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OF FINANCIAL TRANSFORMATION

SOCIAL

How could social audits be improved?
A problem with the “S” in ESG reporting

MINETTE BELLINGAN | CATHERINE TILLEY

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DEAR READER,

Welcome to edition 56 of the Capco Institute Journal of Financial Transformation, produced in partnership with King's Business School and dedicated to the theme of ESG – environmental, social and governance.

We all recognize that transformation towards a green economic system via sustainable finance is needed, welcome and inevitable. Our clients have a crucial role to play here. Acknowledging the scope and complexity of the evolving ESG landscape, we are perfectly positioned to prepare them for the ESG era.

With climate change accelerating and generating physical events on an unprecedented scale, governments and societies are considering measures to mitigate carbon emissions via net zero initiatives. The focus is firmly on greater sustainability and more equitable policies in response to shifting public attitudes. ESG considerations are reshaping investment risks on the one hand, and opening the way for green financing and sustainable technologies and innovations on the other.

This edition of the Journal examines all three pillars – environmental, social, and governance, highlighting efforts by regulators and practitioners to create a unified approach.

Moving forward, compliance with emerging ESG standards will be a critical differentiator for long-term business success. Data will also play a critical role in delivering the transparency and

insights required to validate the ESG credentials of businesses, and investment strategies. Advances in areas such as machine learning, artificial intelligence and cloud technologies will be key to establishing a future model of sustainable finance.

This edition draws upon the knowledge and experience of world-class experts from both industry and academia, covering a host of ESG topics and innovations including the value of tracking Return on Sustainability Investment (ROSI) and the importance of moving away from purely external risks to addressing issues that can have positive commercial and societal impacts.

I hope that that the research and analysis within this edition will prove valuable for you as you shape your own ESG strategies, policies, and innovation.

Thank you to all our contributors and thank you for reading.

A handwritten signature in black ink, appearing to read 'Lance Levy', with a stylized, flowing script.

Lance Levy, Capco CEO

HOW COULD SOCIAL AUDITS BE IMPROVED? A PROBLEM WITH THE “S” IN ESG REPORTING

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ABSTRACT

Every year, major brands commission hundreds of social audits to check conditions in their supply chains. Yet, unsafe or unethical labor practices persist. Work to address this problem has tended to focus on developing a framework for social sustainability or creating ever more different audits, codes of conduct, and checklists, rather than engaging with the people affected by working conditions – the factory workers themselves. In this article, we review a case where digital diaries were used to understand what matters to factory workers, considering how our insights might be used to improve the quality of social audits.

1. INTRODUCTION

With the increasing emphasis on environmental, social and governance (ESG) reporting, more companies now face the prospect of reporting to investors on the social conditions in their global supply chains. Consumers have been voicing concerns about global working conditions for more than 30 years, with scandals ranging from New York Times revelations in the 1990s of abusive labor practices in Indonesian factories in Nike's supply chain [Porter and Kramer (2006)] to the tragic collapse of the Rana Plaza factory complex in Bangladesh in 2013. Growing media interest in these issues has led to many other reports of unsafe working conditions or unethical labor practices. In December 2021, U.S. NGO China Labour Watch reported multiple violations in a factory manufacturing printer consumables for major brands. Violations undermined workers' rights, their wellbeing, and their physical health and safety. Amazon, an organization employing an in-house social responsibility team and very frequently conducting audits in supplier factories, has recently faced allegations of poor wellbeing among under-aged workers pressured to work excessive hours in the already notorious Foxconn factory [China Labor Watch (2021)]. That the government was complicit in the use of these alleged interns and the whistleblower was subsequently imprisoned [China Labor Watch (2022)] illustrates an additional layer of complexity to

issues in Chinese factories, where the imbalance of power and threat of retaliation can be severe. This has led to a focus on managing the reputational damage caused by poor conditions in supply chains.

Yet, we should aspire to more than simply a reduction in harm. U.N. Sustainable Development Goal 8 (SDG8) commits us to the pursuit of “decent work and economic growth”. Creating socially sustainable supply chains is an important step toward this goal. Academic work on the topic has focused on creating an ethical framework [Beamon (2005), Manners-Bell (2017)] to encourage social as well as environmental sustainability in supply chains, but much has been stymied by a lack of accurate information about factory conditions [Köksal et al. (2017), Egels-Zandén et al. (2015), Locke et al. (2009)].

Finding out what is happening in remote and complex supply chains is difficult. Data on factory conditions is generally collected using a combination of surveys and observation. While these methods are well-established, they are problematic because they simply do not give an accurate picture of what is going on. A factory is a living system. Most audits work by focusing on single points of observable data, meaning they often miss critical information at this systemic level, particularly about the social sustainability of that factory. To look inside the **black box** of a Chinese factory, we need to develop alternative methods.

Both in the development of theory and in industry benchmarking, the concerns of Chinese factory workers have been omitted from discussions of social sustainability. Although they are both most affected by their own working conditions and in the best position to provide insights, little research has engaged with them directly. We, therefore, set out to listen to these workers and to explore their working conditions from their own perspectives. By adapting a proven longitudinal, qualitative research technique, which had already been found useful at scale and with people who would otherwise be hard to reach, we were able to overcome the barriers to hearing from and about these workers. Our combination of traditional diary research techniques with a social media platform produced a large volume of rich data, enabling us to hear their authentic voices.

In this paper, we contrast typical audit methods with this novel approach to data collection to consider how we might improve our understanding of conditions in complex supply chains. We present a case study showing how our method was used to reveal the concerns and frustrations of factory workers, then comment on its suitability as an alternative to audits, concluding with three concrete suggestions for improving supply chain transparency.

2. WHY DON'T AUDITS WORK?

While there is a growing body of academic literature pointing out the failures of audit-based monitoring [LeBaron et al. (2017)], most academic attention has focused on trying to create frameworks for social sustainability [Beamon (2005), Manners-Bell (2017)]. Meanwhile, there are significant methodological problems associated with uncovering the day-to-day realities of conditions in Chinese factories. Consequently, companies tend to use social audits, often via third parties, to understand the risks they face from poor factory conditions [Egels-Zandén et al. (2015), Freise and Seuring (2015)]. Typically, an audit is conducted on a single site visit, using a checklist and observation to see whether a factory is meeting some agreed criteria. For example, an auditor might check that fire doors or fire extinguishers are installed, or that the factory temperature is within a specified range.

These audits – although well-intentioned and to an extent useful – are necessarily limited in their ability to create a real understanding of a factory's working conditions. An array of different standards and codes of conduct have been created by individual buyers, auditing firms, and industry groups. With

no agreed code of employee wellbeing to form a standardized baseline for social observations [Locke (2013)], data from third-party auditors may be based on any of these. While not unreasonable, their criteria also tend to favor objective data that can be collected through simple observation.

This is understandable. Wellbeing is difficult to observe or rank. There are also structural barriers to collecting reliable data. To truly understand a worker's wellbeing, auditors would need to enquire about personal matters – such as feelings of safety – about which it may be difficult for workers to be honest. Given the imbalance of power between the observer and observed [Sinkovics et al. (2016)], interviewees are unlikely to feel comfortable accurately describing any negative effects of their workplace. Alternative methods such as ethnography or covert observation might uncover this information but are difficult and time-consuming, and so are rarely used by researchers and not at all by auditors.

Another significant limitation of audits' attempts to understand factory life is that survey and observation methods are both time-limited: they tend to take a measurement at a single point in time. Wellbeing is an ongoing process. A factory is a dynamic system and single point observations of physical characteristics cannot always tell us much about that system and its effects on individuals. Having a fire door and a fire extinguisher would count as positives in a conventional audit. But if the fire extinguisher is habitually used to prop open the fire door, the system will still fail in the event of a fire.

This combination can lead to a “ritual of compliance” [Locke (2013)] in which management focuses on providing auditors with acceptable data. Managers may coach interviewees to provide certain specific information [Sinkovics et al. (2016)], creating a situation where a factory can receive a satisfactory audit report while remaining an unsafe working environment. Only more qualitative, longitudinal data would provide an understanding of the actual conditions in a factory [Egels-Zandén (2014)].

Finally, there is a problem with reading audits. Companies' compliance departments will focus on a factory that fails an audit, taking urgent remedial action. This approach is not useful for identifying near misses or developing good practice; it perpetuates the emphasis on compliance rather than supporting improvement. Factories achieving very good results will be overlooked, despite the fact that these may have been achieved by **gaming** the system on audit day or might even be the outcome of bribes or other compliance failures.

These factors produce a system in which decisions are based on superficial observations, rather than a deeper systemic understanding. Furthermore, the people social audits are designed to help – the factory workers themselves – are not involved in either defining what constitutes a good factory or providing the data to help their factory to improve. Audits, while they have certainly uncovered severe safety issues or illegal labor practices, leading to substantial improvements in many cases, were not designed to promote decent work. We, therefore, set out to find a research method that would allow us to provide a more useful understanding of factory conditions, by capturing workers’ daily experiences direct, in real time but away from the influence of researchers, managers, or auditors.

3. ADAPTING DIARY RESEARCH FOR A CHINESE FACTORY SETTING

Chinese factories are difficult research environments. They can be noisy or crowded. Migrant workers are often housed in dormitories with colleagues so there is relatively little quiet or privacy. Levels of literacy are variable. We had to bear all these factors in mind when planning our research. After reviewing a range of data collection methods (including surveys, interviews, focus groups, and ethnography), one that seemed particularly promising was diaries. Diaries are self-report instruments that can be used to “examine ongoing experiences” and “to investigate social, psychological, and physiological processes within everyday situations” [Bolger et al. 2003]. Elliott (1997) describes diaries as “a substitute for accurate scientific observation, in settings from which the scientist is absent.” We, therefore, decided to explore their potential to address some of the problems identified with conventional audits and to provide a more accurate insight into life in a Chinese factory. We sought to gain a far deeper understanding of what working in a factory is really like by replicating real diaries, like those documenting the medical histories of patients, “the throes of adolescent angst, literary legacies of writers [or] private worlds of politicians” [Taylor and Taylor (2003), Patterson (2005)].

3.1 Potential benefits of diary research

Existing studies have used diaries in the work environment to seek to understand emotions [Bono et al. (2007)], social interactions [Tschan et al. (2005)], and work-life balance stress [Ilies et al. (2007), Jones et al. (2007), Sonnentag et al. (2008)]. However, to our knowledge, diary research had not previously been used with Chinese factory workers. **Digital diaries** have specific characteristics that we thought would also be relevant in that setting.

These include:

- **Longitudinal data:** one limitation of existing studies on Chinese factory workers is that they tend, like audit reports, to be based on data gathered at single points in time. Diaries are by definition longitudinal. Diary analysis is popular in the healthcare industry, where chronological data is necessary to understanding the development of an illness or the process of recovery. We believed that by providing longitudinal data, diaries, unlike audits, could potentially provide useful insights into gradual changes in a factory.
- **Close to real time:** unlike interviews, which tend to rely on remembered incidents, diaries can supply qualitative data on current experiences. Traditionally, interviews discuss events from a past that may be far removed. Daily diaries limit the hindsight to the previous day. New technologies have moved diary reporting even closer to real time. In a clinical study using mobile phones and diary research methods with those at risk of HIV or STIs, Hensel et al. (2012) emphasize that one of the strengths of digital self-report for hard-to-reach populations is the ability of the participant to “self-administer” a survey or diary entry, “in their own environment, as close to the occurrence [...] as possible.” By allowing reporting in real time, mobile phone data collection can remove retrospective recall error [Reid et al. (2009), Sternfeld et al. (2011)]. Jacob et al. (2012) found that mobile phone diaries had higher rates of completion than paper diaries. Reid et al. (2009) emphasized the real-time capabilities of mobiles by having subjects in their study answer four brief surveys at random times throughout the day. The random timing kept the diary from becoming so habit-forming that answers became uniform regardless of daily stimulation. As well as moving the recording closer to real time, electronic methods can move the research analysis closer to the actual events being recorded. One drawback of paper diaries is a need for the researcher to receive the diary from the diarist in order to commence analysis, meaning it cannot begin until the end of the study. With e-diaries, all data is immediately available, allowing a researcher to analyze the data while it is being collected, and so respond to any problems arising during the process.
- **Candid disclosure:** because diary methods do not involve direct interaction with a researcher, people may find it easier to share sensitive data. Diaries are often used in healthcare settings for this reason. Although factory workers do sometimes speak to social-compliance auditors, they may self-censor in these discussions,

fearing repercussions if they share negative information or views. Our own experience of interviewing factory workers was that they were nervous and not particularly forthcoming. Diaries do not involve this direct interaction and can be completed by the diarist in their own time and choice of space. This can lead diarists to open up and share more candidly. Gibson et al. (2016), who gained new insights into the lives of teenage cancer patients using video diaries, found that “studying at a distance allowed [them] to enter more fully the world of young people through observations in the field.” It became clear to us that there were deliberate choices to be made in our research design with implications for the relationship between the observer and the observed.

- **Alternative data types:** the choice of data type can also improve inclusion in diary studies. Written diaries, even if electronic, are only useful for researching literate populations. Photo diaries are often used in social research, particularly in communities facing sensitive social issues [Padgett et al. (2013), Allen (2011), Keremane and McKay (2011)]. Our use of audio recordings meant people who would have been unable to participate in traditional diary research could be included.
- **Hard-to-reach populations:** sometimes known as hidden populations, these are populations requiring sensitive research methods. They can be difficult to access through surveys [Muhib et al. (2001)]. In some cases, a particular diary method is not feasible because of illiteracy or the inability of the participants to use the technology. New technologies, such as smartphones, can make it easier to reach out to these populations [Murray (2014), Kayrouz et al. (2016)], allowing diaries to become a multifaceted tool, both facilitating access to hard-to-reach populations and offering them more control over their representation in research.
- **Effect on the diarist:** the practice of reflecting regularly has a therapeutic impact on the diarist. Bartlett (2012) who used diaries to track the progress of dementia, found the act of keeping a diary to be edifying to the patient’s personal identity and sense of self. It also allowed them to participate in her study first-hand [Bartlett (2012)]. Engin (2011) reports on a study that incorporated such qualitative information as “reflection” and “inner dialogue” to indicate changes in belief and practice.
- **Relatively low cost:** using digital diaries minimizes field study costs by enabling the researchers to remotely access the population studied [Palen and Salzman (2002), Bolger et al. (2003)].

These combined properties would directly address the weaknesses in the information collected through conventional audit in Chinese factories, enabling us to gather longitudinal data, direct and in confidence, from a hard-to-reach population, without incurring excessive costs. We, therefore, decided to experiment to see how diary methods could inform us about their real experiences at work.

4. OUR METHOD

We developed and applied our new protocol across two phases of research, both following the same essential design principles. During the first, a 100-day pilot at a single factory, we gathered 1,920 digital diary entries from a group of 82 workers to test the basic protocol. The second phase was a year-long study that included three more factories. This produced 16,390 diary entries from 466 workers.

4.1 Recruiting the diarists

This research was only possible with the cooperation of the owners and management of our host factories. All four factories were producing consumer goods for international brands. Two were in Tier-1 cities, and two in rural villages. All routinely audited, they were chosen because they did not appear to have significant issues such as safety violations or use hazardous materials. This meant the research could focus on the wellbeing, rather than the basic physical safety, of their workers. The factory managers understood the research and had agreed to allow workers to participate freely, without any worker-level data or identifying information being shared with them. However, to create an incentive for management to give permission for this work, we agreed to share broader insights about how they could improve their efficiency, worker retention, and social risk management.

All the workers in each factory were invited, using a workplace poster, to participate in the study, which was entirely voluntary. Anyone expressing an interest was allowed to participate. Workers were genuinely surprised that researchers would be interested in their wellbeing. They were almost shocked that they might be asked about their feelings, only expecting such enquiries from their mother or a grandmother or teacher. A Chinese labor rights NGO would consult on the research throughout, helping to bridge any such cultural divisions between researchers and diarists. Role-play was used to help workers become more comfortable with the idea, and we ran a 20-day start-up program at each factory in the main study to get them used to the process and iron out any problems. Volunteers were interviewed face-to-face at their factory to explain the approach to confidentiality and ensure they were

giving informed consent. This also enabled us to ensure that participants were genuine factory workers and reasonably representative of the factory’s population. Since workers would continue to volunteer throughout the year-long study, each new diarist was sent a short electronic survey allowing them to sign up via WeChat, and later interviewed by the researcher during a visit to their factory to ensure the integrity of this process.

4.2 Collecting the data

Although literacy rates were variable, all our participants had smartphones, which are ubiquitous in China. We asked them to leave a daily voice message sharing what had made them happy or unhappy that day, or anything else they wanted to share about their wellbeing. Messages were left using WeChat (Chinese: 微信; literally: micro-message), a Chinese multi-purpose social media application. We chose WeChat because it is the most popular method of communication, shopping, and information sharing in China, with more than a billion active users monthly. We were, therefore, confident that the diarists would find the technology easy to use. As well as handling voice (and other) messages, WeChat also allows users to create communities where they can post information. Its built-in instant translation tool allows an English-speaker to chat to someone speaking one of China’s many languages. Like similar platforms, it is censored and monitored in China.

Diarists were asked to contribute daily, even during holidays and days off, both for continuity and in the hope that diary-keeping would become a normal ritual, leading to more open and useful content. They were allowed to leave their messages whenever they felt like it, so that they could choose moments that were convenient or private. They found it relatively easy to find a suitable time and place to talk briefly into their phone, making the research protocol inclusive and very direct.

4.3 Training and engagement

Throughout both studies we held check-ins at each factory to ensure continued engagement with the process. During the initial interviews we had asked the diarists about their interests. We visited the factories regularly and held group meetings during these visits, working with local partners to provide activities that would be of interest to the diarists, such as training sessions on childcare, personal care and health, cooking, and tailoring. We also created a WeChat group to create a sense of community and keep interest high. There were daily posts for workers to read and comment on, with subjects including advice on personal care, nutrition or health, motivational messages, and general interest topics. This became a very active part of the study.

4.4 Data management and analysis

This research process provided a significant volume of qualitative data, more than 18,000 diary entries across the two studies. This gave us a very rich, largely unfiltered, insight into the lives of the factory workers, including their thoughts and feelings, joys and sorrows. Many of the diary entries were about issues that are not relevant from a managerial point of view: people told us about what they had been eating, about the weather, and – to our surprise – about their romantic hopes. Excluding these entries still left us a very large volume of data about factory life to classify. For the main study we developed automated analysis that tracked themes emerging as significant and also monitored worker sentiment. This allowed us to build a picture of what mattered to the diarists in their work and how they were feeling from day to day.

4.5 Safeguarding

Working with diaries is sensitive, confidential work in any setting, and we needed to pay this particular attention in designing our research. In any diary study there is an ethical question about whether to intervene if a diarist reveals that they are at risk or could be a risk to others. In particular, we were concerned about the government monitoring of WeChat and previous suicides in other Chinese factories.

We took multiple steps to manage this risk. First, we worked with factories where we knew that basic safety precautions were already in place, which limited the risk of our having to act as whistleblowers. Second, we made sure that diarists had all given informed consent for the recording and analysis of their diaries, and understood their right to leave the research at any point (many diarists did withdraw for a range of reasons including changing jobs or simply not enjoying the process). Third, we had a rigorous data-management plan, including a protocol for separating information about diarists from their diaries. Each was given a number and an animal name so that they could chat in the social media group without confidentiality concerns.

We also worked closely throughout with a Chinese labor rights NGO. Diarists consented to the NGO confidentially reviewing their diaries to ensure their safety, and contacting them if necessary, without that information being disclosed to anyone else. The NGO’s head office is within four hours’ travel from any of the factories, meaning they could provide immediate support in any emergency. While making these adjustments to a typical diary study allowed us a unique insight into life in a Chinese factory, it also made us confront the realities of researching in this environment.

5. LEARNINGS AND LIMITATIONS

Our approach was almost diametrically opposed to that of a conventional audit in three critical ways. First, it was intimate and relational. Audits are designed to be objective and employ relatively unobtrusive observation processes. Our study was deeply embedded in the daily life of the factory over an extended period. Second, it was trying to find an unknown. While audits are designed to look for specified things – a missing fire extinguisher, evidence of safety protocols being followed – diaries are based on the fundamental question of grounded theory: “What is going on here?” [Strauss (1967)] and so are open-ended in their approach. Third, it was holistic. By immersing ourselves deeply in the lives of workers, we began to understand what was important to them, rather than checking for what might be important to factory managers or consumers. Our method brought the voices of the workers into the discussion about their own wellbeing rather than focusing on limiting risk to their customers.

While our findings from this study are reported in more detail elsewhere [Bellingan et al. (2020)], our most important finding was that if they were not in immediate danger, the diarists were less concerned about the physical conditions in their factories than about smooth working relationships and the efficient operation of factory systems.

But could this approach replace audits? We see some fundamental barriers to adopting diary methods as a routine way of monitoring the wellbeing of factory workers. Critically, this approach required high levels of trust between the researchers and factory management, and the researchers and diarists. If we had not invested significant time in relationship-building, we would not have obtained either access or honest data. Such relationships cannot be built through the transactional, arm’s length approach of a traditional, third-party audit. Diary research requires a much more cooperative, long-term working arrangement. This method also requires people to learn. Our diarists had to learn how to record their diary entries, and we noticed that over time their reports offered more insights into factory life (and included fewer observations about the weather).

The authors of other diary studies report that the process of reflection changes people. This was our experience, too. As one diarist said: “It’s improved my ability to face challenges as I feel I can talk about my frustrations. It’s been really helpful, interesting, and enjoyable. Mostly, I feel I’m not alone.”

“

By immersing ourselves deeply in the lives of workers, we began to understand what was important to them, rather than checking for what might be important to factory managers or consumers.

”

The diary method can, therefore, be an intervention as well as a diagnostic.

We were fortunate that our research did not raise any serious safeguarding issues, but this work is not risk-free for a researcher, either. There is a degree of emotional labor involved in developing a trust-based relationship with people who are separated from you by time, space, and language. There is also a paradox: by adopting an approach that is deliberately distant from the research participants, we became much more intimately acquainted with their lives [Gibson et al. (2016)]. Regular exposure to other people’s personal lives creates pressures. It challenges the role of the researcher as an independent observer and makes unexpected emotional demands on top of the day-to-day operational demands of data management and analysis. Despite these challenges, we did find that the process – though imperfect – was extremely enriching and produced data not accessible to us through any other means.

Finally, we believe this approach could be ethically problematic for a conventional audit organization. We were able to obtain privileged access because all parties saw us as on their side, and indeed, we were prepared to act that way. For example, no factory was at risk of losing a substantial contract based on our findings. However, auditors are necessarily employed to act on behalf of a client, and to provide an objective inspection regime. This seems incompatible with our highly relational approach.

6. CONCLUSION – WHAT NEXT FOR AUDITS?

How can this experience advance us toward U.N.’s Sustainable Development Goal 8 (SDG8)? Both our method and findings were in stark contrast to those of the usual factory audit. The research process was essentially cooperative: our findings helped the factories to reduce rework and improve worker retention, while also improving the overall mood of our diarists. Thus, we were able to demonstrate that there are win-wins to be had for factories that work effectively on worker wellbeing [Bellingan et al. (2020)]. Diarists who were safe at work were concerned much more about the efficient operation of the factory and smooth working relationships than about physical conditions. Audits designed to limit the risk to customers are not focusing on what matters to create decent work in factories.

What, then, can we draw from this to improve audits? Based on our insights, we propose three changes to social audit procedures that would benefit workers, factories, and customers. These work in concert: they address systemic aspects of the problem, and so adopting individual recommendations may not achieve the required effect.

First, auditors need to move away from their tick-box culture. As we have seen, simply having the components of a fire-prevention system – the extinguisher, the fire doors, and so on – does not protect workers from fire unless they are effectively used together. This means that we need to develop auditors who can view the factory and its workers as a socio-technical system and consider not only the presence or absence of critical elements, but also their interaction.

Second, we need to change the questions that are asked. Despite the fact that demand for audits grew following the suicides at Foxconn [Chan (2022)], these are still largely focused on physical safety and do not attempt to assess psychological wellbeing or quality of life at work. The diaries we collected suggest that social interactions are a very important aspect of factory life [Bellingan et al. (2020)]. Changing the approach to audit to consider the quality of these interactions could make a significant improvement to the wellbeing of workers. Indicators could include levels of staff attrition and staff training, or evidence that supervisors have been trained in effective management.

There might also be opportunities to do more to integrate the true voices of workers into audits. We recognize that diary methods create a huge analytic burden, but we see the potential to simplify this method to allow for pulsechecks

to see how the workers are experiencing factory life. With participants’ anonymity and voluntary status preserved, diary frequency could be reduced to weekly or monthly, perhaps with more frequent mood-checks in which workers simply choose from a preset range of emojis to instantly indicate a sentiment. By using push messages to prompt this input, the responsibility for cadence could be moved to the auditor. The technological aspects of our approach could perhaps be developed to further automate translation, keyword analysis and some coding, data consolidation and analysis. This would lose the richness of the diary data and the depth of understanding gained from our more qualitative analysis, effectively producing only more limited, quantitative data, but an overall sentiment could be captured and processed to easily highlight spikes, while diary content might illuminate the nature of the change. Insight quality might be improved by starting with more in-depth diary-keeping and analysis during an initial six months, after which a factory could graduate to this lighter pulse check as a permanent mechanism.

Third, companies could reconsider the ways in which they use audits. At the moment, the typical approach is deficit-based: the audit is there to limit potential damage, rather than to create improvements. While, of course, it is important to act immediately to remove labor abuses or physical harm, we believe that factory audits can also be used to improve workers’ wellbeing and a factory’s performance. Companies could potentially use their monitoring mechanisms to build stronger working relationships with supplier factories, who in turn might find it easier to retain workers in a shrinking labor market. There are opportunities to turn audits into a benefit for everyone.

Supply chains can never be socially sustainable while the people working in factories are ignored as stakeholders and excluded from the debate. Unless businesses learn what impacts the wellbeing of the workers in their suppliers’ factories, they will continue to overlook the social impacts of global supply chains on the people within them. After decades of auditing, they will still be unable to meet their commitment to providing the transparency required by stakeholders. By implementing these changes, and listening to the voices of workers, companies can build a much stronger understanding of their social impact and develop pathways to improve it. This not only produces good outcomes for factories, brands, and workers, it also enables better transparency and progress towards SDG8. All factory workers have a right to decent work: changing the way in which we conduct social audits could make this an achievable goal.

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