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## Compliance issues for ready-made garment units

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### Abstract

A compliant readymade garment factory is a key requirement for most of the reputed global garments buyers. Compliance means to comply with something or yield to the wishes of another. Compliance ensures all labour rights and facilities according to the buyer code of conduct and the aim of compliance is to strictly maintain the labour law.

In the last decade there has been an increased demand for compliances in the export sector to meet the parameters of the international buyers. This has given rise to adherence to compliance starting from labour laws and now towards working conditions, health and safety, wages and benefits along with the environmental compliances. Consumers, governments and communities alike are concerned with how the manufacturing of consumer products impacts the environment. Considering the current scenario of increased awareness of environment safety it becomes important to adhere to the environment specific compliance issues. Compliance issues pertaining to people are termed as social compliances which includes labour laws, wages and benefits and workplace health and safety, whereas those compliances that govern the processes in a garment industry refers to the environmental compliances and quality assurance. Legal compliance is a part of all the areas of compliance whether it is social, environmental or quality compliance. Mandatory compliances are the ones which are essential for a manufacturer to conform to for being a compliant unit. Whereas, non-mandatory compliance issues are the benefits which a unit can avail from various government policies or in form of incentives.

In the current setup of the readymade garment industry compliance issues have gained a lot of momentum in the functioning of this sector. The overall product quality is judged on parameters that concern the intrinsic value of quality as well as the practices that govern production, use of materials, and disposal of wastes, issues of labour laws and safety and eco consciousness. Quality marks in the near future will also entail codes of conduct for manufacturer to judge the value of any product.

**Keywords:** compliance, audit, AQL, product integrity, quality

### 1. Introduction

Garment is one of the many labour-intensive sectors that provide a gateway for developing countries in entering into the global market. Today, developing countries produce half of the world's textile exports. Moreover, the economic performance of the apparel and textiles industries in developing countries has large impacts on employment opportunities especially for women, the development of small- and medium-sized enterprises <sup>[1]</sup>.

Textile production is more capital intensive than apparel production and hence developing countries although to account for a smaller share in textile output but account for a larger share in the labour-intensive production of garments <sup>[2]</sup>.

India is a very competitive player in the global textile and apparel market. However, the global market for textiles and apparels is very competitive and requires all the major suppliers to continuously improve their product basket in terms of quality and pricing. Due to certain infrastructure disadvantage, cost of inputs and transaction costs Indian Textiles and apparel industry has been losing its competitiveness to emerging smaller economies such as Bangladesh, Vietnam etc.

With the increasing globalisation, a lot of importance has been placed on internationally recognised compliance standards in the garment industry. Factories involved in the international trade must keep a proper check of the garment factory compliance at regular intervals. Therefore, every apparel export business needs to have adequate understanding of compliance guidelines for foreign trade <sup>[3]</sup>.

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### 1.1 Compliance Codes in Indian Garment Industry

The Indian apparel industry contributes substantially to India's export earnings. In recent years, India has emerged as a major sourcing destination for various buyers. Along with the product integrity and quality assurance as an important measure for product there are other five basic areas of compliance, namely-legal, labour oriented, wages and benefits, health and safety, and environmental protection. Legal compliances include the company licence, permissions for working with specialised machines which might be dangerous for the labourer, etc. Whereas labour oriented compliances will cater to labour issues such as overtime, freedom of association, standard working hours, etc. Similarly wages and benefits covers minimum wages, benefits to be given by the company in terms of bonus or extra privileges like various government schemes under which cycles are distributed to labourers etc. Environment protection compliance caters to the safety of environment i.e. the processes being followed in manufacture of products should not harm the environment. Under health and safety, safety of the employees working in the company is taken into consideration such as proper hygiene maintenance, clean work area, proper working conditions, availability of safety equipment such as fire extinguishers, steel gloves for needle work, face masks etc. [4].

### 1.2 Compliance Codes' Standardisation

The major standards for workplace conditions in supply chains are SA8000 (Social Accountability International) and for use in any manufacturing sector are WRAP (Worldwide Responsible Apparel Production). A number of other initiatives such as the BSCI (Business Social Compliance Initiative), FLA (Fair Labour Association) for apparel, ETI (Ethical Trading Initiative) based in UK and with member companies across a number of sectors, particularly retailers. WRC (Worlds Rights Consortium) has membership based on US colleges and universities in a range of manufacturing sectors but mainly apparel production and the FWF (Fair Wear Foundation) based in the Netherlands. In India, the AEPC (Apparel Export Promotion Council) is committed to legal compliance and ethical business practices and encourages members/exporters to comply with all applicable laws and regulations of the country to meet international compliance standards [5].

### 1.3 Compliance Code Guidelines

Garment factory should consider the following guidelines while complying with safety and code standards:

- Industries should comply with international standard code, such as ISO or importing countries standard code to become competitive in international markets.
- Young persons (between 15 to 18 years) are not supposed to work on any dangerous machine without adequate training and supervision.
- Wiring should be in good condition with no broken junctions or wires sticking out at the ends of the conduit.
- Eye-wear and face shields should be provided in areas with danger of flying objects, sparks, glare, hazardous liquids and excessive dust.
- Ear plugs or muffs should be given in places with excessive noise such as generator rooms and embroidery rooms.
- Hard hats and protective shoes are necessary for workers involved in loading and unloading operations.
- Factories should have effective fire extinguisher with proper usage instructions

### 1.4 Audit

An audit is conducted when a buyer sends one's own auditing team if any or if they hire a third party to conduct an audit of a unit which is manufacturing or producing product/s for the buyer.

There are various types of audits (Announced, Unannounced or Semi-Announced with a window period). An evaluation programme carried out to evaluate the social corporate responsibility it's termed as an 'Audit', whereas when the evaluation is product focussed its termed as an 'Inspection'.

Audits are carried out under various programmes as specified by the buyer. Based on the tour of the facility, review of records and interviews with workers, the audit report is prepared and it is graded using the Grading Matrix. Grading Matrix basically has four grades which are Acceptable, Improvement Opportunity, Needs Improvement, and Zero Tolerance. These are graded to determine the compliance of code of conduct of a unit. After the grading is done the audit report is sent to the buyer along with the Code of Conduct for Manufacturers, List of Documents to be made available to the auditors who decides whether re-audit or follow up has to be done.

In case of Acceptable the follow up would be annually. If a unit is graded as Improvement Opportunity then the follow up would be within a period of 90-120 days. A follow up of 30-90 days is done in case of a unit being graded as Needs Improvement and 0-35 days follow up in case of Zero Tolerance.

#### 1.4.1 Phases of Audit

There are three main phases of compliance audit in India:

- Pre-audit: It includes planning and organising the audit; establishing the audit objectives, scope and etiquette; and reviewing the design of the program by inspecting documentation.
- On-site audit: It includes conducting personnel interviews, reviewing records, and making observations to assess program implementation.
- Post-audit: It includes briefing the management on audit findings, and preparing a final report.

Therefore, Indian apparel manufacturers need to follow Government guidelines, and social compliance standards not only within their sphere of operations, but also insist their vendors, distributors, and other collaborators involved in the supply chain to do the same.

#### 1.4.2 Quality Assurance

Process of quality inspection is carried out in two stages as explained below:

- Pre-production
- In-process

After the inspection package file is complete it is sent to the quality assurance department and this file is used as a document checklist for inspection audits. The quality assurance audits are done in two stages, namely:

- Pre-production audit: In this stage a pre-production meeting is carried out where the quality assurance officer, merchandiser and the vendor share the details of the products to be manufactured, size of shipment, delivery dates, etc. In this meeting the vendor specifies the number of lines to be allotted for the order and the number of pieces to be produced per line. Accordingly a date is specified for completing the order. Approximately

an order of 200-300 pieces per 100,000 pieces, is given at an initial stage. This order will include pieces from the complete size range (for that season). It's done to correct any pattern errors or an alteration in sizes for a better fit. There is scope for change at this stage without incurring major loss of money, time, fabric, labour, etc. After these specifications are finalised the bulk order is given.

- In-process audit: Once the production of season's line starts a 'Pilot Visit' is made by the buyer. He evaluates the merchandise by taking some specific measurements of the product and by visual evaluation. In the inspection procedure random sampling is carried out and a specific number of samples are taken for evaluation.

In the sample selected an Acceptance Quality Level is defined which gives a specific number of defects which will be acceptable in a particular shipment. Defects above A.Q.L. will result in cancellation of the complete shipment.

## 2. Material and Method

To establish the relevance of compliances in a readymade garment industry and to study the setup of a unit for evaluation of implementation of compliances, a case study was done. For this case study an audit was conducted to evaluate the unit and check its level of compliance. The collected data was substantiated by primary data via interviews and observations. Business manager for audits and compliance team members along with an Assistant director for quality assurance from a reputed brand, were referred to for information regarding existing state of compliances in the readymade garment industry.

## 3. Results and Discussion

### 3.1 Tracing the changes in the compliances of the garment export sector in the last decade

In this phase senior and assistant managers (social and environmental responsibility) of a renowned brand, were interviewed to record the evolution of compliance.

Garment is one of the many labour-intensive sectors that provide a gateway for developing countries for entering into the global market. The concept was introduced initially in labour intensive areas such as readymade garment manufacturing units. When export orders were delivered issues regarding labour laws were raised, as there was a prevalent problem of child labour in India. Many U.S. companies have included child labour in their code of conduct, due to persistent evidence of child exploitation in the Indian garment industry. Starting from labour laws eventually wages and benefits gained importance to prevent child labour exploitation.

In present scenario, health and safety of the employees and environment have gained momentum whereas quality has been an important measure throughout. Therefore, along with specific compliances being formulated for social issues, environmental compliances and standards for quality assurance also came into play.

There has been awareness of Corporate Social Responsibility (CSR) in the industry which has governed ethical issues since long. In the current scenario a demand for awareness about environmental compliance, product integrity and quality assurance has increased. All these compliances together in harmony serve as driving forces to deliver an ethical and a green product.

### 3.2 Categorizing the compliance issues in terms of areas of compliance

Business manager for audits, was interviewed to collect data on the various compliances and to categorize them under mandatory and non-mandatory compliance issues.

- Compliances that influence the society or people are termed as social compliances which deal with labour laws, wages and benefits, workplace, health and safety of the employees.
- To deliver an ethical product environmental safety compliance is important to ensure that the final product and the process involved in its manufacture has not harmed the environment.
- In functioning of any unit in a state or a country it is essential to abide with the legal laws of that country, to ensure legal authenticity, legal compliance is applicable.

#### 3.2.1 Social Compliance

Labour laws majorly deal with Child/Forced Labor, Discrimination, Discipline, Harassment/Abuse, Freedom of Association, and Labor Contracts. Factories shall employ only workers who meet the applicable minimum legal age requirement or are at least 14 years of age, whichever is greater. Factories must also comply with all other applicable child labor laws. Factories are encouraged to develop lawful workplace apprenticeship programs for the educational benefit of their workers, provided that all participants meet the minimum legal age requirement. Factories shall not use any prison, indentured or forced labor. Workers are free to choose whether or not to lawfully organize and join associations. The factory does not threaten, penalize, restrict or interfere with workers' lawful efforts to join associations of their choosing.

Wages and benefits cater to wages and benefits being given to the employees and their working hours. Factories shall set working hours, wages and overtime pay in compliance with all applicable laws. Workers shall be paid at least the minimum legal wage or a wage that meets local industry standards, whichever is greater. While it is understood that overtime is often required in garment production, factories shall carry out operations in ways that limit overtime to a level that ensures humane and productive working conditions. Workplace, health and safety covers issues regarding general work facility, emergency preparedness, occupational injury, machine safety, safety hazards, chemical and hazardous material, dormitory and canteen facility and hygiene. Factories must treat all workers with respect and dignity and provide them with a safe and healthy environment. Factories shall comply with all applicable laws and regulations regarding working conditions. Factories shall not use corporal punishment or any other form of physical or psychological coercion. Factories must be sufficiently lighted and ventilated, aisles accessible, machinery maintained, and hazardous materials sensibly stored and disposed of. Factories providing housing for workers must keep these facilities clean and safe.

#### 3.2.2 Environmental safety compliance

The factory should have an environmental management system or plan and procedures for notifying local community authorities in case of accidental discharge or release or any other environmental emergency. Environmental safety compliance caters to proper manufacturing procedures and disposals to avoid any kind of harm to the environment in

terms of water; energy; hazardous materials, equipment and waste; radioactive materials, equipment and waste; air emission; noise emission; and sustainable production.

### **3.2.3 Product integrity and quality assurance**

Product quality compliance is an important aspect for an ethical final product. In product compliance the goal of product compliance is to insure regulatory requirements for safety are met. Product compliance is essential to make sure the quality standard and ethical manufacturing of the products. Further, it provides better standing in the competitive market along with the assurance of a good performance merchandise. Hence, it plays a vital role in enhancing the overall quality and performance of the product as well as good profit can be ensured.

### **3.3 Categorizing the compliance issues in terms of mandatory and non-mandatory issues**

Mandatory compliances as the name suggests are the ones which must be ensured by any manufacturer to be certified as compliant. These are issues which are essential and are important as a code of conduct for any manufacturer such as abiding with labour laws, wages, workplace, health and safety, environmental compliance and complete legal formalities. Non-mandatory compliances are the ones which can give a unit or a manufacturer an upper hand over the other compliant units. These compliances cater to various benefits, government policies, and schemes of salary incentives for employees, which can be availed by a unit. A unit is also compliant if they do not take advantage of such non-mandatory compliances but if followed they provide a better profile to the manufacturer in a competitive market.

## **4. Conclusion**

It can be concluded that awareness about compliances and being able to measure upto both mandatory and non-mandatory issues are going to be essential to make a place in the international markets. With globalization, export markets have expanded and has given it a fiercely competitive environment. To be certified as a compliant unit, the manufacturer will have to adhere to the codes of conduct for all the compliances. Therefore, to make a dent and establish niche markets the Indian garment industry has to consider not just product quality but also work towards socially and environmentally ethical product. The industry is now heading towards ethical green products which entails more than finished product quality but also considers methods of production, environment, and social benefits being provided to the employees.

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