these new laws

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<sup>63</sup> Last accessed 4<sup>th</sup> August [www.bmz.de/entwicklungspolitik/lieferkettengesetz](http://www.bmz.de/entwicklungspolitik/lieferkettengesetz)

<sup>64</sup> Federation of German Industries eV

<sup>65</sup> "Braucht Deutschland ein strengeres Lieferkettengesetz?". [www.iwd.de](http://www.iwd.de) Last accessed on 21st June 2021.

<sup>66</sup> Last accessed on 4<sup>th</sup> August 2021 [www.lieferkettengesetz.de/forderungen](http://www.lieferkettengesetz.de/forderungen)

help CSR gain more assertiveness and commitment?

It can be clearly stated that the introduction of supply chain laws reveals the limits of voluntary corporate social responsibility. Even if a number of companies act as pioneers and recognize the competitive advantages of a social-ecological company policy, this does not apply to the majority of companies. With the supply chain law, which will also come at the European level, the international regulatory gap will be filled to some extent. The state again provides a framework for action - in global governance and in cooperation with the other relevant actors in the context of Multi-Stakeholder Initiatives, among others.

Many entrepreneurial pioneers of CSR such as Tchibo or Otto, as members of the Textile Alliance, have advocated a legal regulation. It now obliges all manufacturing companies with more than 1,000 employees to observe their corporate due diligence. It is only about minimum social standards and their compliance and from the point of view of the CSR-active companies that they do not experience any disadvantages in the competition but can develop their advantages through the pioneering role.

Companies are limited political actors who can themselves determine and regulate the limits of entrepreneurial action. Entrepreneurial self-regulation can only function conditionally and is only an emergency solution in crisis situations.<sup>67</sup>

Furthermore, the question of democratic integration plays an essential role.

The enterprise as a political actor can only be successful if it is integrated into a multi-level system and moreover democratically legitimized, i.e., if it takes place with the participation of employees and trade unions.<sup>68</sup>

The history of the market economy in Germany shows that a regulation of industrial relations can take place either through collective agreements or through legal regulations.

Compliance with international social standards would require international collective agreements and the participation of workers councils and trade unions. However, as many studies have shown, CSR takes place largely without the participation of trade unions.<sup>69</sup>

Works councils have usually only hesitantly participated in the CSR activities of their companies. If participation took place, then it happened only in individual cases on the basis of a very strong representation of interests from co-management.

The legal requirements for the participation of works councils have improved as a result of the supply chain law. It gives new rights to workers councils to sit in various committees. With

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<sup>67</sup> Beate Zimpelmann und Markus Zöckler, "Corporate Social Responsibility (CSR)" in Achim Brunnengräber, et al, eds, *Mit mehr Ebenen zu mehr Gestaltung* Nomos, 2008.

<sup>68</sup> Ibid pp 19.

<sup>69</sup> Beate Zimpelmann und Dirk Wassermann, *Mitbestimmung und Nachhaltigkeit - Widerspruch oder Chance? Eine empirische Untersuchung in deutschen Großunternehmen*, Hans Böckler Stiftung, 2012.

the entry into force of the law, they will be entitled to information and advice on issues of corporate due diligence in supply chains. This allows the elected stakeholders of employees to work across company boundaries to strengthen social standards, human rights and environmental obligations.<sup>70</sup>

This is the key to raising awareness of the violation of due diligence in countries such as India with a highly informal sector and weak local trade unions. However, these are explicitly only rights to information and advisory rights, not right to participation in decision making. This limits the influence of the workers councils.

The implementation requires the commitment of the works councils in the German companies beyond their own company interests and a sense of duty towards their colleagues in India. In addition, local trade unions are weak and workers in India are very active in the informal sector, where there is no legal protection.

In order to fundamentally strengthen the rights of employees themselves, it will require the inclusion of the liability issue, which was left out of the German law. Only if employees can directly sue and denounce their rights and their infringement before German or European courts, the people who work under inhumane conditions have a real chance that things will change.

Despite these restrictions, however, it can be seen that the supply chain law will change the constellation of actors in the global governance of international supply chains. For a long time, the companies were the central actors, driven and flanked by the activities and demands of NGOs. With the supply chain law, the nation states and the EU will regain power of action in the future.

With the support of the law, the trade unions can also regain power of action. The regulation gives them the right to information and advisory rights. This could be leveraged to strengthen the framework agreement instrument (GFA). These "international collective agreements" regulate participation rights in social and environmental matters in multinational companies. Up to now, it has mainly been found in the metal industry, especially in companies with strong investments such as Volkswagen or Bosch, but also in the textile sector we find it (e.g. H&M). In addition, a study by IG Metall shows that there are large implementation deficits in the Global Framework Agreements: It is shown that works councils and IG Metall are only partly involved in the management implementation process; for example, by reporting to the European Works Council only once a year on possible violations of the GFA provisions.

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<sup>70</sup> Verdi: Lieferkettengesetz: Unternehmen kommen an die lange Leine, Pressemitteilung 11.6.2021, <https://www.verdi.de/themen/internationales/initiative-lieferkettengesetz>, last accessed on 16th July 2021

Participation is strongest where there are joint audits or joint conflict resolution bodies in connection with possible violations of the GFA provisions. “<sup>71</sup>

However, the specific aspect that distinguishes framework agreements from CSR initiatives is that they result from negotiation with international workers' representatives. Framework agreements are thus one of the possible developments of industrial relations in the era of globalization.<sup>72</sup>

The supply chain law also shows how important MSIs have become in the debate about global social standards. The Textile Alliance has played an important role in the development of the supply chain law. It also plays an important role in initiating pilot projects. a project in Tamil Nadu in India, which will be presented in the next section.

During implementation of the supply chain law, it will be crucial how voluntary mechanisms via CSR, as well as existing Multi-Stakeholder Initiatives and international framework agreements can be profitably used for the implementation of social responsibility in the supply chain.

## **5. Conclusion**

In the globalising labour markets, companies face an ever-increasing demand of meeting new environment and social standards and active participation in ‘political corporate social responsibility’. This term is being used keeping in mind that companies are now encroaching upon the responsibilities of the government in this globalised world with a globalised work force and a globalised and well-informed consumer. Since most of the multinational corporations have supplies coming from countries with low level of law implementation, the emphasis here is on law implementation internationally, because most of these countries have signed all possible ILO treaties and have strongly worded constitutions but fail to implement basic human rights of citizens. Global production has moved to locations that sometimes lack democratic control and where there is no or little rule of law. Thus, CSR assumes a more important role in making rules and regulations and has become the de facto rule provider

Having analysed whether CSR is a suitable method to achieve the improvement of social standards in the Indian textile industry, we come to the conclusion that CSR has made enormous progress in improving the social conditions of its work force in the Global South, but the mammoth task is beyond the voluntary self-regulation offered by the companies.

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<sup>71</sup>Fichter/ Rüb Globale Rahmenvereinbarungen: Strategisch nutzen und praktisch umsetzen, IG Metall Workshop documentation, June 2015, unveröffentlichtes Manuskript

<sup>72</sup>Last accessed 4<sup>th</sup> July 2021 [https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS\\_080723/lang--en/index.htm](https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_080723/lang--en/index.htm).

Empirical evidence shows that CSR alone is not enough to enforce social standards in a country like India, which is unable to set its own regulatory framework through a strong informal sector as well as cultural advances. The integration of CSR within stakeholder networks such as the Global Compact does not have the strength to set standards that will also affect the last corners of the supply chain.

The CSR-active German companies therefore themselves demanded that the federal government sets a binding framework via a supply chain law. Even if the supply chain law shows weaknesses from an NGO perspective, it shifts the balance of power in global governance. In recent years, it has been mainly the companies and international NGOs that have shaped the governance structure and acted as strong actors. This new law has now strengthened the position of the State in the Global North. The trade unions have also seen certain resurgence as important actors to solve supply chain crises. When an EU-wide regulation will come into force, these trends will be cemented. The nation states, which are often said to be losing influence in the context of globalization, have thus returned as actors. It is clear that regulations at the national level are also possible and necessary in an international context. This applies to the Western industrialised countries, which are also responsible for global supply chains.

The new German supply chain law, although being weak, is a very good added value to the CSR policies of the companies on the ground.

Whether the trade unions will play a stronger role will become clear. The prerequisites have improved due to information and advisory law. However, it will be crucial that trade union structures are established locally, supported by international NGOs and international trade unions. They need more resources! And a new trade-union movement is needed that focuses on international solidarity and the struggle for equal living and living conditions.

The International Labour Organisation appears to lose its leading role in promoting global social policy. Many put their hopes in the ILO, which stands for compliance with labour and social standards worldwide through its standards and conventions. Many countries have signed the ILO conventions, but do not comply with them. ILO reports and field work seem to be inefficient and inaccurate.

The supply chain law can also expect this fate. Lack of implementation is a problem in Germany. CSR can help to ensure that international social standards are implemented and that companies take their suppliers into account. The more comprehensive the legal regulation in terms of company size and the involvement of subcontractors, the more will happen at the CSR level. Here, the CSR and MSI initiatives are decisive, which ensure that the standards are



complied with and that conditions are created so that employees can exercise their rights, e.g. through the organization and implementation of training programs.

Needless to say, it must be added that this work did not pretend to analyse the CSR policies of all the companies present in India, nor did it look into the social initiatives of the Indian government and took into account the work of the local NGOs and trade unions only partially. It was mostly based on the research carried out during an ASA project, supported by the Engagement Global from the German Ministry of Economic and Development Cooperation. Also, the legal situation in India was not looked at, nor the stage of implementation of the ILO standards.

CSR and the supply chain law may be small drops in the ocean, but certainly a step in the right direction. The roles of other actors need to be taken under the microscope to analyse the complex task of the social dimension of the work force involved in the supply chain of the textile industry in India.

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