Social Compliance Auditing: A Broken Eco-System

BY COLLEEN VIEN

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The Unseen and Unheard Story of Stuff...

Look around you. Right now, wherever you are, you're surrounded by "stuff" — sitting on it, wearing it, or holding it in your hands. All these items were made in distant corners of the world by thousands of workers who are largely unknown to us. They create the products we "need" — from materials harvested by even more workers, often in faraway places. Thousands of unseen faces, hands, and lives are involved in shaping the world around you.

Now, get up and move to another room. Look around again. Everything you see has arrived here, one way or another, through the efforts of thousands of other unseen workers, somewhere else. We could keep this exercise going, but you get the point. Every product we've ever bought exists because of the sweat, toil, and hard work of workers most of us will never meet. And for the most part, these products are made in countries with limited (if any) protections for workers' rights. Many of these workers are underpaid, overworked, and mistreated, forced to work in unsafe conditions that put their health and safety at risk.

Even in developed countries like the United States, where laws are intended to protect workers' rights, working conditions often fall short of legal standards. These are not just distant problems — these problems exist everywhere and anywhere.

Social compliance auditing is supposed to ensure that the products we buy are made in ways that respect workers' rights, uphold their safety, and adhere to governing laws and internationally recognized standards, such as the Universal Declaration of Human Rights and the ILO Core Labour Standards. To minimize risk and protect their reputation, companies — the brands behind the products we use — implement programs to monitor their supply chains for compliance with these laws and standards. After all, no consumer wants to buy products from companies that exploit or mistreat workers, and companies can be held liable if they ignore these risks.

The real challenge, however, lies in identifying *when* and *where* these risks occur.

A company can monitor its supply chain by assigning an in-house team to oversee risk management. This team conducts on-site visits to suppliers, auditing them for compliance with relevant laws and standards. Alternatively, the company may engage an external audit firm to perform these audits. Millions of dollars are spent every year by companies/brands/retailers and auditing firms to visit factories all over the world in an effort to ensure workers are being treated right. Despite the fact that millions of dollars are spent every year on these efforts, the effectiveness of these efforts is often lacking. Despite good intentions, the eco-system of social compliance auditing is riddled with error, misgivings, and corruption. Despite these investments and good intentions, these efforts often fall short of achieving their goals. The results are frequently ineffective in identifying or addressing labor rights violations.

The social compliance auditing system has inherent flaws. It is prone to:

1. **Error:** Audits may fail to capture the full scope of worker issues due to poor methodologies or limited oversight.

2. **Misgivings:** There may be gaps in accountability, transparency, or commitment from stakeholders.
3. **Corruption:** Instances of bribery or falsification of audit findings can undermine the credibility and reliability of the process.

While the social compliance auditing system is well-funded and driven by good intentions, it suffers from systemic challenges that hinder its ability to truly protect workers' rights. There needs to be a re-evaluation or reform of the current approach to improve the impact and integrity of these efforts. Money is being wasted and millions of vulnerable workers worldwide are left unseen, unheard, and mistreated. Social compliance auditing has been around for decades, since the early 1990s. For decades, the same process, the same efforts, and the same approach are deployed year over year with limited results. A quote often attributed to Albert Einstein suggests this is the definition of insanity.
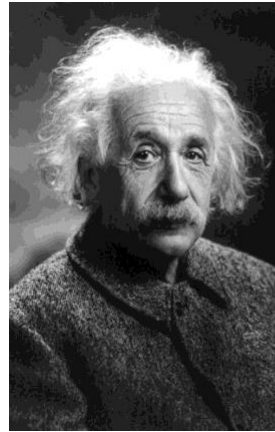
"Insanity is doing the same thing over and over again and expecting different results."

Albert Einstein

Let's take a closer look at the eco-system of social compliance auditing and dig deeper into where, how, and why inherent flaws exist. To do so, let's evaluate the different stakeholders involved and understand their respective motivations, limitations, and priorities. We'll start broad and work our way down through the eco-system to the most important stakeholders of all – the workers.

Local, national and international government authorities. While laws to protect workers and ensure safe manufacturing conditions exist in many parts of the world, enforcement often falls short. Government agencies, even in developed countries, are frequently underfunded and lack the capacity to deploy sufficient law enforcement or labor inspectors to monitor working conditions comprehensively. In many jurisdictions, particularly in developing countries, there are no resources allocated for this oversight, leaving significant gaps in enforcement and accountability.

Brands/Retailers. No brand wants to face the reputational damage, financial losses, or legal liabilities that can arise from being associated with a supplier that mistreats workers. However, intense cost pressures drive companies to scrutinize every penny spent on manufacturing, often prioritizing the lowest-cost suppliers—provided they meet other critical criteria like quality and delivery timelines. This cost-conscious mindset extends to supply chain monitoring, where resources are tightly controlled and minimized. As a result, companies often adopt a "do what we can" approach rather than a "do what's necessary" approach to ensure compliance. Efforts are frequently limited to satisfying bare-minimum legal requirements, with basic audits conducted by external firms selected primarily based on offering the lowest bid, rather than their capacity to provide comprehensive oversight.

That said, it's important to acknowledge that not all brands and retailers follow this pattern. While this is generally true across the board, some companies are taking proactive steps to invest in more robust and meaningful supply chain monitoring practices.

Industry Standards-Setting Organizations. Over the years, industry standards-setting organizations have emerged to support brands and retailers in maximizing their resources while improving social compliance efforts. These organizations have developed widely accepted audit methodologies and standards, such as Sedex/SMETA, Amfori/BSCI, WRAP, SA8000, FLA, ETI, and SLCP, to help businesses manage and enhance social and environmental performance across their supply chains. Prominent in the field of responsible business practices, these organizations provide tools, platforms, and frameworks that enable companies to meet ethical sourcing requirements and foster more sustainable supply chains. By adopting one or more of these audit protocols, brands and retailers can reduce duplication of efforts and streamline compliance processes. However, a significant limitation of these audits is their reliance on a "check-the-box" approach, primarily focused on validating the information and data presented to the auditor. This methodology often falls short in uncovering deeper, unreported risks or issues within supply chains, leaving critical gaps in the auditing process.

Firms & Audit Types. The Association of Professional Social Compliance Auditors (APSCA) was established in 2015 by a group of external auditing firms specializing in social compliance audits. Its mission is to enhance the professionalism, credibility, and consistency of social compliance audits through a rigorous certification and oversight framework for auditors. The founding firms were driven to create APSCA in response to growing scrutiny over the effectiveness of social compliance audits. They were particularly concerned about the entrance of firms traditionally focused on other types of supply chain audits—such as product-quality and food-safety audits—into the field of social compliance. These types of audits require very different skill sets. While quality- and food-safety audits are designed to validate policies and procedures (e.g., confirming that processes comply with set standards), social compliance audits aim to identify and mitigate social risks, such as labor violations or unsafe working conditions.

Social compliance auditors must not only validate information provided but also possess investigative skills to uncover hidden risks and gather data not readily presented. This requires an entirely different approach and expertise. The concern was that without proper training and specialization, these new entrants could undermine the credibility of the industry as a whole.

To address these challenges, APSCA created a robust certification process to ensure that auditors possess the necessary skills. Today, over 5,000 auditors from more than 60 audit firms are enrolled in APSCA. However, only 50% of these auditors have successfully passed the certification, highlighting the complexity and specialized nature of social compliance auditing.

Good audit firms distinguish between basic check-the-box audits, which primarily validate presented information, and true investigative audits, which go deeper to uncover hidden risks. Investigative audits often require more time at the factory, and in some cases, outside the factory, engaging with workers or community members to gather unbiased insights. This more thorough approach justifies higher costs for brands and retailers and is essential for achieving meaningful results and mitigating real risks.

Auditors. Even when certified, social compliance auditors often face significant challenges that limit their ability to conduct thorough and effective audits:

- **Restricted Scope:** Auditors are frequently tasked with conducting "check-the-box" audits, which prioritize efficiency over depth. They are seldom given the time, authority, or latitude to fully investigate when they suspect hidden risks, as their role is narrowly defined to validate presented information and complete reports quickly.
- **Low Pay and High Workloads:** Many auditors are underpaid and overworked, working in an environment where quality is sacrificed for quantity. The demands of tight schedules and limited resources can lead to fatigue and reduced effectiveness during audits.
- **Pressure from Factories:** Auditors often face intense pressure from factories to deliver favorable outcomes. Factories may attempt to influence audit results through coercion, bribes, or even subtle intimidation, creating ethical dilemmas for auditors who rely on these relationships for access.
- **Pressure from Brands:** Similarly, brands may exert pressure on auditors to approve factories, especially if these factories are critical suppliers. Brands balancing ethical compliance with cost efficiency may encourage leniency to avoid disruptions in their supply chains.
- **Pressure from Audit Firms:** Audit firms themselves often push auditors to conduct more audits in less time, emphasizing quantity over quality to remain competitive in a cost-sensitive market. This pressure can erode the integrity of the auditing process and discourage auditors from spending the necessary time to uncover risks.

These compounded pressures compromise the effectiveness of audits, reducing an auditor's ability to uncover critical risks in supply chains. Even skilled and certified auditors struggle to operate in a system that values speed and surface-level validation over thorough, investigative work. Without systemic changes—such as better auditor compensation, more realistic timelines, and reduced conflicts of interest—auditors will remain constrained, and social compliance audits will continue to fall short of their intended purpose. This dynamic underscores the need for brands, audit firms, and other stakeholders to re-evaluate their priorities, ensuring that auditors are empowered, supported, and incentivized to conduct meaningful audits that drive real change.

Currently, there is no union or collective mechanism for auditors to voice their concerns or address systemic issues within the social compliance auditing industry. While a movement exists—the Association of United Auditors, led by Mr. Henk Palte—it remains in its early stages. Despite occasional online discussions on platforms like LinkedIn, the initiative has yet to gain meaningful traction or secure the necessary funding to establish a fully operational and impactful auditor union.

Without such a collective body, auditors lack the support, advocacy, and platform needed to push for improvements in working conditions, compensation, and the overall integrity of the auditing process. Establishing a union or similar organization could play a pivotal role in empowering auditors and driving meaningful change within the industry.

Manufacturers/Factories. Manufacturers and factories occupy a critical role in the social compliance eco-system but face significant challenges that undermine the effectiveness of audits and the overall system:

- **Fear of Transparency:** Factories are often reluctant to be open and honest during audits because they depend on favorable audit scores to secure or maintain business relationships with brands. This fear incentivizes factories to hide issues rather than address them, undermining the integrity of the audit process.
- **Audit Fatigue:** Factories frequently report experiencing audit overload, with some undergoing as many as 50+ audits per year. Most brands and retailers require audits tailored to their own unique standards, rather than accepting results from industry-standard protocols conducted for other brands. This lack of harmonization leads to a near-constant stream of audits, draining resources and creating logistical challenges for factories.
- **Factories as Audit "Owners":** In some audit frameworks, factories are required to pay for and organize audits themselves. This structure exacerbates the issue of cost versus quality. Faced with financial pressures, factories opt for cheaper, superficial audits over more thorough and investigative ones. When factories are responsible for funding audits, it further entrenches the "check-the-box" culture, as these audits are often seen as a necessary formality rather than an opportunity for meaningful improvement.

Workers. And finally, at the heart of the social compliance auditing eco-system are the workers themselves—the very individuals these audits are designed to protect. Ironically, workers often bear the brunt of the system's flaws and are frequently the most fearful participants in the process.

- **Fear of Job Loss:** Many workers are afraid to speak openly and honestly during audits, fearing that any negative information they share could lead to repercussions, including the loss of their jobs. This fear is compounded by a lack of trust in the auditing process and the belief that their concerns will not lead to meaningful changes.
- **Fear of Retaliation:** Workers may also face retaliation or punishment from factory management if they report issues such as unsafe working conditions, harassment, or

wage violations. Managers, who are equally incentivized to pass audits, may suppress workers' voices to protect their own interests and the factory's reputation.

- **Lack of Awareness or Empowerment:** In many cases, workers may not even be aware of their rights or the purpose of the audit. Without proper education or empowerment, they view audits as a threat rather than an opportunity to improve their conditions.

Workers' fear and lack of trust often result in critical risks remaining hidden, as audits fail to capture the true state of working conditions. Instead of feeling like the primary beneficiaries of the auditing system, workers often feel excluded or vulnerable within the process. Worker interviews, often a key part of audits, can become mere formalities rather than meaningful opportunities to address systemic issues.

Workers are the ultimate beneficiaries of social compliance efforts, and their well-being should guide every aspect of the auditing process. By creating an environment where workers feel safe, empowered, and valued, the system can achieve its intended purpose: fostering better working conditions and ensuring dignity and fairness in global supply chains.

The Need for Change

- **Alignment and Harmonization:** Brands and retailers must strive for greater alignment and harmonization of audit protocols to reduce redundancy and ease the burden on factories. Streamlining these processes can improve efficiency and consistency while allowing for a more meaningful focus on improving labor conditions. That said, such alignment and harmonization must not come at the expense of watering down expectations or compromising on the rigor required to protect workers' rights.
- **Independent, Brand-Funded Models:** Transitioning to independent, brand-funded audit models would help to ensure that audit quality takes precedence over cost concerns, fostering a more credible and effective system. Further, if meaningful alignment and harmonization are achieved, the resources saved by avoiding duplicative audits can be redeployed by brands and retailers toward follow-up activities, ensuring that corrective actions are implemented effectively and sustainably.
- **Collaborative Trust-Building:** Genuine improvements in social compliance require collaborative efforts to build trust with factories, emphasizing transparency and cooperation rather than punitive measures. Such efforts could include:

  - Establishing **joint-improvement plans** where brands and factories work together to address identified issues, providing the necessary resources and expertise.
  - Offering **training programs** for factory management and workers to build understanding of compliance requirements and foster a culture of respect and accountability.
  - Implementing **feedback mechanisms** for factories to share their challenges and propose realistic solutions, ensuring their voices are part of the decision-making process.

- Engaging in **long-term partnerships** with factories to create a sense of shared responsibility for improving conditions, rather than focusing solely on transactional relationships.
- Providing **incentives for transparency**, such as preferential contracts or public recognition for factories that demonstrate consistent improvements and openness during audits.

- **Worker-Centric Approach:** Last but not least, to make audits truly effective, the system must prioritize workers' voices and focus on actions that tangibly improve their lives, rather than merely meeting minimum compliance standards. Workers should be interviewed both onsite and offsite to create a safe space for open dialogue, free from the presence or influence of management. They must be provided with access to a complaint-resolution mechanism that is anonymous, independent, and designed to prevent retaliation. Additionally, workers should be active participants in drafting corrective action plans, ensuring their perspectives are considered in creating practical solutions, and involved in evaluating the implementation of these plans to verify their effectiveness and long-term impact.

The bottom line is clear: for social compliance audits to be credible and impactful, they must be truly independent, prioritize workers, go beyond basic "check-the-box" approaches, and be conducted by individuals with the right skills and credentials. No single stakeholder within the eco-system can solve these issues alone—**all stakeholders must re-evaluate their roles** and responsibilities. While the social compliance auditing system is well-funded and motivated by good intentions, it is hindered by systemic challenges that prevent it from truly protecting workers' rights. A reform or re-evaluation of the current approach is critical to improving the system's impact, credibility, and integrity.

The Role of the SAQF – Social Audit Quality Framework

Recently, a draft framework, the Social Audit Quality Framework (SAQF), was published to create a standardized approach to evaluating social compliance audits. This framework addresses many of the challenges discussed here, offering a set of indicators that assesses the independence and credibility of audits.

Key components of the SAQF include:

- **Audit Selection and Payment:** Examining who selected and paid for the audit to assess potential conflicts of interest.
- **Audit Focus:** Determining whether the audit is exclusively focused on social compliance issues (e.g., labor practices, occupational health and safety) or integrated as part of an audit inclusive of other topics such as quality control and security.
- **Worker Engagement:** Evaluating worker involvement in the process, including:
    - Number of workers included.
    - Work shifts covered.
    - Coverage of all production areas.

- o   Methods of worker interviews and the use of multidimensional worker sentiment analysis.
- **Audit Methodology:** Assessing whether audits are announced, unannounced, or partially announced, the duration of the audit, and examining the audit team's credentials, language capabilities, and gender diversity.
- **Transparency and Results Sharing:** Evaluating whether audit results are shared with workers, trade representatives, or the public.

While the SAQF provides an important starting point for trust-building and accountability, questions remain about its implementation. Without a mechanism to ensure adherence to the framework's standards, it risks being relegated to a voluntary self-assessment tool. For the SAQF to drive meaningful change, stakeholders across the eco-system must commit to adopting and operationalizing its principles with measurable performance expectations.

A Call for Reform and Collective Responsibility

The problems inherent in the social compliance auditing system are not insurmountable — but they require a fundamental shift in how we approach them. We can no longer afford to settle for superficial audits that fail to protect the workers at the heart of global supply chains. It is time to create a more accountable, transparent, and worker-centered system, one that prioritizes the dignity and well-being of those who labor to bring us the products we consume every day.

By adopting frameworks like the Social Audit Quality Framework (SAQF), promoting collaboration between stakeholders, and ensuring that audits are independent and rigorous, we can begin to rebuild trust and integrity within the system. But this requires collective action from brands, retailers, governments, auditors, manufacturers, and, most importantly, the workers themselves.

The responsibility to enact real change lies with all of us. Companies must take accountability for their supply chains and move beyond "check-the-box" audits to ensure genuine improvements in working conditions. Auditors must be empowered to conduct thorough, investigative audits that uncover hidden risks, and factories must be supported in transforming their practices rather than being penalized. Governments must enforce regulations and provide the necessary resources to ensure compliance with workers' rights.

We must shift from a system that serves to minimize risk and protect reputations, to one that fundamentally seeks to uplift workers and improve their lives. This is not just about ethical compliance — it's about justice, fairness, and respect for the people who make the modern world possible. Let's build a future where the system works for everyone, from the factories to the consumers, and most importantly, the workers who remain unseen and unheard.

The time for change is way overdue.

If you agree that reform is needed and want to join me on this mission, please message me on LinkedIn www.linkedin.com/in/colleen-vien

About the Author:

Colleen Vien is a recognized leader in corporate social responsibility (CSR) and sustainability, with extensive experience driving transformational change across global supply chains. As a former Global Sustainability Director for Timberland and President and CEO of the Association of Professional Social Compliance Auditors (APSCA), Colleen has overseen large-scale initiatives to ensure ethical sourcing, worker well-being, and environmental stewardship. Her leadership roles within influential organizations such as the Sustainable Apparel Coalition and the Social Labor Convergence Program further underscore her deep expertise in setting and advancing industry standards. Named one of the top Corporate Social Responsibility Influence Leaders in 2019, Colleen's unique perspective is informed by decades of hands-on experience, collaborative industry work, and a relentless commitment to creating value through social and environmental impact. Her insights into the flaws and opportunities within the social compliance auditing eco-system make her a compelling and credible voice in the call for systemic reform.

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