

The Labour and Human Rights Issues in Sri Lankan Global  
Supplier Companies of UK Multinationals: The Influencing  
Factors

Chandima Hettiarachchi  
M00293523

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Chandima Hettiarachchi

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**Abstract**

This thesis focuses on analysing the labour and human rights (L&HR) issues in Sri Lankan supplier companies of UK multinationals (MNCs) and the influencing factors that shape such issues. It specifically examines the influences of global value chain (GVC) governance structures, institutional forces and legitimacy seeking intentions of MNCs on L&HR issues in garment, rubber and tea sectors. The thesis is based on three theoretical domains; Global value chain framework, Institutional theory and Legitimacy theory. It uses a qualitative research methodology discharged through three stages. First, mapping of GVCs with investigatory methods, second, a case study analysis of L&HR issues based on interviews and third, an analysis of corporate social responsibility (CSR) reports by MNCs using content analysis. Data were analysed in an evaluative manner to arrive at the findings. The findings showed that the three sectors have different GVC governance structures which influence the sector-specific L&HR issues differently. The common L&HR issues were low wages, forced labour, job insecurities and violation of freedom of association. They were found to be influenced by different levels of institutional fields in political, legal, regulatory, socio-cultural and religious aspects. CSR reporting by MNCs was found to be focussing on positive aspects (legitimising) while lacking information on fundamental L&HR issues leaving a gap between the reporting and reality. The findings reinforce and supple the concepts of the three theoretical domains. The contributions include evaluating the influence of GVC governance structures on L&HR issues, analysing L&HR issues particularly in plantation sectors in Sri Lanka and identifying the gap between CSR reporting and

reality. Influences of paternalism, religious humanitarianism and religious fatalism on L&HR issues were identified too. The influential factors and their interactions are complex where GVC governance structures, institutional influences in UK and SL and legitimacy seeking behaviour of MNCs all affect workers on the ground level. The most influential factors, however, are specifically connected to local social, cultural and religious norms which seems to override the voluntary governance mechanisms of MNCs and any local laws or regulations. The thesis calls for future research and policy implications that would enable holistic and integrated approaches (at both national and transnational levels) to alleviate the L&HR issues.

**Key Words: Global Value Chains, Multinational Companies, Corporate  
Social Responsibility, Labour and Human Rights Issues, Sri Lanka,  
Legitimacy, Institutional Environment**

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## Table of Contents

<b>Chapter 1: Introduction</b>	<b>1</b>
<b>1.1 Introduction</b>	<b>1</b>
<b>1.2 Theoretical Background</b>	<b>3</b>
<b>1.3 Significance of the Study</b>	<b>7</b>
<b>1.4 Research Gaps</b>	<b>11</b>
<b>1.5 Research Questions and Research Objectives</b>	<b>15</b>
<b>1.6 Research Methodology and Methods</b>	<b>19</b>
<b>1.7 Layout of the Thesis</b>	<b>21</b>
<b>Chapter 2: Literature Review</b>	<b>23</b>
<b>2.1 Introduction</b>	<b>23</b>
<b>2.2 Background for the Global Supply Chains and Labour Issues</b>	<b>24</b>
<b>2.2.1 Globalization and Multinational Companies</b>	<b>24</b>
<b>2.2.2 Global Value Chains and their Shifting Governance Patterns</b>	<b>29</b>
<b>2.2.3 Labour Exploitation in GVCs</b>	<b>37</b>
<b>2.3 Institutional Theory and Corporate Social Responsibility</b>	<b>40</b>
<b>2.3.1 ILO and UN</b>	<b>45</b>
<b>2.3.2 Institutional profile of UK</b>	<b>47</b>
<b>2.4 Accountability of MNCs and CSR</b>	<b>51</b>
<b>2.4.1 Accountability</b>	<b>51</b>
<b>2.4.2 Legitimacy Theory and CSR reporting</b>	<b>56</b>
<b>2.5 Summary</b>	<b>59</b>

<b>Chapter 3: Background of Sri Lanka as a Global Supplier and its</b>	
<b>Prevailing Labour and Human Rights Issues</b>	<b>61</b>
<b>3.1 Introduction</b>	<b>61</b>
<b>3.2 History and Background</b>	<b>61</b>
<b>3.3 Export Industry in Sri Lanka</b>	<b>64</b>
<b>3.3.1 FDI in Sri Lanka</b>	<b>66</b>
<b>3.3.2 Major Sectors Contributing to the Global Value Chains</b>	<b>68</b>
<b>3.3.2.1 Garments and Textiles</b>	<b>70</b>
<b>3.3.2.2 Rubber</b>	<b>73</b>
<b>3.3.2.3 Tea</b>	<b>74</b>
<b>3.4 Labour Issues in Sri Lanka</b>	<b>77</b>
<b>3.5 Institutional Environment</b>	<b>81</b>
<b>3.5.1 Political Environment</b>	<b>82</b>
<b>3.5.2 Legal Environment</b>	<b>82</b>
<b>3.5.3 Socio-Cultural Environment</b>	<b>85</b>
<b>3.5.3.1 Paternalism</b>	<b>89</b>
<b>3.5.3.2 Religious Humanitarianism</b>	<b>91</b>
<b>Research Questions</b>	<b>93</b>
<b>Summary</b>	<b>99</b>
<b>Chapter 4: Research Methodology and Methods</b>	<b>100</b>
<b>4.1 Introduction</b>	<b>100</b>
<b>4.2 Research Methodology</b>	<b>100</b>

<b>Structuration Theory and Reflexive Methodology</b>	<b>105</b>
<b>4.3 Research Methods</b>	<b>108</b>
4.3.1 Stage 1	110
4.3.2 Designing of the Interview Questionnaires	114
4.3.3 Stage 2	119
4.3.4 Stage 3	126
<b>4.4 Summary of Research Methodology and Methods</b>	<b>132</b>
<b>Chapter 5 (Stage 1, R.Q.1): Governance Structures and Mapping of Global Value Chains (Between UK and Sri Lanka)</b>	<b>134</b>
<b>5.1 Introduction</b>	<b>134</b>
<b>5.2 Governance Structures and Related Labour Issues in Garment Sector Global Value Chains</b>	<b>134</b>
5.2.1 Garment Sector Governance Structures	134
5.2.2 Labour Issues Associated with the Governance Structures of the Garment Sector Value Chains	139
<b>5.3 Governance Structures and Related Labour Issues in Rubber Sector Global Value Chains</b>	<b>143</b>
5.3.1 Rubber Sector Governance Structures	143
5.3.2 Labour Issues Associated with the Governance Structure of the Rubber Sector Value Chains	148
<b>5.4 Governance Structures and Related Labour Issues in Tea Sector Global Value Chains</b>	<b>150</b>
5.4.1 Tea Sector Governance Structures	150
5.4.2 Labour Issues Associated with the Governance Structures of the	

<b>Value Chains in Tea Sector</b>	<b>151</b>
<b>5.5 Summary</b>	<b>153</b>
<b>Chapter 6 (Stage 2, R.Q. 2 and R.Q.3): Labour and Human Rights Issues in Sri Lanka and the Influences of Institutional Factors</b>	<b>155</b>
<b>6.1 Introduction</b>	<b>155</b>
<b>6.2 Garments Industry</b>	<b>157</b>
<b>6.3 Rubber Industry</b>	<b>184</b>
<b>6.4 Tea Industry</b>	<b>210</b>
<b>6.5 Summary</b>	<b>235</b>
<b>Chapter 7 (Stage 3, R.Q.4): Extent of CSR Reporting by Multinationals and the Differences between Such Reporting and the Actual Labour Practices in Sri Lanka</b>	<b>236</b>
<b>7.1 Introduction</b>	<b>236</b>
<b>7.2 Next plc.</b>	<b>238</b>
<b>7.2.1 Content analysis of the CSR reports of Next plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects</b>	<b>240</b>
<b>7.2.2 Content analysis of the CSR reports of Next plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects</b>	<b>245</b>
<b>7.3 Marks and Spencer plc.</b>	<b>251</b>
<b>7.3.1 Content analysis of the CSR reports of Marks and Spencer plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects</b>	<b>252</b>



<b>7.3.2</b>	<b>Content analysis of the CSR reports of Marks and Spencer plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects</b>	<b>254</b>
<b>7.4</b>	<b>Tesco plc.</b>	<b>259</b>
<b>7.4.1</b>	<b>Content analysis of the CSR reports of Tesco plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects</b>	<b>260</b>
<b>7.4.2</b>	<b>Content analysis of the CSR reports of Tesco plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects</b>	<b>262</b>
<b>7.5</b>	<b>Sainsbury's plc.</b>	<b>268</b>
<b>7.5.1</b>	<b>Content analysis of the CSR reports of Sainsbury's plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects</b>	<b>269</b>
<b>7.5.2</b>	<b>Content analysis of the CSR reports of Sainsbury's plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects</b>	<b>271</b>
<b>7.6</b>	<b>Summary</b>	<b>276</b>
	<b>Chapter 8: Discussion, Conclusion and Contributions</b>	<b>278</b>
<b>8.1</b>	<b>Introduction</b>	<b>278</b>
<b>8.2</b>	<b>GVC governance structures in garment, rubber and tea sectors and their influencing effects on labour and human rights issues</b>	<b>278</b>
<b>8.2.1</b>	<b>Garment Sector</b>	<b>278</b>
<b>8.2.2</b>	<b>Rubber Sector</b>	<b>285</b>
<b>8.2.3</b>	<b>Tea Sector</b>	<b>289</b>

<b>8.3</b>	<b>Labour and human rights issues in garment, rubber and tea sectors and the effect of institutional forces</b>	<b>292</b>
<b>8.3.1</b>	<b>Garment Sector</b>	<b>292</b>
<b>8.3.2</b>	<b>Rubber Sector</b>	<b>293</b>
<b>8.3.3</b>	<b>Tea Sector</b>	<b>295</b>
<b>8.3.4</b>	<b>Influence of Institutional Factors</b>	<b>297</b>
<b>8.4</b>	<b>The quality and extent of CSR reporting by relevant MNCs and differences between reporting and actual conduct</b>	<b>306</b>
<b>8.5</b>	<b>Conclusions</b>	<b>309</b>
<b>8.6</b>	<b>Recommendations and Policy Implications</b>	<b>312</b>
<b>8.7</b>	<b>Summary</b>	<b>315</b>
	<b>Chapter 9: Summary</b>	<b>316</b>
<b>9.1</b>	<b>Introduction</b>	<b>316</b>
<b>9.2</b>	<b>Recapitulating the Research</b>	<b>316</b>
<b>9.3</b>	<b>Reflexive Analysis of Research Limitations</b>	<b>320</b>
<b>9.4</b>	<b>Future Research Directions</b>	<b>322</b>
<b>9.5</b>	<b>Concluding Remarks</b>	<b>324</b>
	<b>Bibliography</b>	<b>326</b>
	<b>Annex and Appendices</b>	<b>365</b>

## LIST OF TABLES

Table 3.1	Demographic Data of Sri Lanka from 2012 -2014	64
Table 3.2	Export Indicators of Sri Lanka from 2010 to 2014	65
Table 3.3	Major Export Partners of Sri Lanka from 2011 to 2014	66
Table 3.4	Major Export Products Sectors in 2014	69
Table 3.5	Exports to United Kingdom from 2011 to 2014	70
Table 4.1	Interview Questions	115
Table 4.2	Interview Questions for Labourers	118
Table 4.3	Interview Questions for Managers	119
Table 4.4	List of supplier companies visited and data collected	123
Table 5.1	Sri Lankan Garments Suppliers and their Buyer UK Multinationals	138
Table 5.2	Sri Lankan Rubber Products Suppliers and their Buyer UK Multinationals	147
Table 5.3	Sri Lankan Tea Suppliers and their Buyer UK Multinationals	151
Table 6.1	The Supplier Companies, their Sectors, Codes and Personnel Interviewed in each Company	156
Table 7.2.1	Content Analysis of CSR Reports of Next Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects	240
Table 7.2.1.1	Supplier Audits carried out by Next COP Team	242
Table 7.2.2	Content Analysis of CSR Reports of Next Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects	245

Table 7.3.1	Content Analysis of CSR Reports of Marks and Spencer Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects	252
Table 7.3.1.1	M&S Clothing and Home Supplier Ethical Audit 2015/16	253
Table 7.3.2	Content Analysis of CSR Reports of Marks and Spencer Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects	254
Table 7.3.2.1	Supplier Social Compliance Assessments - Marks and Spencer	255
Table 7.3.2.2	Supplier Social Compliance Assessments - Marks and Spencer	257
Table 7.4.1	Content Analysis of CSR Reports of Tesco Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects	260
Table 7.4.2	Content Analysis of CSR Reports of Tesco Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects	262
Table 7.5.1	Content Analysis of CSR Reports of Sainsbury's Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects	269
Table 7.5.2	Content Analysis of CSR Reports of Sainsbury's Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects	271
Table 7.6.1	Total Numbers of CSR reports that have reported Labour Aspects of GRI G4 from 2012 to 2016	276
Table 7.6.2	Total Numbers of CSR reports that have reported Human Rights Aspects of GRI G4 from 2012 to 2016	277

## **LIST OF FIGURES**

Figure 2.1	Governance Structures of Global Value Chains	32
Figure 5.1	General Structure of Garments Sector Value Chains	138
Figure 5.2	General Structure of Rubber Products Sector Value Chains	146
Figure 5.3	General Structure of Tea Sector Value Chains	150

## LIST OF ABBREVIATIONS

BOI	Board of Investment of Sri Lanka
CB	Central Bank of Sri Lanka
COP	Code of Practice, Next plc.
CR	Corporate Responsibility
CCR	Corporate Community Responsibility
CSR	Corporate Social Responsibility
DOL	Department of Labour, Sri Lanka
EC	Employee Council
EDB	Sri Lanka Export Development Board
EPF	Employee Provident Fund
EPZs	Export Processing Zones
ETF	Employer Trust Fund
ETI	Ethical Trading Initiative
EU	European Union
FDI	Foreign Direct Investments
G1	Garments Supplier 1
G2	Garments Supplier 2
G3	Garments Supplier 3
GRI	Global Reporting Initiative
GVCs	Global Value Chains
H&S	Health and Safety
HR	Human Resources

ILO	International Labour Organization
L&HR	Labour and Human Rights
MNCs	Multinational Companies
MOL	Ministry of Labour and Trade Union Relations, Sri Lanka
NGO	Non-Governmental Organization
NILS	National Institute of Labour Studies, Sri Lanka
NIOSH	National Institute of Occupational Safety and Health, Sri Lanka
OECD	The Organization for Economic Co-operation and Development
R1	Rubber Supplier 1
R2	Rubber Supplier 2
R3	Rubber Supplier 2
RD	Department of Rubber Development, Sri Lanka
RRI	Rubber Research Institute, Sri Lanka
SL	Sri Lanka
SLTB	Sri Lanka Tea Board
T1	Tea Supplier 1
T2	Tea Supplier 2
TUs	Trade Unions
UN	United Nations

VARP

Value-added Rubber Products







# Chapter 1

# Introduction

## *1.1 Introduction*

The overall aim of this study is to identify and analyse the labour and human rights (L&HR) issues prevalent in Sri Lankan global supplier companies of UK multinational companies (MNCs) and to examine the influencing factors. Several UK MNCs have formed global value chain (GVC) relationships with Sri Lankan suppliers and this study focuses on three sectors (garments, rubber and tea) given their significance to the Sri Lankan export trade (SL Export Development Board, 2017a). Power asymmetries between the buyer and supplier companies in GVCs would determine the advantages and disadvantages experienced by those companies and their employees (OECD, 2011). In this context, the study analyses the effect of governance structures (based on strengths and weaknesses of buyers and suppliers) of the GVCs on the L&HR issues considering the ‘Global value chain framework’ proposed by Gereffiet *al.* (2005) as a theoretical basis.

Organizational behaviour is influenced by the institutional factors such as governmental and legal regulations, industrial norms, societal norms and socio-cultural aspects (Campbell, 2007) and it is argued that an organization’s corporate social responsibility (CSR) practices are influenced by the institutional environment within which it operates (Azmat and Zutshi, 2012). Therefore, Institutional theory serves as another theoretical basis for this study where the influences of institutional environment on the L&HR issues are identified and analysed. Although MNCs are trying to convey a positive picture of them to the public through their CSR reports, many studies have found out that these reports do not reflect the real issues within their GVCs thus raising concerns about MNCs’ motivation to portray legitimate images (Bondy *et al.*, 2012; Ehnert *et al.*, 2016; Parsa *et al.*, 2018a). Therefore, Legitimacy theory is used in this

study to identify the extent to which the CSR reports of MNCs are reflecting the real situation in the lower tiers of their GVCs.

This study argues that the best way to identify real L&HR issues in GVCs is to do an in-depth analysis of such issues at the lower tiers where the labourers are working rather than looking at MNCs' CSR reports. A mapping process of relevant GVCs is used to identify the buyers and suppliers and the governance structure typologies. Interviews are carried out with the labourers and managers of selected Sri Lankan supplier companies of the above-mentioned three export sectors where interview questions are mainly based on international L&HR standards. The CSR reports of relevant UK MNCs are analysed based on the international sustainability reporting guideline, GRI G4, to identify the extent to which the reporting reflects and addresses the issues identified during the interview process.

This thesis found that the L&HR issues prevalent in Sri Lankan global suppliers of UK multinationals are influenced by a myriad of factors including GVC governance structures, institutional influences in UK and SL and legitimacy seeking behaviour of MNCs. The context for labour rights and human rights is characterised by complexity. In arriving at a ranking of how such factors interact in the environment for labour and human rights, it is contended that the most influential factors affecting workers on the ground are those specifically connected to local social, cultural and religious norms. In alleviating L&HR concerns in the industries and regional context, there will therefore need to be a more holistic and integrated approach towards addressing issues at local and transnational levels, whereby the impact of local norms on transnational rules is taken into account. This chapter provides a summary of the background and other aspects of this thesis in six sub-sections which are described below. Section 1.2 provides a brief theoretical background for the study and section 1.3 describes the significance of the study. Section 1.4 highlights the research gaps while research

questions and the research objectives are specified in section 1.5. Research methodology is briefly discussed in section 1.6 while section 1.7 presents a general overview and the layout of the thesis.

## ***1.2 Theoretical Background***

After the World War II, the world economy grew rapidly and at the same time there were drastic developments in the fields of technology, communication, corporate organization and financial markets (Dicken, 2014). The integration of the geo economy with global political, cultural and social aspects was called as globalization which is widely regarded as started in the late 1960s (Ibid). With these developments, the leading companies in the world had strategic restructuring to reform and represent them as powerful MNCs (Schaefer and Mack, 1997). With the post-war economic development, these MNCs accumulated excess capital which they strategically decided to invest in other geographical areas to facilitate mass production processes (Frobel *et. al.*, 1980). Also, the increase in wages for labourers in industrialized countries led these MNCs to relocate their production processes to non-industrialized countries in search for cheap labour (Dicken, 2014).

At the same time the effect of globalization saw that nation states (especially non-industrialized developing countries) experienced reduced powers to sustain self-sufficiency (Upchurch, 1999). Many developing countries became export orientated thus depending on Foreign Direct Investment (FDI) from MNCs to keep their economies afloat, to create job opportunities and also to satisfy the conditions set out by international financial institutes such as World Bank and International Monetary Fund (Oxfam, 2004; Dicken, 2014). Under these circumstances, the MNCs have taken advantage of the developing countries by relocating their production processes in search for profit making opportunities (Williams, 2007). Many researchers argue that this has

created or intensified L&HR issues in developing countries (Elliot and Freeman, 2001; Howard-Hassmann, 2005; Atkinson, 2007).

As stated above, MNCs are accused of exploiting labour in the developing countries in the forms of low wages, precarious work, child labour and forced labour (Elliot and Freeman, 2001). However, the behaviour of MNCs and the supplier companies in a GVC depends on their relative bargaining powers (OECD, 2011) which determine the governance structure of that value chain. Gereffi *et al.*, (2005) argued that there are five different types of governance structures and each structure explains the relative strengths and weaknesses of buyers and suppliers. In their Global value chain framework, they have identified these governance structures as Markets, Modular value chains, Relational value chains, Captive value chains and Hierarchy where the suppliers are the most powerful in 'Market' structures while the buyers are the most powerful in 'Hierarchy' structures (Gereffi *et al.*, 2005).

It could be presumed that when the suppliers have higher or equal strengths and bargaining powers when compared to the buyers (as in Market structures), they could demand higher prices and it would in turn be favourable for their employees too. On the other hand, it can be argued that if the buyers are more powerful (as in Captive and Hierarchy structures), the suppliers have to be competitive and cost effective, which could have adverse effects on their employees. According to Ruwanpura (2016), the restructured global economy and power asymmetries resulted in uneven consequences for labourers in different countries. Also, the ease at which the accountability and governance mechanisms of MNCs are disseminated to the lower tiers of their GVCs may depend on the governance structure (Bartley, 2018). Therefore, it is clear that the governance structures of the GVCs have a significant effect on the L&HR issues of the global suppliers and if and when those governance structures shift overtime, it may also change these effects in a given GVC.

Governance structure typologies are not the only determinant of L&HR issues in GVCs. Sturgeon and Gereffi (2009) stated that the role institutions play in structuring business relationships is important in GVC analysis. According to the Institutional theory, a country's institutional environment which includes political, legal, cultural and social aspects is a significant determinant of the ways in which that country's organizations behave (Maignan and Ralston, 2002). The characteristics of institutional forces between developed and developing countries could be significantly different due to geographical, geopolitical, historical and economic reasons. As Scott (2008) has explained, the three pillars of institutional forces; cognitive, normative and regulative, can be used to determine country-specific institutional profiles. Such an understanding of buyer and supplier countries' institutional forces could be important to identify and analyse their effects on L&HR issues within a GVC between the two countries.

When considering the three-level analysis of Institutional theory (Scott, 2008), it can be argued that the buyer MNCs in this study are influenced by the institutional contexts of the highest-level actors (societal and global institutions) and the second level actors (organizational fields) which could consist of governance structures, schemas and norms of their home country (UK). As the supplier companies in this study are separate entities from the buyers (as opposed to subsidiaries), it could be argued that the lowest level of institutional actors (individuals) of MNCs may not have a significant influence over the L&HR issues within the relevant GVCs. On the other hand, the global suppliers in SL would be influenced by all three levels of institutional contexts and it would be important to identify the country's institutional profile. The extent to which the highest-level actors (global institutions) could define the lower levels (industrial clusters, global suppliers, their managers and labourers) would be determined by this country specific institutional profile. In a situation where political and legal aspects are weak in SL (Secretariat for Senior Ministers, Government of Sri Lanka,

2012; Athukorala and Jayasuriya, 2013), this study would place more emphasis on cultural and religious aspects.

With the rise of GVCs' L&HR and other issues, there is a growing concern about the overall accountability of the MNCs (Archibugi, 2004). They are expected or under increasing pressure to act responsibly and be held accountable towards their stakeholders, including their workforce. Although providing accounting information is widely accepted as the main form of discharging accountability, the credibility of such information (especially social accounts) had been questioned in the recent years (Hopwood, 2009; Robert, 2009). Many researchers have criticised the CSR reports of MNCs as a form of creating and maintaining a legitimate status for these companies in the eyes of their stakeholders (Deegan *et al.*, 2000; Deegan *et al.*, 2002; Mobus, 2005). Under Legitimacy theory, Lindblom, 1993 (as cited in Gray *et al.*, 1995) argued that companies are using favourable information to create, maintain and repair their legitimate status. As such, Legitimacy theory would be used in this study to highlight the discrepancies between MNCs' CSR reporting and actual L&HR issues in their GVCs.

Apart from being used as legitimacy tools, CSR reports lack credibility due to the fact that there are no governing rules and standards (as opposed to financial accounting) leading to managerial discretion in reporting information. Furthermore, the complex governance structures of the GVCs may not facilitate smooth transmission of MNCs' codes of conducts and CSR policies to their suppliers. Therefore, looking at and analysing the information in the CSR reports would not be sufficient to understand the real L&HR issues within the GVCs. A close and in-depth analysis of the lower tiers of the GVCs which involve the labourers and their managers would be a more suitable way to identify the real issues faced by the labourers. CSR reports could then be used to determine whether the MNCs are having a fair reflection of such issues.



### *1.3 Significance of The Study*

This study focuses on the GVCs operated by the leading UK MNCs in SL and related L&HR issues. SL is considered as a developing economy with a lower-middle income based on per capita gross national income (United Nations, 2018). More than 30 years of liberal market economic policies have seen the country relying heavily on FDI and export industries and many MNCs either have production facilities or supply chains established in SL. In 2017, FDI inflows to Sri Lanka was \$ 1375 million (UNCTAD, 2018). The country is a supplier for many other countries in the world and the main supplies are garments and textiles, tea, rubber and plastic products, coconut products, frozen fish, fresh and processed food, and tobacco products (Sri Lanka Export Development Board, 2017a). As a native Sri Lankan, the researcher had some relatives who were involved in the garment and textile industry and is aware of the issues faced by the garment workers including their difficult working conditions, low wages, job insecurities and forced or compulsory labour. Also, it was recognized that the researcher's personal and professional connections, with the personnel who are engaged directly in GVCs and those who work in relevant government institutions, would facilitate easier access to data in SL for this research.

In contrast to SL, UK is considered a developed country with a high-income level based on per capita gross national income (UN, 2018). In 2017, FDI outflows from UK was \$ 99614 million and the country has the second highest number of MNCs in the 'top global MNEs (Multinational Enterprises) list' (UNCTAD, 2018). In 2017, UK was the home for 14 out of world's top 100 MNEs ranked by foreign assets (ibid). As such, UK has a significant global presence in terms of world trade, FDI and as a home country for many MNCs. UK is the second largest export partner of SL which accounts for more than 10% of its total exports (SL Export Development Board, 2017). Moreover,

UK is ranked at the fourth place in a list of top 15 investor countries of SL (Board of Investment, Sri Lanka, 2017). Also, selecting UK as the basis for the MNCs was the most relevant for the researcher as a current resident living in the UK and as someone who has completed a successful Masters dissertation based on FTSE 350 companies in 2011. Furthermore, selecting the MNCs from a single country would eliminate any effects of country specific differences (for example institutional contexts) from the analysis and interpretation of the findings.

In SL, the garment sector directly employs 300,000 while the number of people indirectly employed is 600,000 and the majority are women (SL Export Development Board, 2016). Around 4.4% of the country's population (924,000) live in tea estates and it is estimated that nearly 500,000 of them are working as labourers (Institute of Policy Studies of SL, 2017). Meanwhile, the rubber industry employs over 300,000 people directly or indirectly (SL Export Development Board, 2017b). As such, the three industries selected for this study are also significant in terms of the number of people employed (in addition to their export revenue generation) and the total number employed is roughly equivalent to 8% of the total population. Therefore, it is important to identify and analyse the L&HR issues faced by these workers as many researchers have pointed out the existence of such issues as explained below.

Howard-Hassmann (2005) stated that not only the governments of developing countries are willing to satisfy the requirements of MNCs over the needs of labourers, there are inadequate or non-existent measures to ensure workers' rights in these countries. Many labourers in developing countries such as India, SL and Bangladesh are concentrated in EPZs where their fundamental L&HR are undermined in the form of low wages, violation of freedom of association rights and difficult (unhealthy and risky) working environments (Absar, 2001; Attanapola, 2004; Atkinson, 2007; Hancock *et al.*,

2015). According to Arunatilake (2012) precarious working conditions are prevalent in SL, especially in some export-orientated sectors where reducing costs and increasing productivity are the main targets to achieve competitive advantage in the global market. Also, Thomsen *et al.* (2012) pointed out that developing countries face critical challenges in meeting international labour standards and codes of conduct.

For the purpose of this study, the term labour and human rights (L&HR) is used collectively to represent the issues faced by the labourers of GVCs in their workplaces. Labour rights are usually considered contextual depending on the conditions under which people work while human rights are universal and fundamental rights of every human being. Labour rights would normally be based on ILO labour standards and be embedded in each country's legal system (ILO, 2015; 2018a). Human rights are defined in the universal declaration of human rights (United Nations, 1948). However, both instruments have common aspects such as the rights for freedom of association, free from discrimination, reasonable pay and rest periods, no slavery and abolishment of child labour (ILO, 2015; United Nations, 1948).

Kolben (2010) has mentioned that both labour and human rights have common motivations to commit to justice and represent the interests of the oppressed. Hendy and Ewing (2005) argued that the UK intruded the trade union autonomy through the introduction of Trade Union and Labour Relations Act, 1992 (Section 174). Further they argued that it breached Article 11 of European Convention on Human Rights and Fundamental Freedoms by allowing trade unions to penalise a worker based on their political party membership (Ibid). Ewing and Hendy (2010) have analysed a court case which decided that the right to collective bargaining *is* an essential element of the right to freedom of association and describe it as a decision where human rights established its superiority over economic aspects and industrial competitiveness in the battle for the soul of labour law. As such, it could be argued that human rights and labour rights are

mutually interconnected in achieving benefits for the labourers. More details and definitions about L&HR are presented in the Annex (page 364).

In contrast to the above, some researchers have highlighted some positive aspects in employer-employee relationships in SL. Perry (2012) and Perry *et al.*, (2015) argued that the cultural and religious perspectives of SL are underpinning the positive engagement of suppliers in CSR implementation. It is also stated that the presence of governmental support to these issues has enhanced the accountability of suppliers (*ibid*). Workplace paternalism is a concept that describes a certain behaviour of companies towards their employees which some argue as protective and moral (Farh and Cheng, 2000; Gibbon *et al.*, 2014) while some others consider as coercive and authoritarian (Thaler and Sunstein, 2003). Despite its common knowledge that garment companies have a paternalistic culture, there are no research carried out regarding that except for Lynch (2007) who has recognized the culture and power dynamics between the management and labourers. Also, companies in the plantation sectors (particularly in tea estates where migrant Indian Tamils are the labourers) are known to have paternalistic cultures but some researchers have argued that coercion and authoritarian behaviour by the management have led to tense working environments in these companies (Alawattage and Wickramasinghe, 2008).

Also, some authors have observed that organizational virtuousness is an important strategy of Sri Lankan companies in defining their CSR practices (Fernando, 2010; Fernando and Almeida, 2012). The Buddhist thinking encourages many Sri Lankan Buddhists to *give* to people in need on a humanitarian basis. Such religious humanitarianism from the managers' perspective should be further investigated. On the other hand, it would be important to explore the effects of Buddhist thinking on the labourers as the belief in karma (religious fatalism) may have an effect on the way they

react to workplace issues. These contradictory observations and arguments and research gaps accentuate the significance and the need to explore the rationale raised by this study.

#### ***1.4 Critical Evaluation of the Existing Research and Research Gaps***

There is a number of studies carried out on L&HR issues in developing countries such as India (Gupta *et al.*, 2010; Jenkins, 2013), China (Taylor, 2012) and Bangladesh (Belal and Owen, 2007; Islam and Deegan, 2010). L&HR issues in SL have also been explored by some researchers. Arunatilake (2012) has researched precarious work in SL, especially in the informal sectors while some other researchers have studied L&HR issues in Sri Lankan garment sector. For example, Sivananthiran (2007) and Atkinson (2007) explored the issues in the Sri Lankan garments sector within the EPZs. Ruwanpura (2016) analysed the ‘ethical garments’ concept in SL as a way of securing a niche market and higher prices in the global garment trade. Also, Ruwanpura (2015) critiqued the restrictions placed on trade unions (TUs) and freedom of association of employees in Sri Lankan garment sector while pointing out that the government and employers are equally culpable. The study also highlighted that within the sector, emphasis is placed on top-down implementation of global governance procedures and labour standards while labour rights are neglected. Although these studies have addressed the L&HR issues in SL, they lack the breadth and depth in providing evidence (through interviews) and often lack the contextual basis for the existence and prevalence of those issues and critical evaluations of the influencing factors.

To fill this gap, this study focuses on the L&HR issues of SL within a GVC context. For many developing countries like SL, FDI and being part of GVCs of MNCs are vital for their export trade and to create employment opportunities (Athukorala,

2007). Therefore, it can be assumed that MNCs play a significant role in L&HR practices of Sri Lankan export industries. However, that significance might depend on some factors such as the governance structure of a given GVC and the relevant institutional forces. There are no studies which have analysed the governance structures of GVCs relevant to Sri Lankan global suppliers and the influence of them on L&HR issues. Therefore, this study is unique in its attempt to identify the GVC governance structures and their role in shaping L&HR issues in global suppliers.

Although the institutional forces in a given country is vital for organizational behaviour within that country (Campbell, 2007), there is a significant lack of research regarding this in SL. De Silva (2015) has studied how transnational organizations are responding to institutional voids in SL, however it is not in the context of L&HR issues but from an FDI perspective. Fernando (2010) and Fernando and Almeida (2012) had carried out some research on organizational virtuousness in Sri Lankan companies following the Asian Tsunami in 2004 while Perry (2012) and Perry *et al.*, (2015) had studied about the influence of cultural and religious factors in Sri Lankan garment sector companies. However, these few studies have not gone in depth to identify the influence of institutional forces in shaping the CSR practices of MNCs and their Sri Lankan suppliers. Also, they do not analyse the existence of religious humanitarianism, religious fatalism and paternalism in Sri Lankan companies which are significant in evaluating managerial perceptions of CSR, labour-manager relationships and the extent of L&HR issues. Therefore, this study aims to fill that gap by paying special attention to the influence of social, cultural and religious factors on L&HR issues along with the other institutional forces.

Although there are several studies about the labour issues in the garment sector in SL (Attanapola, 2004; Sivananthiran, 2007; Perry, 2012; Ruwanpura, 2015), there is

a lack of studies on export orientated plantation sectors (tea and rubber). Naranpanawa *et al.*, (2011) and Liyanarachchi *et al.*, (2016) have studied about the links between trade liberalisation and poverty in estate (plantation) sectors. Alawattage and Wickramasinghe(2008) analysed the governance and accountability structures in tea sector while Ikram *et al.*, (2014) explored the leadership perspectives of plantation sector managers in SL. Ahmed (2014) had given a descriptive analysis of the socio-economic issues faced by the labourers in the tea sector. None of the above-mentioned studies considered the real extent of the L&HR issues in these sectors. However, tea and rubber are major export industries especially when the UK is considered (SL Export Development Board, 2017a) and it can be assumed that L&HR issues would be much common in these sectors given their informal nature and their historical and socio-political backgrounds. To fill this gap, this study would carry out a thorough evaluation of the L&HR issues in the plantation sectors from the perspectives of GVC governance structures and institutional forces.

Many of the above-mentioned studies relating to SL have not used interviews but provide narrative and explanatory information regarding L&HR issues. This might be due to the sensitive nature of investigating such issues and due to the difficulty in reaching the lower tiers of the GVCs to secure interviews. A notable exception is Lynch (2007) who had interviewed many female garment labourers and their managers in search of gender and culture politics. However, there are no studies that have interviewed plantation sector labourers. Therefore, this study was specifically designed to interview the labourers from the lower tiers of the GVCs to get an insight into the L&HR issues from their perspectives. Their responses would be a valuable contribution to the area of L&HR issues in GVCs operating in developing countries.

There is a volume of literature on MNCs' CSR and sustainability practices reporting. Some literature has focused on the leading global company indices such as The Times top 100 UK companies (Clarke and Gibson-Sweet, 1999), Fortune Global 250 (Kolk, 2008), FTSE 100 companies (Preuss and Brown, 2012), Forbes 250 companies (Ehnert *et al.*, 2016) and Sustainalytics Global Platform (Thorne *et al.*, 2017) to gather empirical evidence. In addition, there are some case-study based papers that have been carried out in the US (Koulikoff-Souviron and Harrison, 2007), Belgium, France and Germany (Preuss *et al.*, 2009), the UK (Scarborough, 2000), and US, UK and Turkey (Can and Beyhan, 2018). Parsa *et al.*, (2018a) have studied the CSR reporting of Forbes 250 companies based on GRI G3 reporting guideline. Parsa *et al.*, (2018b) have compared the extent of CSR reporting by transnational companies in German and Britain.

When considering the CSR practices and reporting relating to Sri Lankan companies, Beddewela and Herzig (2013) have carried out a case study research on Sri Lankan subsidiaries of MNCs to explore how and why they are engaged in CSR reporting practices while Heenatigala (2016) reports on community development as a CSR strategy in SL. Meanwhile, Beddewela and Fairbrass (2016) analysed CSR reporting of MNCs in SL as a way of seeking legitimacy. This study will focus on analysing the CSR reporting of UK based FTSE 100 companies which have supplier relationships with SL with regard to L&HR issues. The above-mentioned studies have not compared the CSR reporting by MNCs with the actual situation of the L&HR issues in their GVCs. Ehnert *et al.*, (2016) highlighted the importance of comparing the reporting with the actual practices to obtain a thorough understanding of the L&HR issues. As such, this study fulfils that gap by identifying and analysing the discrepancies between reporting and reality within the theoretical frameworks of Legitimacy theory and Institutional theory.



### ***1.5 Research Questions and Research Objectives***

Given the background of the subject matter and the gaps in this specific research area, four research questions are raised in this study. The rationale for each research question will be discussed in more detail at the end of the literature review chapters.

Gereffi *et al.*, (2005) have identified that the GVCs are governed by five different types of governance structures which determine the relative benefits enjoyed by the buyer and supplier countries. In Market governance structures, the suppliers are more powerful or as powerful as the buyers while in Captive and Hierarchy governance structures, buyers have more powers and exercise explicit coordination over the suppliers (Gereffi *et al.*, 2005). Such uneven bargaining powers between buyers and suppliers determine the degree of benefits yielded by countries, organizations and individuals from the GVCs (OECD, 2011). Also, governance structures can facilitate or hinder the flow of accountability mechanisms through the GVCs depending on the complexity of the relationship between buyers and suppliers. Therefore, identifying the governance structure of a given GVC is important to analyse and evaluate the extent of its influence on the L&HR issues within that GVC. Thus, the first research question is as follows.

**RQ. 1** What are the governance structure typologies, patterns and their dynamics that control the GVCs of UK MNCs operated in SL and how do they influence the labour and human rights issues in those value chains?

As a developing country, SL relies heavily on FDI and supply relationships with MNCs which are looking for cheap labour (Athukorala, 2007). Several researchers have highlighted the L&HR issues in SL especially in the garment sector companies operated within EPZs (Attanapola, 2004; Atkinson, 2007; Sivananthiran, 2007; Arunatilake,

2012). However, these researches lack the contextual background for such issues. Also, the situation can be varied between different export sectors due to different governance structures in their respective GVCs (Gereffi *et al.*, 2005) and also due to geographical, historical and institutional aspects which are yet to be explored. Therefore, the second research question is posed as follows.

**RQ. 2** What are the issues faced by the Sri Lankan labourers working in these GVCs and why the nature and extent of these issues vary in different export sectors; garment, rubber and tea?

UK and SL have different institutional environments due to various historical, geographical, religious, economic and political reasons. The relationship between the MNCs and their host countries vary significantly between countries and industries as the characteristics of the host country and its policy environment affect these relationships (Ruwanpura, 2015). Therefore, it would be worthwhile to explore how UK MNCs are reacting to L&HR issues in their suppliers in SL and also to analyse whether those suppliers are mostly influenced by local institutional forces or those of the wider society. As a developing country, the political, legal and regulatory aspects of SL may not be stable, well established and comprehensive (Athukorala and Jayasuriya, 2013; Heenatigala, 2016) thus lacking the ability to strongly influence L&HR practices. However, as a deeply cultural and religious country, the social, cultural and religious factors of SL could play a significant role in influencing managerial perceptions, labourers' perceptions and labour practices. Perry (2012); Fernando (2010); Fernando and Almeida (2012) had done some research regarding this but some aspects such as paternalism or Buddhist thinking have not been addressed. Hence the third research question is as follows:

**RQ.3** How the institutional forces in UK and SL are shaping the nature of labour and human rights issues in Sri Lankan global suppliers of UK MNCs and how socio-cultural and religious aspects of SL are important forces in this regard?

Although MNCs are engaged in reporting their CSR practices, many researchers argue that these are driven by the desire to secure a legitimate image rather than attempting to solve the real issues arise by their global presence (Tilling and Tilt, 2009; Bondy *et al.*, 2012). Some researchers have found out that the quality of the content of CSR reports by MNCs are not as standard as the companies claim to be (Preuss and Brown, 2012; Ehnert *et al.*, 2016). Also, it had been reported that MNCs report more on internal workforce than on their supply chains (Ehnert *et al.*, 2016; Parsa *et al.*, 2018a). Although numerous researchers have analysed the reporting aspects, there is a lack of research on comparisons between reporting and reality. Therefore, it is important to investigate the differences between reporting and actual practices and to analyse the reasons for such differences. As such, the fourth research question is posed as follows.

**RQ.4** What are the quality and extent of CSR reporting by UK MNCs and the reasons for any differences in CSR reporting and actual labour and human rights issues in their GVCs in SL?

RQ.1 aims to identify the map of GVCs between UK and SL thus partially enabling the selection of relevant companies (cases) for data collection. Also, it investigates the influences of the governance structure typologies on the L&HR issues of a given GVC. RQ.2 is directly related to the field work and interviews carried out at the lower tiers of the identified GVCs to determine the prevailing L&HR issues and explore the differences in these issues across the chosen industrial sectors. The aim of RQ.3 is to identify the influences of the institutional fields of the two countries concerned and to

evaluate their effect on the L&HR practices in the relevant GVCs. Particular emphasis would be given to strong socio-cultural and religious aspects of SL. Finally, RQ.4 directs the research to look into the CSR reports of the identified UK MNCs and to analyse their extent and any discrepancies between reporting and reality while exploring the reasons for such discrepancies.

To investigate the above research questions, the following research objectives were set for this study.

1. Map the GVC relationships between selected UK MNCs and their Sri Lankan global suppliers (in garment, rubber and tea sectors) and identify their governance structures.
2. Analyse the influences of the governance structures on L&HR issues in the global suppliers.
3. Critical evaluation of the L&HR issues in the Sri Lankan global suppliers on a case study basis across the three selected export sectors.
4. Analyse the influence of institutional forces (particularly socio-cultural and religious aspects in SL) on L&HR issues
5. Examine the extent and quality of CSR reporting on L&HR issues by the selected UK MNCs based on GRI G4 reporting standard.
6. Compare the differences between CSR reporting and the actual situation of L&HR issues and to identify the reasons for any differences.

## ***1.6 Research Methodology and Methods***

To achieve the above research objects and to answer the research questions, a research methodology that is positioned between positivism and interpretivism was adapted in this study as the subject matter warranted such an ontological approach. The research methods and research design consisted of elements from both positivism and interpretivism. As such, the epistemological assumptions included both objectivity (reality exists beyond the researcher) and subjectivity (knowledge is constituted through researchers' personal experience) (Weber, 2004). The data analysis included elements of qualitative analysis (interview data) and quantitative analysis (content analysis) and the research findings were generalized to a certain extent within the chosen industrial sectors. While interpreting interview data, reflexive methodology was used to turn the interpretation of data towards the researcher and other relevant dimensions including the social, traditional, cultural and political factors and relevant research communities (Alvesson and Skaeoldberg, 2009).

The research method was carried out in three stages. Initially, in Stage 1, a mapping process was carried out to identify the relevant companies and the governance structures of the GVCs (based on the Global value chain framework by Gereffi *et al.*, 2005) involving UK and SL. The mapping process was investigatory as it included several research methods (analysing secondary data, interviews and researcher's observations). Once the supplier companies were identified, contacts were made to gain access to do the interviews in the second stage. Also, the Sri Lankan institutes which are responsible for and relevant to the export sectors and labourers were identified and contacts were made with relevant officials to secure meetings. Semi – structured interview questions were prepared for labourers and managers separately based on international guidelines on L&HR aspects by ILO and UN.

Stage 2 involved primary data collection. The primary data sources or cases were the supplier companies in SL which are included in the GVCs of UK MNCs listed in the FTSE 100 Index (London Stock Exchange, 2015). Eight supplier companies were selected by using the lists of exporters provided by the EDB to represent three major sectors; three from garment sector, three from rubber sector and two from tea sector. Multiple cases were used here in accordance with the collective or multiple case study approach used by previous researchers (Stake, 2013; Momin and Parker, 2013; Perry *et al.*, 2015; Beddewela and Fairbrass, 2016) to have a collective understanding of the issue. Interviews were carried out with the labourers, managers and HR officials using the semi – structured interview questions and additional information were also gathered when required and when the interviewees were willing to provide more information. Also, several personnel from relevant Sri Lankan institutes were met to collect information about the three sectors and about labour practices in SL. The interview data was analysed qualitatively and interpreted with relevant quotes from the interviewees.

In Stage 3, the CSR reports of the relevant MNCs were used as secondary data and their contents were analysed based on the international sustainability reporting guideline, GRI G4 (Global Reporting Initiative, 2013). Content analysis (Krippendorff, 1980; Stemler, 2001) was used as the research method to determine the quality and extent of CSR reporting. The interview data and the information in the CSR reports were compared to identify the differences and discrepancies between the two. Final data interpretation and discussion included an analysis of the influences of GVC governance structures and institutional factors (particularly socio-cultural and religious aspects in SL) on the L&HR issues in Sri Lankan global suppliers of UK MNCs.

### ***1.7 Layout of the Thesis***

The thesis is comprised of nine chapters including the introduction itself. The following paragraphs summarize the contents of each chapter.

The literature review on globalization, GVCs and their governance structures is discussed in chapter two along with labour exploitation and L&HR issues in GVCs. The institutional forces and their influence on organizational behaviour are also discussed in chapter two followed by a literature review on accountability, CSR practices and CSR reporting of MNCs.

Chapter three is about the history, economy, export trade, labour issues and institutional forces of Sri Lanka. It includes a brief summary of Sri Lanka's demographic information, economic background and export statistics. The three selected export industries are discussed in detail along with the prominent and widespread L&HR issues. The institutional forces in Sri Lanka are also discussed.

Chapter four provides details of the research methodology and methods applied to achieve the research objectives and answer the research questions raised by the study. The background for the research design, selection of cases and data collection is provided in three stages of the research method. Also, this chapter includes the planning schedules for primary data collection and the process of designing interview questions for labourers and managers. The secondary data collection from CSR reports is also described in this chapter.

The analysis and discussion of data are presented in chapters five, six and seven. Governance structure analysis is descriptive and analytical with figures to present the data. The interview data analysis is accompanied with quotations from interviewees and tables (in appendix) are used to present data accordingly. Analysis of CSR reports is based on content analysis and features extracts from CSR reports of selected UK MNCs.

Chapter eight presents the discussion and conclusions. The findings are discussed with reference to the previous literature and are interpreted in the context of the relevant theories.

Chapter nine provides a summary of the study, research findings and limitations of the study. The chapter concludes with the identification of future research pathways to further strengthen the knowledge on the subject matter.



## Chapter 2

## Literature Review

### 2.1 Introduction

This chapter analyses the theoretical frameworks on which the study is based on and past literature related to the subject matter. As explained in the Introduction chapter, Global value chain framework, Institutional theory and Legitimacy theory are the theoretical underpinnings for this study. Section 2.2 provides the background for GVCs and associated labour issues and includes several subsections. Subsection 2.2.1, Globalization and MNCs, explains the process of globalization which started in the 1960s as a phenomenon that enabled companies to expand their production processes across countries which cemented their status as MNCs. Subsection 2.2.2 is about the GVCs and their governance structures and it analyses the formation of GVCs by MNCs and the five types of governance structures as explained in the Global value chain framework by Gereffi *et al.*, (2005). The next subsection, 2.2.3, evaluates the L&HR issues that have arisen in the GVCs as a result of MNCs' search for cheap labour and other trade advantages in developing countries in exchange for those countries' quest for FDI.

Section 2.3 presents the background for Institutional theory and CSR and it presents the related content in two subsections. Subsection 2.3.1 critiques the Institutional theory drawing on the three pillars of institutional forces; cognitive, normative and regulative (Scott, 2008). It also focuses on CSR practices by MNCs based on the three levels of analysis of institutional theory (Scott, 2008; Judge *et al.*, 2008). Subsection 2.3.2 analyses the institutional profile and the institutional forces of UK which influence the behaviour of UK based MNCs.

Section 2.4 is focusing on accountability of MNCs and CSR reporting with two subsections. Subsection 2.4.1 analyses the accountability expected by the stakeholders from MNCs given their global presence and influence. The next subsection, 2.4.2 evaluates CSR reporting adopted by MNCs as a way discharging accountability based on the Legitimacy theory with particular reference to various mechanisms companies adopt to secure their legitimate status as explained by Lindblom, 1993 (in Gray *et al.*, 1995). Section 2.5 provides a summary of the whole chapter.

## **2.2 Background for the Global Value Chains and Associated Labour Issues**

### ***2.2.1 Globalization and Multinational Companies***

#### ***2.2.1.1 Globalization Process***

At the end of the nineteenth century, the formalization of the world economy and rapid commodification lead to a drastic development in world trade before the two world wars (Standing, 2009; Williams, 2007). During this period, the industrial sites for manufacturing products mainly existed in Western Europe, USA and Japan (Frobel *et al.*, 1980). After the World War II, the global economy was destructed and had to be rebuild from severe economic depression which saw a drastic growth in the economy of Western countries (Golden Age) between 1948 and 1968 (Dicken, 2014). This cemented their status as developed and industrialized countries while the third world countries remained as non-industrialized countries with abundant supplies of natural resources. These differences lead to a ‘pre-global international division of labour’ where the industrialized countries known as ‘core’ manufactured goods using the raw material supplied by non-industrialized countries known as ‘periphery’ and the ‘periphery’ was a market for the manufactured goods produced in the ‘core’ (Dicken, 2014). This depicts the idea of trade relationships regarding the exchange of goods produced by different countries (either raw material or manufactured goods) in which those countries were

specialized in (Mittelman, 1994). Schaeffer and Mack (1997) states that according to Neoclassical trade theory, the international division of production is the result of factor differences between countries and is built around the notion of comparative advantage.

As discussed above, the rapid growth in the world economy after World War II created a situation where the world trade surpassed the world manufacturing output which catalysed the globalization process (Schaeffer and Mack, 1997). Globalization is widely regarded as having started in the late 1960's and during the past five decades, it has paved the way for a new era in international economy as a result of rapidly growing world trade, liberalization of financial markets, reduction of trade barriers and increase in FDI (Dicken, 2014). Williams (2007, p.13) describes globalization thesis as; the trade of goods and services is 'increasingly taking place within an open world economy in which business operate in a de-regulated seamless global marketplace'. Globalization has become a vital element of the international economy since 1970s and it is explained by the fact that nations have become increasingly interdependent through the flow of goods, services and financial capital (Gereffi *et al.*, 2001). According to the economists, the globalized economy or geo-economy (Dicken, 2014) has changed the vital aspects of world trade and economic activities as it integrates the economic, political, cultural and social structures across the geographical boundaries.

Rapid industrial growth in Western countries and globalization of the world economy were very significant in the emergence of powerful multinational and transnational companies. Without the associated developments in new information technology, advanced communication methods and rapid growth of international financial markets, the establishment of such companies would not be possible. Also, the characteristics of globalization such as free trade, capital market liberalization, flexible exchange rates, market-determined interest rates and deregulation of markets are

contributing factors for the emergence and establishment of those companies (Bodislav *et al.*, 2015). As Mittelman (1994) argued, the manifestations of globalization include the spatial reorganization of production, interpenetration of industries across borders, diffusion of identical consumer goods to distant countries and mass transfers of population between countries which are all characteristics of multinational and transnational companies.

#### ***2.2.1.2 Multinational Companies and Production Relocation***

As described above, the surplus of international trade over production levels forced the large companies in industrialized countries to restructure their production and business strategies to maintain the profit levels (Schaeffer and Mack, 1997). Several factors contributed for such restructuring strategies. There was a significant accumulation of capital in industrialized countries and the need arose for that capital to be invested somewhere by finding new industrial sites or new markets. As for Frobel *et al.*, (1980), the accumulated capital of the MNCs and the resultant flow of FDIs towards the developing countries was the most important driving force behind the production relocation. Driven by neo-liberalist strategies, the MNCs which accumulated this capital had become very powerful (Frobel *et. al.*; 1980) and relocated their production plants to developing countries. As Williams (2007, p.31) argued, these MNCs are ‘operating in a borderless and seamless open world economy in which hyper-mobile and homeless capital restlessly roams the globe unrestrained in search of profit-making opportunities’.

With the post-world war economic growth, Japan pioneered new sophisticated and flexible production processes to increase productivity, efficiency and profitability and industrialized nations followed the path (Standing, 2009). The mass production system based on assembly lines was no longer required but the emphasis was placed on sophisticated and flexible production methods such as Just in Time (JIT), Total Quality

Management (TQM) and Lean Production based on information and knowledge (Ibid). Productivity was no longer defined by a high volume of production but producing small quantities of specialized and customized products. This enabled the fragmentation of production process which meant different parts of a product could be produced in different locations even in different countries (Kiely, 1998). Also, the business strategy restructuring of large companies was facilitated by the simultaneous development in new technology, transportation, communication, corporate organization, production processes and financial markets (Bodislav *et al.*, 2015).

Another major development in the post-world war era in industrialized countries was the rise in wages for the labourers (Dicken, 2014). During 1970's and 1980's the industrial production of developed countries was declining resulting in mass redundancies in industries such as garment, textile and synthetic fibres while the domestic investment in those countries were stagnant or reducing (Frobel *et al.*, 1980). The workers in the industrialized countries were forced to develop new skills and to face rapid adjustments with the changing demands of the labour market (Ibid) and they could demand higher wages. As a result, the industrialized countries shifted from low skill labour intensive industries to high skill capital intensive industries with new technologies and to service sectors (Mittelman, 1994). This enabled the industrialized countries to retain high skilled elements of businesses such as research and development and marketing while relocating assembly work to developing countries in search for cheap labour and this was facilitated by the ongoing globalization process and economic reformations taking place around the world (Dicken, 2014).

The political-economic aspects of globalization have also played an important role in the production relocation towards developing countries. Prior to globalization, many third world countries were adopting an 'import substitution' strategy which

emphasized on national self-sufficiency and strict exchange and import controls (Abeyratne, 1997). However, with the improvements in global trade and with the influence of international financial institutions driven by neo-liberal initiatives (Oxfam, 2004; Ullah, 2015), these countries changed their economic strategy into an export orientated path as production within countries could no longer withstand the external competition (Dicken, 2014). Due to the growing interdependencies within the global economy, those countries could no longer rely exclusively on domestic resources to produce goods and services (OECD, 2011). On the other hand, developing nations were under pressure from world institutions such as World Bank and IMF to pursue a neo-liberalist economic strategy in exchange for providing loans and financial aids which are vital for their national economies (Oxfam, 2004; Ullah, 2015).

### ***2.2.1.3 New International Division of Labour***

Those who describe the political globalization concept argue that states have diminished abilities to regulate national or international capital as a result of unregulated global capitalism in a borderless world (Ohmae, 1990; Williams, 2007). With globalization, power of states is reduced (Upchurch, 1999) and nation states are forced to retract their powers and facilitate FDI by opening their economies while relaxing tax and trade barriers (Athukorala, 2007). With state support for export orientated industries and relaxation of exchange controls and export/import controls, developing countries sought to concentrate on industrial production for comparative advantage in the world trade (Sivananthiran, 2007). Such industrial production was only possible by attracting FDIs from MNCs and facilitating the establishment of their supply chains offering cheap labour as an incentive (Ullah, 2015).

With all the above described transformations, the pre-global international division of labour concept was no longer valid. The straightforward division between

‘core’ and ‘periphery’ became far more complex and this has been described as a transformation of the old geographical pattern of industrial location and specialization (Dicken, 2014). The new phenomenon where the production processes were relocated from industrialized countries to non-industrialized countries in search for low labour and manufacturing costs is known as ‘new international division of labour’ (NIDL). This is closely associated with the North-South socio-economic and political division (Arrighi *et al.*, 2003).

According to Forbel *et al.*, (1980), this phenomenon designates ‘the qualitatively new development in world economy’ where the profitable production of manufacturing for the global market has become a possibility for both industrialized and developing countries with the fragmentation of the production process which provides ‘the most profitable combination of capital and labour’. However, as described in the next few paragraphs, the relative advantages and benefits of globalization enjoyed by different countries can be drastically different due to their comparative strengths and weaknesses and the complexity of the global trade network that has been created by the MNCs.

## **2.2.2 Global Value Chains and their Governance Structures**

### **2.2.2.1 Formation of Global Value Chains**

Keane (2012) stated that initially there were global commodity chains based on ‘core-periphery model’ in which Northern industrialized countries located in the central core were linked with Southern developing countries in the periphery with the exchange of raw materials and finished products. However, with the globalization process, the core-periphery model became far more complex where MNCs established their production plants in many different countries even allowing production fragmentation depending on country wise capabilities (Kiely, 1998). Gereffi *et al.*, (2005) argued that the most important features of the present global economy are globalization of

production and trade and vertical disintegration of transnational companies. These tendencies have created increasing industrial capabilities in developing countries, enabling the MNCs to focus more on value added segments such as research and development, marketing and strategy while delegating the responsibility of non-core functions such as mass production and generic services to developing countries (Gereffi *et al.*, 2005).

Along with the above economic trends and the drastic development in information technology and logistics, MNCs have established a network of supply chains especially in developing countries, forming strategic linkages from the supplier to the end-user (customer) which closely link companies from different countries blurring the country borders (Jara and Escaith, 2012). Therefore, in the 2000s, the concept was changed from global *commodity* chains to global *value* chains, where the total process from product designing to customer services was captured in a complex and strategically interlinked network. A GVC can be simply defined as the full range of activities that companies and workers do to bring a product from its conception to the end user and beyond (Gereffi and Fernandez-Stark, 2011). A value chain would include activities such as: design, production, marketing, distribution and support to the final consumer and these activities may be conducted by several companies across several countries forming GVCs (OECD, 2011).

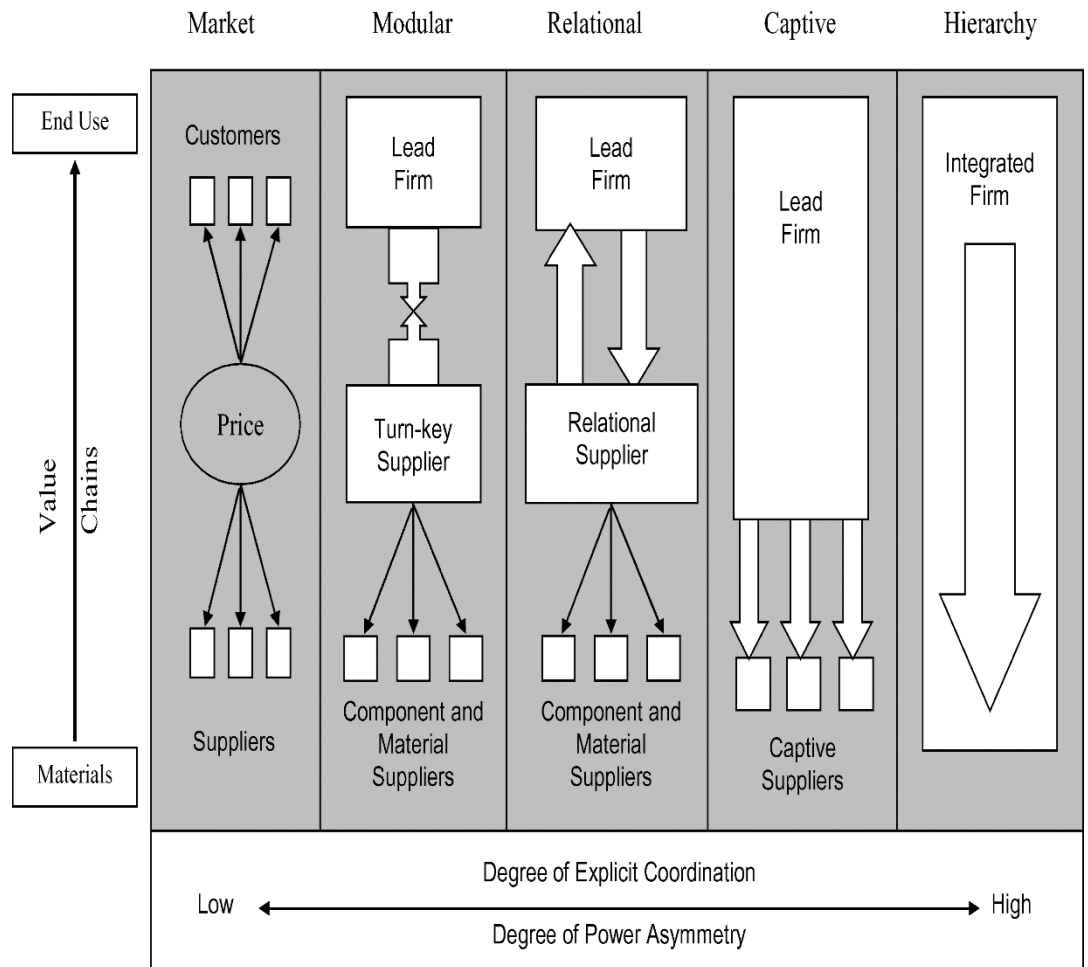
#### ***2.2.2.2 Governance Structures of Global Value Chains***

In 2001, Gary Gereffi and colleagues introduced a preliminary form of value chains as buyer-driven (where global retailers and brand name companies structure the global trade) and producer-driven value chains (where global producers are structuring the global production) (Gereffi, 2001). In both these scenarios, a high level of control is



expected to be exercised by the lead firms (global buyers and global producers) (Ibid). Producer-driven GVCs are found in high-technology sectors such as the semi-conductor or the pharmaceuticals industry. As these industries rely heavily on technology and research & development, lead firms are placed upstream and control the design of products as well as most of the assembly which is fragmented in different countries (OECD, 2011) In buyer-driven GVCs, retailers and branded marketers control the production, which can be totally outsourced, the focus being on the marketing and sales (OECD, 2011). GVCs with lower needs for capital and relying on fewer skilled workers are generally organised this way, for example apparel and food productions (Gereffi *et al.*, 2001).

However, it was later realized that the above model was not effective in describing the GVCs where there is a lack of strong control from the lead firms (Gereffi *et al.*, 2001). Working on that, Gereffi *et al.*, (2005) have identified five different forms of governance structures in the GVCs based on three determinants; 1) complexity of information and knowledge transfer required to carry out transactions, 2) the extent to which this information and knowledge can be codified and transmitted efficiently and 3) capability of suppliers regarding the requirements of the transaction. As such, the governance structures of GVCs range from Markets to Hierarchy (vertical integration) with three more structures in between namely; Modular value chains, Relational value chains and Captive value chains. These governance structure typologies form the basis for Global value chains framework and they are explained in detail below.



**Figure 2.1: Global Value Chain Governance Structures (Gereffi *et al.*, 2005)**

**1. Market Value Chains**

Prevails where product specifications are relatively low and transactions are easily codified while the suppliers are capable of producing with little interference from the buyers. Transactions are governed with minimum coordination from the lead firms and usually the prices are set by sellers.

## ***2. Modular value chains***

Here the suppliers carry out the production to customer specifications but the turn-key suppliers have full responsibility in using technology and skills in the production process and they will have connections with component and material suppliers.

## ***2. Relational value chains***

There are complex interactions between the lead firm and the suppliers (mainly a relational supplier playing the key role while interacting with component and material suppliers) which creates mutual dependence. The interaction is maintained through spatial proximity or in case of spatial dispersion, through mutual trust and reputation.

## ***3. Captive value chains***

There is a significant control and monitoring exercised by the lead firms and the small (and less capable) suppliers depend on these lead firms for product specifications and technological knowledge. Therefore, the suppliers are said to be *captive* and have high switching costs due to high competitiveness.

## ***5. Hierarchy value chains***

This form of governance can be observed in vertically integrated firms where governance is maintained through managerial control from the management (headquarters) to subordinates (subsidiaries). (Gereffi *et al.*, 2005)

### ***2.2.2.3 Shifting Governance Patterns of Global Value Chains***

As globalization is an on-going process, the structure of the world economy and dynamics of NIDL also evolve. One such evolution was the emergence of Newly Industrialized countries (NICs) in South East Asia as Tiger Economies with the encouragement of neo-liberal and open market economic strategies driven from the

developed countries (Arora and Ratnasiri, 2015). With industrial upgrading, these Asian countries transformed the structure of production from a labour intensive form to capital and technology intensive goods featuring high value-added products (Mittelman, 1994). They are adopting a strategy of import penetration where they enter and successfully compete in the domestic markets of the developed economies (Ibid). Simultaneously there is a sharp rise in manufactured products in other NICs such as Brazil, China, Russia and India (BRIC countries) following their integrations with the geo-economy (Holtbrugge and Kreppel, 2012). The expansion of their economies has enabled outward FDI from these countries to enter both developing and developed countries in pursuit of their internationalization strategies (Ibid). Meanwhile in developed and industrialized countries, another concept called industrial districts has emerged where superior technological infrastructure is facilitating skill development (Marchi and Grandinetti, 2014). These are the opposites of EPZs established in developing countries in terms of high wages and privileged working environments (ibid).

These changes in the world economy and economic clusters may change the structures and governance patterns of GVCs too. Gereffi *et al.*, (2005) stated that the governance structures of GVCs evolve over time mainly due to the changes in the three key elements; 1) complexity of information and knowledge transfer required to carry out transactions, 2) the extent to which this information and knowledge can be codified and transmitted efficiently and 3) capability of suppliers regarding the requirements of the transaction which determine the level of governance. For example, the Captive value chains which governed the apparel industry in South East-Asian countries has now evolved into Relational value chains due to increased supplier capabilities regarding production technologies and domestic integration of production process to produce *full-package* rather than assembly-oriented captive model (Gereffi *et al.*, 2005). Also, some external factors may influence the changes in a given GVC. For example, the changes to

the Multi Fibre Agreement have played a significant role in shifting the typology of apparel industry value chains (Gereffi *et al.*, 2005).

While in the above case, the level of control by the lead firms had been reduced due to increased supplier capabilities, there are some other situations where the governance structure has changed in a way that the lead firms have increased their control and management over the value chains. Gereffi *et al.*, (2005) provide the example of fresh vegetable trade between Kenya and the UK, where the governance structure has changed from market coordination to explicit coordination due to the long-term strategic plans of UK supermarkets and increases in regulatory requirements of fresh vegetable trade. In this scenario, the traditional arm's length market governance structures which require minimum coordination from the lead firms have changed to Modular or Relational value chains where the level of intervention and coordination from the lead firms are higher. This is partially due to the changes in the regulatory environment (external factors) and also due to the increased efficiency of codifying and transmitting information and knowledge from lead firms to the suppliers (Gereffi *et al.*, 2005).

#### **2.2.2.4 National Competitiveness and Global Value Chains**

As there is an increasing fragmentation of production across countries, GVCs link geographically dispersed activities in a single industry and it help to understand the shifting dynamics of trade and production and interconnectedness of economies (OECD, 2011). Therefore, it can be assumed that GVCs operate on the basis of the specialisation of countries in production processes and business functions rather than specific products. As such, country-specific advantages and disadvantages are important in determining its position in a given GVC. It is stated that globalization of production and governance structures of the GVCs affect not only the profitability of MNCs but also the success or

failure of countries in the contemporary world economy and this depends on the position a specific country is placed within GVCs (Gereffi, 2001). According to OECD (2011), national competitiveness of a country is determined by the relevant technology, assets and capabilities which characterise that country's domestic production processes and other value-added factors. Also, if the given country imports raw materials and intermediate goods from other countries (sub suppliers), the capabilities of those countries would affect the national competitiveness of the country in question (Ibid).

As described above, the level of governance of the GVCs mainly depend on the complexity and transferability of codifications regarding product specifications, ease of information and knowledge transfer and supplier capabilities and competencies (Gereffi *et al.*, 2005). Where the governance structures such as Market, Modular and Relational value chains are observed, the supplier capabilities and competencies can be considered as high (Ibid). If the supplier countries are having advanced technologies and sophisticated production facilities, then it is easier for them to exercise more control and power over the production processes and can negotiate with the lead firms. For example, the industrial and technological development in South East Asian countries has led them to form Relational value chains with MNCs (Gereffi *et al.*, 2001). Furthermore, if a country has national advantages in terms of availability of high-quality natural resources or agricultural products, then it can be assumed that those countries have more powers to govern the GVCs in terms of setting prices and managing the demand-supply levels.

When considering the third world countries, the lack of supplier capabilities and competencies come into light with regard to product design, technology and infrastructure facilities especially in manufacturing industries such as garments (Fernandez-Stark *et al.*, 2011). As a result, these suppliers have to depend on lead firms for activities such as design, logistics, component purchasing and process technologies giving rise to highly controlled Captive value chains (Gereffi *et al.*, 2005). In the

competitive global economy, the lead firms, mainly MNCs seek to take advantage of this situation by establishing GVCs in developing countries for productions which need high level of product specifications, information transfers and explicit coordination from them and manual labour (often cheap) input from the suppliers. Due to the high dependency of suppliers on lead firms and competitiveness among suppliers, they face significant switching costs thus confining themselves (captive) to one or few specific lead firms (Gereffi *et al.*, 2005). In such a situation, the supplier countries and their supplier companies enjoy lesser benefits from the GVCs when compared to other types of governance structures detailed above. Based on this argument, identification of the position of SL in the GVCs involving the three major export sectors (garment, rubber and tea) is an objective of this study as no past research have been carried out on this matter.

### ***2.2.3 Labour and Human Rights Issues Associated with Global Value Chains***

As described above, the position of countries in GVCs affects the level of value those countries are capturing from the value chains. Most of this value is assumed to be created in activities upstream (innovation, research and development and design) and downstream (marketing, branding and logistics) while typically only limited value is created in the pure manufacturing or assembly stages (OECD, 2011). Therefore, the effects of GVCs on the national economy are completely different for countries specialised in high valued upstream and downstream activities than for countries specialised in intermediate activities such as mass production (Ibid). This means the skilled workers employed in upstream and downstream activities are in a more advantageous position than the unskilled or semi-skilled workers involved in manufacturing stages. Furthermore, the position of a country in GVCs can determine its economic success as well as its level of negotiability in terms of L&HR (Elliot and Freeman, 2001; Howard-Hassmann, 2005). Therefore, it is clear that GVC governance

structures and the position of a country in GVCs have profound effects on that country's labour force who work in the GVCs.

There is widespread awareness that advantages of globalization are not evenly distributed especially where the lead firms exercise a high level of power and control over the GVCs (Gereffi *et al.*, 2001). The way the lead firms organize, manage and govern the GVCs have a significant impact on the gains achieved by the suppliers and their employees (Ibid). Howard-Hassmann (2005) has stated that while developed countries tend to have stringent procedures to ensure workers' rights, these are often inadequate or even non-existent in developing countries. On the other hand, the governments of developing countries are forced to seek continuous FDI from MNCs in order to upgrade their economies, and sometimes as conditions laid down by international financial institutions (Ullah, 2015). In such a situation, MNCs can take advantage by the low cost labourers leading to an unfair exploitation of them which would violate their L&HR.

In the earlier paragraphs it was described how the strong emergence of multinational and even transnational companies is widely observed with the process of globalization where these companies have operations in many countries and have a significant role in those countries' economies. To facilitate the MNCs' industrial relocation, the developing countries opened EPZs with easy access to cheap labour and their governments offered incentives such as tax relieves and lesser or no regulations for the MNCs to attract FDI (Sivananthiran, 2007). MNCs' FDI flow selectively and strategically towards densely populated developing countries where cheap labour is available to help them gain a competitive advantage (Mintz-Habib, 2009). According to Mintz-Habib (2009: p 1), 'in an increasingly globalized world, multinational companies are integrating with developing countries in a multi-faceted manner and access to cheap



labour is an essential integration that MNCs exploit by outsourcing to supplier firms in producer countries’.

The developing countries which attracted the most of FDI from the developed countries are also experiencing changes and issues in their labour markets (Absar, 2001; Ullah, 2015). The labourers who were traditionally engaged in producing raw material or in agriculture are now forced to work in the production process of industrial goods which was designed by the export-orientated strategies (Frobel *et al.*, 1980). These labourers are largely concentrated into EPZs where they are exploited in the forms of low wages, forced labour, compulsory labour and difficult working conditions (Absar, 2001; Attanapola, 2004; Atkinson, 2007). This has created a range of issues related to the workforce in the GVCs operating in developing countries such as forced labour, unpaid overtime work, threat of redundancy, poor health, social issues and lack of safety specially for female workers (Absar, 2001; Sivananthiran, 2007; Arunatilake, 2012). Some of the recent incidents occurred within the supply chains in developing countries have led to a significant social concern about the real situation involving the lower grade labourers. For example, a collapse in a factory building in Bangladesh which killed more than one thousand labourers triggered concerns among different groups such as consumers and media about the social and ethical responsibilities of the MNCs which use these supply chains in Bangladesh (Manik and Yardley, 2013).

When considering the situation of labourers working in the Sri Lankan global supply chains, it is clear that many are not entitled to basic employee rights (Arunatilake, 2012; Ruwanpura, 2015). After the labour market in SL radically transformed as a result of government policy of privatization and economic liberalization in late 1970s, little emphasis has been placed on ensuring L&HR due to the government’s desire to attract investments from foreign MNCs (Arunatilake, 2012). Some of the most prominent ways

of exploiting labour in SL are; very low hourly rates, compulsory overtime, low job security and repression of the right to organize or form a TU and restrictions to collective bargaining (Atkinson, 2007). Most of these L&HR rights issues are prevailing due to the fact that many Sri Lankan global suppliers are in Captive value chains which make them bound to their multinational buyers or face the threat of exit and divestment if they facilitated the labourers in a more favourable way. The L&HR issues in Sri Lankan garment sector had been documented well but not from the point of GVC governance structures. As such, this study focus on the influence of GVC governance structures on the prevailing L&HR issues.

As well as looking into GVC governance typology patterns and its dynamic structures, it would be important to analyse whether there are any other factors which may affect the L&HR aspects of GVCs operated in a specific country. For example, the lead firms' (MNCs') sustainability and accountability perspectives and the institutional environments may play a role in defining and shaping L&HR aspects and how the companies are reacting to such issues. Therefore, the following paragraphs will review the influence of institutional backgrounds within the Institutional theory framework. Also, the concepts of accountability, CSR and CSR reporting of MNCs within the context of Legitimacy theory will be discussed.

### **2.3 Institutional Theory and Corporate Social Responsibility**

Scott (2008) defined the Institutional theory as 'the processes and mechanisms by which structures, schemas, rules and routines become established as authoritative guidelines for social behaviour'. A country's institutional environment consists of political, economic, social and legal conventions which form the basis for organizational entrepreneurships and trading (Trevino *et. al.*, 2008). When considering an organization's CSR practices, different institutions or governance structures in its

institutional environment could play vital roles in forming and maintaining systems that supply stability and meaning for responsible social behaviour thus the organization is accorded legitimacy when conformed to those systems (Scott, 2008). Campbell (2007) argued that corporate behaviour is influenced by several institutional conditions such as governments and public regulations, NGOs, institutionalized norms, and industrial associations between organizations. Social institutions influence organizational characteristics within and between nations by establishing constraints and incentive systems of the societies that shape human interactions in such a way that they take best choice options to conform to societal norms (North, 1990; Scott, 2008). Maignan and Ralston (2002) have found out that there are systematic differences in the social behaviour of organizations across different countries suggesting that political, legal and financial institutions in different countries have a role in mediating such behaviour. Sturgeon and Gereffi (2009) stated that the role institutions play in structuring business relationships is important in GVC analysis. Delios and Henisz, (2000) pointed that the institutional environment of a society in a given country influence the behaviour of MNCs with regard to their investments in that country. As CSR is contextual, it is influenced by the institutional environment within which an organization operates (Azmat and Sutshi, 2012).

According to Scott (2008) there are three pillars of institutional forces; cognitive, normative and regulative, which influence human interactions and organizational behaviours in a given society. This structure can be used to develop a three-dimensional country specific institutional profile consists of that country's governmental policies (regulative), shared social knowledge (cognitive) and value systems (normative) (Kostova, 1997; Scott, 2008). The regulative component of a country's institutional environment consists of laws and rules in place that promote certain types of behaviours and restrict others thus the enforcement mechanisms are rules, regulations, laws,

boundaries and sanctions (North, 1990; Trevino *et. al.*, 2008). The cognitive component consists of cognitions and individual citizen's generally shared knowledge of what is typical or right and that encourages *isomorphism of activities* which leads the individuals to follow or imitate activities that have strong cultural support (Scott, 2008). Kostova (1997) pointed out that the cognitive pillar of institutional environment includes schemas, frames, inferential sets and representations used by individuals in interpreting information. The normative aspect of an institutional environment establishes what is appropriate or correct for the individuals of the society thus includes social norms, values, beliefs and assumptions shared by those individuals (Kostova, 1997; Scott, 2008). If and when an institution (government, religion or educational system) promotes the correct or right behaviour through normative processes it can influence the individual and organizational behaviour even in the absence of regulative components such as laws, regulations and sanctions (Trevino *et. al.*; 2008).

As described by Scott (2008), there are three levels of analysis in the Institutional theory. At the highest level, there are societal and global institutions which provide institutional context which regard to what is possible, acceptable and legitimate through models and menus. These institutions structure and define the actions of lower levels. The next level is governance structures consists of organizational fields and organizations which vary by size, structure, culture and these organizations influence and are influenced by their institutional environments (Judge *et al.*, 2008). The final level is actors, individuals or groups, and each level influences and is influenced by the institutional norms while inventing new ways of changing such norms (Ibid). As such, institutional theory assumes that all actors (at each level) seek legitimacy and/or reinvent legitimacy norms within institutional environments (North, 1990).

When the three levels of analysis is applied to the subject matter of this research, it could be argued that the highest level consists of organizations such as ILO and UN which provide the L&HR standards and conventions as the acceptable and legitimate models which define the actions of the lower levels. The second level consists of the governance structures of companies and their industrial clusters (organizational fields). For the MNCs, this level includes their own governance structures and industrial norms and standards (ie: company codes of conduct, CSR policies, ETI etc.). For the Sri Lankan supplier companies, the second level includes their own governance structures and that of the industrial sectors they belong to. For example, a garment supplier company may have a CSR policy adopted from their holding company and also sector wise governance structures (such as Garment without Guilt initiative, paternalistic culture etc.). The final level is actors (individuals or groups) which could consists of managers, labourers and TUs. As explained above, each level influence or is influenced by others while seeking legitimacy within the institutional environment.

Gereffi and Lee (2016), explains this in another form. While pointing out that MNCs are under increasing pressure to implement more integrated CSR strategies to upgrade economy and social welfare of the global suppliers in developing countries (global south), they introduce three forms of governance derivatives that can be used for such upgrading. They are; 1) private governance (company codes of conduct, monitoring and auditing), 2) social governance (civil pressure from labour organizations and NGOs) and 3) public governance (legislation, laws or standards implemented by governments and international organizations) (Gereffi and Lee, 2016). Within a GVC, this type of governance framework would be observed at macro level (top-down vertical governance through a GVC) as well as at micro level (horizontal governance within a country or industry cluster) (Ibid). Their concept is summarized as below.

*Table 2.3.1 Types of governance in clusters and global value chains by scope and actor*

<i>Actor</i>	<i>Scope</i>	
	<i>Horizontal (cluster) governance</i>	<i>Vertical (GVC) governance</i>
<b>Private Governance</b>	Collective efficiency (e.g., industrial associations, cooperatives)	GVC lead firm governance (e.g., global buyers' voluntary codes of conduct)
<b>Social Governance</b>	Local civil society pressure (e.g., workers, TUs, NGOs for civil, workers, and environmental rights; gender-equity advocates)	Global civil society pressure on lead firms and major suppliers (e.g., Fair Labour Association) and multi-stakeholder initiatives (e.g., ETI)
<b>Public Governance</b>	Local, regional, national government regulations (e.g., labour laws and environmental legislation)	International organizations (e.g., the ILO, WTO) and international trade agreements

*Source: Gereffi and Lee (2016)*

As explained above, the Institutional theory could be defined, analysed and interpreted in different ways. For the purpose of this study, Institutional theory is used to identify the highest level of institutional influencers (ILO, UN etc.) country-specific institutional profiles for UK and SL and to interpret actions and behaviour of organizations (MNCs, supplier companies, other relevant institutes) and individuals (managers and labourers).

## *International Labour Organization and Labour Standards*

ILO is a tripartite organization with representatives from governments, employers and workers and these constituents draw up the international labour standards which set out the basic principles and rights at work (International Labour Organization, 2018b). Some are conventions, which are legally binding that may be ratified by member countries while some are recommendations, which are non-binding guidelines (Ibid). ILO states that a convention lays the basic principles to be implemented by ratifying countries while a related recommendation supplements that convention by providing more detailed guidelines on how it should be applied (Ibid).

The ILO's governing body has identified eight conventions as fundamental, which cover subjects that are considered as fundamental principles and rights at work. ILO effectively encourages universal ratification of these eight conventions which are as follows.

1. Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
2. Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
3. Forced Labour Convention, 1930 (No. 29)
4. Abolition of Forced Labour convention, 1957 (No. 105)
5. Minimum Age Convention, 1973 (No. 138)
6. Worst Forms of Child Labour Convention, 1999 (No. 182)
7. Equal Remuneration Convention, 1951 (No. 100)
8. Discrimination (Employment and Occupation) Convention, 1958 (No. 111)  
(International Labour Organization, 2018a).

Beside these fundamental conventions, ILO's governing body has also identified another four conventions as priority conventions thus encouraging member countries to ratify them due to their importance for the functioning of the international labour standards system (International Labour Organization, 2018a). These conventions are referred to as Governance Conventions since 2008 as they were identified as the most significant from the viewpoint of governance by the ILO Declaration on Social Justice for a Fair Globalization (Ibid). The Governance Conventions are as follows.

1. Labour Inspection Convention, 1947 (No. 81)
2. Employment Policy convention, 1964 (No. 122)
3. Labour Inspection (Agriculture) Convention, 1969 (No. 129)
4. Tripartite Consultation (International Labour standards) Convention, 1976 (No. 144) (International Labour Organization, 2018a)

Both UK and SL have ratified all eight fundamental conventions and three out of four governance conventions (No.81, No. 122 and No.144) (International Labour Organization, 2018c; 2018d).

### ***United Nations and Human Rights Declarations***

United Nations' Universal Declaration of Human Rights has covered some of the fundamental aspects regarding labour rights such as freedom of association, non-discrimination and prohibition of slavery (United Nations, 1948).

Article 4 - No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.



## Article 23 -

1. Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.
2. Everyone, without any discrimination, has the right to equal pay for equal work.
3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.
4. Everyone has the right to form and to join trade unions for the protection of his interests (United Nations, 1948).

Furthermore, United Nations' Guiding Principles on Business and Human Rights provide guidance for states and organizations to recognize, respect, protect and fulfil human rights and fundamental freedoms (United Nations, 2011). UK is a signatory for the Universal Declaration of Human Rights while SL is not but the country works closely with the Human Rights Council of UN to mitigate human rights violations. The following section examines the institutional profile of UK as a basis to identify its influences on the conduct of MNCs based in the country.

### ***2.3.2 Institutional Profile and Institutional Forces in the United Kingdom***

UK is a developed country with a high-income level (UN, 2018). Fourteen out of the top 100 MNCs of the world are based in UK (UNCTAD, 2018). Judge *et al.*, (2008) have categorized the country as developed with a Common legal system and an Anglo-American governance system. Based on Varieties of Capitalism by Hall and Soskice (2001), UK could be considered as a liberal market economy or an Anglo-

Saxon country. It is argued that in liberal market economies, the organizational behaviour is determined by the concept of shareholder wealth maximization (Ehnert *et al.*, 2016). Kim *et al.* (2010) stated that the primary role of business in a society is to act as a vehicle for economic development thereby increasing efficiency in resource allocation and quality of life. Moreover, companies in liberal market economies face minimum regulatory pressures to consider the interests of internal stakeholders such as TUs (Ehnert *et al.*, 2016). Howell (2003) mentioned that the liberal market economy in the UK may have an inclination to less than favourable situations for labourers with higher level of managerial privilege and limited collective bargaining.

As such, it is clear that MNCs based in UK have a strong inclination towards profit maximization in favour of shareholders than considering the needs of the labourers. However, the traditional shareholder wealth maximization concept had been challenged during the past few decades with the emphasis being placed on stakeholder interests including those of the employees. According to Gray *et al.* (1996), the companies and management cannot focus only on the economic sub-system and neglect the social, political and environmental sub-systems which are also vital parts in the greater society. The society expects that the management of companies should have moral and ethical obligations towards the society (Gray *et al.*, 1996, Solomon, 2013). Along with such thinking, the civil society of UK is pressurising the companies to engage more in CSR practices rather than focussing entirely on wealth maximization. MNCs face the highest level of pressure given their global presence and impact on the society (Archibugi, 2004).

When considering the societal influences, UK has a strong presence of such institutional forces in the form of pressure groups, NGOs, media and general public. Labour Behind the Label is a UK-based NGO which promotes the idea that brand

clothing companies should be responsible and held accountable for the labourers and their working conditions in those companies' supply chains (Labour Behind the Label, 2018). Ethical Trading Initiative (ETI) is another UK-based organization that support ethical trade in GVCs through its ETI Base Code of Labour Practice (Ethical Trading Initiative, 2018). Many UK-based MNCs such as Marks and Spencer, Next, Tesco, Sainsbury's and Morrison's are members of the organization (Ibid). Due to the work of these organizations and other movements, the media and the general public are interested in the actions of MNCs and their repercussions. For example, when a garment factory collapsed and killed many workers in Bangladesh in 2013, its UK based buyers (Primark, Gap etc.) came under severe criticism and even threats of boycotting from consumer groups and the companies had to pay vast amounts of compensation as a result of these pressures (The Guardian, 2014).

As a member of the EU, UK abides by the EU directives regarding labour laws. The Treaty of the European Union (TEU), adopted in 2008, recognised the role of social and employment policy within the EU (Trades Union Congress, 2012). The EU sets minimum standards and requirements for 'working and employment conditions' and 'informing and consulting workers' (European Commission, 2019). The member countries incorporate these directives into their legislations and are free to set higher labour standards (ibid). Trades Union Congress (2012) stated that EU employment protections are providing a counter-balance against the pressure for UK to adopt more liberal market policies similar to the USA. Also, it mentioned that UK had long established laws regarding equal pay, maternity rights, sex, disability and race discrimination, and health and safety albeit lacking in the protection for collective bargaining (Ibid). However, many researchers have pointed out that employment rights in UK are not up to the standards prevalent in other Western European and Scandinavian countries.

It has been said that the employment rights in UK are minimal when compared to most of the other European countries, particularly coordinated market economies (France, Germany, Sweden etc.) (Ehnert *et al.*, 2016). Deakin *et al.* (2014) found out that UK has significantly low levels of labour rights in terms of industrial action, employee representation, dismissal, working time and alternative employment contracts. However, there are some recent developments regarding L&HR in UK. The Modern Slavery Act was legalised in 2015 and it contains provisions for eliminating slavery, forced labour, child labour and human trafficking (Modern Slavery Act, 2015). Part 6 of the Act (Transparency in supply chains etc.), requires that larger companies must prepare an annual slavery and human trafficking statement which should disclose such incidents in their supply chains and measures taken to identify and manage such risks (Modern Slavery Act, 2015). In 2017, legislations came into force requiring that employers with 250 or more employees must publish a gender pay gap report including mean and median gender pay gap and bonus gender pay gap (Government Equalities Office, UK, 2017).

As explained in the previous paragraphs, UK, an Anglo-Saxon country with a liberal market economy, facilitates profit maximization agenda of the MNCs through minimal labour rights. The country has ratified all eight of ILO core conventions and three out of four governance conventions (International Labour Organization, 2018d) which would grant the minimum L&HR protection. However, the societal pressure (and MNCs' desire for legitimacy) seems to be significantly influencing and forcing them to crater for more elaborative L&HR and CSR practices. Pressure groups and campaigns have influenced the regulatory environment too. For instance, the Anti-Slavery Organization led a campaign to force the UK government to include clauses of *transparency in supply chains* to its initial bill of Modern Slavery Act (Anti-Slavery Organization, 2018). Whether these companies commit to the same level of social

responsibility when operating in another country (especially in a developing country) with a different institutional background would be an important aspect to analyse as a context for the L&HR issues prevailing in their GVCs. The institutional environment of SL will be discussed in the next chapter.

## **2.4 Accountability of Multinational Companies and Corporate Social Responsibility Reporting**

### ***2.4.1 Accountability of Multinational Companies***

Accountability could be applicable to any organization where it may be responsible for its shareholders, stakeholders or the general society. Few decades ago, organizations were mainly concentrating on maximizing shareholder wealth and fulfilling shareholder interests (Kim *et al.*, 2010). There is a strong motivation for corporations, especially in an Anglo-Saxon dominated capitalist system (liberal market economies), to pursue shareholder wealth maximization as the only objective (Ehnert *et al.*, 2016). Therefore, traditionally, accountability was promoted for capital accumulation (accountability for shareholders) which was made through the use of accounting information (financial accounts) (Mulligan, 1986). However, when accountability is considered within the Systems theory described by Gray *et al.* (1996), which identifies the larger society as a set of subsystems, the organizations should be accountable and make relationships with all its stakeholders rather than focusing on shareholders only.

Roberts (2009) stated that the rising of large MNCs have created a serious *political accountability deficit* which requires widening the scope of accountability to the larger society. With the development in GVCs and the associated social, ethical and environmental issues, the accountability and responsibility of MNCs are increasingly

called into question (Archibugi, 2004) and these companies are increasingly under pressure to be accountable towards the whole society. According to Archibugi (2004), there is an accountability gap especially in transnational corporations. In a participatory democratic system, there is a perception that the organizations controlling the resources should provide accounts of the use of those resources to the stakeholders through flow of information (Gray *et al.*, 1996). Therefore, the trend is that, particularly in developed countries, organizations are interested in strengthening stakeholder relationships by being responsible and accountable towards the society, environment, communities and their own employees.

Accountability towards stakeholders is encapsulated in the Stakeholder theory. Freeman (2010) pioneered the stakeholder model (in 1984) and stated that a company is characterized by the relationships with groups and individuals (stakeholders) who have the power to affect the company's performance. The scope of stakeholder groups has been identified at different levels. Kim *et al.* (2010) describe them as primary stakeholders who have contractually determined relationships with the company and as secondary stakeholders who are impacted by the firm's actions. Solomon (2010) defines stakeholders as holding a 'stake' rather than a 'share' in companies and they are not only affected by companies, but in turn affect the companies in some way. This view is expressed in accordance with Hill and Jones (1992) who described that stakeholders have an 'exchange' relationship with companies. Although some extremists include all animal species and future generations as stakeholders many authors refer to stakeholders as those who have a legitimate stake in the company (Solomon, 2010).

When considering L&HR issues, there will be several stakeholder groups who are specifically interested in such issues. Shareholders of the MNCs, as the investors of these companies, would have a high interest as any negative publicity created by L&HR issues in the GVCs could have detrimental effects on the reputation and financial

performance of the MNCs (in terms of falling share prices and financial instabilities). Also, the consumers of the end products, driven by moral ethics and social responsibilities, would have a specific interest in the L&HR issues in the GVCs where the products are manufactured. This was evident when customer groups in the UK boycotted the products of companies whose suppliers were located in the collapsed Rana Plaza building killing many garment workers in Bangladesh (Manik and Yardley, 2013). In addition, social movements such as pressure groups, campaigners and charities might have a vested interest in the L&HR issues in the GVCs of MNCs. For example, Labour behind the Label, Ethical Trading Initiative and charities such as Oxfam have continuous interests in the conduct of MNCs regarding such issues. Some of these organizations have campaigned and encouraged the UK government to pass legislations (Eg;- Modern Slavery Act) to minimize L&HR issues in the GVCs of MNCs (Anti-Slavery Organization, 2018).

Solomon (2013) argued that there is a *business case* for companies to adopt the stakeholder perspective, which means, by being accountable towards stakeholders, the companies are seeking a competitive advantage over the other companies. This approach is also compatible with the Legitimacy theory in which it is argued that organizations continually try to ensure that they are operating within the bounds and norms of the societies in which they are operating, to gain a competitive advantage as a legitimate organization (Deegan, 2007). As employees are a vital group of stakeholders, the more companies are adopting stakeholder accountability, the more their responsibility towards the employees should become an important aspect. Thus, the MNCs' actions to ensure that the L&HR are implemented within the company and in their GVCs are becoming increasingly important.

Accountability has different definitions depending on the contextual background within which it is described. Sinclair (1995) has mentioned that accountability is multi-faceted and does not have a precise definition. According to the definition by Gray *et al.* (1996, p.38), accountability is ‘the duty to provide an account or reckoning of those actions for which one is held responsible’. Roberts (2009) identified accountability as the *giving and demanding of reasons for conduct* which enhances the social bonding of responsibility and obligation. It is argued that accountability involves two responsibilities; responsibility to undertake certain actions and responsibility to provide an account for these actions. However, if the account (information) does not reflect the actions, then the credibility of the whole accountability concept is in question.

There are different arguments regarding how the accountability of organizations should be discharged. While some authors such as Archibugi (2004) took a more general view on accountability saying that an accountability relationship means an individual, a group or an entity making demands on an agent (management) to report on his activities, some other authors explicitly refer to the paradox of accountability. According to Pellizzoni (2008), there seems to be an antinomy, a paradox or contradiction in accountability and it cannot be restricted to a pre-determined framework but should be opened up to unexpected questions and unforeseen claims. Therefore, accountability is not truly represented by acting and providing information according to a pre-determined set of rules and standards (Pellizzoni, 2008).

Nonetheless, it has been a widespread idea that providing accounting information is the only mechanism of discharging accountability. Archibugi (2004) mentioned that this accountability mechanism can be mandatory or voluntary; where mandatory accountability is discharged through financial accounting governed by laws and regulations while voluntary mechanisms are based on communicating with interested parties that the organization complies with certain standards of conduct.



Organizations are largely using social accounting methods such as CSR reports, supplementary reports and web pages to disseminate their corporate social accountability but apparently fail to engage in broader accountability mechanisms (Davison and Warren, 2009). Gray *et al.* (1995) has mentioned that if an organization voluntarily produces social accounts, it is probably not going to advance accountability. There are numerous studies which concluded that the purpose of providing CSR reporting for many organizations is to achieve a perceived status of legitimacy and recognition (Guthrie and Parker, 1989; Deegan *et al.* 2000, Deegan *et al.*, 2002; Mobus, 2005; Bondy *et al.*, 2012).

According to Gray *et al.*, (1996), conventional social accounting profoundly narrows the image of all possible interactions between the society and the organization thus acts as a political and social process that creates its own social reality. Hines (1988) has mentioned that organizations use accounting information to construct an *organizational reality* which is far more different from the *actual reality*. In the field of social accounting, organizations choose what to report and sometimes omit or suppress vital information to a greater extent such that shadow accounts and silent accounts have to be used in order to reveal the actual facts within the organization (Collision *et al.*, 2009). Therefore, when an organization assumes that accounting (information) will serve the needs of accountability, then it will lead to a serious misconduct towards whom that organization is supposed to be accountable. This is particularly important with regard to the employees, especially the vulnerable labourers working in the lower tiers of GVCs, as it is clear that the real difficulties they are facing could be far from the image the MNCs reflect in their CSR reports. The next few paragraphs will explore Legitimacy theory as an explanation for the gap between organizational reality and actual reality.

#### **2.4.2 Legitimacy Theory and Corporate Social Responsibility Reporting**

According to the Legitimacy theory, organizations seek to ensure that they act, or at least appear to act within the boundaries and norms of the society and failure to act in accordance with the social contract is considered to be detrimental to the ongoing operations of the organization (Deegan *et al.*, 2002). Lindblom, 1993 (as quoted in Gray *et al.*, 1995), distinguished between *legitimacy*, which is considered to be a status or condition and *legitimization* which is the process that leads to an organization being adjudged *legitimate*, thus legitimacy is a condition which exists when an entity's value system is congruent with that of the larger social system in which it operates. When there are differences between the two, the entity's legitimacy is under threat. This is consistent with the System theory described by Gray *et. al* (1996) in which organizations are considered as to be a part of the larger societal system comprised of several sub systems with which the organizations interact. Also, based on the Institutional theory, North (1990) has mentioned that organizations and individuals are seeking and/or reinventing legitimacy within their institutional environments.

Organizational legitimacy depicts the idea that there is a multitude of explicit and implicit expectations that society has upon the organizations (social contracts). Organizations will take various actions to ensure a perceived legitimacy in their operations by attempting to establish congruence between the social values implied by their activities and the norms of acceptable behaviour in the large social system (Dowling and Pfeffer, 1975). Lindblom, 1993 (as cited in Gray *et al*, 1995), has identified four strategies that organizations may adopt in securing their legitimate status. First, organizations may seek to inform and educate their relevant publics about changes in the organizations' performance and activities. Second, the organizations may seek to change the perceptions of the relevant publics, but not change its actual behaviour. Third the organization may seek to manipulate the perception by deflecting attention

from the issue of concern to other related issues. Fourth, the organization may seek to change external expectations of its performance. As such legitimacy is treated by organizations as a resource which can be managed or manipulated through various disclosure-related strategies (Woodward *et al.*, 1996). Thereby they seek to achieve the *legitimate status* from the society and to obtain an advantageous position when compared to the *non-legitimate* organizations (Deegan, 2007).

According to Deegan *et al.*, (2000), maintaining organizational legitimacy is influenced by the management perceptions of the threats to its legitimacy. When management take actions to gain, maintain or repair organization's legitimacy in accordance with the social contract and social expectations, the perceived legitimacy is achieved only if the related information is reported (Deegan *et al.*, 2000; Deegan *et al.*, 2002). O'Donovan (2002) and Mobus (2005) had stated that organizations use social and environmental disclosures as a means of gaining, maintaining and repairing legitimacy. Therefore, the increasing pressure on the companies (particularly MNCs) to demonstrate their CSR with regard to environmental, ethical, social and human aspects is accompanied by the growing trend to report on the CSR practices as a response to higher public awareness and to acknowledge their significant role in creating major economic and social problems (Fortanier *et al.*, 2011).

Hence CSR reporting is regarded as a way of supplying the legitimacy resources to the society in order to gain advantages and sometimes for the survival of organizations. According to Buhr (2007, p.62), CSR reporting serves as a 'mechanism to fulfil accountability requirements'. Many studies have analysed the use of voluntary CSR disclosures as a mechanism to satisfy external pressure to conform to socially acceptable norms and to achieve a perceived legitimacy (Guthrie and Parker, 1989; Deegan *et al.*, 2000; Deegan *et al.*, 2002; Rahaman *et al.*, 2004; Mobus, 2005; Magness, 2006; Laine, 2008; Tilling and Tilt, 2009). Given the abundance of such studies, the

strong legitimacy motivation behind the CSR reporting could be understood. Some researchers have criticized CSR reporting as a way of legitimizing the existing practices of MNCs rather than actually attending to real issues (Bondy *et al.*, 2012).

Gray (2001) mentioned that although voluntary CSR reporting is a valuable practice, voluntary initiatives do not provide widespread, consistent and systematic practice. Also, the credibility of the voluntary disclosures is in question as there are no rules or standards governing that and managerial discretion significantly affecting what is being disclosed (Archibugi, 2004). In a situation where these reports are presented voluntarily and with the perception that most companies use these reports as a means of legitimizing their practices and managing their reputations (Parsa and Kouhy, 2008), it is important to understand the true motivations behind the CSR reporting of MNCs and their relevance to the real issues created by them throughout their GVCs.

In UK, some significant administrative reforms with regard to CSR disclosures has paved the pathway to the increasing trend of providing such information in 2000s (Cooper and Owen, 2007). In one hand, the reform has originated from within the organizations itself as a voluntary practice where 99% of leading UK companies had produced CSR reports in 2017 when compared to 98% in 2015 (KPMG, 2017). These companies are using different approaches to report information about their GVCs. While some companies use international sustainability guidelines and/or standards such as the GRI (the most common) and SA 8000 as a benchmark to report against, others may provide information without referring to a specific standard or set of guidelines (KPMG, 2017).

Preuss and Brown (2012) have found out that there are significant differences in the contents of FTSE 100 companies' human rights reporting, where only few UN declaration principles are addressed while the majority of the principles are not

mentioned at all. More importantly, the quality of what companies report on their employees and human rights issues has been questioned in recent studies. For example, Parsa *et al.* (2018) have found that despite many of the major global companies claiming to fully adhere to the detailed reporting guidelines on employees and human rights (as outlined by the GRI), a close examination of their reports showed that they fail to do so and presented either no or only partially relevant information. As discussed above, the MNCs which provide CSR data as a way of legitimizing their practices may not do enough to implement, monitor and assess those policies within their GVCs. Given the fact that the provision of this information is voluntary and in the absence of enforceable laws or regulations, the real situation within the GVCs with regard to L&HR issues might be significantly different from what is being reported. Meyskens and Paul (2010) stated that companies could be reporting greater commitment to CSR activities on their websites than actually exist. Therefore, this study aims to identify the *differences* between reporting and actual practices based on empirical evidence as there is a strong lack of research in this regard.

## **2.5 Summary**

This chapter provided the background and theoretical underpinnings for this particular study especially regarding globalization, GVCs of MNCs, labour exploitation and CSR. The emergence of MNCs and their spread to developing countries through FDI and supply chains in search for cheap labour was described in association with globalization. In general, this situation has created negative consequences for the labourers in the developing countries in the forms of low wages, forced labour and violation of freedom of association. However, this would partially depend on the governance structures of the GVCs where buyer and supplier countries have different negotiating powers.

Institutional theory was used to explain that an organization's behaviour is affected by the institutional environment within which it is operating. The institutional forces may include international policies and standards, country-specific institutional factors, industrial norms, governance structures of organizations and organizational fields and individual actors. Legitimacy theory explained that MNCs are concerned about their legitimate status as responsible organizations thus engage in many CSR practices. However, it was explained that most of these CSR reports may not necessarily reflect the actual conditions and issues. The next chapter is about SL which was chosen as a developing country which has GVC relationships with UK-based MNCs.

## **Chapter 3                    Background of Sri Lanka as a Global Supplier and its Prevailing Labour and Human Rights Issues**

### ***3.1 Introduction***

This chapter provides the background of SL as a global supplier, its major export sectors and L&HR issues specifically associated with GVC suppliers. Section 3.2 provides a brief description of the country's history and background as a developing country which relies heavily on FDI and exports. Section 3.3 describes the export performance of SL with particular reference to the selected three export industries and export relationships with the UK.

Section 3.4 evaluates the L&HR issues associated with global suppliers in SL. Section 3.5 critiques the institutional environment of SL with regard to political, legal, regulatory, socio-cultural and religious aspects. Particular attention is given to paternalism and religious humanitarianism under socio-cultural influences. The last section, 3.6 is a summary of the whole chapter.

### ***3.2 History and Background***

SL, an island situated in the Indian Ocean, just south of India, has a long history and had been under the occupations of Portuguese, Dutch and British for several centuries (McGilvray, 1982). With a population of more than 20 million, the island is home to several ethnic and religious groups where the Sinhalese is the major ethnic group (75%), followed by the Tamils (15%), Muslims (9%) and others such as the Dutch Burghers (1%) (Department of Census and Statistics, Sri Lanka, 2012). According to World Atlas (2018), Sri Lanka is one of the world's mostly religious countries. There is a diverse culture with a wide variety of religious expressions being

apparent among various ethnic groups in the island. Its main religions are Buddhism (70%), Hinduism (13%), Christianity (8%) and Islam (8%) (Department of Census and Statistics, Sri Lanka, 2012). Sri Lanka's historical, cultural, political and economic aspects have been mainly determined and shaped by its close proximity to India and the occupancies from Portuguese, Dutch and British (McGilvray, 1982; Bandaranayake *et al.*, 1990; Fernando, 2007).

In the past SL had been trading with many countries including China, India, Arabian countries and European countries which was facilitated by its strategically important geographic location when considering the 'Silk Route' (Bandaranayake *et al.*, 1990). After more than 400 years under European occupancies, SL became an independent country from Great Britain in February 1948 and during the first decade of independence, the country remained an open trading nation with minimum trade and export restrictions (Athukorala, 2007). However, the consequent years saw different political and economic policies which resulted in a downfall in the economy and by the late 1960's, the balance of payment situation had deteriorated (Athukorala, 2007). This led the government to adopt strict import restrictions and a new emphasis was placed on domestic industrial promotion within the overall framework of Import Substitution Industrialization strategy (Abeyratne, 1997).

The domestic industrialization policies initiated during this period were influenced by contemporary development thinking and policies adopted by the socialist countries at the time (Aggarwal, 2005; Ministry of Finance, Government of Sri Lanka, 2018). Abeyratne (1997, p.365) stated that Sri Lanka remained a 'paradigm case of an inward-oriented trade regime' for the two decades prior to 1977. During this time, foreign investments were not encouraged but local productions were promoted and emphasize was placed on national self-sufficiency (Ministry of Finance, Government of Sri Lanka, 2018). The exports mainly consisted of raw materials and natural and



agricultural products such as tea, rubber, cocoa, minerals, gems and fish (Sri Lanka Export Development Board, 2017a).

However, the above-mentioned policies failed to improve the economy and the new government which came to power in 1977 initiated more liberal market economic policies and concentrated on export orientation with incentives for FDI (Abeyratne, 1997; Athukorala, 2007). The Greater Colombo Economic Commission (GCEC) (which was later replaced by Board of Investment) was established to effectively promote foreign investments where emphasis was placed on industries such as garments and textiles, rubber and plastic products and processed food (Aggarwal, 2005). BOI promoted SL as a trading hub and a sustainable global supplier to attract FDI and MNCs were encouraged to establish their supply chains in the country (BOI, 1978). Many local companies embraced this opportunity to be a part of global supply chains to increase their profits and profiles (Athukorala and Jayasuriya, 1988).

Currently SL is considered as a middle-income country with a per capita income of US \$ 3956 (Central Bank of Sri Lanka, 2017). In 2009, with the end of a 30-year civil war, SL was recognized as the eighth fastest growing economy in the world (Heenatigala, 2016) and as a safe place to invest (Board of Investment, 2017). The country is ranked higher in the Index of Economic Freedom, which measures the pro-business policy environment of a country, when compared to the other developing countries such as India, Bangladesh, Vietnam and Philippines (The Heritage Foundation, 2018). Currently the labour force is more than 8 million (Central Bank of Sri Lanka, 2017).

Despite these economic developments, some social issues are still prevalent. Income inequality is persistent with a medium Gini Index of 39.8 in 2016 (World Bank, 2018). The Human Development Index (HDI) which measures the life expectancy, education and per capita income is comparatively high in Sri Lanka (0.77 in 2017)

among other developing countries but significantly lower than that of developed countries (Central Bank of Sri Lanka, 2017). In 2017, the unemployment rate was 4.2 (Ibid). In 2016, poverty head count index was 4.1% and it was estimated that 843,913 people were in poverty (Department of Census and Statistics, Sri Lanka, 2016). As such, it is clear that SL still experiences some critical social issues irrespective of the recent economic improvements. The following table summarises the recent demographic data of the country.

**Table 3.1: Demographic data of Sri Lanka from 2013 - 2017**

<b>Demography</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Mid-year population	20,585,000	20,771,000	20,966,000	21,203,000	21,444,000
Labour force	8,034,000	8,049,000	8,214,000	8,311,000	8,567,000
Labour force participation rate	53.7	53.2	53.8	53.8	54.1
Unemployment rate	4.4	4.3	4.7	4.4	4.2

**Source: Central Bank of Sri Lanka (2013-2017)**

### **3.3 Export Industry in Sri Lanka**

At present export trade is a major aspect of Sri Lankan economy and it contributes towards a significant proportion (about 15%) of Gross National Production (Sri Lanka Export Development Board, 2017a). The following table summarises the export indicators of SL from 2012 to 2016.

**Table 3.2: Export Indicators of Sri Lanka from 2012 to 2016**

<b>Description</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Exports (US \$ million)	10,447	11,113	11,878	11,393	11,210
Export Growth Rate % (in US\$ terms)	-5.02	6.38	6.88	-4.08	-1.61
Number of Exporters	3,290	3,699	3,776	3,776	3,794
Export per capita (US\$)	511	540	572	543	529
Number of Export Products	3,607	3,527	3,650	3,626	3,856
Exports as a % of GNP	15.54	15.32	15.31	14.51	14.19

**Source: Sri Lanka Export Development Board (2017a)**

SL has trade relationships with many countries but major export partners are USA, UK and India (Sri Lanka Export Development Board, 2017a). The UK is the second largest export partner of SL which accounts for 10% of all its exports and the main supplies are garments and textiles, tea, rubber and plastic products and coconut products (Ibid). The following table lists the major export partners of SL from 2012 to 2016 with their percentage share of total exports.

**Table 3.3: Major Export Partners of Sri Lanka from 2012-2016 (value in US \$ Millions)**

Country	2012	% share	2013	% share	2014	% share	2015	% share	2016	% share
<b>USA</b>	2114.8	21.64	2492.2	23.99	2719.9	24.46	2802.81	26.58	2808.93	27.25
<b>UK</b>	1055.1	10.79	1076.2	10.36	1115.4	10.03	1030.90	9.77	1044.74	10.13
<b>India</b>	570.1	5.83	543.9	5.24	624.6	5.62	644.77	6.11	551.13	5.35

*Source: Sri Lanka Export Development Board (2017a)*

### **3.3.1 Foreign Direct Investment (FDI) in Sri Lanka**

FDI is considered as an effective way to transfer technology and increase economic growth in developing countries through capital formation, improved productivity, growth and export (Balamurali and Bogahawatte, 2004). BOI of Sri Lanka has been promoting FDI mainly through the establishment of EPZs in various parts of the country (Aggarwal, 2005). Balamurali and Bogahawatte (2004) concluded that FDI is a key determinant of Sri Lankan economic growth after 1977 in which year the economy was liberalized. They also found that it had helped to reduce macroeconomic instability, remove economic distortions, promote exports and restore sustainable domestic investment in SL.

To achieve the objectives of BOI (to generate FDI, exports, foreign exchange and employment), the establishment of EPZs was vital (Sivananthiran, 2007). At present, there are 13 EPZs in the country and most of them are generally located in industrially developed districts mainly in Western, Southern or Central SL. (Board of Investment, Sri Lanka, 2017). The incentives include significant relaxation of rules,

developed infrastructure and support services, freedom from diverse industrial regulations and tax relieves (Sivananthiran, 2007). However, some researchers have highlighted L&HR issues within EPZs especially in relation to women workers (Attanapola, 2004; Atkinson, 2007; Sivananthiran, 2007; Hancock *et al.*, 2015).

Trevino *et al.*, (2002) have found that institutional processes that increase the suitability (legitimacy) of host countries through cognitive and normative pillars such as educational attainment, bilateral agreements, privatization and political uncertainty positively influence inward FDI from MNCs. When considering SL, it can be concluded that some of these factors have positively influenced inward FDI. BOI considers the higher educational levels and literacy levels (92.63%) among the Sri Lankan work force as a positive contributory factor in attracting FDI (Board of Investment, Sri Lanka, 2017). Bilateral investment protection agreements are in place with 28 countries while double taxation avoidance agreements are with 42 countries and UK is covered by both of these agreements (Ibid).

Privatization in SL was initiated simultaneously with trade liberalization programmes in 1977 and the process accelerated in the 1990s (Kelegama, 1994) while political instabilities are common place too (Athukorala and Jayasuriya, 2013). The other positive factors to attract FDI are the geostrategic location of SL in terms of logistics and tax relieves. The location of SL is significant given its close proximity to major international shipping routes which is advantageous in terms of transportation of raw materials and finished products and also due to extended market access to India and Pakistan through free trade agreements (Board of Investment, Sri Lanka, 2017). Amendments to the tax system of the country have been made to ensure that overall tax regime for all sectors will be less complex and at a lower rate and tax exemptions are granted up to 25 years (Ibid).

As stated above, FDI has been a main driving force behind the export growth of SL. The establishment of EPZs and the other positive factors described above may encourage MNCs to select SL as a supplier for their GVCs. In addition to these, Ruwanpura (2016) points out that Sri Lanka's reputation as an ethical garment supplier creates a niche for the country in the GVCs. Quality and uniqueness are major factors contributing to the status of SL as a prominent tea and natural rubber supplier for MNCs (Sri Lanka Tea Board, 2018 and Sri Lanka Export Development, Board, 2017b). The next paragraphs will analyse the three export sectors which are the major contributors in GVCs.

### ***3.3.2 Major sectors contributing to the Global Value Chains***

Prior to 1977 and few years after that, the majority of Sri Lanka's exports were consisted of agricultural products such as tea, rubber, spices and coconut. For example, in 1980, the agricultural products contributed towards 62% of total exports with tea (35%), natural rubber (15%), coconut products (7%) and other crops (5%) being the major contributors. (Sri Lanka Export Development Board, 2017a). However, after the economic liberalisation and export orientated economic policies were introduced, there was a shift in the contributing industries for the export economy. At present, the majority of the exports consist of garments and textiles (43%) followed by tea (11%) and rubber products (7%) (Sri Lanka Export Development Board, 2017a).

**Table 3.4: Major Export Product Sectors in 2016**

<b>Sector</b>	<b>Export Value (US\$ millions)</b>	<b>As a % of total exports of Sri Lanka</b>	<b>Major export markets</b>
Textiles and Garments	4866.40	43.41	USA, UK, Italy, Germany
Tea	1252.24	11.17	Russia, Turkey, UAE, UK
Natural Rubber and rubber finished products	800.57	7.14	USA, Germany, Italy, UK

**Source: Sri Lanka Export Development Board (2017a)**

As illustrated in Table 3.5 below, the major export products from SL to UK are garments (apparel and textiles), rubber products (rubber tyres & tubes and rubber gloves) and tea (tea in bulk and tea packets). The export value of each sector is shown in US\$ millions and their percentage contribution towards the total exports to the UK are illustrated too. Given their export value to the Sri Lankan economy and their importance in GVCs of UK MNCs, these three sectors are the focus of this study.

**Table 3.5: Exports to United Kingdom from 2012 – 2016 (Value in US \$ Millions)**

<b>Product</b>	<b>2012</b>	<b>% share</b>	<b>2013</b>	<b>% share</b>	<b>2014</b>	<b>% share</b>	<b>2015</b>	<b>% share</b>	<b>2016</b>	<b>% share</b>
Apparel & Textiles	881.16	83.52	898.76	83.52	902.13	80.88	816.76	79.23	826.56	79.12
Rubber & rubber products	31.62	3.00	31.80	2.96	34.76	3.11	25.20	2.45	25.45	2.44
Tea	10.79	1.02	8.63	0.80	10.24	0.92	11.04	1.07	10.22	0.97

**Source: Sri Lanka Export Development Board (2017a)**

### **3.3.2.1 Garment Sector**

The garment industry in SL had a modest beginning in the 1960s producing textile mainly for the local market but export oriented production of readymade garments began in 1970s and expanded rapidly after the liberalization of the economy in 1977 (Board of Investment, Sri Lanka, 2018). At first, East Asian garment exporters were attracted to invest in the industry and relocated their well-established garment businesses to SL due to low labour costs (Fernandez-Stark *et al.*, 2011). This encouraged local business community to commence their own garment enterprises to exploit foreign markets guaranteed by trade quotas from USA and EU (Ibid).

At present, BOI approved enterprises account for 90% of Sri Lanka’s total garment exports (Board of Investment, Sri Lanka, 2018). Garment sector had been benefitted from the expiring of Multi Fibre Agreement in 2004 which restricted the amount of exports from developing countries to developed countries and also from the GSP + (Generalized Scheme of Preferences) from the EU enabling the sector to enjoy less or no tax upon exporting to the EU market (Tilakaratne and Murayama, 2006). The



garment supplier companies are mostly situated in EPZs in urban areas (Aggarwal, 2005) and even when they are situated outside these zones or in rural areas, the regulations largely remain the same (Arunatilake, 2012). The labour workforce mainly consists of women where more than 80% of labourers are females while the management roles are dominated by males (Lynch, 2007).

There are numerous studies carried out about the garment sector in SL. Tilakaratne and Munayama (2006) and Sivananthiran (2007) provided a general overview of the sector and Fernandez-Stark *et al.* (2011) evaluated the sector from a GVC point of view. Ruwanpura (2016) stated that Sri Lankan garment industry has been adopting ethical production as a basis for *doing business* for a considerable time since early 1980's. It is argued that this policy was adopted as state regulation had required and also to create a niche for higher value-added garment production and as a response to the labour exploitation by western MNCs in the GVCs (Ruwanpura, 2016). However, this argument is questionable as many researchers have highlighted the labour issues commonly observed in Sri Lankan garment sector. Ruwanpura (2015) herself has highlighted the issue of restrictions on freedom of association in garment sector companies.

Atkinson (2007) reported that the concentration of garment workers (mainly women) in EPZs has created significant issues in terms of inadequate and unsafe accommodation, health and social issues, lack of social welfare and transportation problems. Attanapola (2004) has researched about the health issues faced by Sri Lankan female garment workers in the EPZs. In the same lines, Hancock *et al.*, (2015) have evaluated the issues faced by the female workers in EPZs, specifically the gender aspects and poor working conditions. Lynch (2007) also explored the gender and political dimensions of labour issues in Sri Lankan garment sector highlighting the strict

working conditions where the management, dominated by males, force the mainly female labourers to achieve targets. However, her study did not explore more on the paternalistic concept which could be derived from her observations. Although, these studies have evaluated the L&HR issues in the Sri Lankan garment sector, none of them have explored the influence of GVC governance structure on such issues. Therefore, that research gap is intended to be filled by this study.

Some of the above-mentioned studies have addressed the socio-political aspects of L&HR issues (Lynch, 2007; Ruwanpura, 2016). Perry *et al.*, (2015) highlighted the effects of strict national labour laws and educational levels of workers in CSR implementation in garment industry. When considering the influences of country-specific institutional forces on L&HR issues in the garment sector, these studies provide valuable insights. Also, Perry (2012) stated that cultural and religious influences are shaping the CSR implementation in the sector where it is mentioned that Buddhist philosophy and higher educational levels among managers positively affect CSR implementation. Fernando (2010) and Fernando and Almeida (2012) have researched about the influence of religious virtuousness in shaping the managerial perceptions about CSR in garment companies.

All these studies have analysed the influence of socio-cultural and religious factors on managerial perceptions and decision-making, leaving a gap in research how they influence the behaviour and mindset of labourers in terms of L&HR issues. Also, they have not explained managerial actions, influenced by religion as a pure giving (*Dhana*) concept but as a moral underpinning for engage in CSR activities. Therefore, this study focuses on filling this gap by identifying religious influences from the perspectives of managers (religious humanitarianism) and from the perspectives of labourers (Buddhist fatalism / karma).

### ***3.3.2.3 Rubber Sector***

Rubber plantations in SL started in 1876 under British occupancy and since then SL had been a global supplier of natural rubber (SL Export Development Board, 2017b). According to 2016 estimates, the total area of rubber plantations in SL is 132,700 hectares and it is a significant employment generator particularly in rural areas where about 300,000 people are employed in the industry directly or indirectly (SL Export Development Board, 2017b; Rubber Research Institute, SL, 2018). For a long time, natural rubber produced in SL had been regarded as of high quality and durable and the country has been continuously ranked among the top ten natural rubber manufacturers and exporters (SL Export Development Board, 2017b). Rubber Research Institute and Rubber Development Department oversee the industrial development and other issues of the sector.

Although, historically SL was concentrating on exporting natural rubber, the emphasis has been changed in recent years to produce value added rubber products (VARP) and export them retaining the quality and durability thus creating a niche market (Rubber Research Institute, SL, 2018). These VARP include solid tyres, latex gloves, surgical gloves, rubber bands, beadings, mats and sports equipment (SL Export Development Board, 2017b). Natural latex rubber and technically specified natural rubber (TSNR) are used to make gloves, sealers and other rubber products for MNCs, especially retailers (Export Development Board, 2017b). Samarasinghe and Karunarathne (2015) had mentioned that SL is seeking technological advancements to improve export performance of VARP sector. However, no research had been carried out to establish the governance structures of the GVCs or their shifting patterns according to the above-mentioned transformations in the industry. Therefore, this study

investigates those aspects and their influence on L&HR issues in the rubber sector which have also not being explored specifically.

Many rubber plantations and factories producing natural rubber sheets are located in rural areas while the factories manufacturing VARP are situated in more urban areas, mainly in EPZs. The rural rubber plantations and factories employ local labourers to collect rubber and to work in the factories. As the rubber production and collection depend on the prevailing weather conditions, it would be worthwhile to analyse the employment arrangements for local labourers and their income levels. As the factories manufacturing VARP are mainly located in urban or EPZ areas (same as garment sector) the L&HR issues in those factories should be investigated to see whether they are similar to those of garment sector or not. Also, given the nature of the industry, environmental damage is possible and it is worthwhile to see whether the supplier companies and/or buyer MNCs are interested in CCR projects or environmental development as CSR practices.

### ***3.3.2.2 Tea Sector***

Tea plantations in SL were started in the 19<sup>th</sup> century during the British colonial era and since then Sri Lankan tea is regarded as of high quality (SL Tea Board, 2018). The tea industry had a predominant role in generating foreign exchange for more than a century, however later its competitive advantage decreased due to high costs associated with tea plantations (Ariyawardhana, 2003). In 1995, SL became the world's leading exporter of tea with a 23% of global tea exports but since then it had been facing severe competition from other tea growing countries such as India and Kenya (Ibid). Nevertheless, SL has managed to create a niche market for its tea based on its high quality and taste in many countries including UK, Russia, Iran and Saudi Arabia (SL Export Development Board, 2017a). SL Tea Board is the main institute that oversees

and manage tea production, auctions and exports which include green tea and black tea in fermented or partly fermented states (SL Export Development Board, 2017a).

At present SL is the world's fourth-largest producer of tea, producing 307 million kilograms in 2017 (SL Tea Board, 2018). It represents 2% of the GDP and contributed US \$ 1.5 billion to the economy in 2017 (Ibid). Over 1 million people are directly or indirectly involved in the tea sector while about 500,000 people work in the tea estates (Institute of Policy Studies of SL, 2017). The tea plantations are divided into three categories according to the elevation of the location where they are grown. These are; high-grown tea (at elevations above 1200 m), mid-grown tea (at elevations between 600 to 1200 m) and low-grown tea (at elevations below 600 m) (SL Tea Board, 2018). As of 2015, the total area covered by tea plantations was around 202,440 hectares and low-grown tea contributed to 62% of national tea production while high and medium-grown tea contributed to 23% and 15% respectively (SL Tea Board, 2015). Even though it is widely known that tea suppliers have a competitive advantage due to the high-quality of tea they produce, no research had been carried out to establish the GVC governance structures of the sector. This study aims to fill this gap by identifying the GVC governance structure dynamics of the sector.

Tea industry is a high labour intensity industry which requires a large number of labourers and when the need for the labourers arose, local Sri Lankans were reluctant to take up the jobs as it was deemed as demeaning (The Economist, 2017). Therefore, the then British governors had to bring migrant labourers from South India in and they were given residential establishments within the estates (Ahmed, 2014). Several generations later, the descendants (hill-country Tamils) are still ghettoised in the same accommodations and experience substandard living conditions (Alawattage and Wickramasinghe, 2008). These people are called with the derogatory term 'estate

Tamils'. Neither the neighbouring Sinhalese nor the *Sri Lankan* Tamils do want to mix with them or accept them as Sri Lankans. This has created serious implications on their lives as they are forced to depend solely on the tea estates and refrain themselves from the outside communities thus providing an opportunity for the owners/managers to exploit them (Ibid). This is the situation related to high-grown tea plantations. Later, the tea plantations spread into other climate regions (mid-grown and low-grown) with governmental intervention (SL Tea Board, 2018) but the situation with the labourers is different in them as they are local villagers mainly of Sri Lankan Sinhalese ethnicity.

Some studies and media have highlighted the issues faced by the labourers such as low wages and poor living conditions (Ahmed, 2014; Institute of Policy Studies of SL, 2017; The Economist, 2017). The high-grown tea estates resemble villages where the labourers live in small line houses with minima facilities (Ahmed, 2014). It is said that in 1948, when SL became independent from Great Britain, the labourers' citizenships were revoked and many were deported to India against their will and until 2003, about 300,000 hill-country Tamils were not entitled to vote as they were stateless (The Economist, 2017). The hill-country Tamil labourers are represented by a TU affiliated to Ceylon Workers Congress which negotiates with the government (Global Press Journal, 2017). There is an ongoing dispute about the wages for labourers between the union leaders and the government (Global Press Journal, 2017) as the wages are fairly low, often not meeting the Sri Lankan living wages (Institute of Policy Studies of SL, 2017). Their Income is a quarter less than that of other rural labourers while poverty levels are high at 11% compared to the national level of 7% (Ahmed, 2014).

Institute of Policy Studies of SL (2017) has highlighted the issue of low income among the labourers while Ahmed (2014) has analysed the socio-economic issues such as housing, education, health and child labour. Despite this widespread knowledge of

L&HR issues, no research studies had been carried out by reaching the labourers for interviews. The above-mentioned studies only have provided descriptive information of L&HR issues rather than investigating them from the labourers' point of view. Moreover, they all have focused on high-grown tea estates (with hill-country Tamils) while low-grown tea estates which contributes the largest share for the total tea production is neglected. Therefore, this study fulfils this gap by trying to identify L&HR issues in the sector (both high-grown and low-grown) from the labourers' point of view to get a better understanding of the situation.

### ***3.4 Labour Issues in Sri Lanka***

Thomsen *et al.* (2012) mentioned that developing countries face critical challenges in meeting international labour standards and codes of conduct. As described in the previous chapter, this may be due to the way the global trading networks and GVCs are arranged, power asymmetries between countries and a myriad of influences from institutional forces. According to Ruwanpura (2016), restructuring the global economy and the new division of labour accompanied by asymmetrical power dynamics have uneven consequences for labour. Within global trade networks, developing countries are in a disadvantageous position due to these power asymmetries (Ibid). Lack of relevant policies, political instability and poor law enforcement is common in SL causing adverse conditions for labourers (Atkinson, 2007). Arunatilake (2012) stated that precarious working conditions are prevalent in SL, especially in some export-orientated industries where cost reduction and increasing productivity are the main targets to achieve competitive advantage in the global market. Precarious work is common in informal sectors too where many labourers are working under vulnerable conditions such as low and variable wages and hazardous working environments (Ibid).

The emphasis on profit maximization has led the Sri Lankan governments to repress the TUs since 1980s (Teitelbaum, 2007). The formation of TUs within EPZs is effectively being discouraged and suppressed thus restricting most of the GVC workers joining them. Many researchers have pointed out that relaxed labour regulations in EPZs contradict with the ILO core conventions that SL has ratified (Hancock *et al*, 2015; Perry *et al.*, 2015; Ruwanpura, 2015). In SL, there are 274 registered TUs, but the majority of them are in the public sector and public corporations. Only 18% of TUs represent the private sector where most of the labourers related to GVCs are working thus that workforce is largely unorganized (ILO in Sri Lanka, 2018). Also, The Ministry of Labour (2014) has reported that there is a declining trend in unionization in SL contributing to the loss of bargaining strength by TUs. Atkinson (2007) stated that many labourers do not join the TUs as they are wary of TU activities, scared of being sacked and are not aware about the benefits of collective bargaining or which TUs they could join. In the EPZs and generally in many export-orientated industries, employers discourage the formation and functioning of TUs but encourage and promote ECs which are accused of being employer-biased (Ruwanpura, 2015). Although ECs are promoted as stakeholder engagement or social dialogue (Secretariat for Senior Ministers (Sri Lanka), 2012), the arrangements may not be an alternative for freedom of association and collective bargaining.

However, recently there seems to be an increase in TU activities, particularly in the garment sector, where traditionally such activities are restricted. It had been reported that hundreds of women garment workers were staging a long-running strike against the illegal dismissal of some workers and union members in an EPZ (Labour behind the Label, 2019). The movement had been supported by several international organizations and TUs such as Labour behind the Label, War on Want, Free Trade Zone and General



Services Employees' Union (FTZ-GSEU) and global union industriALL (Ibid). This indicates that Sri Lankan labourers are taking more actions against the exploitation and violations of L&HR with the support and encouragement of international movements. In addition, there were other reports of grass-root level organization of female garment workers (such as Stand Up Movement Lanka) to 'stand up' for their rights with the help of local social movements and NGOs (A Medium Corporation, 2017). These organizations are similar to the grass-root level organizations observed in Indian garment sector companies (Jenkins, 2013). As such, it is clear that labourers, especially women, are noticing the importance of association and collective bargaining in the face of violations of their L&HR rights.

Discrimination and lack of equal opportunities are common in many industrial sectors especially for women. Although Sri Lankan women have comparatively higher literacy rates and equal educational opportunities as children (Ahmed, 2014; Central Bank of Sri Lanka, 2017), these do not seem to reflect at work. Women are twice as unemployed as males and often take up jobs in informal sectors (predominantly plantation sectors) where wage disparities are common (ILO in Sri Lanka, 2018). Also, the majority of women who are employed as tea leaf pickers and rubber tappers in the plantation sectors are at the lowest level of the employment ladder without many opportunities for promotions (Ibid). The working environments and systems in place in many work places do not allude to supporting gender justice and equal opportunities. There are incidents of sexual harassment and gender-related discrimination against women, particularly in EPZs where young women from rural areas are confined to industrial zones without proper knowledge or support to realize their fundamental L&HR (Attanapola, 2004). ILO in Sri Lanka (2018) states that gender justice cannot be achieved by laws alone as law follows the society where often women have neither the

courage nor the support and financial aids to use the legal framework in the event of an adverse experience at work.

In addition to the above, the gendered roles and traditions in Sri Lankan society are quite stereotypical (Jayaweera, 1999; Bombuwela and De Alwis, 2013). As a patriarchal society, men are usually the leaders at home, communities and in the authorities. Although, women are seemingly not suppressed, the society expects them to follow the lead of men and this is common for both Sinhalese and Tamils (Ahmed, 2014) who were the two ethnicities involved in this study. This means that, in general, men dominate the authoritative roles while women take up the subordinate roles in the workplace. Moreover, the society expects women to do more feminine work such as sewing machine operating in garment sector, rubber tapping in rubber sector and picking tea leaves in tea sector (Jayaweera, 1999). Also, men are stereotypically accustomed to carry out heavy and laborious works which match the societal expectations of them being the stronger and braver gender (Ibid). Even though such expectations could mount to gender discrimination at the work place, people tend not to consider it as discriminatory as conforming to the societal and cultural norms and expectations are important for them.

In SL, all children up to age 16 are required to be in full time education but can enter the labour market from age 14 under certain conditions and circumstances (United States Department of Labour, 2016). However, the law considers everyone up to age 18 as a child (National Child Protection Authority, SL, 1998). Therefore, there are instances mounting to child labour issues between the ages of 14 to 18. This include children entering the hazardous labour sectors such as mining, fisheries and construction work which could affect their health, safety and mental wellbeing before they turn 18 which is the legal minimum for hazardous work (United States Department

of Labour, 2016). Ahmed (2014) had reported that child labour is present in tea estates where parents are forced to enter their children to work due to poverty. Among hill-country Tamils, many young children leave school early to start work and the educational levels are considerably lower than that of the national level (The Economist, 2017).

### ***3.5 Institutional Environment***

According to Campbell (2007), corporate behaviour is influenced by the institutional environment within which those corporations operate. There are differences in the social behaviour of organizations in different countries leading to the argument that political, legal financial and socio-cultural institutions in those countries have an impact on such behaviours (Maignan and Ralston, 2002). In Chapter 2, the home-country institutional environment of the UK MNCs was explored. As their GVCs operate in a different context (SL), it is important to identify the institutional environment in SL to analyse the ways in which these MNCs and their supplier companies behave and respond to L&HR issues.

SL became a member of ILO in 1948 and the ILO office in SL works with other labour related Sri Lankan institutions such as Ministry of Labour, Department of Labour, Employers Federation of Ceylon (EFC) and major TUs to ensure the ILO principles and policies are adhered to by the employers (ILO in Sri Lanka, 2018). The EFC, formed in 1929, has been the ILO's prime counterpart for employer related activities in SL and it takes the lead in coordinating activities with regional and district chambers of trade, commerce and industry on behalf of the ILO (Ibid). All eight core conventions and three governance conventions had been ratified by SL (International Labour Organization, 2017c). The ILO office in SL is collaborating with the Department of Labour to minimize the issues faced by female workers and to ensure

equal opportunities and wages (ILO in Sri Lanka, 2018). Code of conducts and policies had been developed to ensure employers are knowledgeable about the women workers' rights and to provide legal help and assistance for disadvantaged workers (Ibid).

### ***3.5.1 Political Environment***

Earlier in this chapter, it was described how a major political shift in 1977, changed the economic trajectory of the country. The liberal market economic policies adopted in 1977, promoted export-oriented sectors through FDI and EPZs (Athukorala, 2007). The BOI promoted SL as an ideal destination to invest thus attracting MNCs which were looking for suppliers with low costs (Abeyratne, 1997). Many small-scale companies embraced this opportunity to become global suppliers of the leading MNCs (Athukorala and Jayasuriya, 1988). Even though these policies upgraded the economy and generated employment and export revenue, the liberal market economy has created some issues too. Since gaining independence from Great Britain in 1948, Sri Lanka had experienced numerous political instabilities and a civil war which lasted for more than 25 years (Athukorala and Jayasuriya, 2013). Also, there is a tendency to change policies with changing governments creating complex situations for policy implementation bodies which stagnate such procedures (Heenatigala, 2016).

### ***3.5.2 Legal and Regulatory Environment***

The legal system of SL is based on the British legal system and comprises of many legal aspects regarding labour affairs; the Labour Law being the main legal instrument (Department of Labour, SL, 2018). There are labour courts and labour tribunals to solve labour disputes and grant compensation for labourers (Ibid). SL is a firm proponent of international laws and UN's rights of labour, children and women and there is a stringent adherence to child labour laws and endorsement of gender equality

(ILO in Sri Lanka, 2018). However, it is said that the legal system in SL is rigid in nature thus lacking the flexibility needed to adapt in resolving diverse labour issues (Department of Labour, SL, 2018).

The Department of Labour is the main institute in SL which enforces and monitors labour regulations. It deals directly with the labour law and ensures the proper implementation of law across all the working sectors while paying special attention regarding employment of women, young persons and disabled (Department of Labour, SL, 2018). As the supervisory and implementing authority, it grants the certificate for collective bargaining for TUs having 40 per cent of membership and also initiates action against the violators of fair labour practices (Ibid). The institute carries out periodical inspections on factories and responds to complaints from the labourers.

SL ratified the Freedom of Association and Protection of the right to Organise Convention (C 087) in 1995 and Right to Organise and Collective Bargaining Convention (C 098) in 1972 (International Labour Organization, 2018c). The Sri Lankan constitution grants the fundamental right for every person to join a trade union under the Industrial Disputes Act, 1950 while the Trade Union Ordinance permits any seven people to form such an organization (Department of Labour, SL, 2018). Considerations on Occupational Safety and Health was confined to mines and to the relevant machinery since year 1896 till 1950, and extended only to factories under Factories Ordinance (1942) until recently (ILO in Sri Lanka, 2018). The shortcomings in relation to Occupational Safety and Health coverage in the formal sector was a key concern, as only about 30 per cent of the labour force was covered by the main statutory provision (Ibid). To bridge this gap, Safety, Health and Welfare at Work Act has been approved and implemented in 2013 (Department of Labour, SL, 2018). To institutionalize the supporting activities associated with the introduction of the new

occupational safety and health legislation, the Ministry of Labour has established the National Institute of Occupational Safety and Health (NIOSH, 2018).

### ***National Institute of Occupational Safety and Health (NIOSH)***

This institute is responsible for all relevant studies, researches and analysis and setting up of national standards on occupational safety and health. The ILO branch in SL provides assistance in implementing the new Safety Health and Welfare at Work Act which is designed to provide a safe and a productive environment to all workers. It also works with its constituents to build national capacities to raise awareness of the preventability of many occupational injuries and diseases (ILO, Sri Lanka, 2015). In SL about 4,000 accidents are being reported yearly and the number of working days lost due to accidents is estimated to be around 600,000 workdays every year (National Institute of Occupational Safety and Health, 2018).

### ***Social Dialogue***

To compensate for the declining trend for unionization, the Ministry of Labour in SL has introduced the Social Dialogue as a platform to discuss and negotiate labour issues among the relevant parties before they escalate to conflicting levels (Secretariat for Senior Ministers (Sri Lanka), 2012). Social dialogue institutions and labour relations constitute a vital component of human resources and employment policy in many Sri Lankan work places where these institutions are responsible for the maintenance of industrial and labour relations (Ibid). It is encouraged that the management of companies should engage in periodical dialogues with TUs and other worker organisations to resolve outstanding issues and differences of opinion in a friendly atmosphere, before such issues lead to disputes requiring intervention of authorities (Ibid).

### ***National Institute of Labour Studies (NILS)***

The importance of raising awareness and knowledge of labour affairs is considered important and the NILS has taken measures to educate employers, employees and policy administrators as a way of reducing tensions between the parties (Secretariat for Senior Ministers (Sri Lanka), 2012). Established in 2007, the NILS is governed by representatives from the tripartite constituents of the labour sector which include employers, employees (represented by the trade unions) and government officials of the labour sector (National Institute of Labour Studies, 2012). The institute works closely with the Labour Department and other related government, semi-government institutes, NGOs and ILO Sri Lanka office (Ibid). The main objective of NILS is to conduct various training programmes and workshops to enhance the knowledge of labour relations and issues among members of the tripartite constituents and to develop positive attitudes among them towards the best practices of labour relations (Ibid).

### ***3.5.3 Socio-cultural Environment***

SL has a history of more than 2000 years and had been under the occupancy of European nations for many centuries (McGilvray, 1982). The country is predominantly Buddhist while the other religions are Hinduism, Christianity and Islam (Department of Census and Statistics, Sri Lanka, 2012). The paternalistic society has a tendency to grant priority for men but most of the time women are not suppressed especially with regard to education and employment. Both genders have equal opportunities to learn from childhood up to higher education and the literacy rate is high compared to the neighbouring countries in the South Asian region (Central Bank of SL, 2017). The educational level of labour force is considered as an important factor in resolving labour issues before they escalate to the confrontational stage.

There are many divisions in the society; caste system, social classes based on lineage and wealth, urban and rural divisions are all present amid the more prominent racial segregation between Sinhalese and Tamils. Although the caste system has dominated Sri Lankan society for a long period, its significance has reduced drastically within the last few decades (Rao, 2010). During its dominancy certain employments were restricted to a specific caste thus limiting the employability of people who were deemed as low caste (Rogers, 1994). However, this has changed significantly and employment opportunities are mostly open for everyone despite their caste. Also, the division of classes by birth or lineage is becoming insignificant. Prior to the globalization process and open economic policy, the upper (noble) classes were significantly rich and exercised an asymmetric level of power over land ownership, politics, civil administration and economy (Rogers, 1994). The lower classes were forced to work for them for minimum amounts and had no say over the politics or administration (Rao, 2010). However, after the introduction of the open economy, a new social class emerged with the opportunities derived from export-oriented productions, who were not traditionally 'blue –blooded' but quite rich with significant social influence.

This has created a situation where the old class system based on lineage has become rudimentary while the newly rich entrepreneurs have arisen as the new upper class and middle class. Along with this came the notion that financial status is very important to gain recognition from the society and it matches the profit-making attitudes of the companies specially in the exports sector (after the liberal market economic policies were introduced). This thinking has a serious negative impact on the poorer people who are mostly working as labourers in these companies where they are trapped



in low paying jobs and lack of opportunities to upgrade their living conditions which will most likely continue as a cycle for their future generations too.

The situation regarding the class and caste system is quite common for both Sinhala and Tamil ethnicities within their respective cultures and communities (Rao, 2010). In addition, Sri Lankan Tamils (a minority), had faced ethnic discrimination at work places mainly due to language barriers. Although, this is becoming less prominent recently due to the fact that English is the main working language in government and private offices, certain job roles might still be unavailable to Tamils unless they are fluent in Sinhalese. Previously in this chapter, it was described that how Indian / Hill-country Tamils (another ethnic minority) are restricted to work in tea estates and are virtually forbidden from taking up another employment outside these tea estates due to language, cultural and class barriers and low educational levels (Ahmed, 2014). Tamils, in general, face more difficulties in seeking employment due to language barriers as historically they had been living within their own communities (Ibid). On the other hand, the Muslims (again a minority) had been living within Sinhala communities and are accordingly more fluent in Sinhalese. This has enabled them to access employment opportunities relatively easily and most are involved in businesses too. However, taking up higher education or employment is very low among Muslim women due to their strict religious and cultural norms (Rogers, 1994).

In terms of religions, Buddhists are the majority and the influences of Buddhism on the employment relationships are explored in this study. Religions are highly connected with the ethnicities (Tamils are mainly Hindus while Muslims are Islamic) described above (Department of Census and Statistics, Sri Lanka, 2012). Within the Sinhala community, the majority is Buddhists while a minority is Christians along with some Tamils (Ibid). There are no prominent evidence to say that religion alone play a

part in terms of employment opportunities other than where Islamic women are forbidden from most jobs due to their own religious restrictions as described above (Rogers, 1994). Even though, it is not relevant to this study, it would be worthwhile to mention that Buddhists and Hindus generally refrain from employments that require killing animals due to their religious beliefs (such as fishing and working in abattoirs). Usually Christians and Muslims take up those roles but the society does not consider discrimination in this regard as it involves deep religious and cultural beliefs.

The division between urban and rural areas is also significant for the labour issues prominent in SL. Most urban people are considered to be educated, socially adept (have connections) and assertive in demanding their rights. In contrast the rural people are considered as uneducated, unassuming, innocent and very religious. Therefore, people from urban areas (who usually have good opportunities in education and jobs) become managers while the people from rural areas are confined to work as labourers or in other low paying jobs. The differences in their characteristics and social positions make it easier for the managers to control and sometimes exploit the labourers for better profit gain while the labourers are struggling to meet the basic demands of everyday lives.

This power asymmetry has created an opportunity for the managers to highlight their CSR activities for the *poor and innocent* labourers and their families. Most Sri Lankan companies consider helping the community as a major form of CSR in terms of developing infrastructure and improving the living conditions of local families (Fernando, 2007; 2010). The *poor and rural* villagers welcome these activities from companies as the central government and local authorities are insufficient and ineffective in providing the basic facilities for most of the rural areas which is a common weakness in Sri Lankan politics and policy making (Heenatigala, 2016).

Therefore, the owners/managers of some export-oriented companies situated in the rural areas have become 'heroes and saviours' in the eyes of the local communities. This enhances the power asymmetries and has restricted the opportunity of a level-playing field for the discussions between managers and labourers regarding L&HR issues. However, the relationship between managers and labourers cannot always be considered as opportunistic or a power struggle. Paternalistic approach is present in SL, mainly in the garments sector, suggesting that these companies may have adopted the concept from the west as part of their desire to follow the western companies within the globalization context or the concept may have evolved separately in SL in connection with the religious attitudes.

### ***Paternalism***

Paternalism in Sri Lankan companies is an area that has not been researched thoroughly. In fact, such literature is almost non-existent. Lynch (2007) has mentioned that in the garment factories, the management policies are structured by paternalism and face-to-face power dynamics. The author has also mentioned that for the young female garment workers, the paternalistic structure (based on emotional and inter-personal relationships) is more important than objective labour issues such as wages or production targets. Alawattage and Wickramasinghe (2008) have asserted that in Sri Lankan plantation sector, paternalism exists in a coercive form particularly where the labourers are highly dependent on the estates for their livelihood (for example, the hill-country Tamil labourers). From the researcher's own experience and knowledge, it is known that paternalistic behaviour is common in most of the garment factories as a mutual benefits system for the management and the labourers. As such, more facts about paternalism are explored during the study.

Paternalism was a widespread management practice in British and USA industry in the 19<sup>th</sup> century although it declined with the emergence of production methods based on Taylorism and Fordism and the accompanying industrial relations systems (Wray, 1996). However, some studies have found that paternalism is still thriving as a contemporary management practice within the right circumstances in some countries and in some industries (Wray, 1996; Gibbon *et al.*, 2014; Brumley, 2014). Paternalism has been described as the edification and protection behaviours adopted by companies in relation to their workers (Gibbon *et al.*, 2014). Farh and Cheng (2000) have identified that paternalistic leadership is common in many Chinese family businesses where the elements of authoritarianism, benevolence and moral leadership are important constituents of the concept. It is also argued that paternalistic leadership behaviours are developed to humanize and re-moralize the workplace based on ethics and organizational commitment (Erben and Guneser, 2008). Pellegrini *et al.* (2010) have conducted a research on paternalistic leadership in the USA and India. They have found that in both cultures, paternalistic leadership was positively related to enhanced communications between the managers and employees and organizational commitment but it had a significant positive influence on job satisfaction only in India.

Although there is evidence that paternalism is a mechanism that mutually benefits both the management and employees and that it enhances communication and job satisfaction, many economists and libertarians have considered it 'derogatory'. In their work on libertarian paternalism, Thaler and Sunstein (2003) argue that this is based on false assumptions and misconceptions. They argue that if the misconception that paternalism always involves coercion could be changed, then many libertarians would be able to accept the concept. Ackers (2001) has mentioned that there is a renewed interest in paternalistic approaches at work place in an era where collective and

organized conflicts (TU activities) are becoming more and more insignificant. This argument is important as it is vital to understand the motivations behind paternalistic approaches when analysing such practices in Sri Lankan companies.

### ***Religious Fatalism and Religious Humanitarianism***

SL is the second most religious country in the world where 99% of the population consider themselves as religious and express that the religion plays a significant role in their lives (World Atlas, 2018). Buddhism has teachings of self-content and avoiding too much commitments which in practice means many people are satisfied with what they have rather than pursuing higher goals or social status. Also, in line with the concept of reincarnation, Buddhist people believe in previous lives, after lives and karma (Sayadaw, 2018). For example, an employee who was treated unfairly could be convinced that their sufferings and mistreatments from the employers are due to their own *bad karma* rather than injustice from different facets of the society. Therefore, they tend to accept the life and the issues as they are rather than confronting anyone who should be responsible.

This situation can be prevalent in rural areas, where the labourers might not think the unacceptable behaviour from managers (forcing overtime, not increasing salaries, verbal abuse and harsh punishments for mistakes) as unethical labour practices but accepted them as part of their lives and as a bad merit transfer from a previous life (Keyes, 1983). This might have serious implications for implementing proper labour practices as labourers are indifferent to the mistreatments and lack motivation to complain or act against them. However, this could be less evident in urban areas where religious concepts are slowly fading with the rising importance of money-driven capitalist life styles.

Also, by being a religious country, many Sri Lankans prefer to avoid conflicts instead considering communication is a better way to resolve disputes. This attitude may be helpful to minimise labour disputes but it may also suppress the true extent of the labour issues as many labourers would not feel the need to raise their concerns or even do not recognise any issues as such. For example, some labourers might even think that it is not nice or grateful to voice concerns against their employers as they provide a living for the labourers. This complacent religious fatalism concept of labourers could be exploited by the management to carry on violating labour practices as there are no consequences for such behaviour.

On the other hand, some managers may also be positively influenced by their own religious upbringing and would consider helping out the labourers and their families out of empathy. This is considered as religious humanitarianism. Perry (2012) argued that cultural and religious norms prevalent in SL are having a positive institutional impact on the management to act more responsibly towards their employees. Some companies and managers have expressed genuine compassion towards the labourers and their families and had altruistic motivations to help them to ease their sufferings (Fernando, 2007). This kind of religious and humanitarian giving is different from the western aspects of paternalism and stakeholder engagement where there is a 'business case' from the employers' point of view. In paternalism the employers provide housing, education, health care, savings programs and opportunities for social activities for their employees and in turn expect it would encourage the employees to be loyal, more effective and efficient in their work and to minimize conflicts (Gibbon *et al.*, 2014). However, religious humanitarianism is *giving* without expecting anything back.

Even though, on the surface, it seems that religious humanitarianism is completely altruistic, a deeper analysis could interpret it in other ways. The Buddhist thinking might have encouraged the managers to engage more in *giving* with the expectation of good merits based on Karmic theory. Those expectations might not be even material or related to this life but could be related to the hopes of good social standing and good merit transfer for the afterlives. Lynch (2007) has mentioned that such actions from managers are not completely disinterested from certain social gains. However, the motivations for such religious activities would be individualistic as each individual interpret their religiosity differently and act accordingly. Therefore, analysis of the concepts of religious humanitarianism and religious fatalism is subjective. Nevertheless, the above-mentioned concepts of religious humanitarianism and social paternalism are beneficial for the labourers of SL in a situation where the legal and regulatory frameworks are not strong enough to protect labour rights and to ensure that labourers are treated fairly.

### **Research Questions**

The overall aim of this study was to evaluate the L&HR issues in Sri Lankan supplier companies of UK MNCs within the context of governance structures of GVCs and institutional environments. At the same time, the motivations for UK MNCs to report (or not report) on L&HR aspects were analysed while identifying the differences between reporting and actual practices and reasons for such differences.

As identified by the Global value chain framework, there are five different governance structures that can be observed in GVCs and it may depend on the type and complexity of the required product coordination, ease of information transfer and

supplier capabilities (Gereffi *et al.*, 2005). As a developing country, SL may have lesser competencies in producing coded and differentiated products such as garments, but it would be important to identify the situation with other export sectors such as tea and rubber. The relative strengths and weaknesses of buyers and suppliers determine the level of benefits yielded by countries, companies and workers from GVCs (OECD, 2011). Power asymmetries in different countries result in different outcomes for the labourers of those countries (Ruwanpura, 2018). Also, it has been pointed out that the governance structures are dynamic and may shift accordingly with the changes associated to main drivers of GVCs (buyers and/or suppliers) and also due to changes in external factors such as international agreements and regulations (Gereffi *et al.*, 2005).

It can be argued that when the suppliers are highly dependent on MNCs (as in Captive value chains) L&HR issues may arise in suppliers due to the high level of power asymmetries between the two parties. At the same time, if the relationships between the MNCs and their suppliers are obvious (high explicit coordination), the MNCs could be expected to pay much attention to ensure good labour practices in those suppliers as they would be concerning about their legitimate status and reputation in case of negative publicity related to L&HR issues in their suppliers (Mobus, 2005; Magnus, 2006). On the other hand, if it is difficult to establish the relationships between the MNCs and their global suppliers (arm's length relationships), the same issues might be disregarded or ignored as it would be difficult for the society to hold those MNCs responsible for such issues in their GVCs. Furthermore, the ease of the flow of MNCs' governance mechanisms to suppliers might be dependent on the governance structure of the GVCs. It could be assumed that in vertically integrated GVCs (ie: from MNCs to subsidiaries), the implementation of governance mechanisms would be much easier when compared to Market (arm's length) GVCs where there are several intermediaries. Thus, the first research question is as follows.



RQ. 1 What are the governance structure typologies, patterns and their dynamics that control the GVCs of UK MNCs operated in Sri Lanka and how do they influence the labour and human rights issues in those value chains?

As a developing country, SL has to depend on foreign MNCs' investments to create job opportunities and economic growth (Athukorala, 2007). At the same time, the lack of expertise in technology and production facilities means the dependency on the MNCs is at a high level, especially in some sectors such as garment. These situations could create L&HR issues within the GVCs where the MNCs are seeking opportunistic advantages to exploit cheap labour while demanding strict product specifications and lead times (Arunatilake, 2012). Low wages, compulsory overtime and lack of rest periods are common in garment sector where the suppliers are trying to reduce production costs by reducing labour costs to meet the demands of MNCs for low price products (Absar, 2001; Atkinson, 2007). L&HR issues in EPZs in SL had been highlighted by many researchers (Attanapola, 2004; Atkinson, 2007; Sivananthiran, 2007; Hancock *et al.*, 2015).

However, if there is explicit coordination between the MNCs and suppliers, there might be some positive implications on labour practices such as higher H&S measures and factory conditions (Ruwanpura, 2016) derived by the MNCs' desire for legitimacy and the ease of implementation of governance mechanisms. Garment, rubber and tea sectors have very different historical, geographical, political and economic backgrounds leading to the assumption that the prevailing L&HR issues in each sector and their extent could be different too. Atukorala *et al.* (1994) have studied about the health issues in plantation sector workers while Ahmed (2014) has explored the socio-economic issues in high-grown tea sector. Some policy-based studies (Institute of Policy Studies of SL, 2017) and media (The Economist, 2017) have highlighted many

issues within the plantation sectors. However, there is a lack of empirical research (particularly interview-based) on such issues which leaves a void in the subject matter leaving it open to investigate. Therefore, the second research question is posed as follows.

RQ. 2 What are the issues faced by the Sri Lankan labourers working in these global supply chains and why the nature and extent of these issues vary in different export sectors

According to the Institutional theory, organizations are affected by and affect the institutional forces in their operating environment (Judge *et al.*, 2008). Williams and Adams (2013) have stated that society, politics and economics are inseparable, indicating the impact of institutional forces on social issues. Both UK-based MNCs and Sri Lankan global suppliers are governed by fundamental L&HR standards and conventions (International Labour Organization, 2018c and 2018d) which provide the minimum legal protection for labourers. The country-specific institutional environments could be significantly different for UK and SL.

As a developed and an Anglo-Saxon country, the UK has well-established and functioning legal and regulatory systems but the protection for labourers is at the minimum level (Deakin *et al.*, 2014; Ehnert *et al.*, 2016). The liberal market economy in the country is creating a less than favourable situation for labourers with higher levels of managerial discretion and limited collective bargaining powers (Howell, 2003). Also, the liberal market and profit maximization attitudes may encourage the UK MNCs to disregard L&HR rights particularly in their GVCs established in developing countries where institutional forces are not strong or influential and if the perceived legitimacy is not under threat. However, there is a significant influence from the societal groups such as NGOs, pressure groups, media and consumers (Labour Behind the Label, 2018; Anti-

Slavery Organization, 2018) and organizational fields (Ethical Trading Initiative, 2018) on the behaviour of MNCs. The pressure from these groups may drive the MNCs to engage more in good L&HR practices and CSR practices to at least appear to be legitimate.

Political instability and incompetency are commonly observed in SL (Athukorala and Jayasuriya, 2013; Heenatigala, 2016). Also, it is known that successive governments since 1977 have suppressed TUs and related activities (Teitelbaum, 2007). Even though, labour law is a detailed legal instrument, its applicability, practicality and flexibility had been questioned by the government authorities themselves (Secretariat for Senior Ministers (Sri Lanka), 2012). Also, some researchers have mentioned the role of NGOs working in SL in ensuring proper L&HR practices and CSR practices (Atkinson, 2007; Heenatigala, 2016). Fernando (2010); Fernando and Almeida (2012) and Perry (2012) argue that cultural and religious norms prevalent in SL are having a positive institutional impact on the global supplier companies to act more responsibly towards their employees. Perry (2012) has identified that religious attitudes has a significant role in determining the behaviour of managers towards their labourers while Fernando (2010) has also discussed the organizational virtuousness in the context of religion where he argued that many Sri Lankan companies and their managers have a tendency to *give* to their labourers specially during difficult times. Thus, the third research question is as follows.

RQ.3 How the institutional forces in UK and SL are shaping the nature of labour and human rights issues in Sri Lankan global suppliers of UK MNCs and how socio-cultural and religious aspects of Sri Lanka are important forces in this regard?

Many MNCs are concerned about the effects of ignoring the reporting of vital CSR aspects including details about L&HR issues in their GVCs. Many researchers, in

accordance with the Legitimacy theory, have argued that MNCs use CSR reporting as a way of legitimising their practices to gain and maintain public reputation (O'Donovan, 2002 and Deegan *et al.*, 2002; Bondy *et al.*, 2012). In their study on FTSE 100 companies, Preuss and Brown (2012) found out that 42.8% of the companies do not address human rights at all and even the companies which have other CSR policies seem not to report on L&HR issues. There is evidence that MNCs would report more on their internal workforce than about the external workforce (labourers in their GVCs) (Ehnert *et al.*, 2016; Parsa *et al.*, 2018a). Also, MNCs may change or enhance their reporting in response to a change in their institutional environment. For example, Parsa *et al.*, (2018b) mentioned that UK MNCs may report more on human rights in their GVCs as a response to the introduction of Modern Slavery Act in 2015.

UK MNCs may experience different political, legal, regulatory and social environments in SL when compared to the UK and they may change their behaviour systematically or even take advantage of weaknesses in the institutional environments in supplier countries. For example, the weaknesses in regulatory and legal systems (disregarding the violations of freedom of association, setting the minimum wage too low etc.) in SL may encourage the UK MNCs to disregard the L&HR issues in their Sri Lankan suppliers. However, the strong presence of institutional forces (particularly social and peer pressures) in their home country (UK) and the desire to achieve legitimacy may force them to report L&HR practices in SL in a positive light even though it might not be a fair reflection of the actual situation. According to Hines (1988), *organizational reality* (achieved by reporting information) could be significantly different from *actual reality*. Therefore, it is important to identify whether the relevant UK MNCs are reporting a true and fair view of the L&HR issues in their GVCs in SL or whether they just report information to project a legitimate image (Laine, 2008; Islam and Deegan, 2010). Hence the fourth research question is posed as follows.

RQ.4 What are the quality and extent of CSR reporting by UK MNCs and the reasons for any differences in CSR reporting and actual labour and human rights issues in their GVCs in SL?

### ***3.6 Summary***

This chapter looked in to the background of SL with particular attention to the economic liberation took place in 1977 which saw the then government positively encouraging an export oriented industrial policy and promoting FDI to improve the economy and to create job opportunities. Information regarding the country's economy, export partners and major export sectors was presented too. The chapter then discussed the three export sectors (garment, rubber and tea) chosen for this study.

Also, the labour and human rights issues associated with the export sectors, particularly in EPZs were discussed. Main issues included low wages, undermining of the fundamental labour rights of freedom of association, forced work and compulsory work, lack of social welfare and lack of job security. Finally, the role of institutional environment in SL in shaping L&HR issues was discussed focussing on political, legal, regulatory, socio-cultural and religious aspects. Having reviewed the relevant literature and discussing the theoretical frameworks, a more elaborative description of the four research questions was presented at the end.

## **Chapter 4            Research Methodology and Methods**

### ***4.1 Introduction***

The previous two chapters analysed the theoretical assumptions and previous literature relevant to this study and at the end of Chapter 3, the four research questions were detailed. This chapter presents the research methodology and research methods chosen to investigate the research matter and answer the research questions. Section 4.2 provides a detailed description of the chosen research methodology and the reasons justifying that selection. Section 4.3 details the research method which involves three different stages including research design, case selection, interviewing, archival report analysing and data interpretation. The chapter ends with a brief summary (section 4.4) of the whole chapter.

### ***4.2 Research Methodology***

In social research, two main ontological assumptions are used; positivism (where the researcher and the reality are separate) and interpretivism (where the researcher and the reality are inseparable) (Weber, 2004). If a researcher takes a positivist approach and is objective of the reality, it is considered that the reality is out there (separate from the researcher) and the researcher tries to prove or disprove it (Weber, 2004). A main assumption in positivism is that it is possible to describe the world objectively (Travers, 2001) and assumes the research can be objective. Hammersley, (1989) is a strong proponent of positivism and argues that research studies should be evaluated by a set of scientific criteria including reliability and representativeness. Also, the metatheoretical assumptions relating to positivism requires that the data should be able to validate the reality and results could be generalized (Weber, 2004).

In the interpretivist approach, it is assumed that there could be several realities which are the perceptions and interpretations of the researchers (Gomm, 2008). When the reality is subjective to the researcher, it is interpreted from the researcher's point of view and lived experience hence it is not possible to generalize the outcomes (Weber, 2004). In interpretivism, it is assumed that the researcher is inseparable from the reality and the knowledge is intentionally constituted through the researcher's experience (Ibid). Qualitative methods are mainly used as research methods in interpretivism as it is assumed that the research matter cannot be measured in an objective way (Allan and Skinner, 1991). However, Weber (2004) has argued that the differences between positivism and interpretivism lie more in the choice of research methods rather than significant differences at metatheoretical level. Therefore, it is possible for a particular research to share characteristics of both ontological assumptions. Lin (2005) suggested that a combination of both assumptions is suitable especially in qualitative research.

This particular study did not take a definitive positivist or interpretivist approach; instead the research methodology sits on the continuum between a purely positivist and purely interpretivist approaches. A pure positivist approach was not used in this study as the main research matter and type of data (L&HR issues and influencing factors) would not satisfy the conditions for a quantitative analysis required by such an ontological approach. However, stage three of this study used content analysis as a method to analyse CSR reports of MNCs and content analysis is considered as a method used in positivism (Weber, 2004). Also, the research findings were not interpreted uniquely but somewhat generalized (as applicable to the three export sectors) as in positivism. Moreover, data triangulation and validation (cross references, corroboration with different parties) were used during the research and these are considered as positivist approaches as they do not conform to subjectivism. Therefore, it could be argued that the research methodology had some characteristics of a positivist ontology.

On the other hand, the nature of the research design did not satisfy the requirements for a pure interpretivist approach too as it used existing structures (theories, research methods and data verification and analysis methods). Therefore, the research methodology is not completely subjective. However, due to the nature of the research, particularly to analyse L&HR issues, a qualitative approach was required. As the aim was to analyse the L&HR issues in Sri Lankan supplier companies of UK MNCs and to analyse the influencing factors, an in –depth analysis was required to draw conclusions rather than having a wide range of data to conform to a quantitative analysis. As qualitative approaches (hermeneutics, phenomenology etc.) are used as research methods in interpretivism, it could be argued that the research methodology had some characteristics of an interpretivist ontology. As such, it could be argued that the research design and research methods consisted of elements from both positivist and interpretivist approaches. Therefore, the research methodology is positioned between the two approaches as described above.

As the main research methods were qualitative (interviewing), it is described more in detail here. Allan and Skinner, (1991) explained that when the views or responses of the research participants cannot be readily measured in an objective way, it is most suitable to use qualitative approaches where they can be investigated in detail before adequately interpreting and explaining those responses. Qualitative research is the best way to analyse social processes where data should necessarily reflect individual knowledge and consciousness and it also facilitates interpreting social interactions and relationships (Allan and Skinner, 1991). Gomm (2008, p.7) stated that most qualitative researchers are ‘interested in investigating how people experience the world and/or how they make sense of it’. As the objective of this study was to analyse L&HR issues from the labourers’ and managers’ point of view, a qualitative approach was deemed as the most suitable. Another objective of this research was to analyse the influencing factors,



particularly institutional forces, hence the selection of qualitative approach was justified as it allows identifying and interpreting social interactions and relationships among agents (individuals).

Burgess (1984, p.3) mentioned that in qualitative research, 'understanding the actions of participants on the basis of their active experience of the world and the ways in which their actions arise from and reflect back on experience' is prominent. Also, to satisfactorily interpret the responses of participants, a substantial knowledge and appreciation of their perspectives, culture and views is important (Allan and Skinner, 1991). As the researcher is a native Sri Lankan, it was understood that interpreting the responses of interviewees would be based on the researcher's knowledge of their perspectives and also based on the researcher's own perspectives of the objects (participants) and the research settings. The reliability of the findings is based on interpretive awareness where the researchers realize and acknowledge their subjectivity and its implications (Weber, 2004). Based on these assumptions, it was determined that face-to-face and in-depth interviews are the best method to conduct the main research as it allows the researcher to better understand the responses, to build rapport with the interviewees, to probe the answers if necessary and to reflect on the responses, actions and behaviour of the interviewees.

According to Seidman (1998), the purpose of an in-depth interview is to understand the experience of the interviewees, not to predict or control their experience. The researcher has to present the experience of the interviewees in sufficient depth and detail so that others could understand and relate to the experience and broaden their knowledge of the issue that is represented by that experience (Weber, 2004). Although it is not possible to understand another person's views completely, the researcher can still comprehend them by understanding their words and actions (Seidman, 1998). Perry

*et al.*, (2015) and Beddewela and Fairbrass (2016) have used in-depth interviews to identify the CSR perspectives of the managers of selected Sri Lankan companies. Both researches have used context interviewing (with relevant institutional actors; government officials, consultants and industry associates) for triangulation and validation purposes. This study interviewed both managers and labourers within the context and with compatible interview questions to achieve data validation and triangulation.

Although, interviews were the primary method of data collection, the initial stage of the research method involved mapping the relevant GVCs to identify the cases (i.e. global suppliers from SL and their buyer MNCs from UK). Multiple cases were selected purposively (Perry *et al.*; 2015) in accordance with the collective case study approach (Momin and Parker, 2013) and multiple-case design (Beddewela and Fairbrass, 2016) to have a collective understanding about the subject matter. When selecting the Sri Lankan global suppliers, the parameters of them being in garment, rubber and tea sectors and being part of GVCs of UK MNCs were used. No other parameters were used in terms of company size, number of employees, location or CSR approaches as it would have hindered the exploratory nature of the study (Beddewela and Fairbrass, 2016). When selecting the UK buyer companies, the parameters of them being a FTSE 100 MNC and being a buyer of the selected supplier company/companies were used. Only UK-based MNCs were used to eliminate country-specific institutional effects.

The initial stage of the research (mapping of GVCs) was investigative as there is no unique method to establish the structure of GVCs. Several methods, such as checking the websites of MNCs and checking the published data of relevant Sri Lankan institutes were used. The final stage of the research required the analysis of CSR reports of the selected MNCs to cross-check the data obtained at the interview stage. The

content of those reports (from 2012 to 2016) were analysed using content analysis and using an international reporting guideline, GRI as the context (Ehnert *et al.*, 2016, Parsa *et al.*, 2018a). The overall data analysis was mainly qualitative where the findings were analysed to derive conclusions with regard to the research questions. The research findings were generalized within each sector while acknowledging that there could be variations depending on the researcher, the cases (companies) and the research matter. As analysing interview responses was a major aspect, reflexive methodology was used in the interpretation of data as a means of critical evaluation of those interpretations from the researcher's point of view as explained below. The research methods are discussed in detail later in this chapter.

### ***Structuration Theory and Reflexive Methodology***

Structuration theory was introduced by Anthony Giddens in 1984 in renouncement of positivism and social theory (Turner, 1986). The theory reflects on human behaviour based on 'a synthesis of structure and agency effects known as the duality of structure' (Gibbs, 2017). Therefore, it considers that human behaviour is not constrained by societal structures (such as social, cultural or political institutions) nor it can be defined as individual expression of will (agency). Instead, Structuration theory acknowledges the interactions between meanings, standards, values, power and the dynamic relationships between these concepts (Gibbs, 2017). Thus, the interpretation of social research findings cannot be confined to individual expressions (ideas) or to contextual backgrounds alone but should be a continuously reflective process to integrate all these aspects from the researcher's point of view (Ibid). In these circumstances, reflexive methodology offers a way that the qualitative data of social research could be interpreted and provided with perspectives or insights into those data.

Reflexive methods are widely used in social science research where it is considered that interpretation of qualitative data is a form of *being reflexive* from the point of the researcher (Mauthner and Daucet, 2003). According to Alvesson and Skoldberg (2000, p.9), reflective research has two characteristics, interpretation and reflection, where the interpretation is all the references made in relation to empirical data while reflection 'turns attention inwards towards the researcher, relevant research community, society, intellectual and cultural traditions and problematic nature of language and narrative'. Thus, reflection is defined as the *interpretation of interpretation* which includes a critical self-exploration of the researcher's own interpretations of empirical material (Alvesson and Skoldberg, 2000).

It is believed that the qualitative data analysis is not objective as it depends on the epistemological, ontological and theoretical assumptions of the researcher (Mauthner and Daucet, 2003). Therefore, in reflective research, the handling of empirical data shifts towards a consideration of perceptual, cognitive, theoretical, linguistic, textual, political and cultural circumstances that form the background as well as define the interpretations or qualitative data (Alvesson and Skoldberg, 2000, p.9).

According to Alvesson and Skoldberg (2000, p.11), there are four elements in reflective research.

1. Systematics and techniques in research procedure

The logics and reasoning used in qualitative research when interacting (data collection and analysis) with empirical data and the methods used in processing data.

2. Clarification of the primacy of the interpretation

Research is considered as a fundamentally interpretive activity and is driven by an interpreter (the researcher) who interacts with and contemplates other interpreters.

As the researcher provides the key to the methodology, the methods cannot be disconnected from theory and other elements of pre-understanding thus playing a part in determining interpretations and representations of the research object. Therefore, it is argued that hermeneutics (the theory and methodology of interpretation) is an important form of reflection.

### 3. Awareness of the political-ideological character of research

As social science is a social phenomenon embedded in political and ethical contexts, the research, what is researched and how it is done cannot avoid supporting or rejecting the existing social conditions. The subjective researcher can be selective in favouring or disfavouring certain social interests by the way they conduct the research and by the questions they ask or not ask during the research. Therefore, the research interpretations or the theoretical assumptions that form the background for those interpretations are not neutral but are part of political and ideological conditions.

### 4. Reflection in relation to the problem of representation and authority

Hermeneutics point out that the text is separated from the author and postmodernism states that text is separated from any external reality as well. Therefore, it is argued that the researcher should be cautious about the claim that text can represent or reproduce an extrinsic reality.

In this research, the interview data analysis was carried out with reflexive perceptions from the researcher's point of view. As typical for the qualitative methods, the researcher is subjective and the analysis would be based on how the researcher perceive the responses of the interviewees in relation to the lives and associated social, cultural and political aspects of both interviewees and the researcher. Therefore,

reflexion was deemed as necessary to interpret the findings and also to interpret the interpretations. The next section would list the research questions and research objectives followed by the research methods.

### ***4.3 Research Methods***

Research methods are the ways in which the research is carried out based on the chosen research ontology in order to satisfy the research objectives and answer the research questions. As identified at the end of the literature review chapters, the research questions of this study are summarized below.

RQ.1 What are the governance structure typologies, patterns and their dynamics that control the GVCs of UK MNCs operated in SL and how do they influence the labour and human rights issues in those value chains?

RQ.2 What are the issues faced by the Sri Lankan labourers working in these GVCs and why the nature and extent of these issues vary in different export sectors; garment, tea and rubber?

RQ.3 How the institutional forces in UK and SL are shaping the nature of labour and human rights issues in Sri Lankan global suppliers of UK MNCs and why socio-cultural and religious aspects of SL are important forces in this regard?

RQ.4 What are the quality and extent of CSR reporting by UK MNCs and the reasons for any differences in CSR reporting and actual labour and human rights issues in their GVCs in SL?

Based on the above research questions, the following research objectives were formulated.

1. Map the GVC relationships between selected UK MNCs and their Sri Lankan global suppliers (in garment, rubber and tea sectors) and identify their governance structures.
2. Analyse the influences of the governance structures on L&HR issues in the global suppliers.
3. Critical evaluation of the L&HR issues in the Sri Lankan global suppliers on a case study basis across the three selected export sectors.
4. Analyse the influence of institutional forces (particularly socio-cultural and religious aspects in SL) on L&HR issues
5. Examine the extent and quality of CSR reporting on L&HR issues by the selected UK MNCs based on GRI G4 reporting standard.
6. Compare the differences between CSR reporting and the actual situation of L&HR issues and to identify the reasons for any differences.

To address these research questions and to meet the research objectives, the study was conducted in three stages.

(1) Mapping the GVCs between UK MNCs and their Sri Lankan supplier companies to identify the governance structures and their dynamics in these GVCs.

This stage was related to RQ.1. Mapping of the GVCs relating to UK MNCs and their Sri Lankan suppliers was important to identify the governance structures of those GVCs and their influence on the L&HR issues. Also, it served as a basis for identifying the cases for the next stages.

(2) Carrying out a case-study based research on L&HR issues in the Sri Lankan suppliers identified in the mapping process. The basis for this (interviews) was formed using the international labour and human rights regulations set out by ILO and UN.

This stage was related to RQ.2 and RQ.3. Interviews with the labourers and managers were used to identify the L&HR issues while general conversations with personnel from relevant authorities and institutes were used to identify the institutional environment of SL and its influences on L&HR issues. Also, the influence of governance structures of the GVCs which was raised in RQ.1 was evaluated based on the interview data.

(3) Conducting a content analysis of the L&HR aspects reported in the CSR reports of relevant UK MNCs and addressing the differences between reporting and actual practices.

The third stage was related to RQ.4. The analysis of the CSR reports published by the relevant UK MNCs was based on GRI G4 sustainability reporting standard. This would give an insight in to the extent to which the MNCs are reporting their CSR practices and the way they reflect the actual situation in their GVCs.

#### ***4.3.1 Stage 1***

The main purpose of Stage 1 was to identify the UK MNCs which are operating their GVCs in SL and to identify the Sri Lankan supplier companies of these MNCs. Also, it was planned to identify the governance structures and their changing patterns of those GVCs. An investigative method was used as it was determined that data had to be collected from different sources using different methods. It was planned to obtain data from both MNCs and SL. There are a number of Sri Lankan institutes which oversee FDI and exports which were identified by the researcher's past experience and the



knowledge about the country (EDB, BOI, Central Bank of Sri Lanka, the Chamber of Commerce). It was planned to obtain the figures and statistics relating to FDI and exports and global suppliers of UK MNCs from these institutes. Also, it was planned to analyse the websites and annual reports of the relevant UK MNCs to identify their GVC operations related to SL.

Although the mapping process was initiated before the field work in SL was started, it was not possible to complete the maps without consulting the relevant personnel in SL. During the initial process, the websites and annual reports of UK MNCs known to have supplies from SL (based on the researcher's previous research and personal experience) were analysed to identify the information regarding their supplier countries. When it was factually found out that they had SL as a supplier, attempts were made to contact these UK MNCs by email to gather any information about their GVCs and supplier companies. However, the MNCs either did not respond to these requests or directed the request back to their websites. Nevertheless, some MNCs (for example Marks and Spencer) have had useful information such as a list of their supplier companies and these were used to build the mapping process.

Therefore, the decision was taken to identify the GVC relationships from the supplier side. To identify global suppliers, several government and other institutes (EDB, Central Bank of Sri Lanka and BOI) were contacted. Their websites did not provide any specific information regarding the exact identification of suppliers and their relevant UK MNC buyers. Mostly these institutes have general information in their websites regarding figures and statistics about the export relationships of SL with the UK and lists of exporters by industrial sector. However, some important information could be gathered by contacting some personal connections of the researcher who are owners and managers of supplier companies. These personnel provided information

about the names of several supplier companies and the names of their UK MNC buyer companies.

This information was helpful to have an initial mapping of the structure of GVCs operated between SL and UK. When the names of the supplier companies and buyer companies were known, their websites were visited (if available) to identify further information and dimensions of the governance structures of the GVCs. However, the complete picture of the mapping was only completed during the visit to SL as the managers of the supplier companies were met in person and more information could be gathered. Also, when visited the relevant government institutes in SL in person, it was possible to meet the relevant officers and to gain more information which was important to complete the mapping process. This information included lists of supplier companies under main export industries in SL and their export destinations (obtained from EDB).

The mapping process and the identification of governance structures of the GVCs depend on the industry sector. While the process was relatively straightforward in some sectors such as garment and VARP, the plantation sectors (tea and natural rubber) have more complex buyer – supplier relationships making the mapping process relatively difficult. The governance structures of the garment sector were identified by looking through the reports of MNCs and by interviewing the managers of the supplier companies in SL. The managers had the knowledge of the destinations of their finished products as the garments are directly exported to buyer MNCs. Although the MNCs set out the quality and specifications for raw materials, they do not have direct relationships with the raw material suppliers but the managers had the knowledge of sub suppliers. With their knowledge, the governance structures of the garment sector GVCs were mapped and figured.

In VARP sector, the main buyer MNCs are UK supermarkets. During the mapping process, it was difficult to gather any information from the MNCs' annual reports or websites regarding the supplier countries of their rubber products. However, the websites of selected Sri Lankan supplier companies (based on EDB information) state that they were exporting rubber products to UK. The details of these exports were taken when interviews were secured with the managers of those supplier companies and they provided the information about the destination of their products (UK supermarkets including Tesco and Sainsbury's). Also, RRI provided some information regarding the structure of the sector's GVCs. Furthermore, the managers provided the information regarding raw material suppliers in SL and other neighbouring countries. As such, the mapping process was completed with the knowledge of the managers.

The GVC mapping process regarding natural rubber and tea sectors was more complex compared to the above two sectors. The tea produced in Sri Lankan tea estates is not directly exported to the buyer companies. Instead, the bulk tea production goes through the tea auctions held in Colombo where the intermediaries buy the tea according to their quality and sell to brand sellers (such as Unilever) who then sell the brands (PG Tips etc.) to MNCs. This information was obtained from SLTB, EDB and managers of the tea estates and factories. According to the RRI, the natural rubber producers mostly sell their product to VARP companies in SL who in turn sell the finished products to MNCs. Also, a portion of natural rubber is directly exported in its preliminary form. In tea sector, the owners and senior managers had the knowledge about the export destination of a certain batch of tea gone through the tea auctions and this knowledge was helpful to identify the relevant MNC buyers. As such, the mapping process was completed for tea plantation sectors with the help of institutional agents, research personnel and managers of supplier companies.

### ***4.3.2 Designing of the Interview Questionnaires***

Before the field work in SL, the interview questionnaires were designed. Two separate questionnaires were prepared for labourers and managers but the contents of the questions were mostly similar to achieve data validation and triangulation. However, the questions were asked in different ways to suit their personal circumstances (job title, job responsibilities and educational level etc.) to maximize the data collection efficiency. The interview questions were based on the international labour standards set out by ILO (International Labour Organization, 2015) and UN human rights declarations (United Nations, 1948).

#### ***Interview questionnaire for labourers (see Appendix I)***

The questionnaire for labourers consists of 10 categories as follows

**Table 4.1: Questionnaire for Labourers with Question Titles, Types and Relevant standards and Articles**

<b>Question Category Number</b>	<b>Question Category Title</b>	<b>Description of Question Types</b>	<b>Relevant ILO Standards and UN Human Rights Articles</b>
1	General information	name, age, gender, any disability, job title and job description <sup>a</sup>	Minimum Age Convention Worst Forms of Child Labour Convention Discrimination (Employment and Occupation) Convention
2	Working hours	number of hours working, details about rest periods, night shifts and holidays	Forced Labour Convention Abolition of Forced Labour Convention. Article 4 (slavery)
3	Wage/ Overtime/ Equal Opportunities	wage, wage rate, overtime, overtime rate, compulsory overtime, opportunities for women and disabled employees	Forced Labour Convention Abolition of Forced Labour Convention Article 4 (slavery) Equal Remuneration Convention Discrimination Convention Convention on the Elimination of all Forms of discrimination against Women Article 23 (Equality / Discrimination)
4	Freedom of Association and Collective Bargaining	trade unions and trade union activities and dispute resolving with the management	Freedom of Association and Protection of the Right to Organise Convention Right to Organise and Collective Bargaining Convention International Covenant on Civil and Political Rights Article 23 (freedom of association)
5	Employment Security	job contracts, termination clauses, disciplinary and grievance procedures and dispute resolution with the management	Termination of Employment Convention
6	Vocational Training	job training, guidance and opportunities for promotion	Human Resources Development Convention Paid Educational Leave Convention
7	Occupational Health and	health and safety training, inspections, medical conditions	Occupational Health and Safety Convention

	Safety	and related job adjustments, operation of machinery, dangerous equipment and hazardous substances, emergency procedures and on-site medical assistance	
8	Social Security	medical care and insurance, sick leaves and sick benefits, injury benefits and compensation, maternity leave and related adjustments, pension plans and employee trust funds	Social Security (Minimum Standards) Convention Equality of Treatment (Social Security) Convention
9	Social Welfare	housing benefits, safe accommodation, safe transportation and facilities for social gathering	Social Policy (Basic Aims and Standards) Convention
10	Questions relating to Institutional Environment b	available legal help, roles of government, local councils and non-governmental organizations in protecting labour rights and religious and cultural motivations for CSR practices by the management	N/A

*Source: ILO (2015) and UN (1948)*

- a. This section gives an introduction and identification for the interviewee. All the interviewees were given the option to reveal or not reveal this personal information. When audio recording was not permitted, the information was noted with consent.
- b. This section is related to RQ.3 which aims to identify the institutional factors and their influence on L&HR issues in SL

### *Interview Questions for Managers (see Appendix I)*

This questionnaire was designed to interview line managers, supervisors, production managers and other higher-level managers and HR managers. At the beginning of the questionnaire, there is a section for general information such as name (if agreed to disclose), job title, job description and questions about the company and its position in the supply chains (when relevant to the particular interviewee).

The next section is about CSR and includes questions regarding managerial perception of CSR and company CSR policies, any CSR trainings, CSR practices regarding employees, influence from the CSR policies of buyer companies, inspections and audits from buyer companies and any certificates or standards obtained by the company regarding CSR. All these questions and aspects were sometimes not relevant for every manager as it depends on their job title, managerial level and responsibilities, thus the questions were asked accordingly.

The next nine sections of the questionnaire for the managers were the same as the sections in the questionnaire for the labourers as described above. However, sometimes, the wordings of the questions were different or asked in a different way to obtain the managers' point of view regarding the L&HR issues. The following two tables present how each interview question is relevant to the four research questions raised in this study.

**Table 4.2: Interview Questions for Labourers and Relevant Research Questions**

<b>Interview Question</b>	<b>RQ 1</b>	<b>RQ 2</b>	<b>RQ 3</b>	<b>RQ 4</b>
Working Hours (Q1 to Q9)		√		√
Wage/Overtime/Equal Opportunities (Q1 to Q11)		√		√
Freedom of Association & Collective Bargaining (Q1 to Q11)		√		√
Employment Security (Q1 to Q 13)		√		√
Vocational Training (Q1 to Q7)		√		√
Occupational Health & Safety (Q1 to Q13)		√		√
Social Security (Q1 to Q 15)		√		√
Social Welfare (Q1 to Q 6)		√	√	√
Institutional Environment (Q1 to Q 9)			√	√



**Table 4.3: Interview Questions for Managers and Relevant Research Questions**

<b>Interview Question</b>	<b>RQ 1</b>	<b>RQ 2</b>	<b>RQ 3</b>	<b>RQ 4</b>
Company Information (Q2 to Q 5)	√			
Information about CSR (Q1 to Q12)		√	√	
Working Hours (Q1 to Q9)		√		√
Wage/Overtime/Equal Opportunities (Q1 to Q11)		√		√
Freedom of Association & Collective Bargaining (Q1 to Q6)		√		√
Employment Security (Q1 to Q 13)		√		√
Vocational Training (Q1 to Q7)		√		√
Occupational Health & Safety (Q1 to Q13)		√		√
Social Security (Q1 to Q 15)		√		√
Social Welfare (Q1 to Q 6)		√	√	√
Institutional Environment (Q1 to Q 9)			√	√

### **4.3.3 Stage 2**

Data collection from the supplier companies was initiated with personal contacts which is the most effective way of reaching the relevant personnel given the nature of Sri Lankan culture (which relies on personal contacts as the best way to initiate communication). As a native Sri Lankan, the researcher had numerous contacts with the

people working in the GVCs at different levels; factory owners, site managers, middle managers, supervisors and labourers through past studies and work experience as a lecturer and a research officer. In addition, there were some family members who had been involved in the GVCs especially in the garment sector. As such, the researcher had the advantages of local knowledge, personal contacts and accessibility to gather the relevant data in an effective and timely manner as compared to a non-native researcher.

It was planned to use the pre-prepared semi-structured interview questionnaires (Appendix I) to interview the managers and labourers while it was decided to interview or converse with the institutional agents with *ad hoc* questions depending on their occupation and expertise. This decision was taken considering the impracticality of designing a common questionnaire for all institutional agents given their high variability (personnel from government institutes, research institutes, NGOs and trade organizations were identified as potential interviewees). Before visiting SL, a plan was drawn to detail the duration and the work to be carried out. The first week was dedicated to visit the relevant institutes in the capital city, Colombo, to meet the relevant officials and to gather general information regarding the Sri Lankan economy, export trade, FDI and its global suppliers. The planned duration was from 23<sup>rd</sup> July to 31<sup>st</sup> July 2015. For a list of institutions planned for visiting, see Appendix II, Table 1.

However, all of these institutes were not visited during one week as planned due to changing schedules with the appointments. Some dates had to be changed to suit the availability of the relevant personnel and also to suit the need to have interviews with labourers and managers from selected supplier companies as they became available. Also, the need to visit some institutes was omitted when all the relevant data could be gathered from another institute. For example, The National Chamber of Commerce of Sri Lanka, National Chamber of Exporters of SL and SL Apparel Exporters Association

were not visited as all the relevant data were gathered from the EDB. Also, the Department of Census and Statistics was not visited as all the relevant data and statistics were collected from the Central Bank of SL. At the same time, some institutes which were not identified in the planning stage were visited as required to gather more information. Examples include Sri Lanka Tea Board and RRI. The institutes visited are listed in Appendix II, Table 2 with a description of the date visited, officials met and the type of data collected.

The second week was reserved to visit the governmental and local institutes related to labour issues. Most of these institutions are located in Colombo and were planned to visit within the second week to meet relevant officers and to collect any data that are not available on their websites. Other than these institutes, it was planned to meet local government authorities and NGOs to obtain relevant data. The planned duration was from 01<sup>st</sup> August to 07<sup>th</sup> August 2015. For a list of labour related institutes planned for visit, see Appendix II, Table 3. Although it was planned to visit these institutes during the second week, the dates had to be dispersed to suit the appointment times with the relevant officials and to facilitate interviewing the labourers and managers of supplier companies when and where they were available. The DoL is the main institute which deals with labour issues, regulations and labour law implementation. Therefore, a visit to that institute and interviews with relevant officials omitted the requirement to visit the Ministry of Labour and Labour Relations and National Labour Advisory Council. Interviews or conversations were carried out with the Assistant Commissioner of Labour and Assistant Commissioner of Labour for Women and Children from the Labour Department, Director General of NIOSH and Administrative Officer of NILS. The details of the visits are tabulated in Appendix II, Table 4.

The 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> weeks were reserved to visit supplier companies to interview labourers and their managers. Before visiting SL, some of these supplier companies had been identified during the mapping process in Stage 1 using the websites of UK MNCs and lists of export companies available from the EDB. Some of these companies were contacted mainly through personal connections and appointments were secured for interviews during the visit. Also, some other companies were also included in the plan although they could not be contacted before visiting. This was facilitated by the information and connections provided by some managers who were contacted initially. Similarly, some managers who initially agreed for interviews later refused citing the sensitive nature of the subject matter. The planned duration was from 8<sup>th</sup> August to 5<sup>th</sup> September 2015. The plan for the interviews is presented in Appendix II, Table 5.

During the initial visit to the EDB at the beginning of the visit, the export data and statistics relating to different industries were gathered. According to that data, it was recognized that there are three major export sectors in SL and also that those sectors are participants of the GVCs of MNCs including those from the UK. The industries were garment, rubber (VARP and natural rubber) and tea. The lists of global supplier companies operated within these industries were also obtained by the EDB. The listed companies were then contacted to secure interviews while previous connections and personal connections were also used to secure interviews from the labourers and managers. Although personnel from more than 20 companies were contacted, only eight companies agreed to provide interviews from managers and labourers. As such, the selection of case studies was purposive (Perry *et al.*, 2015; Beddewela and Fairbrass, 2016) rather than random sampling as pre-planning, obtaining permission to do interviews and ethical considerations were essential for this study. Interviews were conducted within three garments companies, two VARP companies,

one natural rubber producing company and two tea producing companies. The following table lists the companies visited and the personnel met.

**Table 4.4: List of supplier companies visited and data collected**

<i>Supplier Company</i>	<i>Sector</i>	<i>Date Visited</i>	<i>Personnel Interviewed</i>
G1, Galle	Garment	30/08/2015 01/09/2015	Human Resources Coordinator and four machine operators (labourers) Production Executive and Production Manager
G2, Galle	Garments	02/09/2015	Production Manager and three machine operators
G3, Colombo	Garments		Assistant Production Manager and four machine operators
R1, Colombo	VARP	17/08/2015 21/08/2015	Production Manager and two factory workers HR Coordinator and three factory workers
R2, Galle	VARP	18/08/2015	Factory Manager and five factory workers
R3, Padukka	Natural Rubber	03/09/2015	Factory Manager, Estate Manager and three factory workers
T1, NuwaraEliya	Tea	24/08/2015	Estate Manager, Factory Manager, One Union Leader, Five Tea Estate Workers
T2, Imaduwa	Tea	20/08/2015	Estate Manager, Factory Manager, Factory Supervisor, two factory workers and two tea estate workers

In, total, 49 interviews were conducted, 15 with the managers and 34 with the labourers. Sixteen out of these were carried out in the three garment suppliers (five with

managers and eleven with labourers) and eighteen interviews were conducted in rubber suppliers (five with managers and thirteen with labourers). In tea sector suppliers, fifteen interviews were carried out (five with managers, one with a union leader and nine with labourers). Each interview with the managers took 20 to 45 minutes while each interview with the labourers took 15 to 30 minutes to complete. The questions were semi-structured to facilitate flexibility and to gather more information. Using semi-structured questions was important in the context of the subject matter as it gives the opportunity to lead the interview in different directions and to explore different scenarios. Also, during the interviews, more time and space were given to the interviewees to express their opinions and expand views.

Building a rapport with the interviewee was very important during the interview process, especially with the labourers. Being a national from the same country as the interviewees was very helpful for the researcher to build up the rapport and to communicate easily. Also, the researcher recognized that they, especially women, felt comfortable and confident to talk to someone (a female researcher) who was speaking their language and to whom they could relate to in terms of cultural, social and religious understandings. Also, these common aspects helped the researcher in understanding and interpreting the social, cultural and religious norms that underpin the behaviour of managers and labourers and their workplace relationships.

For example, as a native Sri Lankan, the researcher recognized the importance of gender, social status, wealth, privilege, education levels and social sophistication in determining the job roles and defining the employer-employee relationships. Moreover, as a Buddhist, the researcher could understand certain expressions from the interviewees from a religious point of view particularly based on Karmic theory. For an instance, the labourers' acceptance of harsh labour conditions without complaints could be attributed

to their religious upbringings and was later interpreted as religious fatalism. Therefore, being a native researcher was significant during the field work and also being reflective during the process of data analysis and interpretation.

As explained above, it was advantageous to be a native researcher in building good rapport with the interviewees, in identifying their verbal and nonverbal expressions and interpreting and reflecting data later in the study. However, it should be acknowledged that there could be some disadvantages too for a native researcher in terms of impartiality in carrying out research. There is a risk of the researcher being overly subjective due to the shared experiences and knowledge with the interviewees thus attributing more weight to their views and expressions than it should be in terms of religious and cultural aspects. The researcher was aware of this and continually reflected on the research process and interactions between the researcher and interviewees to ensure that the data interpretation fairly reflected the views of the interviewees, not those of the researcher.

Most of the time, the setting for the interviews was the workplace; a factory, an estate or an office. However, some interviews were carried out at the homes of interviewees when they requested to do so or when time restrictions occurred due to busy work arrangements. After the managers of a given company were interviewed, permission was asked from a senior manager to interview labourers. When permission was granted, the managers selected some labourers on a random basis, most of the time ensuring the production processes were uninterrupted.

Research ethics were always considered when the interviews were conducted. The purpose of the research and the details of the researcher and their institute (Middlesex University) were provided and explained to the interviewee before the interview started. Also, the interviewees were explained about their right to stay

anonymous and their consent was always asked to record the interviews. When the interviewee did not give the permission to record, the responses were written down in a clear and systematic way to ensure that the information was not omitted. Some managers were interviewed in English while some others preferred to be interviewed in Sinhalese (the mother language of the researcher and the managers'). Most of the labourers were interviewed in Sinhalese and for labourers who did not speak Sinhalese, but Tamil (in T1), a translator was used. In some interviews, audio recordings were permitted but in some others the interviewees (particularly managers) did not permit recordings.

First, the audio recordings were transcribed word by word either in English or Sinhalese depending on the language the interviews had taken place. The Sinhalese transcribed recordings were later translated to English. Also, if written notes were taken in Sinhalese, they were translated to English too. All the responses, either written or recorded during the interviews were carefully analysed to identify the issues and concerns raised by the interviewees. When anomalies or incompatibilities were identified (for example, when a manager and a labourer had expressed completely different ideas about the same issue in the same company), efforts were made to clarify the situation. Sometimes, the clarifications could be taken if the same company was visited on another day but on some occasions, it was not possible. Later, it was recognized that response bias from managers and lack of knowledge of labourers have contributed to some contradictions in their responses. These research limitations are reflected on later in the thesis.

#### ***4.3.4 Stage 3***

The best way to understand the role of MNCs in exercising governance mechanisms (social auditing, monitoring and implementation of codes of conduct)



throughout their GVCs would have been to interview those companies' CSR teams. In the initial stages of this study, the researcher tried to contact relevant personnel from UK MNCs (which had been identified as having established supply chains in SL) by email, detailing the research purposes and requesting their collaboration in providing information. However, the responses were not positive. Some of the MNCs did not reply at all while some others redirected the researcher to their corporate websites and online CSR reports citing that all the required information is described and detailed in these web contents. Therefore, the researcher had to take the decision to refer to the MNCs' CSR reports to analyse their commitment towards L&HR practices in their GVCs. It is acknowledged that referring to CSR reports (which are criticized as legitimacy tools of MNCs) may not have given a fair reflection of their CSR commitments but the process was carried out given the research constrains.

Many UK companies listed on the FTSE100 index have multinational status and as these companies are the largest by market capitalization trading publicly in the London Stock Exchange (London Stock Exchange, 2015), there is a greater chance that these companies disclose information on their CSR practices. This study is focused on the UK MNCs that are listed on the FTSE 100 Index and have GVCs operating in SL. The FTSE 100 companies identified as having GVCs in SL in the mapping stage (Stage 1) were analysed by the contents of their CSR reports regarding L&HR aspects. During the mapping process, the following UK MNCs were identified as having GVCs in SL and more importantly had supplier relationships with the selected global suppliers.

1. Marks and Spencer – Garment
2. Next – Garment
3. Tesco – Garment, Tea, VARP

#### 4. Sainsbury's – Garment, Tea, VARP

During this study, the CSR information of these companies were assessed against the GRI G4 Sustainability Reporting Guidelines (2013).

##### **4.3.4.1 GRI (G4) as a basis for CSR Report Evaluation**

Many MNCs are concerned about the effects of ignoring the reporting of their CSR practices including details about workforce and human rights issues in their supply chains. Although such reporting is not mandatory, there are several international standards and guidelines which detail the basis for CSR reporting. Some of the important international guidelines relating to L&HR issues are the GRI G4 Guidelines (2013), SA 8000 standards (2014), and OECD Guidelines (2011). For the purpose of this study, GRI G4 guideline was used as it provides the most comprehensive context to analyse the reporting of L&HR aspects (Parsa *et al.*, 2018a). GRI G4 reporting guideline encompasses fundamental L&HR aspects such as Forced and Compulsory Labour, Child Labour, Freedom of Association and Collective Bargaining, Occupational Health and Safety, Labour/Management Relations, Remuneration, Discrimination and Equal Opportunity (Global Reporting Initiative, 2013).

These aspects are the basis for international labour standards too (such as ILO labour conventions). Therefore, GRI (G4) reporting guideline should be a suitable measure to analyse the extent and quality of CSR reporting (L&HR aspects) by MNCs. Also, it has been noted that many MNCs are using GRI Guidelines as a comprehensive basis for their sustainability and CSR reporting (Ballou *et al.*, 2006; Nikolaeva and Bicho, 2011). Ehnert *et al.*, (2016) and Parsa *et al.*, (2018a) have used GRI G4 guideline as a tool to analyse sustainability reporting practices of Forbes top 250 global companies. According to KPMG (2017), GRI remains the most popular reporting

guideline used by world's leading companies where 75% of Forbes 250 companies are using it to report CSR. Furthermore, GRI G4 requires the companies to disclose facts and statistics to enhance credibility rather than providing anecdotes (stories).

Out of the four companies mentioned above, Marks and Spencer plc. has adopted GRI G4 guideline as a basis for their CSR reporting. Although the other three companies have not adopted GRI or any other international guideline as a basis, they use their own guidelines to report against. For example, Next plc. has its own COP which is based on ILO labour standards (Next, 2016). Even though, Tesco plc. has not used GRI guidelines directly, the CSR reports indicate which of their reporting criteria are compatible with GRI indicators (Tesco, 2015: Our Disclosure, p.1). This means that they have indirectly used GRI as a benchmark. Sainsbury's plc. uses their Supplier Policy on Ethical Trade (which is based on ETI and ILO labour standards) as a benchmark for CSR reporting (Sainsbury's, 2017c). As such, it can be argued that all four MNCs have used the same standards (fundamentally ILO labour standards and UN human rights criteria) to report against, irrespective of the fact that they adopt GRI or not.

The companies were surveyed from 2015 to 2017 by their corporate websites to locate their CSR reports from 2012 to 2016. This time period was selected as it coincides with the time period during which the interviews were carried out (2015). It was assumed that such similarity in timing would enhance the accuracy of comparing reporting and actual conduct. Longitudinal data (from 2012 to 2016) was used to identify any differences in reporting over time and to have a better understanding of the qualitative data being reported. For example, companies may select to change the reporting levels over time due to internal factors (managerial decisions) or external factors (in response to new parliament acts etc.) (Parsa *et al.*, 2018b). Also, many

MNCs have long term sustainability and CSR plans (for example, Marks and Spencer and Sainsbury's) which are implemented gradually thus reported accordingly (over several years). Therefore, it was logical to use longitudinal data over a five-year period than just using CSR reports from one year.

The main data source (the corporate web sites) provided links to PDF or HTML copies of CSR Reports or Sustainability Reports. In some companies, the complete report was provided in the PDF format and when only a summary report is offered through PDF format, the website had several links to different parts of the CSR report. These CSR reports were analysed extensively and systematically to identify the information provided about their practices regarding L&HR aspects particularly within their GVCs. This analysis was based on content analysis which is regarded as a method of studying and retrieving meaningful information from the documents.

#### ***4.3.4.2. Content Analysis as a Technique to Analyse CSR Reports***

Content analysis is defined as a systematic technique for compressing words of texts into fewer content categories (Stemler, 2001) which enables researchers to analyse large volumes of data in a systematic way. Content analysis can be used for examining trends and patterns in documents and also to provide an empirical basis for monitoring shifts in opinions of individuals or organizations (Stemler, 2001). Hsieh and Shannon (2005) have identified three approaches to content analysis depending on how codes are developed. They are 1) Conventional approach where codes are identified from data 2) Directed approach where codes are derived from existing theory or literature and 3) Summative approach where codes are based on key-words. According to this categorization, it could be argued that this study took on a Directed approach where codes were based on an existing international reporting guideline. Krippendorff (1980) has identified six questions that must be addressed in every content analysis. The

following table illustrates those six questions and the relevant answers based on this study.

**Table 4.5: Relevance of the Content Analysis of the study based on Krippendorff (1980)**

<b>Question Number</b>	<b>Question</b>	<b>Answer (context for the content analysis) based on this study</b>
1	Which data are analysed?	Contents of the corporate social responsibility reports are analysed
2	How are they defined?	They are defined by the nature of the reports; non-financial and qualitative data which are related to corporate social responsibility and sustainability
3	What is the population from which they are drawn?	The population for this study is the FTSE 100 companies. As this is a case study analysis, cases (companies) were purposively selected from the population (ie. The multinational companies which have supply chain relationships with Sri Lanka)
4	What is the context relative to which the data are analysed?	The context or the basis for the analysis is international sustainability reporting guideline GRI G4 (2013)
5	What are the boundaries of the analysis?	Only the data that have been reported and published can be analysed here. If the data is not related to the basis (international guidelines) or limited, then a complete picture of the opinion of the organizations would not be derived
6	What is the target of the inferences?	The data are analysed to draw inferences regarding the corporate social responsibility practices of the organizations and to check the extent these data represent the actual situation

Given the basis for content analysis, Table 1 and Table 3 in Appendix III present how the international reporting guideline GRI G4 (2013) is used to create a platform to analyse contents in the relevant MNCs 'CSR reporting.

Each CSR report was analysed to check whether the reporting criteria (listed in Table 1 and 2, Appendix III) had been used by the company to report the L&HR aspects. The selected criteria are directly related to their suppliers and GVCs (G4-LA14, G4-LA15, G4-HR1, G4-HR4, G4-HR5, G4-HR6, G4-HR9, G4-HR10 and G4-HR11). Another aspect raised by RQ.4 was to investigate whether there are any differences between CSR reporting by MNCs and actual practices within their GVCs. As Ehnert *et al.* (2016) pointed out analysing CSR reports alone would not yield a thorough understanding of the CSR practices of MNCs but a case study analysis of actual practices would. This was identified as a research gap and was intended to be fulfilled by this study.

#### ***4.4 Summary of Research Methodology***

This chapter provided the rationale and philosophical assumptions underlying the study including the research methods for sample selection, data collection and data analysis. An approach that lies between positivism and interpretivism was used as the research methodology. The research questions were designed to investigate and supplement the theories about the subject matter and a qualitative approach was used in data collection and interpretation. The selection of methodology was mainly based on the nature of the subject matter and the prospective research methods (mainly interviews). Based on the research methodology, the research methods and research design were determined to investigate the four research questions raised by the study.

The research method comprised of three stages, first stage involved mapping the relevant GVCs to identify the MNCs and their suppliers in SL. Also, this stage

identified the characteristics of the governance structures of those GVCs. The second stage involved field work in SL to carry out interviews with the labourers and managers of selected supplier companies to identify the prevailing L&HR issues. At the same time, the influences of the institutional environment in SL on the L&HR issues were investigated. The third stage involved analysing the relevant MNCs' CSR reports using content analysis based on international sustainability reporting guideline GRI G4 (2013). The data analysis was predominantly qualitative and evaluative, where the research findings, were analysed and interpreted on a qualitative basis. The findings are presented in the next three chapters.

## **Chapter 5 (Stage 1, RQ1)**

### **Governance Structures and Mapping of Global Value Chains (Between UK and Sri Lanka) in Garment, Rubber and Tea Sectors**

#### ***5.1 Introduction***

The mapping of GVC relationships between UK MNCs and their Sri Lankan supplier companies took place during Stages 1 and 2 of the research process. It included the identification of relevant MNCs and their Sri Lankan suppliers and establishing the value chain relationships between the two parties. The established trade relationships are important to identify the specific governance structures and their influences on L&HR issues prevailing in those GVCs. In identifying the governance structures of GVCs, the Global Value Chain Framework by Gereffi *et al.*, (2005) which determines the position of buyers and suppliers based on the degree of explicit coordination and power asymmetry was used. Also, the three determinants of GVC governance structures; 1) complexity of information and knowledge transfer required to carry out transactions, 2) the extent to which this information and knowledge can be codified and transmitted efficiently and 3) capability of suppliers regarding the requirements of the transaction (Gereff *et al.*, 2005) were utilised too.

This chapter is the first of three chapters dedicated to analyse the findings and specifically addresses the first research question (RQ1). Sections 5.2 to 5.4 provide an analysis of governance structures and related L&HR issues of the GVCs in the garment, rubber and tea sectors respectively. Each section starts with an evaluation of the relevant GVC governance structures followed by a brief description about the selected supplier companies within the sector. The next subsection would specifically focus on associated



L&HR issues identified within each sector. The final section, 5.5 provides a summary and conclusions of the chapter.

## ***5.2 Governance Structures and Related Labour Issues in Garment Sector Global Value Chains***

### ***5.2.1 Garment Sector Governance Structures***

The governance structures of the garment sector GVCs were established by looking through the websites and reports of the relevant MNCs (that were identified in Stage 1) and mostly by interviewing the managers of their supplier companies in SL. The higher-level managers had the knowledge of the exact buyer companies and the destinations of their finished products as the garments are directly exported to the buyers. Also, they had the knowledge of the sub suppliers who provide raw-materials (the names, their geographical locations and logistics) and the general structure of the GVC. Therefore, it was relatively easy to map and establish the governance structures of the garment sector GVCs.

In garment sector, the buyer-supplier relationships are more systematic and straightforward. The supplier companies have direct and contractual relationships with the buyers who direct exact order and product specifications to suppliers. There is a high level of coordination between the buyers and the suppliers in terms of product specifications, quality standards, materials and lead times. This indicates a high level of explicit coordination which requires complex and detailed transfer of knowledge and information from the buyers to suppliers.

“When the buyer wants to place an order, they (auditors or inspectors) first come to check the factory most of the time. When satisfied (about factory conditions),

the order specifications are given to us. It includes exact product requirements, material quality, packaging details and deadlines (to complete the order)”

(Production Manager, G2, 2015).

The transmission of knowledge and information can be considered as efficient, as such details are directed to the suppliers directly from the buyers or through their buyer offices located in SL (Production Manager, G2, 2015). Furthermore, the efficiency of knowledge transfer is facilitated by the fact that most managers in garment sector are educated (with university degrees), qualified (with professional qualifications) and fluent in English (Production Executive, G1, 2015).

Although the buyers determine the quality and other specifications for raw materials, they do not have direct relationships with the raw material suppliers, instead the main garment supplier maintains such backward linkages. These garment suppliers have separate trade relationships with various local and international sub suppliers who provide raw materials according to the specifications laid out by the buyers.

"They (multinational buyers) give us the order and all the details (specifications). Then we contact our sub suppliers to order the raw materials required. We have sub suppliers in Sri Lanka and in other countries like Vietnam, Myanmar and Bangladesh. When the order is completed, they are exported directly to the buyer"

(Production Manager, G1, 2015).

However, the supplier capabilities cannot be regarded as high as they lack the knowledge of product designs, specific production methods and international logistics thus depending on the buyers for such information and facilities. The managers are

required to adhere to the buyers' instructions and specifications as failure to do so means rejection of orders and difficulty in securing future contracts.

“It is important to complete the order as required (by the buyer). Sometimes we ask the workers to do overtime to complete an order in time. Also, quality control is important as they (the buyers) can reject items or the whole order if they are faulty. If that happens, it is very disadvantageous for us as it is like being blacklisted”

(Production Executive, G1, 2015).

The suppliers are focussing on maintaining the existing relationships with the buyers as there is a high level of competition between the suppliers and due to the high costs of 'being dropped by a buyer partner' (Production Manager, G2, 2015).

“We have long-term relationships with companies like Marks and Spencer. We are keen to continue such relationships as they place regular orders. For that, we have to demonstrate (that) their requirements like proper working environment, factory conditions and health and safety (measures) are maintained. Also, we need to be price competitive as there are lot of competitors locally and in China, Cambodia and Bangladesh”

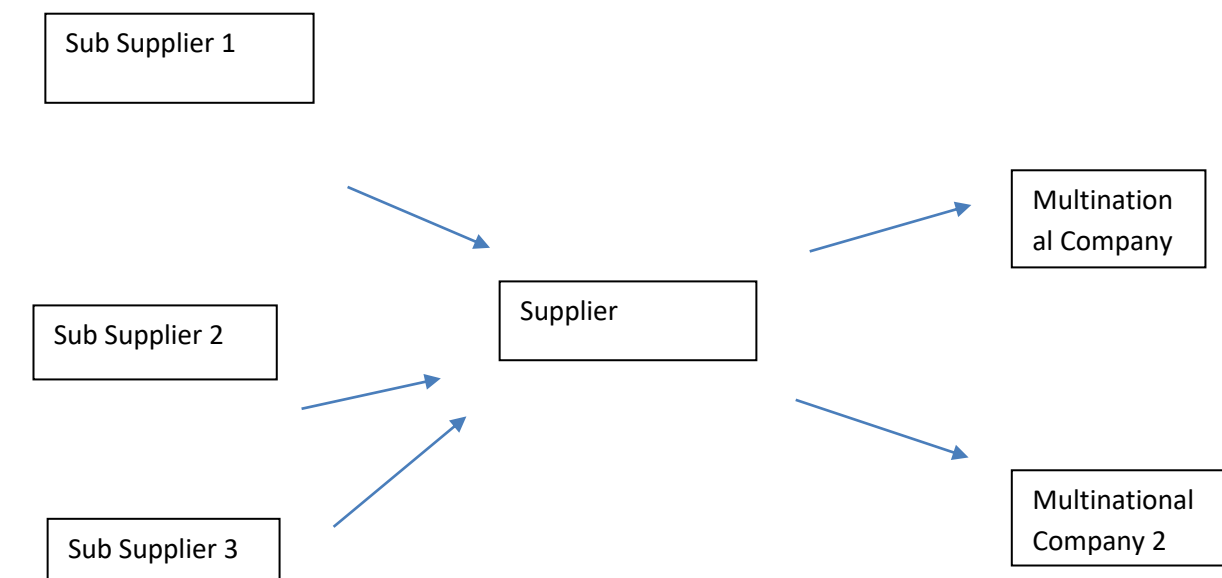
(Production Executive, G1, 2015).

Therefore, it is clear that in the garment sector GVCs between UK and SL, the level of explicit coordination is high which is characterised by the complex and efficient knowledge and information transfer between the parties. Also, it is evident that the buyers have more powers over the suppliers due to their global presence mostly as MNCs, lack of supplier capabilities and stiff competition among suppliers. The above

described buyer and supplier relationships are present in Captive value chains as explained in the Global value chain framework (Gereffi *et al.*, 2005).

The following is an illustration of the general structure of garment sector GVCs involving UK and SL.

**Figure 5.1: The General Structure of Garment Sector Global Value Chains**



**Source: Author**

**Table 5.1: The Sri Lankan Garment Suppliers and their Buyer UK Multinationals**

<i>Supplier Company Code</i>	<i>Location</i>	<i>UK Multinational Company (Buyers)</i>
G1	Koggala EPZ, Galle	Marks and Spencer, Next
G2	Koggala EPZ, Galle	Marks and Spencer
G3	Colombo	Marks and Spencer, Tesco, Sainsbury's

A brief description about each supplier company is presented in Appendix V

## ***5.2.2 Labour Issues Associated with the Governance Structures of the Garment Sector Value Chains***

As explained in subsection 5.2.1, the garment sector GVCs have Captive value chain governance structures and it is a common factor for all three suppliers listed above. While the L&HR issues of the garment sector are discussed in detail in Chapter 6, this section focuses on the influence of the GVC governance structure on such issues. Having a high level of explicit management, control and authority directed by the buyers have both positive and negative implications for labourers in garment suppliers. The power asymmetry and captive status of the suppliers mainly create negative impacts while increased coordination, monitoring and control by buyers could create positive impacts.

### ***5.2.2.1 Negative Implications of Captive Value Chain Governance Structure on Labourers***

As noted above, garment suppliers in a Captive value chain depend on their buyers to keep their businesses viable and continuing and a strategic practice is to minimize production costs to secure the contracts with buyers in a highly competitive industry. This situation is unfavourable for labourers as low labour costs are the main way of reducing production costs.

“Salary is not enough, my salary is Rs. 21, 000 (£100), they only pay Rs. 400 (£2) if 100% of targets are covered by us. If target cover is less than 79%, there is no incentive at all”.

(Labourer 1, G3, 2015)

However, it is worth to mention that the low wages do not solely depend on the governance structure of the GVCs as the Sri Lankan government also has a role in

confining the garment workers' wages to a minimum. A manager stated that they were restricted by the government to increase wages of the labourers and had to adhere to the minimum wages set out by the wage boards of the DoL even though the company is willing to increase wages.

"We can increase their salaries as we make good profits (but) the government does not allow us (to do so), we can't go over the wages board".

(HR Coordinator, G1, 2015)

As well as low wages, the other negative impacts of Captive value chains include compulsory overtime and forced overtime on holidays. As the suppliers are dependent on their buyers, they are under pressure to meet the lead times and exact product specifications imposed by those buyers (Production Executive, G1, 2015). This means forcing the labourers to work overtime and work on holidays to meet the targets and to rectify any errors that have occurred during the production process.

"Sometimes we have to work overtime and work on poya days (full moon holidays) to meet (the) targets. If I make a mistake I have to stay overtime to clear (rectify) it".

(Labourer 2, G2, 2015)

Also, the discouragement of TUs and collective bargaining activities in the garment sector suppliers is a negative impact of the prevailing governance structure of their GVCs. Due to the power asymmetries between buyers and suppliers, the managers are keen to satisfy the requirements set by the buyers which include strict lead times and maintaining the highest quality. Therefore, they see TU activities as unnecessary and

disruptive to the productivity of their companies and try to promote employee councils as a way of resolving disputes between the labourers and the management.

“We have employee councils here and it provide them (labourers) with the opportunity to talk about their problems. Anyone can use that. We do not have trade unions, they are not allowed here and they only make trouble”.

(Production Manager, G1, 2015)

However, the labourers are not comfortable in raising issues with the employee council as they see it as a way of *outing* themselves as troublemakers in contrast to a collective bargaining activity. When asked about their feelings of communicating any disputes with the managers in an employee council, some labourers said that they do not say anything because "I do not want to lose my living, it (the job) helps me and my family" (Labourer, G1, 2015).

This situation has significantly affected the L&HR of labourers in the garment sector as it violates two fundamental ILO conventions ratified by SL; Freedom of Association and Protection of the Right to Organise Convention and Right to Organise and Collective Bargaining Convention (International Labour Organization, 2018c).

#### ***5.2.2.1 Positive Implications of Captive Value Chain Governance Structure on Labourers***

Although the governance structure in garment sector GVCs has contributed towards the above described negative implications, there are some positive aspects too. As illustrated in figure 5.2.1, the relationships between the buyers and suppliers are more prominent due to the straightforward trade links and higher explicit coordination enabling the ease of traceability of buyers and suppliers. This has led the MNCs to pay much attention to ensure that their suppliers are adhering to accepted factory and

working conditions and stringent H&S measures. The managers mentioned that their MNC buyers carry out regular audits and inspections to ensure these measures are in place. Moreover, there are H&S inspections in every factory conducted by their respective holding companies as part of their internal audit process.

“The customers (buyer companies) do factory audits before offering any orders and there are subsequent inspections and audits to check the factory conditions, working environment and environmental damage while the production processes are running”.

(Production Manager, G1, 2015)

"There are inspections from the head office as part of internal auditing. Other than that, the customers (buyer companies) do regular inspections and audits to check the factory conditions, working environment and environmental damage".

(Production Executive, G1, 2015)

These types of measurements are advantageous for the labourers as improved factory and working conditions and H&S measures improve their personal and occupational wellbeing.

Another positive impact derived from Captive value chain governance structures are the CCR practices carried out by the MNCs. As they have close and direct relationships with the suppliers, the MNCs are engaged in developing local communities as a CSR practice and as a PR mechanism. An example of such activity is the donation of free school uniforms to Sri Lankan children in rural areas by Tesco as a way of improving local communities of their garment suppliers (Tesco, 2014). As such, these procedures have positive impacts on the labourers, local communities and the environment by means of improved facilities and living conditions.



"There are lot of CSR projects done by us (our company). Specially, we do environmental protection projects and we receive funds for these from some of our customer companies".

(HR Coordinator, G1, 2015).

As such it is clear that the garment sector experience both negative and positive aspects by being a part of Captive value chains.

### ***5.3 Governance Structures and Related Labour Issues in Rubber Sector Global Value Chains***

#### ***5.3.1 Rubber Sector Governance Structures***

For the rubber sector, the main buyer MNCs are UK supermarkets. During the mapping process, it was difficult to gather any information from the MNCs' annual reports or websites regarding the supplier countries or companies as opposed to the garment sector. However, the websites of some pre-selected Sri Lankan supplier companies stated that they were exporting rubber products to the UK and such information was used as a selection criterion of those suppliers. Visits to EDB and RRI provided information regarding the nature of the industry and it was initially recognized that there are two categories; VARP suppliers and natural rubber suppliers. Therefore, the findings are presented under these two categories.

##### ***5.3.1.1 Value-added Rubber Producers***

The unique characteristic of the VARP sector is the availability of high-quality natural rubber as the raw material. The VARP companies source the natural crepe rubber from their own rubber estates or other natural rubber producers in rural SL. This could be considered as a supplier capability.

“We have our own rubber estates in Moneragala (in South East Sri Lanka). They produce good quality latex rubber in the factories (there) and we transport them here”

(HR Coordinator, R1, 2015)

The use of high-quality natural rubber has given a certain competitive advantage for VARP companies in terms of reputation and higher prices. This competitive advantage means the power asymmetries between them and the MNC buyers are not as extreme as in the garment sector. Also, the VARP companies have long-term relationships with their buyers as opposed to short term contractual relationships. It was recognized that these suppliers have developed innovative production technologies in recent years allowing them to produce high-quality products.

“Our company is a world leader in manufacturing gloves. We have long term relationships with our buyers in more than 70 countries. We have a reputation as a manufacturer of high quality and durable rubber gloves. (They are) for medical and industrial purposes”.

(Senior Production Manager, R1, 2015)

The above-mentioned characteristics are related to Relational value chains where the supplier capabilities earn them a reputational and price advantage to form long-term relationships with the buyers. However, it was clear that VARP suppliers have not fully entered to the Relational value chains yet as the managers indicated a higher level of explicit coordination from the buyers as in Captive value chains and the fact that backward linkages are not as established as it should be in Relational value chains.

“We are given the product specifications (by the buyers), especially the EU buyers are more specific as they have strict regulations for gloves and tyres. Lead times are strict too and we do timely deliveries”.

(Factory Manager, R2, 2015)

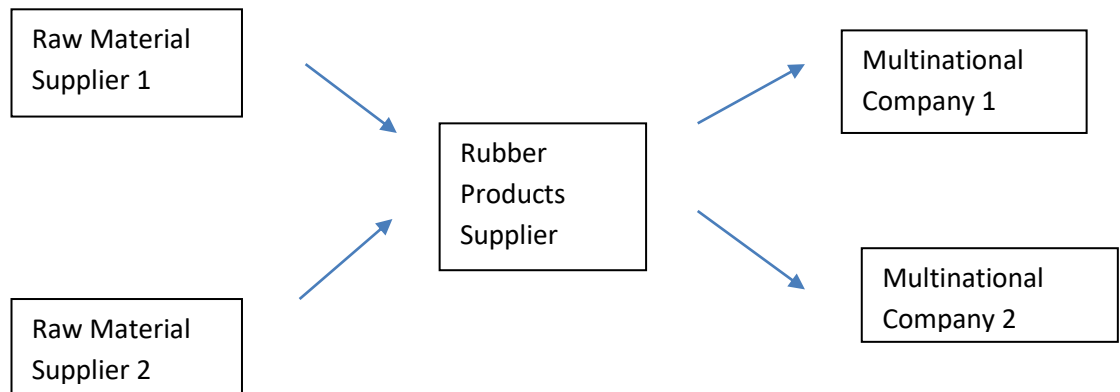
“We source natural rubber from our own estates but the other raw materials such as Sulphuric acid are imported. We have some long-term (sub) suppliers but sometimes they are not efficient or punctual so we have to rely on some others too”.

(Production Manager, R1, 2015)

This indicates that the VARP suppliers' GVCs demonstrate some characteristics of Captive value chains too. It was recognized that explicit coordination is facilitated through the transmission of complex product and technological details and the educated (professionally and industry-wise) and English-speaking managers are capable of receiving and implementing such knowledge and information. Therefore, it was established that the VARP sector has some characteristics of Captive value chains similar to garment sector and also some characteristics of Relational value chains.

As such, the finding was that the VARP suppliers are in an intermediate stage of GVC governance structures, between Captive and Relational value chains sharing characteristics from both typologies. The following is an illustration of the general structure of VARP sector GVCs involving UK and SL.

**Figure 5.2: The General Structure of Rubber Products Sector Value Chains**



**Source: Author**

### **5.3.1.2 Natural Rubber Suppliers**

The sub-sector where natural latex rubber is produced has different characteristics. Supplier capability is high in terms of the availability of high-quality raw rubber and long-established, traditional and unique production methods which enhances the quality and texture of the latex rubber. This means the suppliers are capable of producing the product with little interference from the buyers.

“Our rubber is of very high quality. The estate workers are very careful in tapping and collecting rubber (not to contaminate), they do it manually and it takes a long time to practice to tap rubber properly. Our production (of latex rubber) takes a long time because it has to go through soaking and smoking”.

(Factory Manager, R3, 2015)

Therefore, it is clear that the natural rubber suppliers do not need product specifications from the buyers. Instead they have long established reputations and niche markets. As such, the power asymmetries and explicit coordination are minimum between the buyers and suppliers. Also, the suppliers are not dependent on buyers and demand higher prices due to the uniqueness of the product.

“We can demand high prices as some industries like pharmaceutical and food really need our high-quality products. (However) production costs are getting higher and some natural rubber producers have left the industry”.

(Factory Manager, R3, 2015)

These above-mentioned are classic characteristics (arm’s length relationships between buyers and suppliers, minimum intervention from the buyers and higher supplier capabilities) of Market value chains as for the Global value chain framework. Therefore, it was established that natural rubber suppliers are governed by Market value chains.

As such, it was clear that the two subsectors in the rubber sector have different GVC governance structures and that these two types are coexisting. Some companies are still operating in the historical way by producing and exporting natural latex rubber and R3 is an example of this. At the same time, there are some other companies which use natural rubber produced in SL to manufacture VARP for global buyers and R1 and R2 represent such companies in this study.

***Table 5.2: The Sri Lankan Rubber Products Suppliers and their Buyer UK Multinationals***

<b><i>Supplier Code</i></b>	<b><i>Sub Sector</i></b>	<b><i>Major Products</i></b>	<b><i>UK Multinational Buyers</i></b>
R1	VARP	Industrial and medical gloves	Tesco
R2	VARP	Solid and pneumatic tyres, tubes and rubber gloves	Tesco, Sainsbury’s
R3	Natural rubber	Natural latex rubber	Tesco

A brief description about each supplier company is presented in Appendix V

### ***5.3.2 Implications of the GVC Governance Structure on the Labour and Human Rights Issues in Value-added Rubber Products Sector***

As concluded above, the VARP sector has characteristics of both Captive and Relational value chains. Being in GVCs with the characteristics of Captive governance structure means the sector has some of the same negative implications as the garment industry in terms of L&HR issues. As the MNC buyers demand high-quality products within a small time period, the labourers are subjected to forced and compulsory overtime.

"The shifts are long and it's hard to operate machines that long. Sometimes we have to work on holidays too if there is an order to complete. They (the management) pay more for overtime and holiday work, it's good to earn more money but sometimes I wish we had more rest periods"

(Factory Labourer 3, R2, 2015).

Even though, the VARP sector commands higher prices due to competitive advantages, the wages for labourers are still low meaning the benefits are not transferred to them. All the labourers interviewed, complained about their low-income levels.

"Monthly salary is not enough to cover me and my family's expenses. I have three children at school age. I get paid more for overtime and I like to work overtime. Otherwise the income is not enough"

(Factory Labourer 5, R2, 2015).

Also, it could not be concluded whether the governance structure had any implications on freedom of association rights as R1 allows TUs while in R2 they are restricted. These issues will be discussed more in Chapter 6.

However, as same as the garment sector, the H&S measures were maintained along with the factory conditions. This could be attributed to the close relationships that MNCs have with these VARP companies and their preparations to avoid potential H&S hazards which could generate negative publicity.

“The buyers come here to visit and inspect the factory conditions and all the health and safety checks. They do it regularly”.

(Factory Manager, R2, 2015)

However, there were no indications of any involvement from the MNCs in developing the communities and protecting the environment.

### ***5.3.3 Implications of the GVC Governance Structure on the Labour and Human Rights Issues in Natural Rubber Sector***

Natural rubber sector has Market value chains which means the relationships between the buyers and suppliers are minimum. This means the buyers are not involved in implementing any governance mechanisms in the suppliers. As a result, the improvements in H&S or factory conditions could not be observed in this subsector.

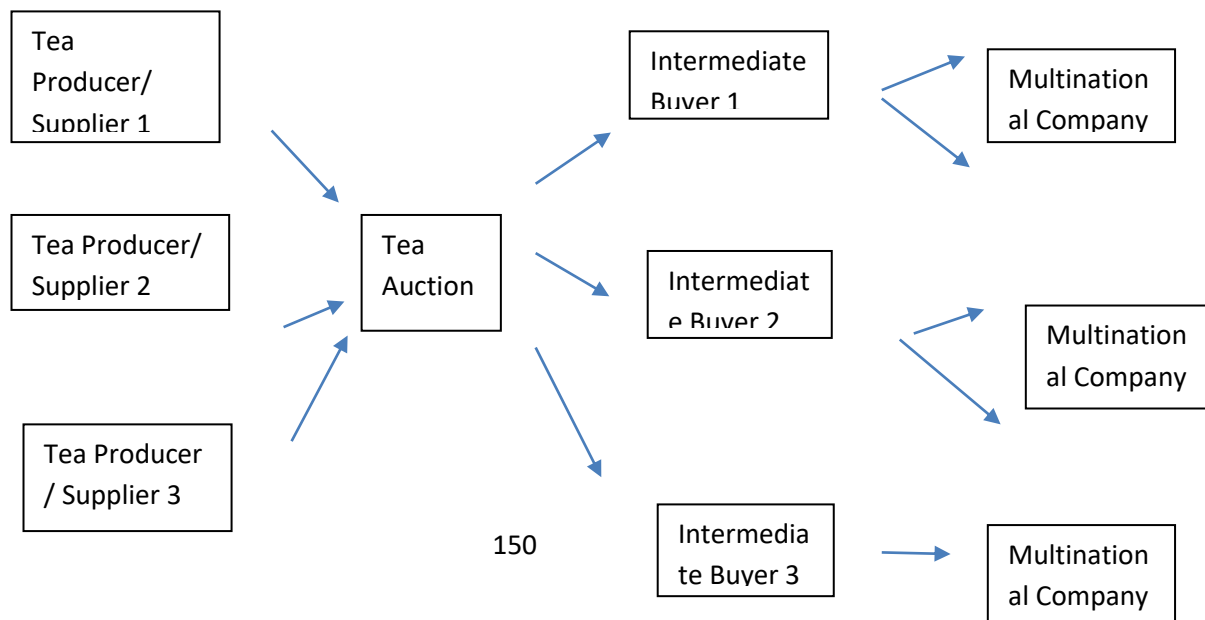
Furthermore, the higher prices commanded by the suppliers for the high-quality natural rubber is of no benefit for the labourers as they get low wages and have to work according to the managerial discretion mounting to difficult working conditions.

### ***5.4 Governance Structures and Related Labour Issues in Tea Sector Global Value Chains***

### 5.4.1 Tea Sector Governance Structures

The GVCs involving tea sector are more complex compared to the above sectors. The tea produced in Sri Lankan tea estates is not directly exported to the multinational buyer companies. Instead all the tea production goes through the ‘tea auctions’ held in Colombo where the intermediaries buy the tea according to their quality and sell to the MNCs. This information was obtained from Sri Lanka Tea Board, Tea Research Institute and owners and managers of the tea estates and factories. The owners and senior managers had the knowledge about the export destination of a certain batch of tea gone through the tea auction and this knowledge was helpful to identify the relevant MNC buyers. As tea is exported in the basic form (tea dust), there are no involvements from the buyers regarding product specifications. Also, there is minimum explicit coordination between the buyers and suppliers while the price of tea is determined predominantly by the quality and SL is renowned for producing high quality tea which enables the suppliers to demand higher prices from the buyers. These characteristics are unique to Market value chains where there is an 'arm's length relationship' between the buyers and suppliers (Gereffi *et al.*, 2005).

**Figure 5.3: The General Structure of Tea Sector Value Chains**





**Source: Author**

**Table 5.3: The Sri Lankan Tea Suppliers and their Buyer UK Multinationals**

<i>Supplier Company Code</i>	<i>Tea Grown Area</i>	<i>Location</i>	<i>UK Multinational Buyer Company</i>
T1	High-grown	Nuwara Eliya	Tesco, Sainsbury's
T2	Low-grown	Imaduwa, Galle	Tesco, Sainsbury's

A brief description about each supplier company is presented in Appendix V

#### ***5.4.2 Labour Issues Associated with the Governance Structures of the Value Chains in Tea Sector***

As there are several stages and intermediaries in the value chain, the governance structure is complex and obscures the relationships between the buyers and suppliers. The minimum explicit coordination from the MNCs should be an indicator of a mixture of positive and negative implications for the labourers. However, in the tea sector this means the labourers are experiencing mostly negative aspects while the owners are profiting from the higher prices they demand from the multinational buyers for their high quality tea. These profits do not seem to benefit the labourers in terms of wages or other facilities. Also, the minimum intervention from the buyers means there are no audits or inspections and H&S procedures are kept to a minimum too. The MNCs do not seem to think that their reputation would be affected by any incident in tea estates or factories in SL as the links between the two parties are almost invisible due to the

complexity of the value chains. It reinforces the argument that the MNCs are only interested in ensuring proper labour practices within their supply chains when only they recognize that there is a threat to their legitimate images by being linked to the negative practices of the suppliers.

The only positive aspect of this tea estate regarding labour issues is the strong presence of a TU with links to the political party, Ceylon Workers Congress. Almost all of the labourers are members of this TU and they have the right to attend union meetings and select their representatives. The TU, with the help of Ceylon Workers Congress has staged several strikes over the past decade regarding the wages and had been in continues discussions with the government (TU leader, T1, 2015). Although the wages has slightly increased from Rs. 630 to Rs. 750 per day, the labourers claim that this is not enough to cover their daily expenses (Labourer, T1, 2015). Meanwhile the managers are considering the TU activities as counter-productive as they claim the strikes have significantly reduced their cash inflows while the costs of maintaining the tea estate are high (Estate Manager, T1, 2015). The different ethnicities of labourers (predominantly Tamil) and managers (mainly Sinhalese) are also playing a part in increasing the tensions between the two parties and these issues will be discussed further in Chapter 6 under institutional influences.

As explained above, the tea sector in SL is governed by Market value chains where the suppliers are much more independent from their multinational buyers. The reputation of Sri Lankan tea with regard to quality and taste attract many consumers across the world thus enabling the suppliers to demand higher prices. Even though it could be presumed that the benefits of these higher prices would pass on to labourers, in practice the only beneficiaries are the owners of tea estates and their managers. The labourers are facing many difficulties such as low wages, job insecurities, poor living

conditions and poor welfare. This is a very unfavourable situation for the labourers in tea industry in SL as labour practices are not regulated or monitored by any responsible party. Lack of inspection, supervision and audits from MNC buyers mean the working conditions are precarious and there are many H&S issues within the factories and the estates. The local and central authorities of SL are also inefficient or ineffective in implementing proper labour practices in the absence of intervention from MNCs.

### ***5.5 Summary and Conclusion***

This chapter focused on the governance structures of the identified GVCs and their associated L&HR issues arisen specifically in relation to those governance structures. Each industry sector was evaluated under their GVC governance structures and the associated L&HR issues were explained and evaluated. It was found that the garment sector is governed by Captive value chains which have both positive and negative implications on L&HR practices. Positive aspects included improved H&S and CCR projects. Negative aspects included low wages, forced and compulsory overtime, difficult working environments and violations of freedom of association.

The rubber sector has two subsectors which coexist in SL. VARP sector is in an intermediate stage between Captive and Relational value chains. Positive implications included improved H&S and factory conditions as same in the garment sector. It was determined that labourers are not benefitted by the higher prices the companies demand for their VARP as the wages are low and other issues such as forced overtime and compulsory labour still exist too indicating that the subsector has not moved that far from being a Captive value chain. Natural rubber subsector has Market value chains which means the labourers are facing much more difficulties. For, the companies do not pass the benefits of higher prices commanded from the buyers to the labourers and the buyers do not involve in ensuring proper H&S either. The tea sector also has Market

value chains and the situation is much similar to that of natural rubber subsector which means there are no positive implications being on the Market value chains as the relationships between buyers and suppliers are arm's length.

## **Chapter 6 (Stage 2, RQ 2 and RQ 3)**

### **Labour and Human Rights Issues in Sri Lankan Global Value Chains and their Influencing Factors**

#### ***6.1 Introduction***

In this chapter, the L&HR issues faced by the Sri Lankan labourers in the GVCs of the three selected export sectors are analysed in detail. While chapter five focused on the governance structures of those GVCs and their influence on L&HR issues, this chapter investigates the effects of local (Sri Lankan) institutional factors on such issues. Also, the influences of industry sector, in terms of their historical, political, economic, geographical and demographical contexts are presented too. Such influences will be evaluated more in the Discussion chapter.

This chapter includes four main sections; 6.2, garment sector, 6.3, rubber sector, 6.4, tea sector and 6.5, summary and conclusion. Under each of sections 6.2, 6.3 and 6.4, there are eleven subsections where the first nine subsections analyse the interview responses from managers and labourers based on international L&HR standards. The responses are presented in tables (Appendix IV) and the texts evaluate the responses and any expansions from the interview questions with quotations from the interviewees. The tenth subsection specifically analyses the interview responses from managers and labourers regarding the relevant institutional factors. The last subsection presents a summary of each sector. Section 6.5 provides a general summary and conclusions about the whole chapter.

*Table 6.1: The Three Sectors, Company Codes and Personnel Interviewed in each Company*

<b>Sector</b>	<b>Company Code</b>	<b>Personnel Interviewed</b>
Garment	<b>G1</b>	HR Coordinator Production Executive Production Manager Four machine operators (labourers)
Garment	<b>G2</b>	Production Manager Three machine operators (labourers)
Garment	<b>G3</b>	Assistant Production Manager Four machine operators (labourers)
Rubber (VARP)	<b>R1</b>	Production Manager HR Coordinator Five factory workers (labourers)
Rubber (VARP)	<b>R2</b>	Factory Manager Five factory workers (labourers)
Rubber (Natural)	<b>R3</b>	Factory Manager Estate Manager Three factory workers (labourers)
Tea (High-grown)	<b>T1</b>	Estate Manager, Factory Manager One Union Leader Five Tea Estate Workers (labourers)
Tea (Low-grown)	<b>T2</b>	Estate Manager Factory Manager Factory Supervisor Two factory workers and two tea estate workers (labourers)

## ***6.2 Garment Industry***

In Chapter 5, it was identified that the garment sector is governed by Captive value chains. This chapter examines the L&HR issues in the sector. Section 6.2.1 critiques the managerial perceptions on CSR based on the responses from managers of the sector. Sections 6.2.2 to 6.2.9 provides analytical descriptions about the L&HR issues prevalent in the sector based on interview responses from managers and labourers. Section 6.2.10 explores the interviewees' perceptions on the institutional influences on those issues and section 6.2.11 provides a brief summary.

### ***6.2.1. Information about CSR (Managerial Perceptions)***

Most of the managers interviewed were aware of CSR or at least heard about it even when their job was not directly related to HR (Human Resources) or CSR. However, their perceptions do not fully cover the many facets of CSR but seems to be an idea of working towards the betterment of the living conditions and social welfare of employees and the surrounding community as a whole and environmental protection. Human Resources Coordinator of G1 (2015) mentioned that they have received a certificate for environmental protection compliance (ISO 14001) from Central Environmental Authority of Sri Lanka.

"We do CSR, but (we) don't use it as a public relations tool. We do a lot to help local hospitals and schools and education of children is something we always help towards".

(Human Resources Coordinator, G1, 2015)

All the three companies have adopted their respective holding companies' CSR policies and every manager stated that the companies are engaged in CSR activities.

Only the human resources coordinator of G1 has received a training regarding CSR given that his job is related to HR and CSR. The training includes Eco CSR (environment related) and equality (in relation to the status of female employees in the garments industry) (Human Resources Coordinator, G1, 2015). NILS is promoting labour studies in SL in recent years thus the trainings could be regarded as a positive aspect towards good labour practices. All the other managers interviewed were production managers thus did not have a specific training regarding CSR.

All the companies (factories) have been inspected or audited by the buyer companies and Sri Lankan authorities also do audits once a year.

"Before every order they (the buyer company officials) come for inspections. They check the factory's compliance with health and safety, labour (rights) violations (and) environmental concerns before every order".

(Production Manager, G2, 2015)

### ***6.2.2. Working Hours***

Working hours and shift patterns are much similar in all three companies. As most of the labourers are women, the companies do not usually operate 24-hour shifts as it is against the laws set out by the Department of Labour (DoL) regarding employing women (Production Manager, R2, 2015). The shifts are eight hours from 6 am to 2 pm and 2 pm to 10 pm but some managers admitted that they have to operate shifts from 10 pm to 6 am occasionally to cover targets.

"The shifts are from 6 (am) to 2 (pm) and from 2 (pm) to 10 (pm) but in case of target covering, we do night shifts too. We don't force them (the labourers), we get their consent for night shifts and provide safe transport to and from work".



(Production Executive, G1, 2015)

The garment workers have relatively low durations of rest periods when compared to the other sectors (where the rest periods are more informal) as they have continuous production lines which are managed effectively and efficiently to reduce costs and waste. In G1 and G2, the rest periods are limited to 30 minutes during an 8-hour shift while in G3, it is a 40-minute break. The amount of paid and unpaid leaves for labourers is much similar in all three companies.

"The workers do not work on Sundays, full moon holidays, New Year's Day and Christmas day. Other than that, they get one paid holiday per month and 14 days of annual leave. They can get more unpaid leave if wanted."

(Production Manager, G1, 2015)

"They (the labourers) have one paid holiday and two unpaid holidays per month and annually it is 14 days paid and 21 days unpaid (annual leave). The Joint Council (Employee Council) seek approval from employees regarding holidays around New Year and Christmas".

(Assistant Production Manager, G3, 2015)

All the managers agreed that sometimes the labourers are required to work on national and public holidays to cover targets which is a common occurrence in Captive value chains due to strict lead times.

"Occasionally we have to ask them to work on public and national holidays. Most of them like to work on Sundays as they get OT (overtime) but we try our best to leave national holidays like New Year and Christmas".

(Production Executive, G1, 2015)

The labourers usually work 40-60 hours per week in eight hour shifts for six days. Also, they may work extra four hours per week as overtime but at the standard wage rate (Labourer 1, G1, 2015).

"I work eight-hour shifts for six days, one week (I do) the morning shifts and the next week evening shifts (alternatively). We get a 30-minute break per day but sometimes it is not enough for the lunch. I don't usually work on Sundays or Poya days (Full moon holidays)"

(Labourer 3, G1, 2015).

Some labourers mentioned that they do not do night shifts while some others mentioned that they are doing night shifts. This was sometimes in reference to the fact that the evening shift finishes at 10pm but some labourers mentioned that they have actually worked during the night (from 10pm to 6 am) on occasion to cover targets (Labourer 3, G3, 2015). Every labourer agreed that they were required by the management to work on national and public holidays to cover targets. However, only some of them stated that they were forced to work on such holidays while the others felt there was no pressure to work on holidays.

"Sometimes they (the management) want us to work on Sundays and holidays to cover targets. They insist on (working on holidays) especially if someone is new. So, I have worked on Sundays too even though I feel tired without a rest all week but I don't want to get into trouble with them as I like my job"

(Labourer 2, G1, 2015).

"Most girls (female workers) like to take day-off on poya days (Full moon holidays) to spend time with their families. So, I offer to work on those days if the managers ask us to work because I don't have my family living nearby"

(Labourer 4, G1, 2015).

“When the targets are high, the pressure is high too. The Production Manager pressurize the other (subordinate) managers and they then pressurize us. There is lot of shouting and verbal punishment. There is competition between managers (to perform better)”

(Labourer 3, G2, 2015).

Therefore, it is clear that forced overtime is present but it is perceived differently by different labourers depending on their personal circumstances. Most of the labourers complained about the lack of rest periods and the difficulty in obtaining leaves.

"We have only one paid holiday per month and 14 for the whole year. The attendance bonus (Rs. 1200) is cut if I take more than one holiday per month and only one day is paid. Taking holidays was even more difficult when I was a temporary (worker) but now I have 14 days but during some time periods, especially around New Year, it's very difficult to get holidays"

(Labourer 4, G1, 2015).

"The breaks are for about 30 minutes but it's not enough to eat lunch and have a little rest before starting work again. I wish the break is longer as operating the sewing machine is not easy, the eyes get hurt when I work for few hours. But if we are a little late after break, even if it's for 1-2 minutes, we get verbal punishments from the line managers"

(Labourer 1, G2, 2015).

These comments indicate the strict work regimes prevalent in garment companies. Driven by minimizing costs and meeting lead times, the managers force the

labourers to work relentlessly without considering their health or wellbeing. Although, the managers downplayed the requirements to work on holidays, the labourers highlighted their tiredness and health impacts of doing the monotonous work without proper breaks, rest periods or holidays.

### ***6.2.3. Wage / Overtime / Equal Opportunities***

The wage payment method is monthly for labourers and the wages are around Rs. 25000 per month (about £120) and their income might change depending on the overtime work and bonuses.

"The monthly salary for a labourer is Rs. 24,500 and we add an attendance bonus of Rs. 1250 if they only take one leave for that month. If they have taken more leaves, then the bonus is not given"

(Production Executive, G1, 2015).

All the managers mentioned that the labourers are required to work overtime to cover targets and in all three companies, overtime rate is similar to the standards wage rate.

"Sometimes they (the labourers) are required to work overtime to cover targets but their total working hours per week do not exceed 48 hours (as) that is the maximum allowed by Shop and Office Act. The Department of Labour do random audits to check this"

(Production Manager, G2, 2015).

"On Saturdays, we offer two hours of overtime as they (the labourers) don't usually work on Sundays but if there is a target to cover, they will do more overtime (work). The (overtime) rate is similar to normal (standard wage) rate"

(Assistant Production Manager, G3, 2015).

Every manager confirmed that they provide equal opportunities and payments for males and females with the same job description and also equal opportunities and payments for disabled and able-bodied workers with the same job description.

"The majority of workers are female. It's about 95%. We mainly recruit females as sewing machine operators as they are good at it than males. Males mainly work in packaging and in stores but they get same salaries and opportunities"

(Production Manager, G1, 2015)

Some labourers agreed that the salary is enough to cover their needs while some others disagreed with that. This seemed to be due to the differences in personal circumstances such as age, marital status, dependent children and combined household income. All of the labourers are working overtime to earn more money and sometimes at the request of the management to cover targets. In G1, all the labourers stated that they had been forced to work overtime while in G2, none of them mentioned about being forced to work overtime. In G3, two labourers agreed that the management forced them to work overtime while the other two labourers disagreed with that.

"My salary is Rs.21000 (about £ 100) per month and that is not enough for my family. My husband also earns but we have small children so I need to do some overtime to earn extra money. If the targets are very high, they add incentives to our salary"

(Labourer 2, G1, 2015).

"My family live in Anuradhapura (North Central Sri Lanka) and I live here at a boarding place. The salary is enough for my expenses, food, clothes and rent.

Sometimes I send some money to my parents too. I work overtime but they (the management) don't force us to do so"

(Labourer 3, G2, 2015).

It was apparent that wages are not sufficient for women with young families while single and young women are satisfied with their wages. All the labourers (all females) thought that they are equally paid and have same opportunities as males with same job descriptions but many pointed out that there are no males as sewing machine operators. Also, the disability discrimination question was not relevant as none of them had any known disabilities. However, this does not confirm that gender and disability discriminations are not existent. As garment companies generally tend to employ more women (due to their supposedly complying and non-confrontational nature), it could be argued that gender discrimination is present. Also, disabilities are not well defined in Sri Lankan society as in Western society thus disability discrimination may remain unidentified. More about the discrimination issues are analysed in the Discussion chapter.

#### ***6.2.4. Freedom of Association and Collective Bargaining***

In all three companies, TUs are not *allowed* whether they are situated in an EPZ or not. Instead, the focus is on establishing (Employee Councils) ECs where both employers and labourers meet and discuss any issues.

"In our company we have a Joint Council Committee and they (management and labourers) meet once a month and (labour) issues are highlighted. We have elections to select committee members. There is one member (labourer) for each three lines (machine lines) and one member for each division (cutting, sewing, packaging etc.)"

(Human Resources Coordinator, G1, 2015).

"We don't have trade unions as we operate under BOI regulations. We have established employee councils and they (labourers) can raise their issues in the council. We have council members who are like trade union representatives and we talk with them if there is a dispute"

(Production Manager, G2, 2015).

"We do not allow trade unions because we need to keep the disruptions to the production processes at a minimum level. Otherwise we can't complete the orders in time. The government has prohibited them (trade unions) in the export processing zones. But we have employee councils and we are ready to discuss with them (employees) (about any issues)"

(Assistant Production Manager, G3, 2015).

As stated above, the managers use ECs as an alternative for TUs despite them not allowing proper arrangements for freedom of association and collective bargaining as stated in the fundamental ILO labour conventions. Also, it was observed that the managers were under the impression that the government and BOI regulations do not allow TUs in EPZs even though BOI states otherwise (Board of Investment, Sri Lanka, 2004). Moreover, the managerial perception is that TUs disrupt the production processes thus should not be allowed in order to fulfil the requirements set out by MNC buyers which is classical for Captive value chains. The idea of TUs being troublesome, that was put forward by managers might be for their own benefits (to achieve uninterrupted production processes). It seemed that they have propelled this idea through the workers and also it may have been their intention to convince the researcher

that TUs are in fact disruptive and counterproductive. This will be reflected more in the Discussion chapter.

The situation regarding freedom of association and collective bargaining is very similar in all three companies. All the labourers agreed that the TUs and related activities are not allowed or discouraged in their companies and that they have not involved in any collective bargaining procedure to demand something from the management. However, some labourers from G1 and G3 revealed that they knew at which instances help can be seek from TUs.

“There are no trade unions here (in the company). They (the management) ask us to go to HR (Human Resources Division) if there is any problem. I know that trade unions demand pay rises in some other companies but we can’t do it here”

(Labourer 2, G1, 2015).

Some labourers in G1 stated that they have involved in a collective bargaining procedure through Human Resources Division.

“We can report to a manger or the HR (Human Resources Division) if there is any problem. We can have discussions with the management in the (employee) council”

(Labourer 4, G1, 2015).

However, most of the labourers were not sure whether they could involve in any collective bargaining procedure without fearing about losing the job.

“No, I don’t think we can do something like that (collective bargaining) here. We are not allowed such activities and if we go against it, we might lose our jobs”



(Labourer 3, G2, 2015).

As evident from the responses, the labourers mostly go along with the impression that TUs are not allowed and there is a sense of fear among them that such activities would make them redundant.

#### **6.2.5. Employment Security**

As the garments sector employment arrangements are more formal than plantation sectors, every permanent labourer is given an appointment letter and a job contract and every manager interviewed confirmed that they make sure that the labourers read and understood the clauses. Company disciplinary procedures were much similar across companies and included warning letters and disciplinary inquiries.

"If there is a problem with the behaviour or attendance (of a labourer), there are steps (disciplinary procedures). Depending on the problem we may suspend them pending an inquiry or issue warning letters. If a labourer is absent for eight consecutive days, first warning letter is issued. After four more days, second warning letter is issued and if there is no response we consider them as 'vacated the post' and they are not taken back"

(Human Resources Coordinator, G1, 2015).

Also, all the managers mentioned that the labourers have the opportunity to raise their concerns in the event of an unfair treatment or dispute with the management to a satisfactory level. When necessary, the government authorities are informed too.

"Yes they (the labourers) can raise their concerns through the HR (Human Resources Division). HR is closely linked with other divisions and always

counsel with them. So, if there is a problem, HR will inform the production manager and line managers"

(Assistant Production Manager, G3, 2015).

"When there is an issue, first we try to resolve it through the HR within the company but when the issue is serious, the labour officer from the Labour Department is contacted and they investigate. It's a long process though"

(Production Manager, G2, 2015).

Despite all the managers confirming that every labourer signs a job contract, some permanent labourers mentioned that they have not signed a contract and accordingly some of them have not read and understood important clauses of the contract specially termination clauses. This is in contrast to the managers' confirmation that they have made sure all the labourers have read and understood the contract clauses. It is possible that some labourers might have forgotten that they have signed a contract but that indicates that not much emphasize is not given to the job contracts or the contract clauses by both the managers and the labourers.

"I can't remember signing a contract or reading one but I know the termination period, they (the management) give one-month notice before ending the job"

(Labourer 3, G2, 2015).

In all three companies, the termination includes one-month (30 days) notice period but in disciplinary issues, the workers are suspended pending investigations.

"If someone has done something wrong like theft, they are suspended for two weeks and an investigation is taken place. Otherwise the notice period is one month"

(Labourer 2, G1, 2015).

“The HR (Human Resources Division) carries out an investigation if someone is caught doing something wrong. Depending on the wrong doing, they might dismiss the worker or reduce their salary”

(Labourer 3, G3, 2015).

All the labourers stated that they knew who to contact if they were treated unfairly or had a dispute with the management with most of them mentioning that a line manager or Human Resources Division are informed. However, some of them answered ‘No’ or ‘Don’t Know’ when asked whether they think that the management can be contacted in such a situation without fearing about losing their jobs. This indicates that there is a sense of fear among these labourers (mostly females) about reporting any issues to the management as they fear it might result in losing their jobs. Also, they do not want to be seen as trouble makers as they think it is an inappropriate behaviour for a young female

“If there is a problem, we are advised to inform a line leader (manager) at first and then the HR. Then they will ask us about the situation and take further measures. But I don’t like to be the one to raise issues as they (the management) might think I am trouble maker

(Labourer 4, G1, 2015).

#### ***6.2.6. Vocational Training***

According to the managers interviewed, every labourer receive a training before they start the job at all three garments companies mainly in the form of workshops and

demonstrations. The managers are satisfied that the labourers find the trainings as adequate and helpful.

"Everyone starting a job here trains for 14 days at our training school, we have four instructors in there and they do demonstrations, workshops and presentations. They (instructors) are at supervisory or managerial level. Also, the labourers receive 'on the job training' depending on their skills"

(Human Resources Coordinator, G1, 2015).

"The trainings are conducted by a manager and it can be demonstrations or workshops where they (the labourers) learn different things (such as) sewing, cutting and packaging. If a labourer is still struggling after trainings, they are helped by a colleague or the supervisor"

(Assistant Production Manager, G3, 2015).

Every manager interviewed confirmed that the labourers have opportunities for promotion as group leaders, supervisors, line managers and higher managers (Production Manager, G2, 2015; Assistant Production Manager, G3, 2015).

All the labourers confirmed that they have received a training before starting the job and most of them added that the training was in the form of demonstrations carried out by a supervisor. Moreover, every labourer thought that the training was adequate and helpful for their jobs.

"A supervisor did the training. She demonstrated different things like sewing, cutting (and) quality checking. We then practised those things ourselves. I did sewing and cutting. Also, they (the supervisors) help us when we are new and make mistakes"

(Labourer 1, G2, 2015).

All the labourers interviewed knew that they had opportunities for promotion and some of them were willing to further their careers. Therefore, no issues in terms of vocational training or promotional opportunities were identified.

“We have been informed about promotions and future opportunities and they have promoted some of the senior colleagues (labourers) to team leaders and supervisors. I am planning to attend a team leader training”

(Labourer 3, G1, 2015).

#### ***6.2.7. Occupational Health and Safety***

In all three companies, there is a medical check for every labourer before they start the job. The check includes blood pressure measurements, blood sugar level measurements and questions about any existing medical conditions or disabilities (Human Resources Coordinator, G1, 2015). However, only G2 provides adjustments for labourers with medical conditions.

"If a labourer has diabetes, we give them extra breaks if they need, also there are few (labourers) with heart conditions and they are not given heavy work like sewing and storage work but they do light work like cutting"

(Production Manager, G2, 2015).

"There is a medical check for every labourer in our clinics. If they have any serious health problems, we don't recruit them as it is difficult to accommodate (their requirements). For example, we don't recruit people with asthma as the work here (in the factory) is tiring and the air is quite dusty and congested"

(Production Executive, G1, 2015).

All the managers and labourers in all three companies have received a H&S training before or after they have started the jobs and the managers consider the training as adequate and helpful.

"Everyone gets a health and safety training during their inductions. The health and safety committee organize these trainings. The labourers receive their training at the training school"

(Human Resources Coordinator, G1, 2015).

Every manager stated that their labourers have to work with machinery (mainly sewing machines) but the use of hazardous substances is minimal. Nevertheless, the labourers have been educated about the risks associated with their work and the steps to be taken in the event of an emergency or accident.

"Part of their (the labourers') training is about working safely and following correct procedures when an accident or emergency happens. We have provided them with safety glasses to protect eyes. Also, risky activities such as heat seal operating is only done by a licensed person"

(Production Manager, G1, 2015).

"The labourers have been informed about the risks of operating sewing machines continuously. The machines may get overheated and there were incidents where the needles snapped. Also, they (the labourers) might get headaches and backaches by operating the sewing machines for a long time. If this happens, they know to tell the supervisors and go to the medical (centre) if needed"

(Production Manager, G2, 2015).

"We employ two nurses for every shift for first aid and initial treatments. If there is a serious injury or illness, we take them to hospital. The doctor visits once a week for routine check-ups"

(Human Resources Coordinator, G1, 2015).

There is medical assistance available at every factory and hospitals are also easily accessible as they are situated in urban areas. As such, it is clear that the garment companies are paying much attention to H&S measures partially to comply with their buyer MNCs' requirements and by the encouragement of government institutes such as NIOSH.

In all three companies, the labourers have undergone a medical check before starting their job but some were unaware if they had a medical condition which could be worsened by the job. As the medical checks are limited to basic procedures such as measuring blood pressure and heart rate, checking eye sight and questioning about life style and any existing medical conditions (Labourer 2, G1, 2015), it is likely that some medical conditions may remain undiagnosed in some labourers.

"I had a medical check-up on the interview day. A nurse did the check in the sick room. She checked my blood pressure, heart and eyes. Also, she asked whether I have medical problems from childhood"

(Labourer 2, G1, 2015).

H&S training had been given to all the labourers in all three companies and they consider it as adequate and helpful. Most of the labourers agreed that there are H&S inspections in the factory but they were referring to the inspections done by their respective holding companies' Human Resources divisions as part of internal audits. The initial training given to all labourers includes how to operate the sewing machines

and to minimize damage to themselves (to eyes, hands and back) and H&S trainings also emphasise on minimizing hazards and how to respond to an emergency or accident.

“We know how to operate the machines safely and we have been told about fire exits and assembly points. There are frequent fire drills. In case of an accident or an injury, we contact the supervisor who will then inform other managers. First, we are taken to the sick room to give first aid and then to the hospital if it’s serious”

(Labourer 3, G2, 2015).

In general, the labourers’ responses compliment those of managers’ thus confirming the high priority given to H&S.

#### **6.2.8. Social Security**

Every company provided medical care, sick leaves and sickness benefits. Medical care includes health check-ups, clinics and regular visits from doctors (Production Manager, G2, 2015). However, no medical insurance is provided by the companies.

"The labourers are entitled to take medical leave of up to three days per month. If they have a serious medical condition then duty leave is provided"

(Human Resources Coordinator, G1, 2015).

The labourers are entitled to claim injury benefits and compensation as per the policies of Workmen's Compensation Office (Assistant Production Manager, G3, 2015). Paid maternity leave is provided by all companies and there are provisions for adjustments during pregnancy and after birth.



"Maternity leave is paid for 84 days but they can still take leave until seven months. We provide adjustments; light work during pregnancy and additional medical check-ups and after returning to work they can leave five minutes earlier to avoid delays at gates. We also provide them with more breaks"

(Human Resources Coordinator, G1, 2015).

None of the companies have pension plans but both employees and employers contribute towards social security funds (EPF and ETF).

Every labourer stated that they receive medical care from the company in the forms of weekly visits by doctors, medical check-ups by nurses and first aid in the event of an accident or injury. Also, the company provides an ambulance if a worker is needed to be taken to a hospital.

"A doctor is coming twice a week and if we have any medical concerns, we can go to him. It's good, otherwise we have to queue for a long time for the government doctors or pay a lot for a private doctor"

(Labourer 4, G1, 2015).

However, the labourers' knowledge about sick leaves, sickness benefits, medical insurance and injury compensation was varied and inconsistent when compared to the answers provided by the managers. This indicates that some of the labourers are not properly aware of their labour rights or contract clauses thus providing opportunities for the companies to exploit them. It is apparent that paid sick leave is provided if the illness is directly related to the job such as eye conditions and back ache as such illnesses may affect the performance levels and also may lead to compensation claims if they get worse.

“There is no (medical) insurance for us, sick leaves are paid depending on the accident or injury but I don’t know exactly”

(Labourer 2, G3, 2015).

“We get three days of paid sick leaves for eye problems, if it’s another illness, we usually don’t get paid leaves”

(Labourer 3, G1, 2015).

“If we are permanent, we get paid sick leaves, otherwise (if temporary) I don’t think we have (paid sick leaves)”

(Labourer 1, G2, 2015).

Even though the managers claim that the labourers are entitled for injury compensation, one labourer mentioned that such compensation is only provided for cutters (labourers who work in the cutting section) but not for others (Labourer 2, G2, 2015).

Every labourer was aware that their company provides adjustments during pregnancies and after birth. This is important as most labourers are females and such flexibilities are needed to ensure the availability of the workforce.

“Maternity leave is paid for three months but we can take up to six months. During pregnancy we are given light work like quality checking and they give ‘milk hour’ (extra breaks to feed babies)”

(Labourer 1, G2, 2015).

“There are adjustments during pregnancy, we can change the shifts to go to (maternity) clinics and after returning from (maternity) leave, there are ‘milk hours’

(Labourer 3, G3, 2015).

Moreover, all the labourers were aware that they do not have company pension plans but that they contribute towards EPF and ETF as social security. In general, it was concluded that social security measures are provided to a certain extent despite some labourers’ apparent lack of knowledge of their entitlements.

### ***6.2.9. Social Welfare***

Provision of social welfare was prominent in all three companies. Help and advice are provided for housing of the labourers who live in the nearby villages. For those who are away from home, accommodation is provided in the form of rented places and hostels and free transportation is provided to and from work.

"HR (Human Resources Division) designs houses and give technical help and planning for the labourers who are going to build new houses. We also encourage them to save for houses and facilitate links with housing projects so that they can obtain grants and loans to build their houses"

(Human Resources Coordinator, G1, 2015).

"There are many girls (women employees) who are from far away areas. We provide them safe accommodation in a hostel approved by Labour Department. It can accommodate 1000. Also, we provide transportation by rented buses as it's not safe for them to use public transport after finishing work at 10 pm"

(Production Manager, G2, 2015).

All managers stated that the companies facilitate social gathering opportunities for labourers and their families and also help towards family occasions.

"We organize annual festivals and trips for employees and their families. Also, we highly promote sports among our workers. They take part in sports like netball, volleyball and boxing and are participating in intercompany tournaments"

(Assistant Production Manager, G3, 2015).

The labourers also agree on the provision of social welfare. The labourers who are from nearby villages have received housing benefits from their companies such as loans and technical advice. For labourers who are coming from other areas of the country, accommodation and free transportation are provided by the company.

"There is a BOI (Board of Investment) approved hostel, it's in good condition and safe. I pay rent for it. There is a free bus service from the hostel to work"

(Labourer 2, G2, 2015).

Social gathering opportunities and help towards personal and family occasions are provided by all three companies and all the labourers confirmed that such opportunities and help are provided by their employers. All companies provide financial and maintenance support for local facilities such as schools and government hospitals which in turn help the labourers and their families. Also, there are funds for funerals and weddings through which the labourers and their families are given financial support.

"There is a festival organized by the company for New Year. Also, there are religious events for poya days (full moon holidays) and annual trips. Most of the workers and their families participate (in these occasions)"

(Labourer 3, G3, 2015).

“My company helps local schools and hospital financially and it’s a good thing for the community (as) our children and others are benefitted by it”

(Labourer 1, G1, 2015).

“When my daughter was ill and had to have a heart operation, they (the management) helped me financially, they collected their own money and gave me and granted me leave until my daughter was better. It was very helpful”

(Labourer 4, G1, 2015).

“.....(Company name) (G1) is very good actually compared to (name of another local garment company), where I worked previously. Here we have lot of facilities; a gym, a beauty salon and an IT room”

(Labourer 1, G1, 2015).

The above comments indicate the paternalistic environment existing in the garments sector companies. The labourers and the management have a mutual understanding where both parties *help* each other in the working environment to maximize the efficiency through job satisfaction. The fact that the managers helped labourers financially with their own money indicates the aspects of religious humanitarianism where help is given without expecting anything back (labourers’ loyalty and improved productivity) as opposed to paternalism. However, within the context of religion (Buddhism), it could also be interpreted as an act with anticipation for reciprocity particularly in terms of goodwill, good reputation or even good merits transfer for afterlives as believed in Buddhist Karmic theory. Along these lines,

donations by managers cannot be considered as completely altruistic. These ideas will be evaluated more in the Discussion chapter.

#### ***6.2.10. Other Questions relating to Institutional Environment***

All the managers mentioned that they had not sort legal help regarding an employee issue but it was apparent that they were reluctant to talk about legal aspects of labour issues. Their opinions about the adequacy and flexibility of Sri Lankan legal system in resolving labour issues were varied (two replied ‘Yes’, one replied ‘No’ and two replied ‘Don’t know’) and they did not elaborate on the answers hence the basis could not be explored.

However, all the managers agreed that the government, local councils and politicians are not doing sufficient work to ensure proper labour practices or CSR practices. It was same for the role of NGOs.

“The government does not do anything to help the labourers. Even salary increases (for labourers) are prohibited by the government because it does not help small firms. We can increase their salary but we are not allowed to”

(Human Resource Executive, G1, 2015).

“NGOs are not doing anything here. I know they do some work in North (of the country) and in rural areas but not here. We help the local community by helping and maintaining (local) schools and hospital”

(Production Manager, G2, 2015).

The fact that G1 and G2 are situated in an EPZ and G3 is situated in an urban area near Colombo, could explain the non-involvement of NGOs as they mostly

concentrate on poverty-stricken rural areas and the North of country which has been destructed by the civil war.

In contrast to the above answers, all the managers agreed that religious and cultural motivations are encouraging the management to carry out philanthropic and charitable activities towards their employees and their families. Here, the managers indicated that their donations and charitable activities towards labourers are in fact the results of religious motivations rather than a reputation building public relations mechanism. As mentioned below in the quotations, they claimed that they do not expect anything back (but their Buddhist believes may have encouraged them to subconsciously expect good merits/karma). However, such individual actions by *managers* based on sympathy and religious motivations are different from the welfare programmes carried out by the *company* which clearly has an element of reputation building.

“Yes, we do a lot of things to help our labourers. We have a flexible culture here to help workers and they are grateful for that. For example, if they suffer an accident outside of work, we still grant them duty leave (so that) they can recover and return to work. We don’t want them to lose their jobs and living”

(Human Resources Executive, G1, 2015).

“They (the labourers) are quite dependent on the company, it’s not just the job, they expect our help and sympathy when there are problems in their lives. We always sympathise with them and help, even money (help in monetary form) but I don’t expect them to pay back. It’s just donating”

(Production Manager, G2, 2015).

These comments indicate that the religious and cultural upbringings of the managers are encouraging them to engage in humanitarian activities for labourers without expecting anything back from them. This is in line with the concept of religious humanitarianism explained earlier in the thesis which is a common occurrence in Sri Lankan society. In contrast, the social welfare activities such as organizing events, festivals, trips, sports activities and providing facilities (gym, beauty salon) for labourers are parts of the paternalistic culture which is prevalent in garments sector companies. These activities are designed to engage the labourers more in the company culture (such as in a 'family' environment) and to increase their productivity and loyalty in return. Also, CCR was highlighted as a main form of CSR in the absence of government, local councils and NGOs.

None of the labourers have sorted legal help to resolve an employment issue and many of them were not aware or certain whether the legal system in SL is adequate and flexible in resolving labour issues. In the same vein, most of them answered 'No' or 'Don't know' when asked whether they think that the government, local councils and politicians are doing sufficient work to ensure labour rights. However, some labourers pointed out that the Department of Labour is doing some effective work towards ensuring labour rights.

“There is a regional office of Labour Department here (in Galle). They come to inspections and we can complain to them if an issue is not resolved with the managers”

(Labourer 2, G2, 2015).

Also, the majority of labourers were not satisfied about the work done by NGOs to ensure labour rights. In contrast, many of them agreed that religious and cultural motivations are encouraging the management to participate in philanthropic activities



and charitable giving towards them and their families. This confirmed the paternalistic culture and religious humanitarianism concept.

“Yes, they help people (the workers) especially when there is a family tragedy such as death or serious illness. The managers donate their own money, they sympathise with them (the workers in need of help)”

(Labourer 1, G1, 2015).

### **6.2.11 Summary**

The most prominent L&HR issues were inadequate wages, forced overtime, lack of rest periods and violation of freedom of association and collective bargaining rights. In terms of social security and job security, there were some positive aspects (job contracts, injury benefits, sickness benefits and maternity leave) and some negative aspects too (lack of knowledge of labourers regarding their entitlements, non-availability of insurance or pension schemes and the sense of fear of losing the job if not comply with the company requirements). The positive aspects include adequate vocational training and promotional opportunities and satisfactory H&S measurements. These findings were largely similar for all three companies.

Paternalistic culture is prevalent in a harmonious way where both managers and labourers acknowledged the mutual benefits; job satisfaction, increased productivity and loyalty. Also, religious humanitarianism was observed where giving is encouraged by the managers' Buddhist thinking and it has made the labourers grateful towards the company and the management. Other institutional forces such as political and legal aspects were not deemed as influential in ensuring good L&HR practices. Most of the managers' perspectives on CSR revolved around CCR and environmental protection rather than going beyond the legal minimums for labourers.

### **6.3 Rubber Sector**

The rubber industry is historically important for the traditional exports of SL having been started in the 19<sup>th</sup> century mainly in rural areas (SL Export Development Board, 2017b). In rubber estates and factories producing natural rubber sheets, the labour force mainly consists of local villagers while the management is dominated by males. Many females work as rubber tapping labourers in the estates while the males work in the factories. Although traditionally, natural rubber was exported in a preliminary form, recent emphasis has been to produce VARP within SL for export (SL Export Development Board, 2017a). This trend has shifted the structure of the industry where there are VARP manufacturing companies situated in EPZs and other urban areas (SL Export Development Board, 2017b) that experience somewhat similar characteristics to garment sector in terms of L&HR issues. On the other hand, rubber estates and natural rubber producing companies are situated in rural areas and have many similarities to tea sector in terms of L&HR issues.

Section 6.3.1 analyses the managerial perceptions about CSR in the rubber sector. From section 6.3.2 to section 6.3.9, the interview responses to L&HR issues related questions from managers and labourers are analysed. Section 6.3.10 analyses the interview responses from managers and labourers regarding the questions about institutional factors while section 6.3.11 provides a summary.

#### **6.3.1 Information about CSR (Managerial Perceptions)**

All the five managers interviewed were aware of CSR and their perceptions mostly revolved around the idea of serving the local communities and protecting the environment.

“CSR is about developing (the) life style of employees and community development”

(Senior Production Manager, R1, 2015).

The HR Coordinator of R1 said the majority of CSR activities of their company are based in the rubber estates in ‘Moneragala’ (in Eastern SL) where latex rubber (raw material) is produced.

“We do community development in Moneragala to help (the) latex farmers by helping them with utensils and clean water”

(Human Resources Coordinator, R1, 2015).

The factory manager of R2 considers CSR activities as an opportunity to do “something to society” and it is also “good for the company” (2015).

CSR activities of R3 are funded by NGOs and semi-government institutes so that the company is better able to provide services for the community.

“We get foreign grants (from NGOs) and also (grants) from semi-government organizations, (so that) we can provide staff housing and clean water with the help of Plantation Housing Development Trust”

(Factory Manager, R3, 2015).

R1 and R3 have their own CSR policies but R2 does not have one and it has adopted some of their MNC buyer’s policies particularly regarding community development and environmental protection (Factory Manager, R2, 2015). Only the HR Coordinator of R1 has a training in CSR while the other managers do not have any training with regard to CSR possibly given their job positions which are mainly related to production rather than human resources or personal relations.

All the three companies are engaged in CSR activities especially regarding communities and the environment.

“We do environmental activities for the ‘Environmental Day’ and (also) we do local road development and hospital maintenance too”

(Factory Manager, R2, 2015).

“We have a purifying water project and treatment plants established to help the environment and the locals”

(Factory Manager, R3, 2015).

Only in R1 and R2, the officials from the buyer companies visit for inspections and periodical audits with regard to factory conditions, health risks and environmental damage (Senior Production Manager, R1, 2015; Factory Manager, R2, 2015). As these companies produce VARP for export market, the MNC buyers are more concerned about factory conditions when compared to R3 which only produce raw material. However, all the three companies were audited and inspected by the Central Environmental Authority of Sri Lanka.

“The Central Environmental Authority inspects the factory every year (and) we need to pass the inspection to get the license (renewed)”

(Factory Manager, R3, 2015).

All three companies have received certificates and standards regarding environmental protection and quality control which include ISO 9001 (quality management), ISO 50001 (Energy Management) and ISO 14001 (Environmental management).

### **6.3.2. Working Hours**

In all the three companies the labourers are required to work on national and public holidays depending on the requirements to meet targets. In R1, there are three shifts of 8 hours during the day (24 hours) and labourers are given the choice to work overtime if they wish to do so. The shift pattern means some labourers have to work night shifts too. There are several breaks during the day totalling to about one hour and 15 minutes (Production Manager, R1, 2015). The labourers have 7 casual leaves and 14 annual leaves per year and further unpaid leaves are approved by managers if necessary (Production Manager, R1, 2015).

“If they are ill and provide a government medical certificate (then) we approve extra paid leave for the labourers and double pay is given if they work on public and national holidays”

(Production Manager, R1, 2015).

In R2, 12-hour shifts are conducted throughout the day (24 hours) which means night shifts are essential but after 8 hours, the labourers are entitled to overtime hours for 3.5 hours. The working pattern is work 4 days and rest 2 days for the labourers with daily intervals for lunch and tea breaks (Factory Manager, R2, 2015).

“Labourers have 14 holidays per year and (the) management can take 21 days per year. They (the labourers) can take extra holiday if there is a medical requirement. We pay them double OT (overtime pay) on Sundays and Poya days (full moon holidays) and thrice the OT (overtime pay) if they work on mercantile holidays”

(Factory Manager, R2, 2015).

In R3 the working hours are different depending on whether the labourers are factory workers or estate workers. The factory workers have two shifts from 2pm to 10 pm and 10 am to 6 pm while the estate workers have 8 hour shifts during the day which include tapping the rubber trees, collection of rubber, draining and other sundry work (Factory Manager, R3, 2015). Estate workers can only work if the weather is permitting and this affect their income seriously as they are paid on a daily basis.

“We pay the labourers (estate labourers) daily and if they work they get paid and if they do not work, there is no pay. They can take holidays when they want but most people want to work even on holidays and poya days (full moon holidays)”

(Estate Manager, R3, 2015).

In R1, only one female factory worker was interviewed while the other four were males. The males are required to work night shifts (eight hours) as the factory operates for 24 hours but female workers are not required to do night shifts.

"I work day shifts, from 6am to 2pm or 2pm to 10pm (but) I don't do night shifts. Men do night shifts but we are not asked to come (to night shifts). There are only very few women here (working in the factory) anyway"

(Factory Labourer 3, R1, 2015).

Every labourer in R1 is required to work on public and national holidays depending on the targets and production processes and three of the labourers felt that they were being forced to work on public and national holidays by the management.

"Sometimes I have to work on public holidays too, they (the management) want us to come if there is a batch to finish. If I don't agree (to work on holidays) it's

not good for me. We have 21 days of paid leave but I don't take any other leaves (unpaid leaves)"

(Factory Labourer 1, R1, 2015).

Every labourer interviewed from R2 was male as the company has a policy of not recruiting female labourers and all the interviewees stated that they do night shifts and are required to work on national and public holidays. Moreover, four of them felt that they were being forced to work on such holidays.

"We have 12-hour shifts (therefore) we have night work. After eight hours, we are paid overtime but sometimes it is difficult and tiring as we have to work for four days before having a day-off"

(Factory Labourer 2, R2, 2015).

In R3 also the three labourers interviewed mentioned that they do night shifts and are required to work on national and public holidays. However, two of them stated that they were not sure whether they were being forced to work on holidays. This may be due to the different perceptions of the individuals where the requirements by the management to work on holidays are taken as forced by some labourers while some others think it is part of their job. Overall, it was clear that forced overtime is a common issue as the management is focussed on production targets and lead times.

### ***6.3.3. Wage / Overtime / Equal Opportunities***

The wage payment method is monthly for rubber factory workers while the estate workers are paid on a daily basis. In all the three companies, the labourers are required to work overtime to cover targets and work carried out after 8 hours is considered as overtime. In R1 and R2 the overtime rate is 1.5 times the normal rate

while in R3, the overtime rate is 1.25 times the normal rate. If the labourers are required to work on national holidays, the overtime rate is double the normal wage.

When asked the question about providing equal opportunities to males and females, the managers were unsure about it as many factories require males to operate heavy machinery and some factories do not recruit females as labourers (R2). While this is not regarded as discriminatory by the managers and labourers (Factory Manager, R2, 2015), such gender-based screening during the recruitment process is tantamount to gender discrimination. Gendered roles are common in rubber industry where males are mostly recruited for work in factories while females are favoured for estate work. The perceptions of potential workers regarding such gendered roles might have been influenced by the socio-cultural norms prevailing in the wider society. This would be elaborated more in the Discussion chapter. However, in R2 there are three women in the management in supervisory roles.

"There are slight differences in the wages for males and females but the annual increment is same for both (genders)

(Production Manager, R1, 2015).

However, the equal payment has not achieved by factories where both genders work and the managers admit there is pay gap between males and females although the pay increments are equal (HR Coordinator, R1, 2015). In rubber estates (R3), the workers receive the same pay rate despite their gender although the women seem to suffer from low earnings than males due to the daily payment system for the estate workers. Many female workers especially mothers have to take days off from work due to children's illnesses which has an impact on their income level. Therefore, it is clear that, a certain level of discrimination is present (gender pay gap) in VARP companies while in estates females are still the most suffering gender due to the nature of their job.



All the labourers in all three companies asserted that their salary is not enough to cover the expenses of their families and that they have to work overtime to earn extra money or as required by the management. Three of the labourers mentioned that they have been forced or pressured to do overtime by the management.

"I work eight-hour shifts and sometimes I work more than that and it's (counted as) overtime. We are paid 1.5 the normal rate for overtime. Sometimes I have to do overtime to cover targets even if I am tired and want to go home"

(Factory Labourer 4, R1, 2015).

The female worker of R1 did not know whether she was equally paid or had the same opportunities as the males with the same job and the question was not applicable for interviewees from the other two companies as they were all male. Also, the disability discrimination question was not applicable to anyone as they did not have any known disabilities. Here again, the lack of knowledge and insufficient information regarding disabilities prevented the researcher from having a complete picture about equal opportunities. Hence, it could not be established whether disability discrimination is present or not in the rubber companies. The responses highlight the issue of low wages where the labourers are volunteering to do overtime to supplement their income despite admitting the difficulties of heavy work.

#### ***6.3.4. Freedom of Association and Collective Bargaining***

In companies R1 and R3, TUs and union activities are allowed and the labourers are allowed to go to TU meetings and resolve their disputes through collective bargaining.

"The company facilitate trade unions, there are two (trade unions) in here; Inter Company Trade Union and United Tea, Rubber, Coconut and Local Products

Suppliers Trade Union. They have representatives and we discuss any problems (with them)."

(HR Coordinator, R1, 2015).

However, in R2, TUs and union activities are not allowed instead opting to facilitate ECs as a platform for dispute resolution between the management and workers.

"We have employee councils where both corporate management and employees meet to discuss their issues. Employee representatives are selected by the employees themselves and we have a daily management system based on team leaders to address any problems. The HR (Division) works as an intermediate council before issues are taken to the higher management."

(Factory Manager, R2, 2015).

Therefore, it is clear that the stance on TUs varies depending on the company in contrast to the garment sector where the stance is homogeneous.

In R1 all the labourers were aware that the TUs and related activities are allowed in the company and everyone is a member of a TU. Most labourers knew that they could go to TU meetings and had representatives but two labourers (specially the female labourer) did not have much knowledge about the TUs. They were not aware of any TU representatives and about the instances where they can seek help from TUs.

Three of the labourers in R1 said that they have been involved in a collective bargaining procedure but none of them have sought help from a TU to resolve individual employment issues.

"We did a strike a few months ago regarding the pay (wages). We demanded an increase in the salary as it is not enough. They (the management) agreed to increase salaries from next year after discussions"

(Factory Labourer 2, R1, 2015).

All the labourers interviewed in R2 knew that TUs are not allowed and they were seemingly unconcerned about the fact that they had been denied freedom of association and collective bargaining rights. They even consider TUs as useless which indicates that the management had been influential in developing and maintaining a company culture which rejects TUs. This could be considered as a coercive behaviour by the management to exercise control over the labourers, taking advantage of their dependency on the job.

"There are no trade unions here, they (the management) advise us to use employee councils if wanted. (but) I haven't used them. I think trade unions are not allowed as they are not doing any work (towards securing employee rights) anyway"

(Factory Labourer 1, R2, 2015).

In R3, where TUs are allowed, all the labourers were members of TUs but they have not used them to raise individual concerns. Instead they mentioned that they did some *strikes* to demand pay rises (Factory Labourer 1, R3, 2015).

The labourers' views mostly mirror the company's stance on TUs. When TUs are allowed, they are much more knowledgeable and appreciate the freedom of association and collective bargaining. When TUs are not allowed, the labourers also seemed to think that they are useless in resolving issues. The labourers' low education levels, social status and financial situation might have an influence here as they would

essentially become followers of the views of elite owners and management without the ability to critically think about their fundamental rights.

### **6.3.5. *Employment Security***

All the three companies have job contracts for the labourers who are working in the factories but the estate workers do not sign a job contract and considered as casual workers. In R1, the management provides a copy for the labourers in their native language (Sinhala or Tamil) so that they could read and understand the clauses of the agreement (Senior Production Manager, R1, 2015).

Termination clauses are included in the contract which includes details of verbal and written warning advices and disciplinary actions. The usual notice period for factory workers is 3 months. All the managers knew about company disciplinary and grievance procedures.

"We inform the disciplinary actions through the trade unions (to labourers). If there is a disciplinary issue, an in-house inquiry is taken and the relevant employees are suspended until the formal investigation is completed. If they are found guilty then (they are) fired."

(HR Coordinator, R1, 2015).

In R2, the management and workers communicate mainly through ECs as TUs are not allowed and the management scrutinise the conduct of the workers in a strategic way to avoid any issues arising from them.

"We maintain personal files for every employee and the management's feedback (about the employees) are included in these files regularly. We have 6 monthly

evaluations on employee behaviour and expect high disciplinary standards from them."

(Factory Manager, R2, 2015).

Employees are allowed to communicate and take actions if they think they are unfairly treated by the management and this is done through either TUs or ECs. When there is a dispute, the TUs may discuss with their parent union (for example Employee Federation of Ceylon for R1 TUs) for advice and then discuss with the management (Senior Production Manager, R1, 2015).

In R1, every labourer mentioned that they have signed a job contract before starting the job but some admitted that they have not read or understood the contract clauses despite the management providing a copy of the contract in their native language. Accordingly, some of them were unaware of the termination clauses, notice periods and grievance procedures. This situation was evident in other two companies too where all the labourers have signed job contracts but some of them were unaware of vital contract clauses regarding termination, disciplinary and grievance.

"We are verbally warned if something goes wrong, I have been warned by my supervisor but I have not received a (warning) letter. I think they (the management) suspend anyone doing wrong after the (warning) letters"

(Factory Labourer 5, R1, 2015).

Most of the labourers in R1 (four out of five) knew what to do or who to contact if they were treated unfairly or had a dispute with the management with talking to a TU representative comes as the first step. This was same for R3 too where the labourers would seek help from the TU in such an event.

"We can talk to a trade union representative about it (in above mentioned situations). He advises (us) on what to do"

(Factory Labourer 2, R1, 2015).

In R2, where TUs are not allowed, three of the labourers interviewed mentioned that they would speak to a supervisor or a line manager in the event of an unfair treatment or dispute with the management. However, only one was confident that they could do this without the fear of being intimidated by the management.

"I will let the supervisor or the line manager know if something is not right (in situations mentioned above) but I don't think they will like it as they are very strict and I don't want to be seen as a trouble-maker"

(Factory Labourer 2, R2, 2015).

The responses from managers indicated that job security is ensured and that the labourers could raise any issues without facing any repercussions. However, the labourers' responses indicated that they were unaware of their employment rights and were feeling intimidated by the management if they raise issues (especially when TUs are not allowed).

#### ***6.3.6. Vocational Training***

In every company, the labourers are given a training before they start work in the form of workshops, demonstrations or class room training. Usually the workshops and classroom trainings are done by managers or supervisors while the demonstrations are done by an experienced colleague (Factory Manager, R2, 2015).

"We have trainings for every labourer before they start work in (the form of) workshops conducted by a supervisor or a manager. Sometimes we bring in

resource persons to deliver the training. Training is mainly about quality control and machine operating"

(Factory Manager, R2, 2015).

"We mainly have classroom training and there is a one-week training for everyone during the induction. It includes ISO training (for quality control) and general floor training (machine operating). After one week they are given the job and they learn more while doing the job"

(Senior Production Manager, R1, 2015).

R1 and R2 provide more elaborate training for everyone as described above and it is essential given that the factory workers operate heavy machinery and handle hazardous substances in these companies which produce VARP. The managers of these two companies have had feedback from their employees and confirmed that they (labourers) are satisfied with the trainings as adequate. In contrast, the management in R3 does not appear to be very much knowledgeable about vocational trainings and did not provide any details of them or confirmation about employee satisfaction regarding trainings.

For factory workers in all three companies, there are opportunities for promotion but the estate workers do not have such opportunities. A factory worker may be progressively promoted and in-house training is provided for these promotions (Factory Manager, R2, 2015).

Every labourer in all three companies mentioned that they received a training before the job started and were satisfied about it as adequate and helpful. As no estate labourers were interviewed from R3, it was not possible to find out whether they were not given a training as their estate manager mentioned.

"I received a training before starting (the job), we were given lectures and shown videos. It was about operating machines and safety. I was also given a demonstration by a senior colleague

(Factory Labourer 4, R1, 2015).

Also, majority of the factory labourers stated that they have opportunities for promotion within the factory as supervisors, floor managers and higher management levels.

"We have trainings about machine operating at the beginning and we have to learn while doing the job too. If I have enough experience I can get a promotion as a supervisor"

(Factory Labourer 1, R3, 2015).

Therefore, it was evident that vocational training and opportunities for promotions are available for factory workers but the situation for the estate workers could not be clarified as they were not interviewed.

### ***6.3.7. Occupational Health and Safety***

In R1, the labourers do not undergo a medical check before they start a job but there are annual medical checks offered to all employees and suitable adjustments are made if there are any medical conditions (HR Coordinator, R1, 2015). In R2 there are pre employment medical checks but they do not recruit anyone who has a medical condition that affects their work (Factory Manager, R2, 2015). In R3 the factory workers undergo medical checks but the estate workers do not have such checks and the company organize medical clinics for all the labourers (Estate Manager, R3, 2015).



All the factory workers and managers in all three companies have H&S training but the estate workers in R3 do not have such training.

"We bring in outside experts to conduct trainings such as fire training, there are 'fire teams' in every shift and (there are) people who are trained in Red Cross training of first aid."

(Senior Production Manager, R1, 2015).

Companies R1 and R2 are inspected by local authorities and CEA for H&S purposes but R3 does not have such inspections and this might be due to its location in a deprived rural area. The inspections include emergency preparations in terms of gas leaks, fire, acid spills and chemical contact (Senior Production Manager, R1, 2015).

"According to Factory Ordinance, there are factory inspections by an engineer every 6 month and we take machine reports from the engineers to make sure they are working properly according to the Ordinance."

(Factory Manager, R2, 2015).

All three companies have labourers working with heavy machinery and hazardous substances or equipment and all the managers say that they have given instructions to the labourers on how to work with them safely. While a three-months training is given in R1 (HR Coordinator, R1, 2015), labourers are separated according to their skills in R2 to assign them with hazardous equipment or substances for better management of H&S (Factory Manager, R2, 2015). All companies have instructed their labourers about the actions should be taken in an emergency such as emergency exit marks, fire alarms, regular fire drills, marked assembly points and maps with emergency switches.

On site medical assistance is available in all factories with first aid, nurses and quick access to ambulances in case of hospitalizations especially in R1 and R2 which are situated in urban industrial areas. Therefore, it was clear that there are stringent H&S measures and adequate training. Only the VARP companies are inspected by external authorities including buyer MNCs while R3 (natural rubber producer) are not inspected.

In R1, the labourers have not been given a medical check-up before they started the job and this is unusual and risky given that they have to operate heavy machinery and work with hazardous substances which might aggravate existing health conditions such as heart disease and hypertension. Accordingly, the labourers were unaware whether they had any medical conditions which might get worse by the job.

"We did not have a medical check-up at the beginning (before the job started) but there are clinics. They check blood pressure and ask about any illnesses we have"

(Factory Labourer 3, R1, 2015).

In R2 and R3, every labourer confirmed that they had a medical check-up before starting the job but some were still unaware whether they had any medical conditions that can be worsened by the job.

Every labourer in all three companies has had a H&S training and majority of them agreed that it was adequate and helpful while some were not certain about the benefits of it. Every labourer stated that they are operating heavy machinery and use hazardous substances and they were aware of the precautions and actions to be taken in the event of an accident or emergency. Also, they all knew the personnel to contact in such events and were aware that there is medical assistance on site.

"Most of the workers here have to operate heavy machines and work with acid and (other) chemicals. We are always told to be cautious and the supervisors always remind us (about safety). We have fire drills every month, we know where the assembly points are"

(Factory Labourer 3, R2, 2015).

The responses indicated that the labourers have adequate H&S measurements confirming the managers' responses. However, the medical check-ups were not satisfactory leaving some labourers unaware whether they have any medical conditions that could be worsened by the job.

#### **6.3.8. Social Security**

R1 and R2 provide annual medical care from the company in terms of medical check-ups and clinics while R3 does not provide company medical care.

"We provide annual medical check-ups for everyone and if a person is aged above 40 and is directly exposed to chemicals then we provide them with even more check-ups. If they have illnesses due to our factory work we provide all medical assistance and bear the cost."

(Human Resources Coordinator, R1, 2015).

Sick leaves are provided by all companies but whether they are paid or not depend on the company. In R1, if the labourer has a government medical certificate, then sickness benefits are provided but at the discretion of the manager (Senior Production Manager, R1, 2015). In R2 also, special sick leaves and benefits are provided if the government certificate is produced (Factory Manager, R2, 2015). In R3, the factory labourers are provided with 7 days of sick leave with full pay and 14 days

with half pay but the estate workers are not entitled to sick leave or benefits (Factory Manager, R3, 2015).

All the managers claimed that medical insurance is provided by the company and R1 managers mentioned that insurance is only provided for permanent workers in the event of a hospitalization (R1, Production Manager, 2015). Managers of the other two companies did not know the details of insurance provided. Similarly, all managers stated that their labourers are entitled to claim injury benefits and compensation.

"If something happened to a labourer (at work) we have to pay compensation. We are advised by the Workmen's Compensation (Department)"

(Factory Manager, R2, 2015).

In R1, maternity leave is provided for three months, out of that one and half months are fully paid and the rest half paid.

"We have a very low number of female workers in permanent positions. They are given paid maternity leave but contract workers are not paid (for maternity leave) but they can return if they wish to start work again. We provide light work for female workers during pregnancy and after (having) the baby

(Human Resources Coordinator, R1, 2015).

R2 does not recruit females as factory workers and the males are given one day of paid paternity leave (Factory Manager, R2, 2015). In R3, three months of maternity leave is given for the first two children and 84 days for subsequent children of factory workers but the estate workers do not get any formal maternity leave (Estate Manager, R3, 2015).

All managers admitted that there are no pension plans for labourers but they all contribute towards EPF and ETF.

Every labourer in R1 and R2 mentioned that they receive medical care from the company in the form of monthly clinics and health check-ups. However, some labourers in R1 were not aware about sick leaves, sickness benefits, injury benefits and compensation despite the fact that the clauses are included in their employment contract which managers claimed that were given in their native language.

"We can have paid sick leaves (for that) we have to provide a medical certificate from a government doctor. They (the management) provide medical insurance too (but) I don't know much about it"

(Factory Labourer 5, R1, 2015).

The knowledge about injury benefits and compensation among labourers is not prominent in all companies. This may be due to the fact that the relevant clauses are vague and unclear in their contracts and the management's unwillingness to pass this information to labourers effectively.

Out of all the labourers interviewed, only one was female (in R1) and R2 does not recruit females as factory workers while R3 did not have any female workers in the factory at the time of the interviews. The female worker mentioned that she was given light work during pregnancy and paid maternity leave.

"I did not do machine operating during pregnancy, I did cleaning work which were relatively easy. I had three months of maternity leave with pay"

(Factory Labourer 3, R1, 2015).

All the labourers in all three companies knew that they are not entitled to a pension plan but retirement security comes from contributions towards EPF and ETF. It was clear that many labourers were unaware of their entitlements (sickness benefits, injury medical insurance etc.) despite the managers claiming that they were provided for every labourer.

### ***6.3.9. Social Welfare***

Labourers are given housing benefits in the form of loans to repair houses, clean water supplies and loans to obtain electricity in R3 as the factory and estate are located in a remote area where the villagers from surrounding areas are working as labourers (Factory Manager, R3, 2015). However, in R1 and R2, neither housing benefits nor safe accommodations are provided through the company.

Only R2 provides safe travelling facilities to and from the factory (Factory Manager, R2, 2015). Every company facilitates social gathering opportunities for labourers and their families especially during New Year season and religious festivals. Also, all the companies have different schemes to provide help towards labourers and their families in illnesses, deaths, celebrations and education.

"The company organizes an annual trip and sports day for labourers and their families. Also, we have a fund to help them financially when there is a death in the family. We give them Rs 40,000 from the company"

(HR Coordinator, R1, 2015).

In R1, labourers are not provided any housing benefits, accommodation or transport facilities by the company. As the company is situated in an industrialized area in Western Sri Lanka, most of the workers are not necessarily from nearby areas but

from different areas of the country and they have to find accommodation and transportation on their own.

"I am from Kegalle (in Central Sri Lanka) and it's far away from here. I am at a boarding place (a rented accommodation) but still I have to take the bus to work every day. There is a good bus service here (but) bus fares are high. The company does not provide transport"

(Factory Labourer 4, R1, 2015).

R2 is also situated in an industrialized area in Southern Sri Lanka thus employ labourers from different parts of the country. Therefore, no housing benefits are provided but the company provides transportation for every worker who is in rented accommodation in nearby villages. As R3 is situated in a remote rural area, the labourers mainly live in the outskirts of the rubber estate and they are provided some help towards the renovations and facilities of their houses.

"I live just few hundred meters away. My house is old and has no electricity. I was given a loan from the company to do some essential repairs but still there's no electricity. I think they (the management) can do more as we have worked in the factory all our lives"

(Factory Labourer 2, R3, 2015).

However, all the labourers agreed that the companies facilitate social gathering opportunities and help towards family occasions.

"There is a New Year festival organized by the company and there are other religious events too (sponsored by the company). We can take a loan for weddings and they (the management) provide money for a funeral

(Factory Labourer 1, R2, 2015).

Although, the companies carry out some social welfare activities, it could not be classed as paternalistic as the culture within the workplace does not support the concept. Provision of help towards family occasions is very common in SL as most people cannot afford the costs of such occasions thus rely on cooperatives or societies at workplace or in the villages for support.

#### ***6.3.10. Other Questions relating to Institutional Environment***

Production Manager of R1 and Factory Manager of R2 admitted that they had to sort legal help regarding an employee issue in the past but they both stated that the legal system was not adequate and flexible in resolving such issues and did not elaborate much on the cases. Also, the costs of legal proceedings were pointed out too.

“We had a case and the Labour Department investigated. We received a court order. They (the government) provided a (legal) representative for the labourer as for Labour Law but we had to pay for our costs”

(Production Manager, R1, 2015).

Most managers think that the government, local councils or politicians are not doing enough work to ensure proper labour or CSR practices.

“No, they don’t do much. There is no coordination. If the government officials ask for our help in community development programs, we support them”

(HR Coordinator, R1, 2015).

“We initiated a compost waste management system in collaboration with the local council to help the community. There are few such projects”



(Factory Manager, R2, 2015).

Only the Factory Manager of R3 thinks that NGOs are doing some work towards ensuring CSR practices while the others disagreed. It is likely that those organizations are involved more in the area where R3 is situated as it is a rural, poverty-stricken area of the country.

“They (NGOs) do road developments here and they collaborate with the electricity companies to provide electricity for the villagers. The government or local council don’t do anything”

(Factory Manager, R3, 2015).

“NGOs don’t do any projects here but the multinational companies (buyers) are concerned and support CSR projects. About five years ago, we started People Development Project with the help of our buyers”

(Factory Manager, R2, 2015).

Every manager agreed that religious and cultural motivations are encouraging them to engage more in charitable activities for the labourers and their families.

“We help a lot for the community including six temples and there are national, religious and cultural events organized for the villagers. Also, we have AIDS and Dengue prevention programs in the villages where our plantation estates are situated”

(Human Resources Executive, R1, 2015).

“We provide scholarships for the children of our labourers and there are learning classes (English, computer) for adults too. We won (the award for) the best CSR

Program in Sri Lanka in 2013 and the best CSR Program in South Asia in 2012”  
(Production Manager, R1, 2015).

The above comments indicate that the CSR activities are mostly carried out as CCR programmes where buyer MNCs and NGOs also collaborate with the supplier companies to help the local communities. These CCR activities could be regarded as public relations mechanisms for the supplier companies and their multinational buyers alike as their websites highlight such programmes. Nevertheless, these are beneficial for the local communities as there is a strong lack of intervention from the central and local authorities. There were no comments to suggest pure religious motivations in carrying out CSR activities from the managers’ point of view.

None of the labourers have sorted legal help in the past to resolve a labour issue with the management and they were mostly not aware about the efficiency of the Sri Lankan legal system in resolving such issues.

Similarly, their opinions about the role of government, local councils and NGOs in ensuring labour rights and CSR practices were not positive where all the answers were either ‘No’ or ‘Don’t know’.

“The government or politicians don’t do anything about our problems. We need our salaries increased (but) they don’t listen. NGOs help some local projects but I don’t know anything about (them) doing to ensure labour rights”

(Factory Labourer 2, R1, 2015).

However, most of the labourers agreed that the management has cultural and religious motivations to carry out CSR activities.

“They (the management) organize health camps and eye camps (clinics), they are very helpful for us and the villagers. I think the managers think it’s good to do these things as our religion (Buddhism) advises us to ‘do good’”

(Factory Labourer 1, R2, 2015).

“Thankful for the company and managers, we have clean drinking water now. Also, they help our pre-school (nursery) and school. The government doesn't do anything to reduce our poverty or provide infrastructure”

(Factory Labourer 3, R3, 2015).

Even though, the managers did not express that there are religious motivations behind their CSR activities, the labourers think religious thinking is behind those activities. They believe that helping the local communities is akin to collecting good merits as per Buddhism.

### ***6.3.11 Summary***

The most prominent L&HR issues highlighted in all three companies were low wages and compulsory and forced overtime to cover targets along with lack of rest periods and holidays. Equal opportunities are not available for women and disabled people mainly due to the nature of work (as claimed by the managers) but gender pay gap is an issue where female workers are present. Freedom of association and collective bargaining are upheld in two companies while the other one restricts the rights. When job security is concerned, there were contradictions between the responses of managers and labourers. While the managers asserted that job security is ensured, labourers were mostly unaware of their rights and grievance procedures and fear they would lose their jobs if issues are raised.

The positive aspects included adequate vocational training and ensuring proper H&S measurements and training. Buyer MNCs are conducting audits to monitor H&S standards in VARP companies while the local authorities are more concerned about environmental issues. Most of the managers' perceptions about CSR are related to CCR projects. Even though, there are social welfare programmes, it was not evident that paternalism exists but most interviewees (labourers) agreed that religious motivations are behind such programmes. Most interviewees did not consider political and legal aspects or NGOs as influential in securing good L&HR practices.

#### ***6.4 Tea Industry***

In Chapter 5, it was identified that the tea sector is governed by Market value chains. This chapter analyses the L&HR issues in the sector. Section 6.4.1 analyses the managerial perceptions about CSR based on the responses from tea sector managers. Sections 6.4.2 to 6.4.9 analyse the L&HR issues within the tea sector from the perspectives of managers and labourers separately. Section, 6.4.10 analyses the influencing effects of institutional factors on such issues again from both managers' and labourers' point of views. Final section, 6.4.11 is a summary and a discussion about the findings.

##### ***6.4.1. Information about CSR (Managerial Perceptions)***

All the estate managers and factory managers of both companies know about CSR but a factory supervisor from T2 did not know about the concept indicating that CSR is much familiar with the senior management rather than middle managers. The senior managers' perception about CSR mostly includes helping the community and environment through various projects funded by the company sometimes with the help from external organizations.

"We have projects to help the community, (we have) elder clubs and youth clubs and we do projects for environmental development"

(Estate Manager, T1, 2015).

Only T1 has its own CSR policy while T2 does not have a policy of its own nor adopts a multinational buyer company's policy. The managers believe that by serving the local community they are serving the labourers and their families too as the labourers either reside within the estates or live in nearby villages.

"We have forest protection programmes near our tea estate and we have (run) free clinics for the villagers (local community). The workers and their families are benefitted from these

(Estate Manager, T2, 2015).

T1 has annual inspections from external auditors (for H&S and factory conditions) and Labour Commissioner's Department. Even though the managers responded 'Yes' to the question regarding buyer inspections, they are not related to inspections from MNCs but from the above-mentioned local authorities. Meanwhile T2 does not have any inspections either from foreign or local authorities. T1 has received ISO HACCP (Hazard Analysis and Critical Control Point) Certificate and ISO 22000 (Food Safety) Certificate (Factory Manager, T1, 2015).

#### **6.4.2. Working Hours**

All the factory workers have 8 hour shifts with breaks for tea time and lunch time (ranging from 15 minutes to one hour). However, the working times for estate workers vary largely depending on the weather and crop availability and this variability impacts on their income as they are paid on a daily basis depending on the amount of

tea leaves they have picked. All the workers (estate and factory) are required to work on public and national holidays based on the nature of the product where the tea leaves must be picked at a tender stage and be processed immediately in order to retain the taste and quality (Factory Manager, T2, 2015).

"If you have 10,000 kg of tea, it will take about 10 hours to process and it can't be stopped in between. (Therefore) the workers have to work continually until the processing is completed even if it is a Sunday, Poya day (Full Moon Holiday) or another holiday. But the grading can be delayed a little"

(Factory Manager, T1, 2015)

This means during some periods the workers are carrying out normal shifts while during other periods they have to work compulsory overtime and work on holidays to meet the targets set by the management.

Both companies have night shifts in the factories but do not employ females during the nights (Factory Manager, T1, 2015). In T1, factory workers have 20 paid holidays per year and they can request further unpaid holidays after discussions with the management but granting extra holidays are under managerial discretion and vary largely depending on the crop availability (Factory Manager, T1, 2015). In T2 also, the factory workers have 23 paid holidays per year and can request further unpaid holidays (Factory Manager, T2, 2015). However, the labourers who work as casual workers in the estates (mostly females) do not have these benefits of paid holidays which affect their income and living status.

In T1, labourers are generally required to work for 8 hours per day with 30 minutes break for mid- morning and afternoon tea and one-hour break for lunch. As estate labourers are paid for the amount of tea leaves picked on the day, many of them

think that they should cut back their rest periods and work more to earn more money (Estate Labourer 2, T1, 2015).

"We have one hour for lunch, but I try to finish (lunch) quickly and go back after half an hour (so that) I can pick more leaves. I need more money as I have a months old baby and two others at school"

(Estate Labourer 3, T1, 2015)

In T2, labourers (both estate and factory workers) are required to work for 8 hours per day for at least 24 days per month. The resting periods are half an hour for the lunch and 15 minutes for mid- morning break.

"We have to work at least 8 hours a day for at least 24 days (per month). If not, we can't keep the job and they (the management) will take (in) someone else"

(Estate Labourer 1, T2, 2015)

As all the labourers interviewed in T1 are female tea estate workers, they are not required to work night shifts but during some periods, when there are large amounts of crops, they have to start work at 4 am to finish picking all the leaves during the day.

"When there are lots of tea leaves, 'kangani' (the supervisor) asks us to come in the early morning at 4 (am) to start work. It is difficult for me as I have to leave the children with my mother and sometimes they are late to school"

(Estate Labourer 3, T1, 2015).

The female estate workers and factory worker from T2 do not have to work night shifts but a male factory worker said that he is required to work night shifts to complete the processing of a batch of tea.

"If there are lots of tea leaves, it takes more time (than usual) to finish the batch. (In such instances) we have to work night shifts. They pay more for night hours but it's hard (as) we have to return to work for the day shift too"

(Factory Labourer 2, T2, 2015).

In T1, there are no paid leaves for estate labourers and they refer to it as 'no work – no salary' (Estate Labourers 1,2 and 5, T1, 2015) and Sundays are normally regarded as holidays (except for busier periods) but labourers can opt to work if they wish to earn more (Estate Labourer 1, T1, 2015).

Three labourers in T1 said that they are forced to work on public and national holidays (Estate Labourers 1,4 and 5T1, 2015) but two others said that they are not forced to work on holidays (Estate Labourers 2 and 3, T1, 2015). This may be due to the fact that these two labourers have very young children and the supervisors and managers are aware of such personal situations.

Two factory workers from T2 said that they are being forced to work on national and public holidays to cover targets but the estate workers from the same company said they are not being forced to work on holidays but they could work if they wanted to. There are no paid holidays and estate workers are paid for the amount of tea leaves they have picked for the day while factory workers are paid a fixed amount on a daily basis or monthly basis depending on the job (Estate Labourer 1 and Factory Labourer 2, T2, 2015).

The responses indicate that forced and compulsory overtime is present in the sector due to the nature of the product and production processes than to meet the specifications by buyer MNCs. That also means the estate workers suffer the most with difficult working hours and dwindling income levels.



### ***6.4.3. Wage / Overtime / Equal Opportunities***

The wage payment method is monthly for most factory workers which is a fixed wage while estate workers are paid daily and receive a fluctuating income depending on the amount of tea leaves they pick. In both companies, factory workers are required to work overtime to complete processing a batch of tea leaves. While in T2, the factory manager disclosed the overtime rate is similar to the standard wage rate, the managers in T1 were reluctant to disclose the overtime rate.

"We cannot pay higher rates for overtime as we have regular overtime (periods) to cover the batch (finish the process). We can't afford it. They (the factory workers) know it"

(Factory Manager, T2, 2015)

Meanwhile the estate workers work as much as they can during the day to pick the maximum amount of tea leaves as their income depend on that and they are not considered as working overtime.

All the managers assert that they cannot provide equal opportunities for males and females in the factory as they believe some heavy machinery must be operated by males but the wages are equal for both genders in a similar role. This is applicable to disabled persons too as they are not recruited to operate heavy machinery despite their gender but people with mild disabilities work in both factories and estates and have equal opportunities and benefits as the other workers (Estate Manager, T1, 2015). However, the selection of workers based on their gender and disabilities for certain job roles mean gender and disability discrimination is present in the tea sector. The managers had no explanations for such exclusions other than mentioning that it is the norm not to recruit females or disabled persons for operating heavy machinery. The

socio-cultural perceptions about disabilities and gender differences might be influencing them to think that way and this would be further discussed in Chapter 8.

In T1, all the labourers asserted that their salary is not enough to cover their families' needs and that they have to constantly work overtime (at the standard wage rate) to earn more money. However, the overtime work given to tea pickers depend on the amount of tea leaves need to be picked and this situation severely affect the income levels of them.

"I am given Rs. 450 (about £2) per day and that is up to 26 days per month. I work on Saturdays too but earn the same rate. Sundays are holidays and we don't work and no salary is given"

(Estate Labourer3, T1, 2015)

The responses indicated that most labourers think that they are not pressurized to do overtime but by their own admission, they are being forced to start work at 4am when the crop is abundant. It is clear that they do not recognize it as forced overtime but as a part of their job. All the female interviewees thought that they were equally paid and were given the same opportunities as males with the same job description but only a very few males are working as tea pickers in T1.

Only one estate worker in T2 admitted that the salary is enough to cover her and her family's needs while all the other three workers mentioned that the salary is not enough. However, these perceptions may depend on the age, gender, marital status, number of dependent children and combined household income of the workers. The salary of the factory workers is Rs. 22,000 per month (about £100) while the estate workers are typically paid from Rs. 500 to Rs. 650 a day (about £2-3) depending on their efficiency.

"(The) salary is not enough to cover the daily costs. I earn about Rs. 600 a day but I have two children and expenses are high. Food cost is high (and) they are in school so I have to buy uniforms and books"

(Estate Labourer1, T2, 2015)

As the regular salary is not enough all the labourers are willing to work overtime and sometimes the management requires them to work compulsory overtime to cover targets (to finish a certain batch of tea). The two factory workers in T2 admitted that they have been pressurized to work overtime at the standard wage rate to cover the targets. However, there is no such pressure for estate workers most of the time presumably as there are many estate workers who willingly do overtime to earn extra money. Moreover, they are paid a 'little bit more if they work on Sundays or Full Moon Holidays' (Estate Labourer 2, T2, 2015).

None of the three female workers interviewed in T2 did know whether they are paid equally nor had the same opportunities as a male with the same job description. Also, the disability discrimination questions were not applicable to them as they had not any known disabilities. However, as mentioned above, from the responses of managers, gender and disability discrimination *is* present in the tea sector. How the labourers perceive this could not be investigated further due to the lack of constructive answers for such questions. The lack of knowledge of estate workers regarding their employment arrangements and labour rights, particularly in T2, was commonly observed.

#### ***6.4.4. Freedom of Association and Collective Bargaining***

The two companies differ significantly with regard to freedom of association and collective bargaining. T1 has a strong TU (with 98% of labourers being members)

and have political support from the leaders of Ceylon Workers Congress thus enabling them to voice their concerns regarding any disputes or unfair treatments (TU Leader, T1, 2015). The managers see this as a negative impact on the productivity of the company and are reluctant to talk about it in details.

"They always strike (refrain from working) for the pay. We have increased pay (for the labourers) during the last years but still the strikes are going on. We are discussing with the government and Mr. Thondaman (Leader of Ceylon Workers Congress)"

(Estate Manager, T1, 2015).

The TU representative (leader) acts as an intermediary between the labourers and managers and speaks both Sinhalese and Tamil fluently which is beneficial as most managers are Sinhalese while almost all the labourers are Tamils.

In contrast, T2 does not allow TUs or related activities within the company. The Ceylon Workers Congress does not have a vested interest in the labourers of T2 as the party mainly serves the Indian Tamils working in Sri Lankan plantation sector whereas the labourers of T2 are mainly Sinhalese who originate from nearby villages. The managers did not give further details as to why TUs are not allowed and the labourers were either unaware of them or were reluctant to talk about it.

Managers of T1 are driven by the pressure of the TU to build a good relationship with the labourers and to provide facilities for them and look after their welfare. However, they are under the impression that it is difficult to maintain a good relationship when the TU is always demanding and not cooperating and see it is counter-productive (Estate Manager, T1, 2015).

The responses of labourers clearly indicated the drastic difference in the two companies regarding TUs. In T1, all the labourers mentioned that TUs and related activities are allowed and that they all are members of the TU (affiliated to Ceylon Workers Congress). All the labourers are represented by TU leader who is a former tea factory worker and is an intermediary between the labourers and managers. He is very knowledgeable about the labour rights and TU activities and in general all the labourers (males and females) are keen and educated about their employment issues and rights despite having a low level of education. This is in contrast to most of the labourers interviewed in the other settings.

"We had several strikes because the salary is not enough (but) the government always promise to do something about it and we go back to work but they don't do anything."

(Estate Labourer 4, T1, 2015)

All the labourers have involved in TU activities (mainly refraining from work) regarding the low pay but the relevant authorities have failed to reach an agreement with the tea estate owners to increase the salary. As most of the labourers are not paid if they fail to work, they are forced to go back to work in few days due to low income and financial insecurity (TU Leader, T1, 2015). The authorities always exploit this situation. Thus, the labourers of T1 have been benefitted very little despite being members of a very strong TU operating in SL.

In T2, where TUs are not allowed, all the labourers were aware that such activities are prohibited and that they are not members of any external industry related TU too. Also, all the labourers from T2 did not seem to have a proper idea of TUs in general and their benefits to workers in ensuring freedom of association and collective bargaining.

"We don't have any trade unions here and we are not allowed to do that, I don't know about any other trade union"

(Estate Labourer 2, T2, 2015).

#### **6.4.5. Employment Security**

Every labourer in T1 has a job contract while only factory workers in T2 have to sign a job contract before they start work.

"Estate workers do not sign job contracts, they work on a casual basis"

(Estate Manager, T2, 2015).

Nevertheless, all the managers admitted that they do not take measures to ensure that the labourers have read and understood the contract clauses. This situation is disadvantageous for the labourers especially as many of them are illiterate or do not have had enough education to read and understand the contract clauses by themselves. The managers may use this opportunity to exploit the labourers in many ways such as over working, unpaid overtime and unfair dismissals.

In T1, termination clauses are not included in the labourers' job contracts. Factory manager of T2 indicated that the termination clauses are included in the contracts but this could not be verified as the estate manager and the factory supervisor answered 'No' to the question. Both companies have a notice period of 2 weeks for the labourers and this is mainly a verbal notice as the job contracts do not specify the exact termination clauses.

The disciplinary procedures in T1 include verbal warning for misconduct and dismissal if the labourers are not agreed to abide by the rules while T2 uses warning letters as a disciplinary procedure.

"We give them a warning if there is a misconducting behaviour such as being drunk at work but we hardly expel them from the job as they do not have any other thing to do. They come to us asking for forgiveness and permission to stay in the job so we have to let them (continue the job)"

(Factory Manager, T1, 2015).

For the last three questions regarding the right of labourers to communicate and take actions in case of a dispute with the management of unfair treatment, the managers of T1 answered 'Yes' indicating that the labourers can exercise their rights in dispute resolution. This attitude of managers should be considered in line with the strong presence of a TU and active TU representatives. However, the estate manager (T1, 2015) implied that they do not want industrial actions as "it disrupts the production and creates numerous problems".

"There are lot of strikes and we have issues with them. As 98% of labourers are union members, the strikes affect the whole production and we have to face big losses. Our motivation is labour welfare and to build relationships with them but they are very demanding and they can even go to the Labour Tribunal."

(Estate Manager, T1, 2015).

Despite the managers' dislike of industrial actions, the TU provides a strong support for labourers in terms of employment security, who otherwise do not have any support from the local systems or institutes.

In contrast, in T2, the managers mostly could not agree or not whether the labourers have the rights to act in the event of a dispute with the management. Their lack of knowledge in this regard is further reinforced by the fact that TUs are not

allowed in T2. However, the estate manager and factory manager explained that the labourers can communicate any problems with the management.

"If they have any problems they can discuss with the supervisors or a manager so that we can have a look at it."

(Factory Manager, T2, 2015).

Despite the T1 managers saying that every employee would sign a job contract before they start the job, none of the labourers interviewed confirmed this where three of them said they did not sign a contract and two of them answered 'don't know'. The real situation regarding this could not be confirmed as there was not another opportunity to meet the managers to validate the labourers' claims. Accordingly, the labourers were unaware of contract clauses, termination clauses, details of notice periods and company disciplinary and grievance procedures.

"I don't know, I did not have a contract (signed). We all start as casual workers and after 6 months (we) become registered workers and then we can have (entitled to) EPF and ETF"

(Estate Labourer 4, E1, 2015)

Nevertheless, all the labourers were aware of what to do or who to contact if they were treated unfairly in the job or had a dispute with the management.

"We tell ..... (name of the TU leader) if something like that (as described above) happened. He knows what to do and (he) talks with (the) supervisors and managers."

(Estate Labourer 1, E1, 2015).



In T2, only factory workers are given the opportunity to sign a job contract when compared to the estate workers who works on casual and daily basis. Of the two factory workers interviewed, the male interviewee said that he signed a contract while the female worker said she did not. This may indicate the different perceptions of males and females about their jobs and management where males are more concerned and knowledgeable while females are trusting and do not question their management or working arrangements.

Regardless of the fact that they have signed or not signed a job contract, none of the labourers in T2 had any knowledge of the contract clauses, specially termination clauses, notice periods and grievance and disciplinary procedures. This is quite possible as managers of T2 have admitted that they do not make sure that contract clauses are properly read and understood by the labourers.

Only the two factory workers said they think that they could contact the management in the event of unfair treatment but they were not sure what actions should be taken if there is a dispute with the management. Also, they did not know whether they can discuss any disputes with the management without the fear of being dismissed and this situation is advantageous for the management to exercise their discretion when a dispute arises.

"If I have any problems in the factory I will tell the (factory) supervisor, I don't go to talk to the manager (as) he is busy"

(Factory Labourer 2, T2, 2015).

Therefore, it was clear that employment security is not properly maintained as managers seemed to purposefully refrain labourers from knowing their rights while the

labourers seemed to ignore the contract clauses and other aspects due to low education levels or focussing on more pressing issues.

#### ***6.4.6. Vocational Training***

All the managers in both companies agreed that the labourers are given training before or after the job started by demonstration and most of the time the training is given by an experienced colleague. Factory manager of T1 stated that the factory workers are given the training by a supervisor or a manager especially if the labourer has to work with a 'dangerous' machine. However, none of the managers do not know whether the labourers are satisfied with the training as adequate or helpful indicating that there is no feedback taken from the labourers or an assessment of their skills following the training. This situation could lead to H&S hazards in the factories in the event of undertrained labourers operating without realising the consequences but the managers do not seem to consider this as an issue.

All the managers stated that the labourers have the opportunity for promotions but only one manager elaborated on the opportunities available.

"A factory worker can become a supervisor then a factory officer and even a manager if he wants"

(Factory Manager, T2, 2015).

In T1, none of the labourers have received training and this is understandable given that they all are estate labourers whose job is to pick tea leaves. An experienced worker might show a new tea picker how to identify the tender leaves and pick them properly but there are no formal trainings. Also, these female labourers did not know whether they have any opportunities for promotion. These responses are contradictory to the answers given by their managers who indicated that labourers are given trainings

and promotional opportunities but they may have alluded that with regard to the factory workers. As no factory workers were interviewed from T1, this could not be clarified.

In T2, only the two factory workers indicated that they have received a training prior to commencement of work in the form of demonstrations by an experienced colleague and that the training was adequate and helpful. Meanwhile the estate workers said they have not received a training meaning that the management sees the estate work as relatively simple and uncomplicated work which requires no training. Therefore, it can be concluded that the managers referred to the training given to the factory workers when they stated that every labourer is given training in the managers' questionnaire. When asked about promotions, the male factory worker stated that they have opportunities for promotion while the female factory worker stated that there are no opportunities.

"We can get promotions if we have enough experience and qualifications, I am planning to do a course in NAITA (National Apprentice and Industrial Training Authority) so that I can get a promotion as a factory supervisor"

(Factory Labourer 2, T2, 2015).

It appears that the young male factory worker has ambitions and plans for his future and is actively looking and searching for promotional opportunities while the middle-aged female factory worker has no such plans or has not been informed about any opportunities for promotions which is indicated by her response as a 'No' to the question about promotional opportunities. Also, the two female estate workers stated that they do not know about any promotional opportunities available for them and these responses were different from the T2 managers' responses where they indicated that every labour has opportunities for promotion. Therefore, it seems that the availability of

promotional opportunities depends on the nature of work (factory vs. estate), gender, age, educational level and personal ambitions and desires.

#### ***6.4.7. Occupational Health and Safety***

Both companies have medical checks for every labourer before they start the job but this does not equate to a full medical check but measuring blood pressure and questioning about any existing medical conditions.

"A nurse in our medical clinic check their blood pressure and ask about any health problems such as heart problems, diabetes or kidney disease"

(Estate Manager, T1, 2015).

However, no questions are asked regarding respiratory problems or neurological conditions (such as epilepsy) which can be hazardous especially if the labourer is operating machinery. No adjustments are made to the jobs if an existing or prospective labourer is found to be suffering from a medical condition that could affect their health by laborious work instead, they are not employed or asked to resign. The managers take this decision as a precaution but this has created issues for the labourers as they have no option but to resign or be unemployed as they highly depend on the tea estates for work (specially in T1) and do not have any connections with the outside communities to find another job.

Both companies have policies to provide a H&S training for every labourer and all the managers have had a training themselves too and are satisfied with that as adequate and helpful.

"The health and safety training is about showing how to operate machines properly, doing fire drills and educating them (the labourers) about fire exits and assembly points"

(Factory Manager, T2, 2015).

T1 has H&S inspections from external organizations such as Labour Commissioners Department and Central Environmental Authority of SL but T2 managers indicated that there are no H&S inspections on their factories.

All the managers from both companies agreed that labourers, especially factory workers, work with machinery and dangerous equipment or work with hazardous substances and they confirmed that they have taken measures to ensure the safety of labourers and had informed them about the procedures in the event of an incident or injury.

All the managers referred to the H&S training given to each labourer as the way of educating them on what to do or who to contact in an emergency. Both companies have medical assistance on site but that is mainly confined to first aid facilities but T1 has a medical centre within the tea estate as the labourers rely upon the estate for their medical requirements. However, T2 does not have any medical centres or hospitals nearby, given it is situated in a remote area and this seemed detrimental in the event of an emergency or injury.

In T1, the labourers (all tea pickers) had different answers for the question about medical checks prior to job commencement. Two of them answered 'Yes', two of them 'No' and one answered 'Don't know' and these answers contradict with the answers given by their managers who mentioned that every labourer receives a medical check-up before starting the job. Also, these estate workers have not received a H&S training

most probably because they do not work in a confined area (a factory) and do not operate heavy or dangerous machinery. However, working in a tea estate is not without risks or hazards where adverse weather conditions (heavy rain, lightning, thunderstorms) are common and incidents of snake bites are reported too (TU Leader, T1, 2015). Therefore, the estate labourers not receiving any H&S training or information regarding injuries or accidents seemed risky. Nevertheless, the labourers in T1 have access to medical care from the medical centre situated within the estate and they all are aware of this facility.

In T2, all the labourers have had a medical check-up before they started their jobs and these had been carried out by a nurse at the clinics established in the site.

"We had medical tests (blood tests) done in the clinic and they do annual blood tests for everyone"

(Factory Labourer 1, T2, 2015).

Only the factory workers in T2 had a H&S training before starting the job but the estate workers did not. As the factory workers have to work with heavy machinery and equipment, the H&S training is considered essential and the management seems to ignore about the estate workers as they are assumed to be performing low risk jobs. Furthermore, the estate workers admitted that they did not know about the availability of medical assistance on site. However, all the labourers knew who to contact in an emergency, most of the time a supervisor. It appeared that H&S in tea sector companies is not treated as important as in garment or VARP sectors and there was no indication of H&S audits by MNCs too.

#### ***6.4.8. Social Security***

Both companies provide medical care for the labourers. As T1 can be regarded as a 'village' for the worker community, the company is obliged to provide more medical care and have medical facilities for all the employees. The Estate Medical Officer, midwives and ward attendants are employed by the government but the company facilitates an ambulance and a dispensary. In contrast, T2 only provides basic medical care when required and the labourers and other employees use government run dispensaries and hospitals in the local area.

All the managers stated that both companies provide sick leaves and sickness benefits but they were reluctant to disclose the details indicating that there are issues and disagreements with this regard. Factory Manager of T1 (2015) mentioned that the company provides sick leaves after 3 days of absence and if the labourer present a medical report but further details about the number of days of sick leaves or the amount of sickness benefits were not disclosed.

Only T1 provides medical insurance for the labourers but only in a serious injury occurred at work (Estate Manager, T1, 2015). Labourers in both companies are entitled to claim injury benefits and compensation as per the managers but they could not provide more details about it. According to Workmen's Compensation Department of Sri Lanka, every worker or their dependents have the right to claim compensation from their employer in the event of a work-related injury or accident (Assistant Commissioner of Labour, 2015). However, none of the managers interviewed seemed to be aware of the guidelines set out by the above-mentioned authority.

In both companies, women are provided with three months paid maternity leave but only T1 provides adjustments for their jobs during pregnancy and after birth. This again can be attributed to the presence of the TU in T1.

"Women are given a three-month paid maternity leave and most of them return to work after that period. Some tea pickers bring their babies with them to work. We give them extra breaks to feed the babies"

(Estate Manager, T1, 2015).

T1 has a pension plan for the labourers but further details were not provided by the managers while in T2 there are no pension plans. However, all the managers agreed that the labourers contribute towards the EPF and the company contributes towards the ETF.

In T1, the labourers indicated that they receive medical care (medical centre, monthly clinics) from the company but they do not have access to sickness benefits. Also, they either responded 'No' or 'Don't know' to the questions regarding company medical insurance and injury benefits or compensation indicating that the managers' positive answers for these same questions were in reference to factory workers only. All estate workers from T1 agreed that the company provides adjustments during pregnancy and after birth in terms of increased rest periods and breaks.

"We can have more rest periods when we are tired (during pregnancy) and I used to take my babies to work (in a sling) and I got extra time to feed them."

(Estate Labourer 2, T1, 2015).

All four labourers of T2 indicated that they receive medical care and sick leaves from the company. Medical care included monthly clinics conducted by a nurse and provision of sick leaves depend on the job type. The factory workers are given a limited number of paid sick leave days but if the estate workers need sick leaves they would not be paid. However, even the factory workers did not know the exact number of paid sick leave days they could claim.



"We can get some sick leave days (and) they pay for it (but) I don't know how many days we can get for sure. I haven't had any unpaid sick leaves so far"

(Factory Labourer 1, T2, 2015).

The two estate workers of T2 (both females) stated that they were not offered any adjustments during pregnancies.

"No (they did not provide any adjustments), I had to do the same amount of work every day I went to work, I did not have any additional rest periods but my friends (other female estate workers) helped me to carry the sacks (full of tea leaves) to weigh (to the weighing scales)"

(Estate Labourer 2, T2, 2015).

As stated above, the female labourers working in the estate have to continue the physically demanding task of picking tea leaves while carrying heavy sacks or baskets on their backs all day and on their feet all the time even during pregnancy. All the labourers from both companies mentioned that they do not have any pension plans but confirmed the contributions towards EPF and ETF.

#### ***6.4.9. Social Welfare***

Labourers in T1 are provided with housing by the company as described earlier as historically they lived within the estate and therefore the questions about safe accommodation and safe travelling to work are not applicable to T1. T2, where the labourers are from local villages, does not provide housing benefits, safe accommodation or travelling facilities to and from work.

Both companies facilitate social gathering opportunities for labourers and their families especially during festive seasons such as New Year and religious festivals. Also, the companies provide some help towards the family needs of the labourers.

"We have a child development centre and free childcare and school facilities for their children. Also, we help them when there is a death, we give them some money towards the funeral costs."

(Estate Manager, T1, 2015).

As the labourers in T1 live within the estate their houses and other facilities are provided by the company. They live in 'line houses' built many years ago and these are not adequate for the current generations in terms of space and provision of water and electricity. It was evident that T1 provides the basic minimum requirements for the labourers as a duty as they live within the estate but no measures are taken to improve the facilities or build new houses.

In T2, the labourers do not live within the tea estate as in T1 but they live in the surrounding villages. Therefore, T2 workers are not provided with housing benefits or accommodation by their employer. Also, they do not receive transport facilities from the company and most workers take the bus daily to travel to work.

"I live in the village which is about two miles away, I travel by bus every day (to work). They don't give us any travelling facilities or money for the bus fare (and there are no quarters (work site accommodation) for us but I think the supervisors have them"

(Factory Labourer 2, T2, 2015).

However, labourers in both companies agreed that they are provided with social gathering opportunities especially during the festive seasons and certain benefits in the event of a death or marriage (for example cash is provided towards funeral costs).

#### ***6.4.10. Other Questions relating to Institutional Environment***

The estate manager of T1 was reluctant to disclose whether they had legal help regarding an employee issue and both managers from the company did not know whether the legal system is adequate in resolving such issues.

Most managers think that the government, local councils and politicians are not doing enough to ensure CSR practices.

"The government should do more to increase the welfare of labourers. They provide medical officers, midwives and registrars but that's not enough (as) there are lot of people here especially children"

(Estate Manager, T1, 2015).

Both managers at T1 agreed that NGOs are doing certain work to ensure CSR practices in the companies. An organization called Estate Workers Housing Society has provided financial support towards the improvement of housing and sanitary facilities for labourers in T1 (Estate Manager, T1, 2015).

Although the managers of T1 agreed that religious and cultural motivations *are* encouraging the companies to engage in more CSR activities, they pointed out that the relationships between the management and labourers are tense due to ethnic differences and ongoing TU activities. This implies that the management do not possess a sympathetic view towards the labourers (when compared to other settings where there

were no ethnic differences) thus preventing any humanitarian activities and charitable giving based on religious thinking.

In T2, most of the time, the managers did not know the answers to the questions regarding institutional aspects. The estate manager and factory manager mentioned that they have not seek legal help regarding employment issues and they both agreed that religious and cultural aspects are influencing the philanthropic and humanitarian activities by companies but did not provide further details.

Most of the labourers answered 'Don't know' to the questions regarding the influence of institutional factors. In T1, two labourers stated that the government and local authorities are not doing enough to ensure labour rights.

"They (the government) provide some facilities like the doctors, IT centre and some household equipment, that's all. They never listen to our demands to increase salary. We do strikes and slow work but they do not listen"

(Estate Labourer 2, T1, 2015).

In T2, two labourers agreed that the government is doing some activities to ensure labour rights but they did not elaborate on this. The lack of definitive answers for the above questions from labourers implies that they do not have much knowledge about broad institutional aspects of the country (legal, political, and socio-cultural). This might be due to their lack of education and their focus on the difficulties of daily lives. Overall, most of the interviewees expressed that the influences of the government, laws and NGOs on L&HR issues are minimum while agreeing that cultural and religious aspect have positive influences. However, it was evident that this depends on the managerial perceptions as observed in T1.

#### ***6.4.11 Summary***

The main issues identified were low wages, forced overtime (mostly in factories), difficult and hazardous working conditions (mostly in estates), lack of formal rest periods and holidays, lack of employment security and lack of social security. It is clear that the issues are more prominent when compared to garment and VARP sectors. H&S aspects are also not as standard as in the other two sectors as buyer MNCs do not involve in ensuring H&S through their governance mechanisms. The only positive factor in T1 is the strong TU but the labourers hardly seem to get any benefits due to the attitudes of the government and management and the nature of the working arrangements.

Social welfare measures are also at a lower level than the other sectors with minimum benefits for the families. Also, the involvement of government, local authorities and NGOs in ensuring L&HR or CSR practices is at a minimum leaving the quality of life of the labourers and their families at substandard levels. As same in other sectors, the management's CSR perspectives seemed to be limited to CCR and environmental protection.

#### ***6.5 Summary***

This section presented the findings relating to RQ.2 and RQ.3. The L&HR issues identified in each export sector was presented based on the responses from managers and labourers. It was evident that the issues in different sectors are different partially owing to the GVC governance structures explained in Chapter 5. This chapter discussed the influences of sector wide differences (historical background, geographical locations, working arrangements and ethnic differences etc.) and the influence of institutional factors particularly socio-cultural and religious aspects. The effect of these influencing factors will be discussed more in Chapter 8 as a discussion.

## **Chapter 7 (Stage 3, RQ. 4)**

### **Extent of CSR Reporting by Multinationals and the Differences between such Reporting and the Actual Labour Practices in Sri Lanka**

#### ***7.1 Introduction***

As MNCs are increasingly becoming global powers with their presence in many countries through networks of GVCs, the expectations of the society for them to be responsible are increasingly high too. Many MNCs are aware of this situation and invest in building their corporate reputation through CSR policies and practices which are conveyed to the society through CSR reporting. According to Legitimacy Theory, an organization may build, maintain and repair its legitimate status through various mechanisms as follows.

1. Seeking to inform and educate their ‘relevant publics’ about changes in the organizations’ performance and activities.
2. Seeking to change the perceptions of the ‘relevant publics’, but not change its actual behaviour.
3. Seeking to manipulate the perception of the society by deflecting attention from the issue of concern to other issues.
4. Seeking to change external expectations of its performance. (Lindblom, 1993 (as described in Gray *et al*, 1995)).

As such, MNCs are able to use their CSR policies and activities to maximize their positive image in the public eye by the form of CSR reporting which is the main way the society would get an insight into their corporate responsibilities. As CSR reporting is not mandatory and provided on a voluntary basis by the companies, there are no requirements to follow a particular reporting guideline or standards as opposite to

financial reporting which is highly regulated. Some companies opt to select a reporting guideline such as GRI-G4 or SA-8000 while some other companies may report without a guideline as the basis.

Due to this informal nature of CSR reporting, there are opportunities for the MNCs to utilize the above-mentioned mechanisms to create, maintain and repair their corporate legitimate status. Most of the MNCs report extensively about their CSR activities for the information of their relevant stakeholders and in doing so they may try to change the public perception about certain issues rather than changing the corporate behaviour. Reporting by an MNC about protecting human rights of all workers involved in GVCs may change the public perception about the company in a positive way while in reality, basic L&HR may have not been met in those GVCs. Also, the MNCs may try to deflect the concerns of the public to other issues by manipulating the way they report CSR activities. For example, the companies may report extensively on environmental and community projects while not reporting the standard levels about labour issues especially in their GVCs. Finally, the MNCs may try to change the external expectations of their performance over time by the way they report and by the contents of such reports. As such, the CSR reports of MNCs may not fully represent the actual practices and issues of concern but selected details and narratives which could enhance the public reputation of those companies.

As explained above, CSR reporting by MNCs could be distant from the reality as there may be exaggerations about positive aspects, underreporting or omission of negative aspects and selective reporting. As it is possible to use descriptive narratives in CSR reports, it is easy to manipulate the way the information is being conveyed thus misleading the relevant stakeholders. Reporting guidelines such as GRI-G4 requires the companies to report on actual figures and statistics regarding various CSR aspects

(including L&HR aspects) as opposed to descriptive information. Such requirements are very important to identify the real situations and the actual performances of the companies regarding CSR than details about their policies and projects. However, many MNCs choose not to report CSR practices against a reporting guideline and even when a guideline is used as the basis, the required reporting standards may not be met.

This chapter analyses the extent to which the selected MNCs report CSR practices and differences between such CSR reporting by relevant MNC and the actual practices in their GVCs in SL regarding L&HR issues. First, the relevant content in the CSR reports of four MNCs from 2012 to 2016 are analysed using content analysis with GRI G4 reporting index as the basis. Contents of the CSR reports by each company are recorded against the relevant GRI G4 labour aspects and human rights aspects separately. Tables are used to highlight the aspects reported or not reported by the MNCs and further details are analysed in descriptive manner. Then the findings are compared with the L&HR issues identified in Chapter 6 regarding the eight supplier companies which are part of the GVCs of the selected MNCs. Content analysis enables to investigate the CSR reports in a systematic manner to record all the data relevant to this study. Sections 7.2 to 7.5 are presenting the findings for the four MNCs; Next, Marks and Spencer, Tesco and Sainsbury's respectively while section 7.6 provides a summary of the chapter.

### ***7.2 Next Plc.***

Next plc is a UK based FTSE MNC which has supply chains in many developing countries including Bangladesh, Cambodia, India and Sri Lanka. In 2017, the company had supply chains in 38 countries with 570 different suppliers and the number of factory sites in the supply chains was 1898. As of 2018, 1.3 million people are working in these factories (Next, 2018a).



The company's CSR and labour and human rights practices are based on its Code of Practice (COP) Principle Standards. These standards are derived from the core labour conventions of ILO and UN human rights declarations (Next, 2018c). Also, the company is a member of Ethical Trading Initiative (ETI) which works collaboratively with other MNCs, non-governmental organizations and trade unions to ensure working conditions and labour rights meet or exceed international labour standards (Next, 2016).

The NEXT Code of Practice Principle Standards are listed as follows

- No forced labour or modern slavery – employment is freely chosen
- Freedom of association and the right to collective bargaining
- Safe and healthy working conditions
- No child labour
- Fair wages and benefits
- Lawful working hours
- No discrimination is practised
- Employment security
- Respectful treatment of workers (Next, 2018c).

As all the above principles are covered in GRI-G4 Labour Practices and Human Rights Aspects, the reporting guideline is a suitable benchmark to assess the reporting standard and quality of Next plc even though the company has not specifically adopted the GRI-G4 standard as a reporting guideline.

The following documents were used to analyse the CSR reporting of Next plc.

Corporate Responsibility Report – 2012

Corporate Responsibility Report – 2013

Corporate Responsibility Report – 2014

Corporate Responsibility Report – 2015

Corporate Responsibility Report – 2016

Modern Slavery Transparency Statement - 2018

### ***7.2.1 Content analysis of the CSR reports of Next plc from 2012 to 2016 using GRI***

#### ***G4 Codes for Labour Aspects***

***Table 7.2.1: Content Analysis of CSR Reports of Next Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects***

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-LA14	Percentage of new suppliers screened under labour practices criteria	-	-	√	√	√
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chains and actions taken	-	-	√	√	√

Supplier Assessment for Labour Practices criteria, G4-LA14 (Percentage of new suppliers screened under labour practices criteria) and G4-LA15 (Significant actual and potential negative impacts for labour practices in the supply chains and actions taken) are directly related to the company's supply chains. Next plc has reported G4-LA14 requirements from 2014 to 2016 where it is stated that all the potential suppliers are

audited using the company's COP Principle Standards which are based on international L&HR guidelines.

“The NEXT COP has ten key principles, and it sets out the minimum standards and requirements for our suppliers in relation to workers' rights and working conditions, which include but are not limited to working hours, minimum age of employment, health, safety, worker welfare and environmental impacts”

(Next, 2014, p.11).

It is reported that from 2014, Next plc requires all the potential suppliers to fully understand and comply with the Principle Standards before making any contractual agreements with the company (Next, 2015).

“We are continually evaluating our approach to managing compliance, improving the management of workplace safety and worker conditions in our supply chain. During 2014, we have further reviewed and improved the process for introducing factories to ensure that potential suppliers fully understand our requirements prior to introduction and contracting with NEXT”

(Next, 2015, p.13).

The CR Report of 2015 states that all the new supplier factories are audited before production is started and non-complying factories are not added to the supplier list until the issues are resolved.

“All new factories are audited before production commences and if a new factory is rated Category 6 (the lowest level of compliance), we will not begin to work with them until they can demonstrate that the issue in question has been addressed and resolved”

(Next, 2015, p.13).

Although there is no specific statement saying that the company has audited all the new suppliers before 2014, the supplier auditing process had been carried out in 2012 and 2013 too.

**Table 7.2.1.1: Supplier Audits carried out by Next COP Team**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Suppliers Worked With	570	512	510	662	570
Factory Sites Audited	1383	1357	1673	1732	1701
Total Audits Carried Out	1647	1554	1945	2074	2046
Supplier Factories Disengaged for Non-Compliance with COP	15	22	12	38	41

**Source: CR Reports, Next plc from 2013 to 2017**

However, the company has not audited its entire supplier base factories and the latest figures indicate that 93% of factories manufacturing for Next had been audited (Next, 2018c).

The auditing process carried out at garments suppliers by their MNC buyers was confirmed during the interview stage at the suppliers in SL too. The managers and labourers interviewed stated that inspections are carried out by buyer companies sometimes before placing each order. The fact that these audits are based on international L&HR standards means non-compliance with such standards by suppliers

should be flagged up and corrective measures taken. However, the interviewees, specially the labourers mentioned that there are several fundamental labour issues including low wages, forced overtime to cover targets and inhibition of TUs. This indicates that the auditing process is not 100% effective in minimizing all the L&HR issues in supplier companies but Next plc states that it is a useful tool to screen the suppliers and provide measures for continuous improvement and progress (Next, 2014).

Also, Next reports that their audits grade the suppliers from 1-6 according to the compliance level where only Category 6 suppliers are suspended while other suppliers (Categories 4 and 5) continue the contracts with substandard compliance levels (Next, 2018c). This means that there might still be L&HR issues in such supplier companies as indicated by the interviewees.

The following quotes illustrate the measures taken by Next in response of non-compliance found in supplier audits.

“92% of Next production is in factories which have achieved an acceptable rating of 1-3; with the remaining 8% being made in factories rated 4-5, which are being closely managed through repeat visits to assess progress against agreed action plans and timescales to resolve their particular issues”

(Next, 2016, p.10).

“Each audited factory is progressively graded against the Next COP using a simple rating system. Category 1 indicates a factory which is fully compliant to our Code and Category 6 rating indicates critical non-conformities have been identified which require immediate action. Orders are suspended until the critical fail points are satisfactorily rectified in line with our Code”

(Next, 2013, p.9).

There is no reporting of G4-LA15 (Significant actual and potential negative impacts for labour practices in the supply chains and actions taken) in 2012 and 2013 specifically but from 2014, the company has reported about some identified actual and potential negative impacts for labour practices. In 2014 CR Report, the H&S issues in Bangladesh garment factories had been highlighted following two fatal incidents (factory fire in 2012 and building collapse in 2013) in the previous years (Next, 2014). Also, the report highlights the measures taken by Next to prevent such incidents.

“Every factory currently manufacturing NEXT products in Bangladesh has been inspected for fire safety and building structural safety standards and where it has been found necessary, improvement plans have been agreed with the suppliers and their factories”

(Next, 2014, p.15).

CR Reports of 2015 and 2016 highlight the issues regarding vulnerable home-workers (to whom the suppliers have outsourced work) in India and SL especially them being underpaid and being exploited. Also, the reports state the measures taken by Next to eradicate these issues such as increasing transparency and requiring the supplier companies to declare details of home-workers to Next plc. (Next, 2015 and 2016).

“Focusing on protection, improvement and investment, the objective is to maximise the earning potential, health and lifestyle of the home-workers and their families by protecting their earnings, providing identity to home-workers and community support”

(Next, 2015, p.18).

In 2016, Next plc had identified the potential risks and issues faced by refugee people (displaced by conflicts) entering the company’s supply chains looking for work.

The company has reported that it “manages the risks associated with this group of workers by providing support and where possible offering remediation and help to resolve issues” (Next, 2016, p.11).

**7.2.2 Content analysis of the CSR reports of Next plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

**Table 7.2.2: Content Analysis of CSR Reports of Next Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-HR1	Number of significant investment agreements and contracts that include human rights clauses	-	-	√	√	√
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	-	-	-	-	-
G4-HR5	Operations and suppliers identified as having child labour and measures taken to abolish child labour	-	-	-	-	-
G4 – HR6	Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues	-	-	-	-	-
G4 – HR9	Number and percentage of operations that have been subject to human rights reviews or impact assessments	√	√	√	√	√
G4 – HR 10	Percentage of new suppliers that were screened using human rights criteria	√	√	√	√	√
G4 – HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-	-	√	√	√

Investment reporting criterion, G4-HR1 (Number of significant investment agreements and contracts that include human rights clauses) had not been reported per se but from 2014, it has been reported that all new contracts are agreed upon with suppliers only when they have gone through the auditing process based on Next COP Principle Standards (Next, 2014). As the company's COP includes human rights clauses (no child labour, no forced labour, freedom of association and equal opportunities), it could be assumed that those clauses are used in the screening process for new contracts. However, it is evident from the interview responses that some of these human rights clauses (for example no forced labour and freedom of association) are not properly adhered to by the suppliers due to the weaknesses in the institutional environment in SL.

For example, BOI has FDI policies which would allow suppliers established in EPZs to facilitate ECs which often replace TUs and seriously undermine the fundamental rights of freedom of association and collective bargaining. Also, forced overtime is exercised in the garments factories to cover targets set by MNC buyers but many workers do not consider it as forced work due to the social expectations for labourers (mainly women) to be obedient towards the management. Even when the labourers recognize it as forced work, they do not raise the concerns due to the fear of losing jobs in a situation where employment opportunities and social securities are low.

Freedom of Association and Collective Bargaining reporting criterion, G4-HR4 (Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk) had not been reported despite freedom of association is an aspect included in the company COP which it uses to audit new and existing suppliers. As it was evident (at the interview stage) that freedom of association and collective bargaining rights are not achieved in Sri Lankan garment supplier companies (similar to many other developing countries),



Next plc should have identified and acknowledged this situation. However, the non-reporting indicates that the company is willing to omit such negative aspects from its CR reports thus conveying a more positive corporate image to its stakeholders.

In the same lines, Child Labour reporting criterion, G4-HR5 (Operations and suppliers identified as having child labour and measures taken to abolish child labour) had been omitted from all the CR reports from 2012 to 2016. ‘No child labour’ is a principle standard of Next COP which is used in the auditing process of suppliers. The only mention of child labour is in 2013 CR Report where it is claimed that the company supports a partner NGO to identify and eliminate child labour (Next, 2013).

“We have continued to support LESN, a partner NGO organisation, with their training and support where cases of underage workers are identified. Their focus is to work to prevent occurrence in the first place as well as providing support to the identified underage workers and facilitate the necessary remediation”

(Next, 2013, p.11).

Child labour was not identified in all three garment factories studied here and SL is generally considered as low risk for child labour incidents especially in garment sector where it is compulsory to be over 18 to work in the factories (National Child Protection Authority, 2018). However, ILO reports that many other supplier countries in the region (India, Pakistan, Bangladesh and Cambodia) has child labour issues. Therefore, it is apparent that the company has selected not to report on this issue considering its negative impacts on the corporate image and legitimacy.

There is no reporting of the Forced or Compulsory Labour reporting criterion, G4- HR6 (Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues) in any CR Report from 2012 to 2016. This

is in contradiction with the company's own COP which lists 'No forced labour' as a principle standard. As the company claims the COP is used to audit new and existing suppliers, the occurrence of forced labour should be identified as forced overtime was a prominent issue raised in the interview stage of this study. This argument is strengthened by the fact that the company claims that during auditing, workers are interviewed too (Next, 2013).

“Our team reviews the factory employment records, engages with factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards”

(Next, 2013, p.9).

Even though the company disengages with the suppliers who are seriously violating and ignoring COP Principle Standards (Table 7.2.1.1), it does not specify which violations lead to disengagements and from the evidence of this study, it is clear that forced overtime is still used by the managers in the garment supplier factories. Therefore, the company's (Next plc) non-reporting of this issue is an indication that the CSR reporting is biased towards positive aspects to manipulate the perception of the society. According to Legitimacy theory, this is a part of various mechanisms used by companies to build, maintain and repair their legitimate status (Lindblom, 1993 (as described in Gray *et al*, 1995)).

Assessment reporting criterion, G4-HR9 (Number and percentage of operations that have been subject to human rights reviews or impact assessments) is an important aspect of CSR reporting where the companies are required to report the figures regarding human rights reviews. As the company has included human rights clauses in its COP which is used to audit the suppliers, it can be considered that the requirements of the reporting criterion had been met by providing the auditing figures as illustrated in

Table 7.2.1.1. The human rights clauses include No child labour, No forced labour, Freedom of Association and Equal Opportunities and it is stated that in 2018, 93% of supplier manufacturing factories had been audited (Next, 2018c).

Similarly, Supplier Human Rights Assessment reporting criteria, G4-HR10 (Percentage of new suppliers that were screened using human rights criteria) can be regarded as reported from 2012 to 2016 as the COP (with human rights clauses) had been used to audit all (100%) the new and potential suppliers before entering into contracts and commencing production. The figures are included in Table 7.2.1.1. As explained here, it can be concluded that the company has reported G4-HR9 and G4-HR10 accordingly but has failed to report the actual incidents of human rights violations in its supply chains which is the requirement for the next reporting criterion, G4-HR11 (Significant actual and potential negative human rights impacts in the supply chain and actions taken).

In 2012 and 2013 CR Reports, there are no mentions about actual and potential human rights impacts in the company's supply chains. However, Next (2014) identifies possible child labour incidents in China and has mentioned that the company is working with an NGO to eliminate the issue.

“We have also continued to support LESN, a partner NGO organisation, with their training and support where cases of underage workers are identified”

(Next, 2014, p.15).

Next (2015) has identified the possibilities of suppliers exploiting home workers (in terms of non-recognition as workers and under payments) in India and SL.

“During 2014 NEXT have developed and extended our programme to support and protect vulnerable workers both in India, within New Delhi and the surrounding regions, and also within Sri Lanka”

(Next, 2015, p.18).

Also, Next (2015) mentions that during 2014 the company has collaborated with national and international organizations to improve human rights within their supply chain which include eliminating illegal employment schemes (human trafficking, forced labour or retention of wages), eliminating child labour, ensuring freedom of association, elimination of exploitation of home workers and prohibition of unauthorized subcontracting.

Next (2016) states that the company’s human rights assessment policies have been updated following the passing of the Modern Slavery Act by UK Government in 2015.

“In 2014, we carried out an initial assessment to identify potential human rights impacts across our business. During 2015, we worked with specific business functions, supported by external third-party experts, to conduct further analysis, prioritising our supply chain as this is where we believe salient human rights impacts are most likely to occur”

(Next, 2016, p.8).

Therefore, it can be concluded that Next has identified some of the actual and potential negative human rights impacts in its supply chains since 2014 and has reported accordingly specially in response to the UK Government’s emphasis on ensuring human rights in businesses through the Modern Slavery Act (2015).

### ***7.3 Marks and Spencer Plc.***

Marks and Spencer plc is a UK based FTSE 100 MNC which has an extensive network of GVCs in 68 countries where 1,074,320 employees work in 1799 supplier factories (Marks and Spencer, 2018a). SL is one of the main garment supplier countries to the company with 58 garment supplier factories which employ 62,603 employees (Marks and Spencer, 2018a). All three Sri Lankan garment factories studied in this research are suppliers for Marks and Spencer.

Marks and Spencer's CSR policy is named Plan A since 2007 and until 2013 it consisted of several pillars; 'Involving Customers', 'Climate Change', 'Waste', 'Natural Resources', 'Fair Partner' and 'Health and Wellbeing' (Marks and Spencer, 2012 and 2013). Most of the information regarding supply chains are included in 'Fair Partner' pillar and some information was presented in Plan A website too. From 2014, Plan A was revised and the CSR policies were categorized as Economic, Environmental, Social and Supply Chain as part of 'Plan A 2020' programme launched by the company (Marks and Spencer, 2014). Most of the relevant information for this study is included in 'Supply chain' category of the Plan A reports and some information is also included in the Plan A website.

Marks and Spencer has stated that they have used international standards and benchmarks such as UN Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, UN Guiding Principles on Business and Human Rights, UN Women's Empowerment Principles and UN Global Compact (Marks and Spencer, 2017). The company has adopted GRI Index (GRI-G4 from 2014) as a basis for CSR reporting.

The following CSR reports were analysed in this study.

How We Do Business Report – 2012

Plan A Report – 2013

Plan A Report – 2014

Plan A Report – 2015

Plan A Report – 2016

M & S People Principles - 2017

Modern Slavery Statement - 2018

***7.3.1: Content analysis of the CSR reports of Marks and Spencer plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects***

***Table 7.3.1: Content Analysis of CSR Reports of Marks and Spencer Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects***

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-LA14	Percentage of new suppliers screened under labour practices criteria	-	-	√	√	√
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chains and actions taken	-	-	√	√	√

Supplier Assessment for Labour Practices reporting criteria, G4-LA14 (Percentage of new suppliers screened under labour practices criteria) and G4-LA15 (Significant actual and potential negative impacts for labour practices in the supply chains and actions taken) have been reported since 2014. Even though the reporting has not completely met the standards required by GRI-G4, the company has updated its

Global Sourcing Principles in 2014 to include a wide range of human rights issues, in line with the United Nations Guiding Principles on Business and Human Rights and Modern Slavery Act (Marks and Spencer, 2015). Figures have been provided relating to the total number of audits taken place but there are no indications of the percentage of new suppliers screened under ethical labour practices.

**Table 7.3.1.1: M&S Clothing and Home Supplier Ethical Audit 2015/16**

<b>Improvements Required per Audit</b>	<b>Improvements Required</b>	<b>Audits</b>	<b>Workers at Supplier sites</b>	<b>Audited Supplier sites</b>	<b>Supplier sites</b>	
4	46	12	11,526	10	13	Africa
7	4930	722	729,231	498	980	Asia
6	1248	215	89,468	150	354	Europe
1	2	2	453	2	2	North America
7	6226	951	830,678	660	1349	Total

*Source: Plan A Report, Marks and Spencer, 2016*

Also, the company has identified the areas where improvements are required as; health and safety 68%, working hours 15%, regular employment 2%, wages 13% and other issues 2% and the measures taken to minimize the negative impacts as per G4-LA15 (Marks and Spencer, 2016b).

"We've helped our suppliers to understand and respond to the new areas of content through our Plan A Food Supplier Conference in October 2015 as well as international conferences in Kenya, South Africa and Spain, and best practice workshops"

(Marks and Spencer, 2016b, p.29).

**7.3.2: Content analysis of the CSR reports of Marks and Spencer plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

**Table 7.3.2: Content Analysis of CSR Reports of Marks and Spencer Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-HR1	Number of significant investment agreements and contracts that include human rights clauses	√	√	√	√	√
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	-	-	-	-	-
G4-HR5	Operations and suppliers identified as having child labour and measures taken to abolish child labour	-	-	-	-	-
G4 – HR6	Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues	-	-	-	-	-
G4 – HR9	Number and percentage of operations that have been subject to human rights reviews or impact assessments	-	-	-	-	-
G4 – HR 10	Percentage of new suppliers that were screened using human rights criteria	-	-	-	-	-
G4 – HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-	-	-	-	-



Investment reporting criteria, G4-HR1 (Number of significant investment agreements and contracts that include human rights clauses) has been reported in all the CSR reports analyses but the data is presented in the form of number of supplier audits carried out according to the company's Global sourcing Principles which includes human rights clauses.

"All suppliers are required to have up-to-date assessments on the Supplier Ethical Data Exchange (SEDEX) database"

(Marks and Spencer, 2015, p.29).

This indicates that when investment agreements or contracts are agreed with global suppliers, the company requires them to be abided by international human rights standards.

***Table 7.3.2.1: Supplier Social Compliance Assessments - Marks and Spencer***

	<b>2013</b>	<b>2014</b>	<b>% change</b>
No. of suppliers on SEDEX database	3020	3060	+1
Audits conducted	1722	1405	-18
Corrective actions taken by suppliers	7806	6699	-14

***Source: Plan A Report, Marks and Spencer, 2015***

Freedom of Association and Collective Bargaining reporting criterion, G4-HR4 (Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk) has not been reported in any of the reports from 2012 to 2016 despite the company's claim that the criterion has been reported. All three Sri Lankan garments suppliers companies included in this study, supply garments for Marks and Spencer and all three of them strictly restrict freedom of association and collective bargaining as revealed by the interview

answers of managers and labourers. It can be assumed that the situation is similar for most of the other Sri Lankan and other developing countries' garments suppliers which are part of the GVCs of Marks and Spencer. Therefore, the failure to acknowledge this fact indicates that the company is not willing to address such negative aspects which may harm its legitimate status.

Child Labour reporting criterion, G4-HR5 (Operations and suppliers identified as having child labour and measures taken to abolish child labour) has not been reported to the standard level required by the index. Even though, the company claims that this reporting criterion had been partially reported in 2015 and 2016, there is no evidence to support the claim as the data reflects the general audits taken place at supplier companies without any specific reference to identification of child labour and measures taken to abolish it. This again indicates that the company's claims about following and adhering to the international reporting criteria could be misleading as it could create a false positive image about the company in the eyes of the relevant stakeholders while in reality the proper actions or practices have not been taken.

The same situation applies to Forced or Compulsory Labour reporting criterion, G4-HR6 (Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues) where the company claims that it has been partially reported from 2014 to 2016. However, as explained previously, the data only represents the audits of suppliers where no specific explanations are given regarding forced or compulsory labour as required by the reporting criterion. During the interviews with the labourers of the three garments companies in Sri Lanka, it was evident that they had been forced to work on Sundays and holidays to cover targets set out by the multinational buyers. This is a common occurrence in the garments sector in the developing countries and the company's failure to acknowledge it means such vital

labour rights violations are overlooked and ignored despite the claims of adhering to fundamental labour conventions.

Assessment reporting criteria, G4-HR9 (Number and percentage of operations that have been subject to human rights reviews or impact assessments) is an important aspect as it requires the companies to report the number of operations undergone human rights reviews. This criterion has not been reported from 2012 to 2016 as required by the index (numbers and percentages) but it could be assumed that the supplier audits would include human rights reviews as Marks and Spencer has mentioned that its Global Sourcing Principles (which is used to screen and audit suppliers) incorporate human rights aspects (Marks and Spencer, 2015 p.29). However, the company indicates that G4-HR9 is not being reported in any form (not even partially) contradicting their own claims of including human rights aspects in the supplier auditing process.

Supplier Human Rights Assessment reporting criterion, G4-HR10 (Percentage of new suppliers that were screened using human rights criteria) has not been reported as opposed to the company's claims. Marks and Spencer indicates that the screening has taken place but the reference is pointing to the audits taken place at the supplier sites. For example, in 2014, the company has indicated that G4-HR10 was reported fully, referring to the following table of data.

***Table 7.3.2.2: Supplier Social Compliance Assessments- Marks and Spencer***

	<b>2012/13</b>	<b>2013/14</b>	<b>% change</b>
No. of suppliers on SEDEX database	2871	3020	5
Audits conducted	1559	1722	10
Corrective actions taken by suppliers	6693	7806	17

***Source: Plan A Report, Marks and Spencer, 2014***

There is no mention about the audits or screening taken place at new suppliers before adding them to the supplier base and there is no breakdown of new and existing suppliers. Moreover, the company has failed to specifically state the human rights criteria that were used in the auditing process. Therefore, it can be concluded that the requirements for G4-HR10 reporting has not been fulfilled.

Similarly, the other Supplier Human Rights Assessments criterion, G4-HR11 (Significant actual and potential negative human rights impacts in the supply chain and actions taken) has not been reported from 2012 to 2016 as required by the reporting standard. The company claims that this criterion has been reported from 2014 to 2016 but the reference is again the supplier audit data as above. There are no descriptions or identifications about specific negative human rights impacts and corrective actions taken in any of the supplier countries or regions.

Marks and Spencer has adopted GRI-G4 Index as a reporting standard to report its L&HR aspects and claims that certain reporting criteria had been reported fully or partially in their CSR reports. However, an in-depth analysis as above showed that in reality, most of those criteria has not been reported at all or up to the standard levels expected by the index. This indicates that the company is exaggerating the number of aspects as reported while in reality the actual number of aspects reported is lower. The differences are very prominent for human rights aspects (many of which are related to supply chains) where over the years the company increasingly claims to report more while the actual reporting indicates that the reporting has considerably decreased.

#### **7.4 Tesco Plc.**

Tesco plc source from over 70 supplier countries at present (Tesco, 2018d) and has several platforms (The Tesco Producer Network, The Tesco Knowledge Hub) to build and maintain the supplier network and relationships. Two of the garment companies analysed in this study are suppliers for Tesco F&F clothing brand (Tesco, 2018a) and rubber products and tea producing companies also supply for Tesco groceries and merchandise sections.

Tesco plc has stated that they are committed to adhere to and respect universal human rights and labour rights of their customers, employees and supply chain workers.

“We are committed to upholding basic human rights and fully support the UN Universal Declaration of Human Rights, the International Labour Organization Core Conventions and the UN Guiding Principles on Business and Human Rights”

(Tesco, 2016)

Also, it is reported that as a founding member of Ethical Trading Initiative in 1998, Tesco uses labour-standards experts to support their suppliers to work towards fully implementing its Base Code (Nine policies based on ILO labour conventions) (Tesco, 2016).

Therefore, GRI-G4 guideline (which is based on the above-mentioned international standards) could be used as a fair benchmark to evaluate the extent of CSR reporting by Tesco even though the company has not directly reported against it.

The following CSR reports were analysed in this study.

Tesco Corporate Responsibility Review – 2012

Tesco and Society Report – 2013

Tesco and Society Report – 2014

Tesco Corporate Responsibility Update – 2015

Tesco Environmental and Social Review – 2016

Tesco Strategic Report - 2018

Tesco Retail Modern Slavery Statement - 2017/18

Tesco Human Rights Policy

***7.4.1: Content analysis of the CSR reports of Tesco plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects***

***Table 7.4.1: Content Analysis of CSR Reports of Tesco Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects***

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-LA14	Percentage of new suppliers screened under labour practices criteria	-	-	-	-	-
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chains and actions taken	√	√	√	√	√

With regard to supplier assessment, G4-LA14 (Percentage of new suppliers screened under labour practices criteria) has not been reported per se but there are statements indicating that Tesco is screening and auditing new suppliers before adding them to their supply chains.

"For our supply base, adherence to our responsible sourcing requirements is set out in our Terms and Conditions (T&Cs) and within Tesco Supplier Requirements documentation. This documentation is provided to our suppliers at the first point of contact with our commercial teams, prior to any contract. Our technical teams then help administer these requirements"

(Tesco, 2017b)

However, the lack of reporting of any figures or statistics might decrease the credibility of the statements above.

On the other hand, G4-LA15 (Significant actual and potential negative impacts for labour practices in the supply chains and actions taken) has been reported extensively in every year from 2012 to 2016.

"Our process of robust independent ethical audits continues with over 2500 supplier sites audited in 2011/2012 to identify issues for workers in our supply chains"

(Tesco, 2012)

"Our ethical audits and stakeholder engagement work has shown that standards need to be raised for workers in the ready-made garments industry"

(Tesco, 2012)

Tesco has reported that they have formed an organization called Apparel Skills Foundation in Bangladesh with the support of UK Government’s Department for International Development and has reported the results of a pilot programme.

“Workers’ pay per hour has gone up by 19%, monthly working hours are down 16%, labour turnover is down 45%, absenteeism is down 25% and efficiency is up 20%”

(Tesco, 2013)

To ensure the labour rights and investigate labour issues at the bottom level of supplier chains, a programme had been launched in response to identifying such issues. This includes launching an independent ‘protector line’ service for use by any employee in their supply chains to raise concerns of wrongdoings confidentially. Tesco has pledged to record and investigate these issues and to take necessary actions (Tesco, 2014).

**7.4.2: Content analysis of the CSR reports of Tesco plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

**Table 7.4.2: Content Analysis of CSR Reports of Tesco Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-HR1	Number of significant investment agreements and contracts that include human rights clauses	-	-	-	-	-
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	-	-	-	-	-



G4- HR5	Operations and suppliers identified as having child labour and measures taken to abolish child labour	-	-	-	-	-
G4 – HR6	Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues	-	-	-	-	-
G4 – HR9	Number and percentage of operations that have been subject to human rights reviews or impact assessments	√	√	√	√	√
G4 – HR 10	Percentage of new suppliers that were screened using human rights criteria	-	-	-	-	-
G4 – HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-	-	-	-	√

Reporting on human rights criteria is minimal by Tesco when compared to the labour practices reporting criteria. These criteria include significant labour and human rights aspects covered by ILO labour conventions and UN human rights declarations such as non-discrimination, freedom of association and collective bargaining, child labour and forced or compulsory labour.

Investment reporting criteria, G4-HR1 (Number of significant investment agreements and contracts that include human rights clauses) is not reported and there is not any information regarding investment policies in developing countries where most of the companies GVCs are based on.

Freedom of Association and Collective Bargaining reporting criterion, G4-HR4 (Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk) has not been reported in any of the CSR reports or official website despite the company admitting that freedom of association and collective bargaining is a labour right issue that is in

urgent need of attention. This is in contradiction with the company's pledge to adhere to the core labour conventions by ILO and human rights declarations by the UN. Instead, Tesco official website details about implementing a programme (in Bangladesh) to improve dialogue between workers and management which is based on the concept of 'social dialogue' (Tesco, 2017b).

"We bring workers and managers together to talk through issues and arrive at jointly agreed solutions. It has improved understanding of rights and responsibilities and enhanced communications and morals"

(Tesco, 2018d)

Even though the company claims that social dialogue programmes have enhanced worker and manager relationships, these could not be considered as fair alternatives for trade unions as some workers may be reluctant to raise issues directly with the managers as opposed to collective actions taken through trade unions.

Child Labour reporting criterion, G4-HR5 (Operations and suppliers identified as having child labour and measures taken to abolish child labour) requires the companies to identify and report about the operations and suppliers using child labour and measures taken to abolish such practices. In its CSR reports from 2012 to 2016, Tesco has not identified operations or suppliers using child labour but gives details about having UK policies regarding the recruitment, training and working hours of children and young people ([www.tescopl.com](http://www.tescopl.com)). Also, it has not reported about the measures taken to abolish child labour in the extensive GVC network apart from a localized programme in Assam, India to protect children in tea communities from exploitation (Tesco, 2018c).

G4-HR6 reporting criterion for Forced or Compulsory Labour requires reporting on operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues. Tesco does not report on this issue in any of its CSR reports from 2012 to 2016 and there are not any explanations or remedial measures taken even in their website. This indicates that MNCs are ignoring the persistent issue of forced or compulsory labour commonly seen in garments suppliers of their GVCs. During the interviews with managers and labourers of these suppliers, it was evident that labourers are forced to work overtime and on holidays to cover targets set by the multinational buyers. Therefore, the failure to acknowledge and report on this issue is against a fundamental labour convention set out by ILO and also against the MNCs' own ethical standards which they use to promote their legitimate status.

Assessment reporting criterion, G4-HR9 (Number and percentage of operations that have been subject to human rights reviews or impact assessments) requires the reporting of number and percentages of operations (group and suppliers) that have been subjected to human rights reviews and impact assessments. In its website, Tesco has detailed descriptions of its human rights policy regarding group operations and supply chains which is mainly based on Ethical Trading Initiative. All the CSR reports from 2012 to 2016 mention that all suppliers are subjected to audits based on ETI which includes human rights clauses. Therefore it can be argued that the company has reported G4-HR9 requirements based on the assumption that all suppliers (100%) are subjected to human rights reviews through audits.

However, the company itself has doubts about the suitability of audits in assessing suppliers and identifying human rights issues.

“Historically we sought to address human rights issues primarily through an ethical audit programme of our direct supply base. However, this approach was

limited, both because audits do not always identify hidden or systemic issues such as modern slavery, and because the most serious risks of human rights abuses tend to occur further down the supply chain where we don't have direct commercial relationships”

(Tesco, 2018c).

There are two Supplier Human Rights Assessment criteria; G4-HR10 (Percentage of new suppliers that were screened using human rights criteria) and G4-HR11 (Significant actual and potential negative human rights impacts in the supply chain and actions taken). The company has stated that human rights is used to assess potential suppliers but there are not any indications regarding the percentage of new suppliers screened using human rights criteria. Therefore G4-HR10 is recorded as not reported.

"Human rights is an important component in evaluating current and future sources of supply – especially for high risk priority products"

In the CSR reports from 2012 to 2015, the company has not addressed the human rights issues in its supply chains but in 2016 it has stated the identification and acknowledgement of negative human rights impacts in lower tiers of supply chains.

“The most serious human rights concerns tend to be found in lower tiers of our supply chains: our suppliers’ suppliers, and so on. Many of these risks are therefore hidden from easy identification, and our direct leverage to address them is reduced”

(Tesco, 2016)

“We assess the potential human rights risks of our supply chains by considering the country of origin where we are sourcing products or raw materials from”

(Tesco, 2018c)

This can be regarded as a response to the Modern Slavery Act (2015) and in the company’s Modern Slavery Report, there are many references to human rights issues in the supplier base. Tesco has categorized its supplier countries as low risk, medium risk and high risk in relation to human rights violations and Sri Lanka is identified as a high risk country (Tesco, 2018c).

The company has recognized that when manual labour is involved in the production process (especially agricultural and plantation sectors), the human rights violations are common and also seasonal, refugee and migrant workers are at high risk of being exploited (Tesco, 2018c). Also the actions taken by the company to reduce such incidents are detailed.

“Through our 3 year support for UNICEF and the Ethical Tea Partnership (ETP) partnership, we have continued to improve opportunities for tens of thousands of children in Indian tea communities and reduce their vulnerability to trafficking and abuse”

“Our continued partnership with Issara Institute ensures our highest risk supply chains in Thailand are monitored independently” (Tesco, 2018c).

As such it is clear that the company is paying more attention to human rights violations in its GVCs in recent years as a result of changing UK Government regulations and legislations.

### ***7.5 Sainsbury's Plc.***

Sainsbury's is a UK based FTSE 100 MNC which has suppliers and GVCs across over 70 sourcing countries. There are over 2000 Sainsbury's brand supplier sites with over 350,000 workers in first tier suppliers of Sainsbury's brand grocery supply chain (Sainsbury's, 2017b). The company has a Supplier Policy on Ethical Trade which is based on Ethical Trading Initiative's (ETI) base code, ILO core labour conventions and Universal Declaration of human rights (Sainsbury's 2018a).

Although the company has not specifically adopted GRI-G4 as a reporting guideline, the adaptation of above policies and standards means the guideline could be used as a benchmark to evaluate the extent of CSR reporting.

The following reports and policies were referred to in this study.

2020 Sustainability Plan – 2012

2020 Sustainability Plan – 2013

2020 Sustainability Plan – 2014

Corporate Responsibility and Sustainability Update – 2015

Corporate Responsibility and Sustainability Update – 2016

Human Rights Policy

Supplier Policy on Ethical Trade

Modern Slavery Statement 2016/17

**7.5.1: Content analysis of the CSR reports of Sainsbury's plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects**

**Table 7.5.1: Content Analysis of CSR Reports of Sainsbury's Plc from 2012 to 2016 using GRI G4 Codes for Labour Aspects**

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-LA14	Percentage of new suppliers screened under labour practices criteria	-	-	-	-	-
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chains and actions taken	-	-	-	-	-

Supplier Assessment for Labour Practices reporting criteria, G4-LA14 (Percentage of new suppliers screened under labour practices criteria) requires companies to report the extent to which new suppliers have been screened using labour practices guidelines before entering contractual agreements with them. Sainsbury's has not provided any figures or details about screening new suppliers in its CSR reports from 2012 to 2016. Although the Supplier Policy on Ethical Trade mentions supplier auditing and screening, it does not provide specific information regarding the issue.

“Sainsbury's suppliers must ensure that they meet all requirements laid down in law at the point of manufacture”

(Sainsbury's, 2017c).

“We recognise the importance of being aware of labour practices in our supply chains and the need to monitor, evaluate and act on information about our suppliers', sites' and growers' performance. To do this, we use a range of tools

including independent, third party audits of suppliers and sites, self-assessment questionnaires and confidential mechanisms for workers to highlight issues”

(Sainsbury’s, 2017c).

Despite the above statements, the company has failed to report any information regarding the actual measures taken to ensure proper labour practices in its suppliers and this reduces the credibility of the extensive details provided in the Supplier Policy on Ethical Trade.

The second Supplier Assessment for Labour Practices reporting criterion, G4-LA15 (Significant actual and potential negative impacts for labour practices in the supply chains and actions taken) requires the companies to identify and report on negative human rights practices in their supply chains. However, Sainsbury’s has not specified any actual or potential negative labour practices in any of its CSR reports or in the website despite pledging to be transparent to all the stakeholders.

“We aim to be transparent with all our stakeholders on our ethical trade performance and would encourage our suppliers to do likewise”

(Sainsbury’s, 2017c)

The Supplier Policy on Ethical Trade (Sainsbury’s, 2017c) only provides general guidelines on how to implement the policy from the company’s point of view. Although there are separate sustainability standards for tea, prawn, sugarcane and flowers supply chains, the company has not specified any associated negative impacts for labour practices in these supply chains. The tea industry in Sri Lanka was analysed in this study and it was found that there are many labour rights issues in the GVCs during the interview stage. Also, labour issues were identified in the garments sector in Sri Lanka which supplies garments to Sainsbury’s TU brand. It can be assumed that such issues



could have been identified during the auditing and questionnaire processes the company carries out as per the Supplier Policy on Ethical Trade. Therefore, the lack of reporting from the company regarding these issues indicates that such negative information is deliberately not disclosed in the belief that it might harm the corporate image of the company.

**7.5.2: Content analysis of the CSR reports of Sainsbury's plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

**Table 7.5.2: Content Analysis of CSR Reports of Sainsbury's Plc from 2012 to 2016 using GRI G4 Codes for Human Rights Aspects**

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-HR1	Number of significant investment agreements and contracts that include human rights clauses	-	-	-	-	-
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	-	-	-	-	-
G4-HR5	Operations and suppliers identified as having child labour and measures taken to abolish child labour	-	-	-	-	-
G4 – HR6	Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues	-	-	-	-	-
G4 – HR9	Number and percentage of operations that have been subject to human rights reviews or impact assessments	-	-	-	-	-
G4 – HR 10	Percentage of new suppliers that were screened using human rights criteria	-	-	-	-	-
G4 – HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	-	-	-	-	-

Investment reporting criteria, G4-HR1 (Number of significant investment agreements and contracts that include human rights clauses) has not been reported during the time period. Even though the company's Supplier Policy on Ethical Trade is based on ILO labour standards and Ethical Trading Initiative Base Code which contain human rights clauses, there is no indication that the company has used these clauses in its investment and contractual agreements with the suppliers. Similarly, employee training hours on human rights policies has not been reported but there is some information regarding supplier training in the company website.

“Sainsbury's Supplier Ethical Trade Training Links guide for support on a wide variety of training including modern slavery, health and safety and effective HR management”

“Course on agency labour and the prevention of worker exploitation is delivered by our strategic partners”

“Clothing and general merchandise suppliers supported by six-monthly ethical trade courses in-country" (Sainsbury's, 2018a).

All the above references are regarding supplier training but there are no details of company employee training on human rights.

Freedom of Association and Collective Bargaining reporting criterion, G4-HR4 (Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk) is not reported and there is no information in this regard in the website too. However, the company claims this aspect is one of the fundamentals of its Code of Conduct for Ethical Trade (Sainsbury's, 2017c).

“Freedom of association and the right to collective bargaining are respected”

(Sainsbury's, 2017c).

The issue of violation of freedom of association and collective bargaining is common in many GVCs based in developing countries and it was evident during the interviews of this study, especially in the garments sector. Therefore, it can be argued that such negative aspects are not reported by the company considering the unfavourable consequences of such reporting.

Similarly, Child Labour reporting criterion, G4-HR5 (Operations and suppliers identified as having child labour and measures taken to abolish child labour) is not reported despite the aspect being highlighted in the company's Code of Conduct for Ethical Trade.

“Child labour shall not be used”

(Sainsbury's, 2017c)

Also, there are some references regarding child labour in industry specific sustainability standards (Eg:- policy guidance and implementation methods in tea industry) but there is a significant lack of reporting of actual data which could have enhanced the credibility and transparency in CSR reporting.

The situation is the same for Forced or Compulsory Labour reporting criterion, G4-HR6 (Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues). The references are as follows but there is a lack of reporting of actual incidents occurring commonly in the GVCs of multinational companies. Forced labour is a main labour rights issue identified in the interview stage of this study particularly in the garments sector.

“Employment is freely chosen and working hours are not excessive”

(Sainsbury's, 2017c).

The company's guidance for Supplier Management of Ethical Trade Process outlines the third-party auditing process of suppliers and the identification of non-conforming suppliers based on a grading system. However, there is a significant lack of reporting of specific issues and corrective measures taken with regard to the above-mentioned major human rights aspects.

Assessment reporting criterion, G4-HR9 (Number and percentage of operations that have been subject to human rights reviews or impact assessments) and Supplier Human Rights Assessment reporting criterion, G4-HR10 (Percentage of new suppliers that were screened using human rights criteria) had not been reported in any of the CSR reports itself from 2012 to 2016. However, it is stated that the company requires all suppliers to meet their Code of Conduct for Ethical Trade as a minimum standard and that third-party audits are conducted to ensure this.

“We are founding members of the Ethical Trading Initiative (ETI) and require all our suppliers to meet our Code of Conduct for Ethical Trade which is based on the ETI Base Code. This Code of Conduct outlines respect for the human rights of workers in our supply chains”

(Sainsbury's, 2018b).

Also, it is stated that all new supplier sites must have been audited based on the company's Code of Conduct for Ethical Trade before commencing production.

“All new sites must have an in-date ethical audit before production commences

(Sainsbury's, 2017c).

As the Code of Conduct for Ethical Trade includes human rights clauses, it can be argued that the requirements for G4-HR9 and G4-HR10 had been fulfilled where the term ‘all’ indicates that 100% of new and existing supplier operations and factory sites had been screened using human rights criteria. However, it is difficult to establish when the Human Rights Policy and Supplier Policy on Ethical Trade were first introduced as they are regularly updated online. Therefore, the contents of these policies could not be attributed to yearly CSR reports thus the aspects were classified as not reported.

Supplier Human Rights Assessment reporting criteria, G4-HR11 (Significant actual and potential negative human rights impacts in the supply chain and actions taken) had not been reported in the CSR reports from 2012 to 2016 but the company has identified some human rights issues in the supply chains in its Modern Slavery Statement (Sainsbury’s, 2017b).

“In our clothing supply chain, we have joined and fund an industry initiative, alongside trade unions and NGOs, to tackle the exploitation of female workers in the spinning mills of Tamil Nadu in India”

(Sainsbury’s, 2017b).

“We are active members and funders of Project Issara which was originally set up by Anti-Slavery International to identify and support victims of trafficking and slavery in the Thai fishing industry. More than 5,000 workers have been positively impacted by corrective actions to address labour exploitation and 468 victims of trafficking have been supported through the victim support fund”

(Sainsbury’s, 2017b).

Therefore, it can be argued that the company is increasingly engaged in identifying and rectifying actual and potential negative human rights impacts in its

supply chains especially after the implementation of Modern Slavery Act (2015). This can be regarded as a response by the company to institutional changes in the home country (UK).

### **7.6 Summary**

In total, 20 CSR reports (four companies with five CSR reports in each) were analysed in this study and the content of those reports were used to check the extent of CSR reporting based on GRI G4 reporting guideline. In addition to annual CSR reports, the company websites and related reports, policies and statements were analysed to obtain further information. The following tables summarize the reporting extent by all the companies.

***Table 7.6.1: Total Numbers of CSR reports that have reported Labour Aspects of GRI G4 from 2012 to 2016***

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-LA14	Percentage of new suppliers screened under labour practices criteria	0	0	2	2	2
G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chains and actions taken	1	1	3	3	3

**Table 7.6.2: Total Numbers of CSR reports that have reported Human Rights Aspects of GRI G4 from 2012 to 2016**

<b>GRI G4 Code</b>	<b>Reporting Indices</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
G4-HR1	Number of significant investment agreements and contracts that include human rights clauses	1	1	2	2	2
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	0	0	0	0	0
G4-HR5	Operations and suppliers identified as having child labour and measures taken to abolish child labour	0	0	0	0	0
G4 – HR6	Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues	0	0	0	0	0
G4 – HR9	Number and percentage of operations that have been subject to human rights reviews or impact assessments	2	2	2	2	2
G4 – HR 10	Percentage of new suppliers that were screened using human rights criteria	1	1	1	1	1
G4 – HR 11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	0	0	1	1	1

Also, there is a slight increase in reporting over the years, probably due to managerial decisions or changes in the institutional environment such as the legalization of Modern Slavery Act in 2015.

***8.1 Introduction***

This chapter provides an in-depth analysis and discussion of the findings that were presented in Chapters five, six and seven. Section 8.2 is related to RQ.1 and discusses the GVC governance structures of garment, rubber and tea sectors separately and their influencing effects on L&HR issues prevail in each sector. The discussion is based on Global value chain framework. Section 8.3 is related to RQ.2 and RQ.3 and discusses the identified L&HR issues in each sector mentioned above. Particular attention is paid to evaluate the influencing institutional forces based on the Institutional theory. Section 8.4 is addressing RQ.4 and discusses the quality and extent of CSR reporting by four UK MNCs. Differences between their reporting and real L&HR issues identified in their GVCs in Sri Lankan global suppliers are highlighted based on the Legitimacy theory. Section 8.5 summarizes the conclusions and the last section 8.6, provides a brief summary of the chapter.

***8.2 GVC governance structures in garment, rubber and tea sectors and their influencing effects on labour and human rights issues***

As required by RQ.1, the GVC governance structures of garment, rubber and tea sectors were identified and established in Chapter 5. Also, that chapter presented the influence of those governance structures on L&HR issues in each sector (negative and positive implications). This section provides an analysis of those findings mainly based on Global value chain framework and past literature.

***8.2.1 Garment Sector***

In Chapter 5, it was established that the Sri Lankan garment sector suppliers are governed by Captive value chain governance structures. The characteristics included



significant power asymmetry and high levels of explicit coordination from the buyers. Captive value chains exist where there is a significant control and monitoring exercised by the lead (buyer) companies leaving the less powerful and capable suppliers to depend on these lead companies. (Gereffi *et al.*, 2005). The buyers have considerable powers over the suppliers which creates a power asymmetry between the two parties resulting in a situation where the suppliers are locked in a ‘captive’ status and face high ‘switching costs’ (Ibid). Explicit coordination with regard to product specifications, quality compliance and lead times is also a characteristic of Captive value chains.

Further characteristics of the GVCs revealed in the interviews included the complex nature of knowledge and information transferred between the buyer and suppliers and the high level of efficiency at which these are transferred owing to the high educational levels and proficiency in English of the managers of supplier companies. Gereffi *et al.*, (2005) mentioned that these are unique characteristics of Captive value chains. Also, the lack of supplier capabilities (as a result of based in a developing country) in terms of product design, technologies, quality control and logistics were described in Chapter 5. Captive value chains are characterised by the lack of supplier capabilities which in turn accords more powers to the buyers to control the GVC and its operations. As explained above, it is clear that the GVCs involving UK MNCs and Sri Lankan garment suppliers demonstrate the governance structure of Captive value chains as explained in the Global value chain framework thus conforming to the conceptual framework proposed by Gereffi *et al.*, (2005).

However, an emerging trend was identified where the garment suppliers have been establishing themselves as more capable and trusting partners of MNC buyers trying to move from contractual relationships to more long-term reputation-based relationships. Also, it was evident that these garment suppliers are forming more

permanent and significant backward linkages with sub suppliers in SL and in other developing Asian countries. Nevertheless, such characteristics cannot be considered as those of Relational value chains (the next step up from captive value chains) as yet, due to the overwhelming evidence presented above in favour of Captive value chains. However, it confirms the concept of shifting governance patterns of GVCs as explained by many researchers (Gereffi *et al.*, 2005; Holtbrugge and Kreppel, 2012; Marchi and Grandinetti, 2014; Arora and Ratnasiri, 2015). Fernandez-Stark *et al.*, (2011) mentioned that Sri Lankan garment industry is in the initial stages of moving from contractual relationships to long-term relationships with the buyers. Also, some researchers have noted that Sri Lankan garment suppliers have developed a certain reputation as ethical companies in line with the Garment without Guilt concept (Arunatilake, 2012; Ruwanpura, 2016). The progress of these shifting patterns should be further investigated by future research.

Captive value chains, dominated by powerful buyers (mostly MNCs) give rise to some negative implications on L&HR of the suppliers. Chapter 5 identified these as low wages, forced overtime and violation of the rights of freedom of association. The issue of low wages for the labourers in buyer-driven Captive value chains had been explained by some researchers (Gereffi, 1994; Absar, 2001). In the garment sector, the suppliers have to keep the wages at the minimum to reduce production costs thus presenting themselves as low cost suppliers in a highly competitive industry (Absar, 2001). Kale (2016) highlights the difficulties faced by garment workers in SL due to their wages which are significantly lower than the living wage. However, it was acknowledged that low wages are not entirely a negative impact of being in Captive value chains as Sri Lankan government also plays a role in this. As part of trade liberalization programmes, the government promotes the country as a low-cost destination to invest which is characterized by cheap labour. As Mintz-Habib (2009) stated, many developing

countries take measures to present them as a cheap labour country to attract FDI from the MNCs. The minimum wages set by the Wages Boards of Department of Labour in SL are significantly lower than the living wages (Kale, 2016).

Other negative implications of Captive value chains are forced overtime, difficult working conditions and unpleasant working environment. Some labourers have asserted that they have to work overtime and work on holidays to meet the targets or rectify any errors they have made. These situations arise as the suppliers are given strict product specifications, quality control measures and lead-times by the buyers who try to meet increasing customer demands. Lynch (2007) has noted that if a labourer made a mistake (for example in cutting the fabric or in stitching) they might be subjected to verbal punishments by the supervisors or managers and would be forced to correct the errors by working overtime. However, it was recognized that the perceptions of the labourers about these issues depend on personal circumstances and personal attributes as some admitted they were unfair and difficult while some others were content with those issues. This will be discussed in more detail under paternalism and religious influences later in this chapter.

As explained above, suppliers in Captive value chains are in a constant struggle to meet the demands of buyers while minimizing costs. Sivananthiran (2007) stated that to ensure that the production processes are running smoothly with minimal disruptions, TU activities are restricted. Ruwanpura (2015) and Arunatilake (2012) have also highlighted the issue of restrictions on TU activities within the Sri Lankan garment sector. This situation is compounded by the actions of Sri Lankan government too as it promotes the country as a perfect place to invest (Board of Investment, Sri Lanka, 2017) as part of the trade liberalization economic policies (Athukorala, 2007). In its Labour

Standards and Employment Relation Manual, The Board of Investment of Sri Lanka (2004) specifies the provisions for TUs and ECs for workers of BOI enterprises.

“The employees of BOI enterprises shall have the right to form and join trade unions of their own choosing and to bargain collectively, subject to the provisions of the Trade Unions Ordinance and the Industrial Disputes Act” (Board of Investment, Sri Lanka, 2004).

“The BOI will facilitate the establishment of Employees' Councils in BOI enterprises pursuant to the Guidelines issued by the BOI, as a measure of promoting employees' participation in decision-making on matters affecting them and labour-management consultation and co-operation on matters of mutual concern at the enterprise level” (Board of Investment, Sri Lanka, 2004).

The wordings in the above two phrases, *shall* for TUs and *will* for ECs indicate that the BOI prefers ECs and it seems that the managers (in general whether their companies are BOI affiliated or not) are taking measures to prevent TU activities. Employees are given the impression that they are being empowered (participate in the decision making, consultation etc.) through ECs to prevent them leaning towards TUs. However, ECs do not equate to the TUs as collective bargaining powers are taken away from the labourers instead forcing them to raise their concerns on an individual basis at the ECs (Ruwanpura, 2015). Many labourers (mostly females) do not feel comfortable in doing so and therefore refrain themselves from making any complaints in fear of labelling as a 'trouble maker' and losing their jobs (Lynch, 2007).

On the other hand, MNCs, driven by liberal market capitalism and profit maximisation want to ensure customer satisfaction by enabling strict production procedures such as JIT (just in time) thus welcome the offerings set out to maximise

productivity of their suppliers. Locke (2013) mentioned that some persistent labour problems originate in upstream business strategies (of MNCs). Anner (2012) stated that MNCs are more concerned about CSR practices in GVCs that would enhance their legitimacy (minimum labour standards and H&S) than violations of freedom of association and collective bargaining. As such, it could be argued that the buyer driven Captive value chain governance structures along with economic strategies of developing countries are undermining the fundamental rights of freedom of association and collective bargaining. All the issues mentioned above confirm the power asymmetry and different levels of benefits reaped by buyers and suppliers in a GVC depending on their strengths and weaknesses (OECD, 2011).

In contrast to the above-mentioned negative implications, some positive aspects of being in a Captive value chain were identified in Chapter 5. A notable aspect is, increased measures to ensure proper working conditions and H&S standards through buyer-led governance mechanisms such as audits, inspections and sanctions for non-conformity. The structure of the Captive value chains eases the identification of buyer-supplier relationships as they are direct relationships without intermediaries. This means if something negative happens in the supplier companies (a fire, a factory collapse or significant environmental damage), it affects the reputation and the ethical image of the buyers. For example, when a Bangladesh garment factory collapsed causing thousands of deaths, the buyer companies came under immediate scrutiny and criticism from the world media, pressure groups and general public (Manik and Yardley, 2013).

According to Legitimacy theory, companies always seek to create, maintain and repair their legitimate status in the public eye (Lindblom, 1993 (as described in Gray *et al*, 1995)). MNCs are concerned about their reputation as socially responsible organizations and engage in legitimacy-seeking activities (Beddewela and Fairbrass,

2016). It could be argued that MNCs engage more in such activities when the threat for their reputation is more prominent as in Captive value chains. Therefore, they are actively involved in ensuring good practices in their supply chains through CSR, codes of conduct, audits, monitoring, inspections and delisting the non-conforming suppliers. For example, Next plc. has its own codes of conduct based on international labour standards to carry out audits in their supplier companies (Next, 2018c).

Anner (2012) argues that corporate-influenced CSR practices such as audits focus more on ensuring factory conditions and H&S measures are up to the standard levels. Private enforcement efforts (governance mechanisms) of MNCs have limited effectiveness with regard to H&S standards while they have almost no impact on ensuring freedom of association and collective bargaining (Locke, 2013). Ruwanpura, 2016, as quoted in Kale (2016) states that MAS (a prominent Sri Lankan garment supplier) is top of the range in terms of working environment and generally adhering to codes despite failing in ensuring freedom of association. It can also be argued that the close relationships (coordination) between buyers and suppliers, ease of communication (exchange of knowledge and information) and the high level of authority exercised by the buyers in Captive value chains facilitate the implementation of the above-mentioned governance procedures.

Another positive aspect derives from Captive value chains is that the buyers' involvement in CCR where their suppliers are based. Heenatigala (2016) mentions that community development is vital as a CSR strategy in SL as the government fails to improve facilities for communities (particularly in rural areas) due to budget restrictions. Beddewela and Fairbrass (2016) have explored the community-based CSR practices by MNCs operating in SL as a way of seeking legitimacy. It seems that CCR is considered by both buyer MNCs and suppliers as a way of helping the local communities while

building their own reputations and rapport with the government and NGOs (Beddewela and Fairbrass, 2016). Nevertheless, these activities have enhanced the quality of life in many communities in SL.

### ***8.2.2 Rubber Sector***

In Chapter 5, it was established that the global rubber suppliers of SL could be categorized into two groups; VARP suppliers and natural rubber suppliers. Also, it was mentioned that these two categories have different GVC governance structures where the first category is governed by a transitional stage between Captive value chains and Relational value chains while the latter category falls into Market value chains.

#### ***8.2.2.1 Value-added rubber products (VARP) sector***

The characteristics of the GVCs in this sector include medium to high levels of explicit coordination from the buyers and the captive status of suppliers due to contractual relationships and weaknesses in own production processes which are unique to Captive value chains. On the other hand, the availability of locally-sourced, high-quality natural rubber and certain advanced production technologies (especially in tyres and gloves productions) could be regarded as high supplier capabilities which are characteristics of Relational value chains. Sri Lanka Export Development Board (2017b) states that SL is the only manufacturer of best quality latex crepe rubber and the leading exporter of solid tyres as well as well-known for its latex-based gloves exports. This indicates that the VARP sector has a competitive advantage to demand higher prices from their buyers. However, the suppliers in this subsector have not properly established long-term backward linkages with sub suppliers which is an essential characteristic of Relational value chains.

Although, the companies in this sub sector have had the advantage of the access to high-quality natural rubber for a long period, the production related technological developments could be regarded as relatively new (Samarasinghe and Karunaratne, 2015). As such, it was determined that the GVC governance structure of the VARP sector is in an intermediate stage between Captive value chains and Relational value chains. This again confirms the shifting nature of the GVC governance structures as explained by Gereffi *et al.*, 2005; Holtbrugge and Kreppel, 2012; Marchi and Grandinetti, 2014 and Arora and Ratnasiri, 2015. Also, it demonstrates that certain GVCs, at a given time, could not be categorised sharply into the five governance typologies in the Global value chain framework. Instead, they are in transitional stages sharing characteristics from either side thus formulating a more fluid nature of the framework. This shifting governance pattern could be investigated thoroughly by a long-term study.

Even though, the governance structure is in an intermediate stage and higher prices could be commanded by the suppliers, it seems that the benefits are not entirely transferred to their labourers. For, some of the L&HR issues identified in this subsector are much similar to those of garment sector (partly derived from being in Captive value chains). Low wages were identified as the most prominent issue where all the labourers agreed that their wages were not enough to cover the expenses. This could be taken as an instant where local institutional forces have more influence than any benefits derived from a more relational GVC governance structure, as the government sets the minimum wages at a level which is considerably lower than the living wages. Bartley (2018) mentions that when there is a direct clash between domestic governance and MNCs' voluntary codes, the domestic rules almost always override the latter. It seems that both the suppliers and MNCs are inclined to agree on minimum wages for labourers as it is within the laws, labour standards and regulations instead of *going beyond* as socially



responsible organizations. This confirms the business case for CSR (Solomon, 2013) as the companies are more interested in reputation-building CSR activities than addressing the real issues faced by the labourers at the lower tiers of GVCs.

Even though, the VARP sector does not fall entirely within the Captive value chains, it was mentioned that the suppliers are still in a captive status which means they have to meet the strict demands from the buyers. This again has resulted in similar issues observed in the garment sector such as forced overtime where most of the labourers confirm that they had been pressurized to work overtime to cover targets. However, the scenario relating to freedom of association and collective bargaining is somewhat complex and inconclusive. For, out of the two suppliers in this subcategory, R1 allowed TUs while in R2, they were restricted. Therefore, it could not be established whether there were any implications of being captive suppliers who have to ensure smooth running of production without disruptions to meet targets (Sivananthiran, 2007). The only explanation could be the fact that R1 has a long history (who traditionally allow TUs) when compared to relatively new R2 (who tend to restrict TUs in line with liberal economic policies). Further studies with a wider range of cases should be needed to establish the facts.

As same as in the garment sector, having close relationships with the buyers has yielded some positive aspects in the VARP sector too. The most notable are, increased emphasis on ensuring H&S measures and proper factory conditions. Both R1 and R2 are subjected to audits and inspections by their buyers which indicate that the MNCs are concerned about such issues given their close and traceable relationships with the suppliers. Nevertheless, this has increased the working conditions for labourers as the suppliers are committed to satisfy the requirements of their buyers. The supplier companies are engaged mostly in environmental protection as CCR projects due to the

nature of the industry which could cause severe environmental damage and pollution. However, there were no indications that buyer MNCs are supporting such projects but the Central Environmental Authority of Sri Lanka is more influential in this aspect.

#### ***8.2.2.2 Natural rubber supply sector***

As explained in Chapter 5, this sub sector has the characteristics of Market value chains; arm's length relationships with the buyers (minimal explicit coordination and information transfer), reduced power asymmetry, prices set by the suppliers based on product quality and increased supplier capabilities in terms of access to high-quality raw material and own technologies. As Gereffi *et al.*, (2005) pointed out, these are unique characteristics of Market value chains and are observed in natural products sectors. Sri Lanka Export Development Board (2017b) emphasises the advantageous situation of SL as the leading natural crepe rubber manufacturer (known as the Rolls Royce of rubber) and exporter which fetches premium prices. Therefore, it could be concluded that the GVC governance structures of natural rubber supply chains conform to the market value chain descriptions presented in the Global value chain framework.

Although it is said that the subsector demands premium prices, the identified L&HR issues indicate that the benefits are not transferred to the labourers. They are paid a minimum wage and often work on casual basis (especially the plantation workers). The company which represented this subsector, R3, did not allow the researcher to interview the plantation workers citing that they are busy at work. Therefore, a complete understanding of the issues faced by them could not be formulated as the interviews were conducted with the estate manager (who may have had response bias) and factory workers (who have much more permanent and recognized employment statuses than plantation workers). Alawattage and Wickramasinghe (2008) have stated that issues faced by plantation workers such as low

wages and difficult working conditions have a detrimental effect on their health which is compounded by poor nutrition and heavy alcohol consumption.

Moreover, the H&S standards and factory conditions are not as high as in garment sector or VARP sector as there is minimal to non-existent intervention from the buyer MNCs. As the buyer-supplier relationships are vague and arm's length in Market value chains, it is difficult to track MNCs' involvements with their supply chains. According to Bartley (2018) when the network (GVC) distance is greater between MNCs and suppliers, the implementation of governance mechanisms is weaker. According to Legitimacy theory, MNCs only act in a socially responsible way when they identify a threat to their corporate reputation (Lindblom, 1993 (as described in Gray *et al*, 1995)) and in Market value chains, this threat is minimal if a negative incident happened in the suppliers. Therefore, it seems that the MNCs do not make any effort to carry out audits or inspections as they do in Captive or Relational value chains. This has detrimental effects on the working conditions and H&S of the labourers as the local (Sri Lankan) laws and regulations are not adhered to properly nor monitored. Also, the CCR projects carried out by R3 are not supported by MNCs, instead NGOs are mostly involved in such activities. This again supports the business case of CSR as the MNCs are only interested in CSR projects which enhance their profiles (Solomon, 2013) which is hard to attain in Market value chains.

### **8.2.3 Tea Sector**

The tea sector which mostly exports tea dust in its preliminary form has demonstrated the characteristics of Market value chains where product specifications are very low and the suppliers are capable of production with little or no interference from the buyers (Gereffi *et al.*, 2005). SL has a long history of reputation as a producer of high-quality tea with unique tastes (Sri Lanka Tea Board, 2018). As the tea factories

had been established long time ago, the production processes and technologies of producing tea dust from tea leaves are well known and familiar with the Sri Lankan tea suppliers. This knowledge and the availability of high-quality tea could be considered as strong supplier capabilities which is unique to Market value chains. Strong supplier capabilities mean the power asymmetries between the buyers and suppliers are reduced. Moreover, explicit coordination or knowledge transfer is not needed as suppliers are fully capable of producing the required product. All these characteristics indicate that the tea sector GVCs are governed by Market value chains as explained by the Global value chain framework (Gereffi *et al.*, 2005).

Even though the suppliers are in an advantageous position and could demand higher prices, it seemed that those benefits are not enjoyed by their labourers which echoes the situation in natural rubber sector. The prominent issues are low wages, precarious working conditions, inadequate occupational H&S measures, job insecurities and poor living conditions and social welfare (Alawattage and Wickramasinghe, 2008; Ahmed, 2014). The minimum wages for plantation sector are much low due to the informal nature of the work and the management seems to adhere to those minimum wages than listening to the voices of labourers who are constantly complaining of low-income levels. This could be attributed to the weaker institutional forces (political, regulatory, legal and social movements) in SL. Arunatilake (2012) has highlighted the precarious working conditions commonly observant in the tea sector.

Labourers in the tea sector do not enjoy the positive aspects of Captive and Relational value chains which are rendered through the intervention and top-down governance mechanisms of MNCs. The buyer-supplier relationships in the tea sector are much complex due to the presence of several intermediaries (tea auctioneers and brand sellers) which means the link between the MNCs and the Sri Lankan suppliers are

obscured. Under these circumstances, the MNCs seem to be less interested in CSR or ensuring proper labour practices in their suppliers. None of the tea factories studied in this research have not been visited, audited or inspected by the MNC buyers and the managers are not aware of any governance mechanisms carried out by their buyers. Also, the websites of the MNC buyers (Tesco, Sainsbury's) do not explicitly mention their supplier countries or the related CSR activities in relations to products such as tea (as opposed to garment sector). These supermarkets sell tea as branded products (PG Tips etc.) but do not reveal the country of origin explicitly on the packages thus obscuring that information from the consumers and other interested parties.

. The non-involvement of MNCs in the labour practices of Sri Lankan tea suppliers can be explained by the Legitimacy theory. They are only interested in creating, maintaining or repairing their legitimate image if they think it is under threat (Mobus, 2005) through their own or their suppliers' actions. Under this scenario, it can be determined that the MNCs are not interested in the L&HR issues at the lower tiers of tea sector GVCs in SL as their relationships are not clearly visible to the interested stakeholders. Any L&HR issues prevail in the tea estates in SL are of less priority for them than issues in Captive or Relational GVCs where the two parties (suppliers and buyers) could be linked easily.

Also, there might be difficulties in implementing and streaming the relevant governance procedures along the GVCs due to the complex nature of the relationships. When the distance between MNCs and suppliers are longer and buyer-supplier relationships are not durable (in tea sector, there are not any long term relationships between the two parties as opposed to garment or VARP sector), the implementation of MNCs' governance procedures is much weaker (Bartley, 2018). At the same time, the institutional factors in SL, especially legal and regulatory aspects are too weak or

disorganized to ensure proper labour practices that would benefit these vulnerable labourers. As for the Institutional theory, the institutional environment of a country significantly influences the ways that country's companies and organizations behave (Campbell, 2007). Therefore, the absence of political integrity and a reliable legal framework has significantly reduced the possibility of establishing and maintaining proper labour practices in the plantation sectors. Bartley (2018) mentioned that when the capacity of state and civil society is low (as is the case in SL), it is difficult to achieve meaningful compliance with CSR procedures of MNCs.

### ***8.3 Labour and human rights issues in garment, rubber and tea sectors and the effect of institutional forces***

Chapter 6 presented the findings relating to the L&HR issues in garment, rubber and tea sectors as required by RQ.2. The chapter also identified the role of institutional forces in shaping the nature of such issues as raised by RQ.3. As the previous section discussed most of these issues based on GVC governance structure, this section provides an analysis and interpretation of the influences of institutional forces.

#### ***8.3.1 Garment Sector***

The main issues identified in Chapter 6 were low wages (not sufficient to cover living expenses), forced overtime (requirements to work on public and national holidays and compulsory overtime to cover targets) and violations of freedom of association and collective bargaining rights. Employment security, social security and H&S are relatively at higher standards. As explained in section 8.2, some of these could be attributed to the Captive value chain governance structures dominant in the garment sector GVCs.

Most of the identified issues had been recognised by previous literature. Low wages in garment sector had been highlighted by many researchers (Absar, 2001; Sivananthiran, 2007; Arunatilake, 2012; Ruwanpura, 2015). As many of the young women working in the sector have internally migrated from rural areas, they have accommodation, food and other social costs which are higher in the urban areas where the companies are established (Arunatilake, 2012). Forced overtime and stressful working conditions in garment sector suppliers have been exposed by previous literature (Lynch, 2007; Arunatilake, 2012). As the suppliers are obliged to meet the targets demanded by buyer MNCs, the managers force the labourers to meet difficult and demanding production targets which often include monotonous work (Arunatilake, 2012). Ruwanpura (2016) and Arunatilake (2012) highlight the issue of violation of freedom of association. Some social issues have been identified in EPZs where the young garment workers had been harassed verbally, physically and sexually (Sivananthiran, 2007). However, these were not revealed in this particular study.

### ***8.3.2 Rubber Sector***

The main issues identified in Chapter 6 relating to VARP sector were low wages, forced labour (requirements to work on public and national holidays and compulsory overtime to cover targets and compulsory night shifts) and violations of freedom of association and collective bargaining rights in some instances. Employment security, social security and H&S are relatively at higher standards due to governance mechanisms from buyer MNCs. As explained in section 8.2, some of these could be attributed to the Relational value chain governance structures dominant in this sector. There is a lack of previous literature specifically relating to the L&HR issues in the VARP sector except those that investigated the issues in EPZs in general (Sivananthiran, 2007; Arunatilake, 2012).

The natural rubber supply sector experiences the worst forms of L&HR issues (low wages, precarious working conditions, forced overtime, low social security and social welfare) as neither the MNCs' governance mechanisms nor local institutional environment provide enough substance to ensure proper labour practices. The non-involvement of MNCs was explained by the Market value chain governance structures while the lack of support from institutes could be attributed to the weak and disorganized nature of institutional forces. Although some researchers have investigated the health issues in plantation sector (Alawattage and Wickramasinghe, 2008, Atukorala *et al.*, 1994), there is no proper analysis in to the L&HR issues experienced by these workers.

R3 is situated in an extremely isolated and poverty-stricken area of SL although it is situated within the limits of Colombo District. The locals are dependent on the company and regard the opportunity to have a job there as a privilege. Therefore, they are very reluctant to talk anything against the company or the managers out of fear of losing the job. Several generations have worked for the company and the educational levels are low as the local school only provides primary education. Therefore, the poverty continues as a cycle as they have no means of escaping to a new area or to start a new job or business. However, there is a small trend of young adults trying to escape the village by moving to other areas in search of better lives and the managers say they have an issue in finding enough labourers to continue their production processes.

R3 does not have an official website and therefore any written policies regarding CSR could not be found. The factory manager and the estate manager explained the L&HR practices while answering the questionnaires but sometimes they seemed to avoid some sensitive questions such as employment contract and termination clauses by highlighting their own issues of labour shortages and the community work they have



done to reduce poverty in the surrounding areas. Therefore, it was recognized that the managers were using distracting methods to avoid being faced with the real L&HR issues in the company.

### **8.3.3 Tea Sector**

Along with the natural rubber sector, tea sector experiences the worst forms of L&HR issues. The main issues identified in Chapter 6 are much similar to those of the natural rubber sector as both are governed by Market value chains and are ignored by buyer MNCs and local authorities alike. Moreover, labourers in T1 face even more difficulties due to the unique political, historical, ethnical and cultural situation surrounding the lives of hill country plantation workers. Sri Lankan tea industry was started during the British Colonial era and was mostly concentrated in the highlands of central SL. However, the local Sinhalese people refused to work as labourers in these tea estates and the British governors had to *import* Tamil labourers from Southern India (The Economist, 2017). After several generations, these labourers are still confined to the tea estates and feel isolated and not belonging to either South India or SL. These historical and political aspects affect these labourers still today as much as they are affected by the nature of the governance patterns of GVCs and institutional factors. This will be discussed more under the influence of institutional factors.

In the plantations sectors, the working hours are mostly determined by the weather conditions and crop cycles where work is affected by heavy rains, droughts and other natural factors depending on the time of the year. Nevertheless, the labourers are forced to increase or decrease their working hours at the discretion of the management leading to issues with their income levels, health, welfare and job security. In tea sector, female estate workers have to work outside under different weather conditions, sometimes with their babies in slings. This might have a detrimental effect on them and

the babies too as it is reported that many estate labourers specially women and their children are suffering from malnutrition and associated health conditions such as anaemia (Atukorala *et al.*, 1994).

In all three sectors, gender discrimination was observed as the job roles are gendered. Garment industry mainly recruits females while in rubber and tea sectors, males are recruited for factory work while females are assigned the jobs of rubber tapping and picking tea leaves. This type of gender stereotyping is disadvantaged for the females as most of the times they have to suffer from difficult working conditions (harsh weather and other risks) while their income levels are also unstable due to the informal working arrangements and payment methods especially in the plantation sectors. Even in the garment sector, the gendered roles means the female labourers are obedient to the male dominant management which may have hindered them from unionizing against the unfair treatments. Socio-cultural aspects in SL also contribute to gender stereotyping at workplace and in the society in general. The societal expectations for men to do heavy work (machine operating etc.) and females to do feminine work (sewing etc.) are mostly adhered to by both genders meaning there is less room for breaking the stigma and do otherwise.

Even though disability discrimination was not identified per se, there were instances where the managers admitted that disabled persons are screened out during the recruitment process which means disability discrimination *is* accomplished. As for the managers, the reason was the fact that the disabled persons working in a factory is a safety risk. However, they have not been offered any adjustments or other job roles in the company. The definition of disability is quite vaguely and simply defined in SL meaning that only very visible disabilities are considered as such and there may be many others with hidden disabilities who may even have gone unnoticed through the

screening processes and may be working in risky conditions. Also, the society still has a stigma against the disabled (partly due to Buddhist believes that they are due to bad merits transfer) and this prevents disabled people getting much support or equal opportunities from the society, government or the working places.

There was no evidence to show that child labour or worst forms of child labour exist in export industries analysed by this study. In garments and VARP sectors, it is compulsory to be above the age of 18 to work in the factories (National Child Protection Authority (Sri Lanka) (1998). In plantation sectors, it is common to children between age of 14 to 18 to work in the estates with their parents or relatives due to poverty and it is allowed by the National Child Protection Act of 1998 as the minimum age to start work is 14. The following section describes the influence of institutional factors on L&HR issues.

#### ***8.3.4 Influence of Institutional Factors***

It is clear that the MNCs and supplier companies are all operating under the institutional influences (L&HR standards, regulations, accords and conventions) of the international organizations (ILO, UN etc.) These institutional forces make the first level of the institutional forces as explained by Scott (2008). They only provide the guidance for minimum requirements and standards but the lower levels are structured on them. The second level could be consisted of the institutional environments of UK (MNCs and their organizational fields) and SL (global suppliers and their organizational fields) as the respective home-countries for buyer MNCs and suppliers. The influence of second level may include organizational norms, schemas and peer pressure (Scott, 2008; Judge *et al.*, 2008).

The UK- based MNCs have a strong institutional environment in terms of labour laws and regulations, pressure groups, media and knowledgeable customers. Therefore, despite their tendency to seek profit maximization encouraged by the liberal market economy in the country, the UK-based MNCs have stringent measures to implement and monitor labour practices such as audits, codes of conducts and CSR practices (Howell, 2003). Their motivation is also encouraged by the desire to secure a legitimate status as a socially responsible organization (Guthrie and Parker, 1989). When the situation in SL is considered, the institutional forces are not strong in terms of political and legal aspects (Athukorala and Jayasuriya, 2013). Thus, the importance of socio-cultural and religious aspects comes in to light.

### ***Paternalism***

Although paternalism is regarded as a widespread management practice in Britain and USA in the 19<sup>th</sup> century, some studies have found that this concept is still thriving in some industries in some countries (Wray, 1996; Gibbon *et al.*, 2014; Brumley, 2014). Paternalism was recognised in the garment sector suppliers where most of the labourers are women and the management is dominated by men. Most of these findings were presented in Chapter 6 under Social Welfare category. The company culture is that the labourers are provided with many facilities (accommodation, free transportation, subsidised meals, social welfare activities and opportunities for skills development) and are expected to obey and do as instructed without protesting. Most of the female labourers are satisfied with this situation and are happy to do overtime or work on holidays as a favour for the management who provide such facilities.

The existence of a paternalistic culture in the garment sector could be explained in relation to the wider societal norms in SL. The Sri Lankan society is patriarchal where males have an authoritarian status in families, communities and at work place

although the females are not repressed in to a submissive status. However, the authoritarian tendencies make the males more dominant and protective and helpful towards females. As described above, in the garment sector, most of the labourers are young females while the management comprises of young to middle-aged men. Moreover, most of the female workers have migrated from rural areas to work thus may be missing the close family and community structure they had been experiencing in their villages. Therefore, it could be argued that the young female workers would accept the moral and authoritative guidance from the male dominant management based on their social and cultural experiences and expectations.

Although patriarchy is a social concept, paternalism is considered as a management practice used by companies. However, it was recognized that the garment companies could be using paternalism as a way of increasing harmony and efficiency at the work place based on the workers' social and cultural expectations as opposed to it being a coercive control practice. The young women are given the assurance that they are being *looked after* by the company thus encouraging them to *return the favour* by obeying to the management, fulfilling their workload without complaining and avoiding being a trouble maker. Cheng (2000) has mentioned that paternalistic leadership has the characteristics of authoritarianism, benevolence and moral leadership. This argument could be applied to the Sri Lankan garment sector companies too. There is a sense of authoritarianism, moral leadership and kindness as the management is mostly males, educated, with high social and financial status and older when compared to the labourers who are mostly younger females with relatively low education levels and social status.

Even though, religious influences are analysed later in this chapter, it would be important to mention that Buddhist thinking has a role here too. Buddha has stated men

should always look after their women (mothers, wives, daughters) and it may have influenced the caring approach in the society towards women. Lynch (2007) has observed that even though the female garment workers are sometimes subjected to harsh verbal punishments from the management, they are still happy to work for them and even sympathize with the male managers' anger and temperament as they believe the managers have a difficult and stressful job to meet the production demands. This may explain why Pellegreni *et al.* (2010) concluded that paternalistic leadership has a significant positive influence on job satisfaction in India when compared to USA even though in both cultures the concept has enhanced communication between the managers and employees. As Indian culture is much similar to that of SL, this may explain their findings.

As all of the garment suppliers studied here are subsidiaries of larger holding companies, the owners are quite distant from the factories and labourers as opposed to family run businesses where owner-managers have close relationships with the workers. The labourers know this and they sometimes blame the *company* (owners) for the L&HR issues such as low wages and difficult working conditions (forced overtime etc.) but sympathize with the *managers* (non-owners) and their strict management techniques as they see them as someone doing their jobs, often stressful and hard, for a living rather than profiteering from the labourers' hard work.

Although the VARP companies have much similar GVC governance structures to that of the garment sector, they do not exhibit paternalistic tendencies. This could be explained by the fact that most of the labourers are males due to the nature of the work (operation of heavy machinery) and the management are males too. Thus, the rubber products companies do not represent the wider patriarchal society where male managers could not act as moral and authoritative guardians of the labourers. Consequentially,

paternalism is also not observed as it would not work (to increase harmony and work efficiency) with the male labourers as it would have been with females. Although the differences in the two parties are the same with regard to age, educational levels and social status as in garment sector, it appears that gender plays a significant role in deciding whether paternalistic tendencies are prominent or not. Although there are social gathering opportunities and help for families, other facilities are not provided. No accommodation is provided for the labourers and only one company provided transport services. Also, there are no services such as subsidised meals, sporting opportunities or skill development.

No paternalistic tendencies were observed in small plantation sector companies (R3 and T2). The environment in their factories is similar to VARP companies explained above where males dominate both managerial and labourer positions which might explain the absence of paternalism. The estate workers are mostly females from surrounding villages but still there is no evidence to support paternalism. This may be explained by the fact that most of the estate workers are older and married females with children who travel or walk daily to work when compared to the young, unmarried garment workers who stay away from their families for work. As described in the above chapters, the need for authority and caring from the management arise from such factors. Alawattage and Wickramasinghe (2009) stated that in smallholding plantations, the mode of control and accountability structure do not conform to paternalism as the source of labour is local residents.

Also, it was observed that the physical arrangements of the work place also play a role in determining the paternalistic tendencies. In the garment sector, the factories are confined spaces where the managers and labourers work in close proximity and meet face-to-face several times a day. In contrast, in estates, the managers reside in their

offices or supervise in the factories while the estate workers are far away (sometimes miles) from them. Even though, there are supervisors in the estates they are not regarded as managers as they are promoted labourers and live in the same community as opposed to *real* managers who are distant from the labourers. Therefore, it can be argued that the spatial distance or proximity between the managers and labourers play a role in the strength of their relationships and any paternalistic behaviour.

In contrast, T1 (a large-scale tea supplier) showed paternalistic tendencies due to the fact that the labourers are Indian labourers who live within the estates relying heavily on the company for their sole existence (accommodation, livelihood and social and community aspects). The large-scale plantation companies are obliged to provide facilities (often minimal) for them as a duty (as the labourers are their *responsibility*) but use it as a coercive control mechanism through hierarchical and colonial control rituals (Alawattage and Wickramasinghe, 2009). Also, it could be argued that the ethnic tensions in T1 are contributing to negative and coercive paternalism as TU agitations against the authorities and the tendency to marginalise the hill-country Tamils within the society create a hostile environment (Alawattage and Wickramasinghe, 2009). As such, the paternalism that exists in T1 is coercive and hostile thus does not increase the job satisfaction as opposed to the harmonic and productive paternalism observed in the garment sector.

Although some libertarians have argued that paternalism is coercive and derogatory, it cannot be supported from the evidence found related to the garment sector. Both managers and labourers think it as a way of doing mutual favours where both parties have difficult and stressful workload. Thaler and Sunstein (2003) also support this idea. Moreover, it could be regarded as an alternative for collective and organized conflict (as mentioned by Ackers, 2001) as garment companies do not endorse TU



activities. However, there is a risk that such a notion might undermine the fundamental rights of freedom of association and collective bargaining through systematic manipulation of labourers into thinking that they should not raise any concerns as a favour for being ‘*looked after*’ by the company. As, Alawattage and Wickramasinghe (2009) argued, large scale plantations (T1 in this study) use coercive paternalistic approaches to maintain control over the labourers. No paternalistic tendencies (either harmonic or coercive) were not found in small plantations (R3 and T2) and it could be attributed to the fact that the labourers are casually hired from surrounding residential areas thus they do not depend on the estates for their mere existence. In such instances, CCR plays a vital role in upgrading the community facilities and living conditions of the labourers.

### ***Religious Humanitarianism***

SL is one of the most religious countries in the world (World Atlas, 2018) and Buddhism is the dominant religion in all the companies investigated except in T1, where the Indian Tamil labourers are Hindus. McCleary and Barro (2006) state how religiosity influences individual characteristics such as work ethics, honesty and thrift which in turn influences economic performance. It was evident that Buddhist thinking has contributed towards the high work ethics (no unnecessary rest periods or absenteeism) as people think that such behaviours commit towards theft, a serious misconduct according to Buddhism. Also, it was recognized that Buddhist thinking has influenced both managers and labourers in different ways (either positive or negative).

Keyes (1983) expresses that Buddhists believe in merit transfer based on Karmic theory which encapsulates the idea of ‘do good, receive, good; do evil, receive evil’ (p. 263) According to Buddhists, being rich or poor, physically attractive or not, healthy or not healthy, high social status or low social status, enjoyments or sufferings are all due

to the merits transfers (good or bad) from previous lives (Keyes, 1983). This seems to have an effect on the labourers' mind as they accept the difficulties of personal and professional lives as a result of the merits transfers rather than the circumstances within the environment or due to social unfairness and injustices. Therefore, they are complacent about the issues they face, blaming it on karma rather than complaining, protesting or taking actions against them. Such a complacent attitude towards injustice or unfairness at workplace is an opportunity for the elite to exploit them. This can be described as religious fatalism where they believe everything is down to karma and out of their control.

However, this is not necessarily taught by Buddha as in Karmic theory it is explained that karma is only a one fifth of the elements that shape the lives of living beings (Sayadaw, 2018). Therefore, blaming karma for their misfortune is a misunderstanding made by many Sri Lankans especially by the rural population due to the lack of constructive education and inquisitive minds. Poverty levels are still high in SL, particularly in rural areas. Rural areas experience high poverty levels which in turn might explain their heavy inclining towards religious thinking. On the other hand, poverty and high unemployment rates prevent them raising concerns against workplace issues as many fear they would lose their jobs. As the government authorities do not provide any benefits system for the unemployed, losing a job is detrimental to the labourers and their families. Nonetheless, the researcher felt that above-described religious attitudes have contributed towards the persistent L&HR issues prevailing in the country. Moreover, it would be worthwhile to consider whether the management use religious tolerance of labourers as a tool to suppress organized actions against the company. Even though there were no evidence to support this, the researcher felt that the labourers themselves may subconsciously avoid being confrontational and associating against the company as it is against their religious believes.

The influence of religion could be explained in a positive light too. As most managers are also Buddhists, they believe in karma too (perhaps to a lesser extent due to their high education levels and *fortunate* lives). They think giving is a good action which would benefit them with good results as explained by Keyes (1983). For example, as some managers asserted, giving some of their own money to a poor labourer who is in dire need is deemed as a noble action. Although, this seems as an action of pure altruism from the Western point of view (without expecting any benefits back or as a PR mechanism), the Buddhist thinking may have encouraged them to think of good karma it would bring later in the life or in an afterlife. Lynch (2007) also has mentioned that donations made by managers are not purely altruistic but they are encouraged by the desire to gain good reputation for the company and for themselves. However, such isolated actions cannot be regarded as alternatives for proper L&HR practices as wider and rigorous implementations are needed to alleviate such issues. Nevertheless, such actions (which could be classed as religious humanitarianism) provide much support for the labourers facing very difficult conditions in everyday life and also help to develop the rapport and understanding between managers and labourers.

On the other hand, the religious perceptions lead to situations where the strict employment policies and laws are not adhered to in preference of a humanitarian approach from the managers' point of view. For example, if a labour is convicted of misconduct, the manager may not try to terminate the employment as for the company policy but may *give a second chance* to the labour purely based on empathy towards him considering the consequences of losing a job. Therefore, it can be said that the implications of religion are observed in both managers' and labourers' actions and the way they interact with each other. Also, it was recognized that religious humanitarianism is different from paternalism as it is not based on securing mutual benefits.

### *Corporate Community Responsibility (CCR)*

Chapter 6 indicated that most managers' perceptions about CSR revolve around community development and environmental protection rather than upholding L&HR of their workers. This was common for all the three sectors. The CCR aspects they highlighted include community projects to help local school, hospitals and other facilities and developing infrastructure facilities particularly in the rural areas. Heenatigala (2016) has mentioned that CCR is a significant aspect of many Sri Lankan companies as the government and local councils fail to provide even the basic facilities for the communities due to budget constraints. Beddewela and Fairbrass (2016) have also pointed out that subsidiaries of UK MNCs are carrying out CCR practices to seek legitimacy as such practices enable them to build strong relationships with the government and NGOs which is vital for the businesses in SL. On the other hand, MNCs are also interested in community development programmes especially in developing countries where their GVCs are operated. They consider such activities as legitimacy seeking tools as they report heavily on such community projects in their CSR reports as opposed to L&HR violations which confirm the fundamentals of Legitimacy theory.

All three garment suppliers and one VARP supplier have adopted the CSR policies of their holding companies while one other VARP supplier has adopted CSR policies of their MNC buyers. Meanwhile, in tea sector, one supplier has its own CSR policy while the other does not nor adopt a CSR policy from the buyers. In the plantation sectors (mostly in rural areas) the CCR programmes are funded by NGOs rather than the supplier companies or MNCs. This again shows that the GVC governance structure plays a role in such involvements as when the suppliers have close relationships with buyers, they seem to follow their suit by developing own CSR

policies or adopting the MNCs' CSR policies. However, when the buyer-supplier relationships are distant (in Market value chains) the suppliers (particularly small scale) are not influenced by the MNCs' CSR policies leaving a void. In those instances, NGOs seem to take the responsibility in the absence of government or local council involvement.

#### ***8.4 The quality and extent of CSR reporting by relevant MNCs and differences between reporting and actual conduct***

The quality and extent of the CSR reporting of four MNCs which have GVC relationships with the global suppliers investigated were presented in Chapter 7. GRI G4 reporting criteria were used as a basis for the analysis as it encompasses the fundamental L&HR standards of ILO and UN. The results indicated that all four companies failed to report on many fundamental L&HR aspects while some notable increases in reporting regarding supplier screening and assessment was observed following some catastrophic events happened (particularly in Bangladesh) within the GVCs and following the introduction of statutory requirements (Modern Slavery Act) in the home country (UK). There is an increase in reporting of slavery and human trafficking in their GVCs after 2015, as a response to the introduction of Modern Slavery Act of 2015. As Powell (2007) stated organizational practices are often reflections of and responses to rules, laws and conventions of the wider environment.

Some of the MNCs (Next, Tesco and Sainsbury's) are members of ETI which is collaborating between MNCs, NGOs and TUs to ensure proper labour practices. As Scott (2008) mentioned it is important for the organizations to conform to the governance structures of their organizational fields to secure legitimacy. Also, it could be argued that by reporting that they follow the guidelines of relevant institutes within their organizational field (such as ETI and Garments without Guilt), MNCs are trying to

convey a positive image to the society to seek legitimacy. This explains why these companies have become members of such initiatives and report about that in their CSR reports. This also indicates that the companies are influenced by their institutional environment to change or adopt their behaviour as explained by Scott (2008). There are many researches that argue that CSR disclosures are used to respond to external pressures faced by the companies and thereby to gain a legitimate status (Mobus, 2005; Deegan *et al.*, 2000; Deegan *et al.*, 2002; Guthrie and Parker, 1989; Magness, 2006; Laine, 2008; Tilling and Tilt, 2009).

There is a notable increase in reporting of Supplier Assessment for Labour Practices criteria since 2014. This could be regarded as a response to two fatal incidents happened in Bangladesh garment factories in 2012 and 2013 (Manik and Yardley, 2013). Even though none of the MNCs analysed here was involved as buyers of those garment suppliers, they have seen it as a potential threat to their legitimate status and have acted and reported accordingly by increasing supplier screening procedures and reporting on it. This kind of behaviour by MNCs confirm the Legitimacy theory which is used as an explanation for corporate reactions to perceived threats to its legitimacy in relation to the social contracts (Mobus, 2005). Islam and Deegan (2010) state that media attention on social and environmental issues could force MNCs operating in developing countries to engage more in CSR reporting.

The actual reporting of human rights aspects is worse than what MNCs are claiming to be reporting. Out of the seven reporting aspects (directly relevant to GVCS), three have never been reported by any MNC during 2012 to 2016. The omitted aspects include disclosure of fundamental L&HR violations in their suppliers. For example, they have not reported on operations or suppliers identified in which freedom of association and collective bargaining rights are violated (G4-HR4), in which child

labour had been identified (G4-HR5) and in which forced or compulsory labour had been identified (G4-HR6). Violations of freedom of association and collective bargaining rights and forced or compulsory labour (forced overtime) were identified in most of the supplier companies investigated in this study and it is clear that their MNC buyers have not acknowledged or reported such issues.

This indicates that MNCs choose what to report and what not to report based on their impact on corporate image rather than providing a comprehensive and balanced account of L&HR practices of their GVCs. This confirms the notions of Legitimacy theory where it is stated that organizations use information as legitimacy tools which could be used to manage their reputation (Parsa and Kouhy, 2008). Bondy *et al.*, (2012) have criticised the CSR practices as a way of legitimizing MNCs' existing practices rather than attending to the real issues. In their study on FTSE 100 companies, Preuss and Brown (2012) found out that 42.8% of the companies do not address human rights at all and even the companies which have other CSR policies seem not to report on human rights and labour issues. As such, it could be concluded that there are differences between CSR reporting of MNCs and actual issues in their GVCs and that MNCs use CSR reporting as a way of highlighting positive aspects while completely ignoring negative aspects.

### ***8.5 Conclusions***

When considering the process of mapping and establishing the GVC governance structures, it was found that garment sector has Captive value chains with emerging trends of moving towards Relational value chains. In VARP sector, the GVC governance structure was determined to be in a transitional stage between Captive and Relational value chains. In natural rubber and tea sectors, the governance structures were identified as Market value chains. These identifications confirm the Global value

chain framework with five different governance structures as proposed by Gereffi *et al.* (2005). Also, findings of the emerging trends of moving towards other typologies and transitional stages mean that they support the theory of shifting governance patterns of GVCs.

The characteristics of Captive and Relational value chains have rendered both positive and negative aspects for the labourers working in the supplier companies. Positive aspects include improved H&S measures, factory conditions and community development through the implementation of MNCs' own governance mechanisms. Negative aspects include low wages, forced overtime and violations of freedom of association partly derived as a result of the power asymmetries of buyers and suppliers. In Market value chains, the above-mentioned positive aspects were not observed as MNCs are not involved in implementing their governance mechanisms, given the complexity of the GVCs and greater distance between buyers and suppliers. Even though, Market suppliers have capabilities to demand higher prices, the benefits are not transferred to the labourers. Given that, institutional influences in SL are not sufficient too to ensure proper labour practices, the labourers in Market value chains suffer the most. This confirms the notion of Institutional theory that states that the behaviour of organizations in a country is influenced by the institutional environment of that country.

Even though, political, legal and regulatory environments of SL are unstable and uncertain, strong socio-cultural and religious influences were identified in the forms of paternalism, religious humanitarianism and religious fatalism. Paternalism was mainly observed in the garment sector where it was found that it is productive and increases the harmony between managers and labourers. While the paternalism that exists in a tea sector company was found to be coercive and counter-productive due to the unique nature of the labourers' historical, political and ethnical background. Except in this



company, in all the other companies, religious humanitarianism (managers *giving* to labourers without expecting anything back) and religious fatalism (labourers accepting hardships without questioning) based on Buddhist thinking were observed. These observations confirm the principles of Institutional theory which state that actors (individuals) are influenced by and also influence their institutional environment.

The analysis of CSR reporting of buyer MNCs indicated that the quality of the reporting is substandard as they have omitted reporting about many vital L&HR aspects. None of the companies have reported on the suppliers where fundamental rights are violated (freedom of association, forced labour and child labour). As many of these issues were identified during the interview stage in Sri Lankan suppliers, the non-reporting of those issues by their buyer MNCs indicates manipulative behaviour to secure legitimacy. This confirms the principles of Legitimacy theory as it states that organizations behave in legitimacy seeking ways and report on them to educate their stakeholders. Locke (2013) has criticised the Codes of conducts of MNCs as little more than public relations tools. Also, increases in reporting were identified as a response to changes in their home country's (UK) institutional environment (introduction of new legislation) and as a response to perceived threats in their GVCs (incidents at factories). This again confirms the fundamentals of Institutional and Legitimacy theories.

As concluded above, the L&HR issues in the supplier companies of UK MNCs are being influenced by GVC governance structures, institutional forces (at macro and micro levels) and by the conduct of MNCs. It seems that governance structures play a considerable role when network distance between the suppliers and MNCs are smaller and straightforward as mentioned by Bartley (2018). This was observed in garment and VARP sectors. The voluntary governance mechanisms of MNCs (codes of conduct, audits, monitoring etc.) also work more effectively in such instances partly due to the

network dimensions mentioned above and partly due to the desire of MNCs to secure legitimacy. However, when GVCs (networks) are complex and have greater distances between suppliers and MNCs, voluntary governance mechanisms of MNCs are ineffective and this was observed in tea and natural rubber sectors.

Even in the garment and VARP sectors, there were instances where domestic governance mechanisms override voluntary governance mechanisms of MNCs as mentioned in Bartley (2018). This was particularly observed in relation to the wages and restrictions on TUs which are determined at the discretion of the Sri Lankan government. Therefore it is clear that L&HR practices are kept to a legal minimum by the local governments, particularly in developing countries like SL, despite the efforts at international level to enhance the L&HR standards and incorporate CSR. On the other hand, the deep and long lasting local cultural, social and religious norms seem to play a significant role in determining the life directions and opportunities of everyone in the country. As described in the previous chapters, social status, wealth, ethnicity, religion, and education levels are influential in terms of life opportunities, job availability, employment relationships, income levels, future prospects and propensity to seek betterment in life by any person. Therefore, it could be concluded that such aspects contribute to the perpetual existence of social divide as well as continues L&HR issues in countries like SL despite ongoing efforts to alleviate such problems.

### ***8.6 Recommendations and Policy Implications***

This study identified the L&HR issues in the Sri Lankan global suppliers for UK MNCs and the multi-faceted influencing factors. Despite laws, regulations, standards and CSR practices the issues seem to continue. Thus, it would be important to identify the ways by which such issues could be mitigated at least to a certain extent. As Bair (2005) pointed out, closer attention should be given to the larger institutional and

structural environments in which GVCs are embedded to fully understand the uneven social and developmental standards and associated issues such as L&HR issues. The following are some recommendations to achieve better L&HR practices.

### ***More integrated processes of implementing governance and accountability in GVCs***

It can be argued that isolated processes such as monitoring systems, auditing and CSR reporting are not sufficient to ensure the proper governance and accountability practices throughout GVCs. Hib (2006) states that most of the monitoring systems only identify 'obvious' violations of the codes of conduct where no real or continuous pressure for a sustainable social development is not achieved. It is argued that these monitoring systems sometimes do not reach the far ends or more precisely informal ends of the GVCs such as sweat shops (Hib, 2006). Some authors have found that traditional monitoring methods such as codes of conduct and inspections have failed to deliver good CSR practices in GVCs (Welford and Frost, 2006; Reynolds and Bowie, 2004; Locke, 2013). Bartley (2018) suggested that conflicts between these governance processes and local procedures are the reasons for such ineffectiveness. Therefore, governance mechanisms that are compatible with local governance procedures would be able to mitigate the issues for a certain extent.

### ***Effective Stakeholder Engagement***

Cooper and Owen (2007) suggest that genuine stakeholder accountability could only be achieved by institutional reforms which ensure the moral and ethical behaviour of management, stakeholder significance and removal of power and information asymmetry between the management and the stakeholders. Robert (2009) suggested that the whole accountability process should be based on moral ethics to ensure an intelligent form of accountability which is flexible and dynamic. Therefore, the MNCs' accountability should be evaluated within a more comprehensive global context to see

whether they are actually being responsible towards the employees in the GVCs. To achieve this, the MNCs could include representatives from the GVCs as stakeholders to better understand the L&HR issues prevalent in developing countries. Such representatives could be consisted of local government officials, owners/managers of the global suppliers, TU representatives and labourers. Such an inclusive stakeholder engagement would be needed to achieve genuine stakeholder accountability.

### ***Social Upgrade for Disadvantaged Groups and Communities***

As described in the conclusion, the local socio-cultural and religious norms play a significant role in persistent L&HR issues and most of the other issues faced by the developing countries. Therefore, the local governments should take measures to provide political and economic stability and stronger governance mechanisms to enhance the livelihoods of their citizens. If the developing countries like SL could avoid internal conflicts and focus on upgrading the society as a whole by improved education, equal opportunities and infrastructure facilities, the exploitation of the labourers could be reduced to a certain extent. The governments could seek help from international organizations (such as IMF, World Bank), non-governmental organizations and MNCs to facilitate such upgrading.

### ***Governmentality***

Spence and Rinaldi (2012) argued that there is an increasing trend on embedding CSR into the decision making process of companies with the notion that it would facilitate effective corporate social, environmental, economic and ethical governance. This embedding process needs a complex rationale of knowledge, a set of rules of norms, an implementation process, governance actions and analysis for it to be successful (Spence and Rinaldi, 2012). This whole process is identified as governmentality which indicates that each and every person involved (for example in a

GVC of a given MNC) is consciously aware of their social responsibility. Thus it is argued that achieving good governance in a GVC becomes a responsibility at each level where the people who are involved in the GVC should collectively act towards that achievement through shared knowledge and trust. This could be regarded as a wholesome or holistic approach in achieving proper L&HR standards in the GVCs.

### ***8.7 Summary***

This chapter discussed the research findings that were presented in Chapters five, six and seven. The discussion was based on the theoretical frameworks and past literature. In reflexion, some new aspects (religion related) were identified too. Some of the conclusions confirm the existing theories while some enhanced the contextual background for those theories. Empirical contributions were provided for the areas where there is a strong lack of research. The next chapter will summarize the whole thesis while reflecting on the limitations of the study and detailing future research directions.

***9.1 Introduction***

This chapter brings in each aspect of the study together to provide a discussion about the findings, limitations and contributions. It presents a reflective summary of the whole thesis, summary of findings, limitations of the study and future research directions.

Section 9.2 provides a summarized overview of the study while section 9.3 analyses the limitations of the study followed by section 9.4, detailing future research pathways. Concluding remarks are presented in section 9.5.

***9.2 Recapitulating the Research***

GVCs of MNCs particularly operating in developing countries are considered as hot spots for L&HR violations despite those multinationals professing their commitment to practice CSR. The aim of this study was to identify L&HR issues in global suppliers (for UK MNCs) of SL as a developing country and to evaluate the influencing factors for the existence of those issues. In exploring this subject matter, three theoretical frameworks and related literature were identified.

1) Global Value Chain Framework proposed by Gereffi *et al.*, (2005) which gives an insight in to how the GVCs are organized and governed depending on the relative strengths and weaknesses of buyers and suppliers. GVC governance structure had been analysed by many studies (Gereffi, 2001; Gereffi and Mayer, 2004; Gereffi *et al.*, 2005; Fernandez-Stark *et al.*, 2011; Gereffi and Fernandez-Stark, 2016; Gereffi and Lee, 2016; Grinberg, 2016). Some literature focus on shifting governance patterns of GVCs (Gereffi *et al.*, 2005; Holtbrugge and Kreppel, 2012; Marchi and Grandinetti, 2014; Arora and Ratnasiri, 2015).

2) Institutional theory and the three pillars of institutional forces as a framework for analysing the influential factors behind the existence of L&HR issues in Sri Lankan global suppliers (Kostova, 1997; Scott, 2008; Judge *et al.*, 2008; Trevino *et al.*, 2008). The effect of institutional factors on the behaviour and CSR practices of MNCs have been explored by some researchers (Delios and Henisz, 2000; Sturgeon and Gereffi, 2009; Nicholaeva and Bicho, 2011; Anner, 2012; Azmat and Sutshi, 2012; Gereffi and Lee, 2016). When considering the institutional forces in SL, literature have focused on political (gender and socio-politics) (Lynch, 2007; Ruwanpura, 2015 and 2016) and socio-cultural and religious aspects (Fernando, 2010; Fernando and Almeida, 2012; Perry, 2012).

3) Legitimacy theory as a basis for the CSR practices and CSR reporting by MNCs. CSR reporting has been analysed by numerous studies as a way of discharging accountability by MNCs and as a way of creating, maintaining and repairing their legitimate status (Hines, 1988; Rahaman *et al.*, 2004; Mobus, 2005; Deegan, 2007; Collision *et al.*, 2009; Cooper and Owen, 2009; Bondy *et al.*, 2012; Ehnert *et al.*, 2016). The studies on CSR implementation by Sri Lankan companies have focussed on CCR (Beddewela and Herzig, 2013; Beddewela and Fairbrass, 2016; Heenatigala, 2016) and cultural influences (Perry, 2012; Perry *et al.*, 2015).

This review on theoretical frameworks and past literature resulted in identifying several research gaps within the subject matter.

1) The governance structures of the GVCs operated between UK MNCs and Sri Lankan global suppliers in relation to garment, rubber and tea sectors and how they influence the L&HR issues observed in those supplier companies

2) The L&HR issues prevailing in the above three sectors from the labourers' perspectives particularly in rubber and tea sectors where an overwhelming lack of research was identified.

3) The effect of different institutional backgrounds in UK and SL in influencing L&HR issues in the GVCs with particular attention to religious humanitarianism, religious fatalism and paternalism in which areas, a strong lack of research was evident.

4) Comparisons and contrasts between MNCs' CSR reporting regarding L&HR and the actual situation prevailing in their GVCs in a developing country.

The identification of the above research gaps led to the formulation of four research questions.

RQ.1 What are the governance structure typologies, patterns and their dynamics that control the GVCs of UK MNCs operated in SL and how do they influence the labour and human rights issues in those value chains?

RQ.2 What are the issues faced by the Sri Lankan labourers working in these GVCs and why the nature and extent of these issues vary in different export sectors; garment, tea and rubber?

RQ.3 How the institutional forces in UK and SL are shaping the nature of labour and human rights issues in Sri Lankan global suppliers of UK MNCs and why socio-cultural and religious aspects of SL are important forces in this regard?

RQ.4 What are the quality and extent of CSR reporting by UK MNCs and the reasons for any differences in CSR reporting and actual labour and human rights issues in their GVCs in SL?



To explore the answers for the above research questions, a three-stage research method was developed. First stage used investigative techniques (referring primary and secondary web sources and interviews) to encapsulate RQ.1. The second stage used semi-structured interviews to interview managers and labourers of Sri Lankan global suppliers to investigate RQ.2 and RQ.3. The third stage used content analysis to analyse CSR reports of MNCs to fulfil the issue raised by RQ.4

The findings, discussions and interpretations presented in chapters five, six and seven have provided an in-depth understanding of the subject matter which can be summarized as follows.

- 1) Chapter five provided an identification and understanding of the governance structures in the GVCs of UK MNCs operating in SL and their influence on L&HR issues (RQ.1)
- 2) Chapter six encapsulated the L&HR issues in garment, rubber and tea suppliers highlighting the sector wide differences and effects of religious and socio-cultural aspects such as religious humanitarianism, religious fatalism and paternalism (RQ.2 & RQ.3)
- 3) Chapter seven addressed the contrasts between CSR reporting by MNCs and the actual L&HR issues identified in their GVCs in Sri Lanka (RQ.4)

Findings of Chapter 5 indicated that different export sectors have different GVC governance structures (as explained in Global value chain framework) which in turn affect the L&HR issues differently. Chapter 6 demonstrated that the most prevalent issues are low wages, forced overtime, lack of job security, lack of H&S measures and violations on freedom of association. However, it was determined that the issues vary depending on the sector, the level of involvement from MNCs and the effects of

institutional forces (as per Institutional theory). The results from Chapter 7 indicated that there are significant differences between CSR reporting and actual issues confirming that MNCs are engaged in legitimacy seeking behaviours (as explained in Legitimacy theory). The conclusion was that the L&HR issues faced by the labourers in Sri Lankan global suppliers are the result of a complex and multidimensional cause-effect relationship between GVC governance structures, institutional forces and MNCs' legitimacy seeking behaviour. Local social, cultural and religious norms also play a significant role in the perpetual existence of L&HR issues in SL.

### ***9.3 Reflexive Analysis of Research Limitations***

There were some methodological limitations in this study, particularly with regard to the primary data collection through interviews. Securing interviews was difficult given the sensitive nature of the subject matter and there were instances where some managers agreed to do the interviews initially, which could not be conducted later due to their busy schedules and not availability. Although many managers were willing to give interviews by themselves, some were reluctant to let the labourers to have interviews leading the researcher to believe that those managers do not want the labourers to express their opinions. As such, the number of cases (companies) was limited to eight and it is acknowledged that there could have been a wider understanding if the diversity of the cases was increased. However, as demonstrated in the previous chapter, the research questions were answered comprehensively and effectively while exploring new dimensions to provide an in-depth analysis of the subject matter.

The second limitation was the response bias. Most managers were inclined to highlight their good practices (CCR, social welfare) while being ambiguous or vague in answering negative aspects. In some instances, the managers were present at the

interviews with the labourers and it affected the way the labourers expressed their concerns when compared to the labourers whose managers were not in the vicinity. This may have caused a bias or distortion in the data as in garment and rubber products sectors, managerial intervention was prominent while in the plantation sectors (tea and natural rubber), it was possible to interview the labourers in a relaxed environment. The response bias from managers was anticipated by the researcher given the sensitive nature of the questions. Therefore, efforts were made to clarify their answers by asking extra questions and corroborating them with the answers of other managers and the labourers.

Also, some labourers lacked the knowledge to answer some questions regarding their labour rights (for example holiday entitlements or maternity leave entitlements) and this affected the opportunity of having a complete picture of the issues from the labourers' point of view. Majority of the labourers were willing to answer all the questions according to their knowledge but a minority was reluctant to reveal personal and sensitive information such as their wages and disputes with the management (sometimes in fear of losing jobs). On these occasions, the questions were omitted by the researcher on the basis of research ethics. However, efforts were made to receive a complete picture as much as possible within the constraints.

In summary, it is acknowledged that there were some limitations which may have impinged the findings of this study particularly the response bias and the contextual influences for the individualistic views expressed during the interview process. Nevertheless, the study provides some valuable contributions for the research area. Therefore, it is recommended that more studies should be carried out to further establish the findings and such future directions are presented below.

#### ***9.4 Future Research Directions***

This study provided a valuable contribution to the research fields of GVC governance structures, L&HR issues associated with GVCs in a developing country and legitimacy seeking behaviour of MNCs when practising and reporting CSR. Nevertheless, further research is needed to strengthen the subject matter and explore new dimensions.

##### ***Exploring the Shifting Governance Patterns of given GVCs (related to Sri Lanka)***

The present study identified the prevailing governance structures in Sri Lankan garment, rubber and tea sector GVCs and their influencing effects on L&HR issues. However, researchers have pointed out that GVC governance structures are shifting due to various reasons (Gereffi et al., 2005; Arora and Ratnasiri, 2015) and it could be argued that their influencing effects would be changing accordingly. Future research could expand on this and could focus on the same three sectors, their changing GVC governance structures and changing nature of the associated L&HR issues. The same mapping process and interviews as used in this study could be used for exploring such dimensions.

##### ***Analysing the effects of GVC Governance Structure on Labour and Human Rights Issues in a Different Context***

This research only analysed eight Sri Lankan global suppliers to UK MNCs. It was important to restrict the data to these two countries to eliminate country specific effects of institutional factors. From the previous research, it can be presumed that the governance structures of GVCs and associated L&HR issues are much similar in other South Asian countries (India, Bangladesh, Nepal) too (Absar, 2001; Aggarwal, 2005). However, it would be worthwhile to evaluate these aspects in the same sectors in

different geographical areas or industrial clusters such as South-East Asia, Africa and China. Such studies would give an insight in to the dual effects of GVC governance structures and institutional forces on L&HR issues in different contexts.

***Further Investigations on issues faced by Hill Country Tamils working in Tea Sector (political, historical, ethnical and cultural effects)***

During this research, this particular ethnic group (*a minority within a minority*) was investigated in terms of the issues faced by them at work and in everyday lives. However, due to the constraints of the scope of this study and due to language barriers, the researcher felt that a complete understanding of their sufferings was not captured especially within the unique political, historical, ethnical and cultural background that dominates their lives. Future researchers (perhaps from the same ethnicity) could focus on this aspect to evaluate the exploitation faced by these labourers and the negligence of such exploitations by the Sri Lankan authorities, tea suppliers and MNC buyers alike.

***Exploring the effects of culture and religion on the perceptions of managers and labourers on labour and human rights issues***

Identifying the influence of Buddhist culture and moral values on managers and labourers in contemplating L&HR issues was a valuable contribution of this study. Some researchers have looked into this from managerial perspectives and CSR implications (Fernando, 2010; Perry; 2012). This study brought forward religious humanitarianism as a way of explaining managerial actions influenced by Buddhist moral values. However, more studies should be carried out to explore how religiosity affects the thinking of labourers in to accepting the exploitation or unfairness in the work place without protest (religious fatalism). More specific interview questions could be used to capture their perspectives. It would enhance the understanding as to ‘why’

these issues are persistent and ongoing in some societies and countries while some move forwards.

### ***Comparisons between MNCs reporting and actual conduct in other contexts***

The current study only used CSR reports of four selected MNCs from the FTSE 100 index to investigate the extent to which they have reported on the identified L&HR issues in their GVCs. Further research could be carried out to broaden the knowledge of this area by selecting more MNCs from different countries (to analyse the effect of country specific institutional influences) which operate their GVCs in different settings (for example in developing markets, emerging markets, coordinated markets and liberalized markets). It would be worthwhile to establish the level of contrast between reality and reporting within the context of differences in home countries and host countries.

### ***9.5 Concluding Remarks***

With the ongoing globalization process, MNCs are becoming more powerful and spreading their presence through GVCs formed strategically across the globe. Despite the economic advances brought by these developments, GVC labourers in developing countries experience L&HR issues on a continual basis. These issues are persistent irrespective of the efforts of ILO, UN, governments and also MNCs' claims about being socially responsible organizations. This study examined prevailing L&HR issues in three export sectors in SL and the factors influencing them. The findings show that the influences are multi-dimensional where governance structure of GVCs, institutional forces in MNCs' home country and suppliers' home country and legitimacy seeking behaviour of MNCs all play parts in shaping L&HR issues in the global supplier companies (studied here). It was clear that MNCs, supplier companies and Sri Lankan

government are focussed on maintaining and monitoring the minimum required labour standards rather than paying attention to the evident issues and exploitations. Therefore, further sustained efforts and research should be done to enhance labour standards, to reduce complacency towards L&HR violations and to see through the legitimacy seeking behaviour of MNCs. Furthermore, local social, cultural and religious norms were identified as the most influential factors in determining the workers' conditions at ground level in SL. Therefore, a more holistic and integrated approach which takes the impact of local norms on transnational rules into consideration is needed to alleviate L&HR issues in countries like SL.

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## Annex

### *Labour and Human Rights*

Labour rights are considered as the workplace rights of employees which as defined by the law in a given country. Usually ILO labour standards are the basis against which labour rights are stipulated. ILO as a tripartite organization (with representatives from governments, employers and workers) draw up the international labour standards which set out the basic principles and rights at work. ILO conventions are legally binding and lay the basic principles while ILO recommendations (non-binding guidelines) provide the details on how to implement the conventions. The countries which ratify the ILO conventions incorporate them to their legal systems and they become legally binding instruments in those countries. Such legally incorporated ILO conventions serve as the basis in implementing labour laws and regulations in member countries. The following are the core conventions which are encouraged for universal ratification by the ILO.

1. Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
2. Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
3. Forced Labour Convention, 1930 (No. 29)
4. Abolition of Forced Labour convention, 1957 (No. 105)
5. Minimum Age Convention, 1973 (No. 138)
6. Worst Forms of Child Labour Convention, 1999 (No. 182)
7. Equal Remuneration Convention, 1951 (No. 100)
8. Discrimination (Employment and Occupation) Convention, 1958 (No. 111)  
(International Labour Organization, 2018a).

Meanwhile, human rights are applicable to every human being and are declared by the Universal Declaration of Human Rights (United Nations, 1948). Some of these are directly applicable for workplace thus converging with the labour rights as follows.

*Article 4*

No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.

*Article 23*

1. Everyone has the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment.

2. Everyone, without any discrimination, has the right to equal pay for equal work.

3. Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection.

4. Everyone has the right to form and to join trade unions for the protection of his interests.

*Article 24*

Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay.

### ***Forced Labour and Forced Overtime***

Forced labour is regarded as the work that is performed involuntarily and under the menace of any penalty. As per ILO definitions, ‘forced labour refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers or threats of denunciation to immigration authorities.’ ILO Forced Labour Convention, 1930 (No.29) defines forced labour as ‘all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.’ These definitions consist of three elements:

1. Work or service refers to all types of work occurring in any activity, industry or sector including in the informal economy.
2. Menace of any penalty refers to a wide range of penalties used to compel someone to work.
3. Involuntariness: The terms “offered voluntarily” refer to the free and informed consent of a worker to take a job and his or her freedom to leave at any time.

According to the above, the forced work identified in this study could not be categorically defined as ‘forced labour’ as there was no evidence to say that penalties or violence were used to coerce labourers. Also, some labourers indicated that they volunteered to do extra work (to earn extra money) while some felt they were forced to do such work (to meet the targets). Thus the exact limits and extents of forced work were inconclusive. Therefore, in this study, it was decided to use the word ‘forced overtime’ to describe the situations where the labourers were required to do extra work beyond their normal working hours. Further research would be required to fully understand and differentiate the two situations, forced labour and forced overtime.



## APPENDIX I: Interview Questionnaires

### Interview Questionnaire for Labourers

#### *General Information*

1. Name and address of the company .....

2. Name and address of the employee.....

3. Age group

<14       14-18       18-35       35-55       >55

4. Gender

Male                       Female

5. Marital status and family

Single                       Married and have children                       Married and no children

6. Education level

Up to Grade 8                       Up to GCSE O/L                       Up to GCSE A/L

7. Do you have any disabilities?

Yes               No               Don't know

8. Job

title.....

9.

Jobdescription.....

10. What is the type of job contract?

Permanent               Temporary               Contract               Other

**Working Hours**

1. How many hours do you work per week?

0-20       20-40       40-60       >60

2. What is the length of rest periods you have?

.....hours /day      .....hours/week

3. Do you work night shifts?

Yes       No

4. If 'Yes' how many night hours do you work?

...../day      ...../week      ...../month

5. How many paid holidays you can take?

.....days/month      .....days/year

6. How many unpaid holidays you can take if needed?

.....days/month      .....days/year

7. Are you required to work on public and national holidays?

Yes       No

8. If 'Yes' details of such

occasions .....  
.....

9. Have you ever been forced to work on public and national holidays?

Yes       No

**Wage/Overtime/Equal Opportunities**

1. What is the wage payment method?

Hourly       Daily       Weekly       Monthly

2. What is your salary?

Rs. .... /hour      Rs. .... /day  
Rs. .... /week      Rs. .... /month

3. Is your salary enough to cover your/your family's needs?

Yes       No

4. Do you work overtime?

Yes  No

5. If 'Yes' how many overtime hours you work?

...../day                      ...../week                      ...../month

6. Are you required to work overtime to cover targets?

Yes  No  Don't know

7. What is the overtime rate?

Unpaid  Standard wage rate

Above standard wage rate  Other

7. Have you ever been forced or pressurized to work overtime?

Yes  No

8. (If female) Do you think you are equally paid and have same opportunities as a male with the same job description?

Yes  No  Don't know

9. If 'No', details of

differences .....  
.....

10. (If disabled) Do you think you are equally paid and have same opportunities as an able bodied person with the same job description?

Yes  No  Don't know

11. If 'No' details of

differences .....  
.....

***Freedom of Association and Collective Bargaining***

1. Are trade unions and trade unions activities allowed in the company?

Yes  No  Don't know

2. If 'Yes', are you a member of a trade union?

Yes  No

3. Are you allowed to go to trade union meetings?

Yes  No  Don't know

4. Do you have trade union representatives?

Yes  No  Don't know

5. Do you know at which instances you can seek help from trade unions?

Yes  No

6. Had you ever had help from a trade union to resolve a dispute?

Yes  No

7. If 'Yes' details of such occasions .....  
.....

8. Have you ever involved in a collective bargaining procedure to demand something from the company?

Yes  No

9. If 'Yes' what was the reaction of the company? .....  
.....  
.....

10. Do you think you can do trade union activities without the fear of being expelled from the job?

Yes  No  Don't know

11. If 'No', the reasons for such feelings? .....  
.....

***Employment Security***

1. Did you sign a Job contract before the job started?

Yes  No

2. If 'Yes', did you read and understand the contract clauses?

Yes  No

3. Do you know and have understood the termination clauses?

Yes  No

4. Do you know the details of the notice period?

Yes  No

5. If 'Yes' what are the details? .....  
.....

6. Do you know the company disciplinary and grievance procedures?

Yes  No

7. If 'Yes', details .....  
.....

8. Do you know what to do or who to contact if you think you are unfairly treated in the job?

Yes  No

9. If 'Yes', details .....  
.....

10. Do you know what to do or who to contact if you have a dispute with the management?

Yes  No

11. If 'Yes', details .....  
.....

12. Do you think you can communicate about a dispute with the management directly or through the trade union to a satisfactory level without a fear?

Yes  No  Don't know

13. If 'No', reasons for such feelings? .....

***Vocational Training***

1. Did you receive training before or after the job started?

Yes  No

2. If training received, which type was it?

Workshops       Demonstrations       Other

3. If training received, who conducted it?

A supervisor/ manager       An experienced colleague       Other

4. Is the training adequate / helpful?

Yes       No       Don't know

5. If 'No' do you think you need more training?

Yes       No       Don't know

6. Do you have opportunities for promotion?

Yes       No       Don't know

7. If 'Yes' details of such opportunities .....

.....

.....

***Occupational Health and Safety***

1. Did you have a medical check before the job started?

Yes       No

2. Do you have any medical conditions which might get worse by the job?

Yes       No       Don't know

3. If 'Yes' do you have satisfactory adjustments for your job?

Yes       No       Don't know

4. Did you have a Health and Safety training at any time before or after the job started?

Yes       No

5. If 'Yes' is it adequate / helpful?

Yes       No       Don't know

6. If 'No' do you think you need more training in Health and Safety?

Yes       No       Don't know

7. Are there health and safety inspections on site/ in the factory?

Yes  No  Don't know

8. Do you operate machinery or dangerous equipment and/or work with hazardous substances?

Yes  No

9. If 'Yes' do you know how to operate and handle them safely and what to do or who to contact if you are injured or not well?

Yes  No

10. Do you know what to do or who to contact in an emergency? (fire etc.)

Yes  No

11. If 'Yes', details (knowledge of emergency exits, assembly points etc.) .....

.....  
.....

12. Do you have medical assistance on site / in the factory?

Yes  No  Don't know

13. If 'Yes' details of medical assistance .....

.....

### ***Social Security***

1. Do you have medical care from the company?

Yes  No  Don't know

2. If 'Yes' details of medical care given .....

.....

3. Do you have sick leaves and sickness benefits?

Yes  No  Don't know

4. If 'Yes' details of sick leaves and sickness benefits .....

5. Do you have a medical insurance provided by the company?

Yes  No  Don't know

6. If 'Yes' details of medical insurance? .....

7. Are you entitled to claim injury benefits / compensation?

Yes  No  Don't know

8. How is the maternity leave provided?

Paid  Unpaid  Don't know

9. Duration of maternity leave? .....

10. Does the company provide adjustments during pregnancy and after birth?

Yes  No  Don't know

11. If 'Yes' details of such adjustments .....

12. Do you have a pension plan?

Yes  No  Don't know

13. If 'Yes' details of the pension plan .....

14. Do you contribute towards the Employee Provident Fund?

Yes  No  Don't know

15. Does your employer contribute towards the Employer Trust Fund?

Yes  No  Don't know

### ***Social Welfare***

1. Are you entitled to housing benefits?

Yes  No  Don't know

2. If away from home, do you have satisfactory and safe accommodation provided by the company?

Yes  No



3. Does the company provide safe travelling facilities to and from the site/factory?

Yes  No

4. Does the company facilitate social gathering opportunities for you and your family?

Yes  No  Don't know

5. Does the company provide any help towards you or your family's needs? (education, marriages, deaths etc.)

Yes  No  Don't know

6. Any other details of social welfare carried out by the company you know about? .....

.....  
.....

***Other Questions relating to Institutional Environment***

1. Have you ever faced the situation of sorting for legal help regarding an issue related to the job?

Yes  No

2. If 'Yes' details of such instances.....

.....

3. Do you think the legal system is adequate and flexible in resolving such issues?

Yes  No  Don't know

4. Do you think the government, local councils and politicians are doing sufficient work to ensure your labour rights? (wages, working hours, equal rights etc.)

Yes  No  Don't know

5. Details of such work you know about? .....

.....

.....

.....

6. Do you think the non-government organizations are doing certain work to ensure your labour rights?

Yes  No  Don't know

7. Details of such work you know

about? .....  
.....  
.....  
.....

8. Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to you, your family and your community?

Yes       No       Don't know

9. If 'Yes', details of such motivations you know

about? .....  
.....  
.....

## Interview Questionnaire for Managers

### *General Information*

1. Name and address of the company .....

2. Name and address of the employee.....

3. Gender

Male  Female

5. Education level

Up to GCSE A/L  Graduate  Postgraduate  Professionally-Qualified

6. Job title.....

7. Job description.....

8. Whether the job is related to HR/CSR or not .....

### *Company Information*

1. Number of employees .....

2. Products .....

3. Buyer companies

.....  
.....  
4. Other related companies .....

.....  
5. Position in the supply chain (supplier/sub supplier etc.) .....

***Information about CSR***

1. Do you know about corporate social responsibility (CSR)?

Yes  No  Don't know

2. If 'Yes' what is your perception about CSR? .....

.....  
.....  
3. Does the company have its own CSR policy?

Yes  No  Don't know

4. If 'No' does it adopt the buyer company's (multinational's) CSR policy?

Yes  No  Don't know

5. Have you had any kind of training regarding CSR?

Yes  No  Don't know

6. If 'Yes' details about the training .....

.....  
7. Is the company engaged in CSR activities regarding employees, environment, community etc.?

Yes  No  Don't know

8. If 'Yes' details .....

9. Do the officials from buyer companies visit/inspect the site/factory?

Yes  No  Don't know

10. If 'Yes' details of such  
inspects/audits .....  
.....  
.....

11. Has the company received any certificates/standards regarding CSR?

Yes  No  Don't know

12. If 'Yes'  
details .....  
.....

***Working Hours***

1. Details of working hours and shift patterns of  
labourers? .....  
.....  
.....

2. Details of the length of rest periods the labourers  
have? .....  
.....  
.....

3. Details of night shifts the labourers have to  
do? .....  
.....  
.....

4. How many paid holidays the labourers can take?  
.....days/month .....days/year

6. How many unpaid holidays they can take if needed?  
.....days/month .....days/year

7. Are they required to work on public and national holidays?

Yes  No

8. If 'Yes' details of such occasions .....

9. Have the labourers been required to work on public and national holidays to meet the targets?

Yes  No  Don't know

***Wage/Overtime/Equal Opportunities***

1. What is the wage payment method for labourers?

Hourly  Daily  Weekly  Monthly

2. Details of overtime work done by labourers? .....

3. Are the labourers required to work overtime to cover targets?

Yes  No  Don't know

7. What is the overtime rate?

Unpaid  Standard wage rate   
Above standard wage rate  Other

8. Do you provide equal payments and provide same opportunities for males and females with the same job description?

Yes  No  Don't know

9. If 'No', details of differences .....

10. Do you provide equal payments and equal opportunities for able bodied and disabled workers with the same job description?

Yes  No  Don't know

11. If 'No' details of differences .....

***Freedom of Association and Collective Bargaining***

1. Are trade unions and trade unions activities allowed in the company?

Yes  No  Don't know

2. Are the labourers allowed to go to trade union meetings?

Yes  No  Don't know

4. Are there trade union representatives?

Yes  No  Don't know

5. Do you/management have discussions/meetings with trade union representatives?

Yes  No

6. Had you ever had to negotiate with a trade union to resolve a dispute?

Yes  No

***Employment Security***

1. Is there a Job contract for every labourer to sign before they start the job?

Yes  No

2. If 'Yes', do you make sure that they read and understand the contract clauses?

Yes  No

3. Are the termination clauses included in their job contract?

Yes  No

4. If 'Yes' details of termination clauses? .....

5. Is there a notice period for labourers?

Yes  No

6. If 'Yes' what are the details? .....

6. Do you know the company disciplinary and grievance procedures?

Yes  No

7. If 'Yes',  
details .....  
.....

8. If labourers think they are unfairly treated in the job, are they allowed to do some actions regarding it?

Yes  No  Don't know

9. If 'Yes',  
details .....  
.....

10. Are the labourers allowed to take some action if they have a dispute with the management?

Yes  No  Don't know

11. If 'Yes',  
details .....  
.....

12. Are the labourers allowed to communicate about a dispute with the management directly or through the trade union to a satisfactory level?

Yes  No  Don't know

13. If 'No', reasons for  
that? .....  
.....

***Vocational Training***

1. Does every labourer receive a training before or after the job started?

Yes  No  Don't know

2. If a training is given, which type is it?

Workshops  Demonstrations  Other

3. If training is given, who conducts it?

A supervisor/ manager  An experienced colleague  Other

4. Are the labourers satisfy with the training as adequate / helpful?

Yes  No  Don't know



5. If 'No' do you think they need more training?

Yes  No  Don't know

6. Do the labourers have opportunities for promotion?

Yes  No  Don't know

7. If 'Yes' details of such opportunities .....

.....  
.....

***Occupational Health and Safety***

1. Does every labourer have a medical check before the job started?

Yes  No

2. If they have medical conditions do you provide satisfactory adjustments for their jobs?

Yes  No  Don't know

3. Does every labourer have a Health and Safety training?

Yes  No  Don't know

4. Did you have a Health and Safety training at any time before or after the job started?

Yes  No

5. If 'Yes' is it adequate / helpful?

Yes  No  Don't know

6. If 'No' do you think you need more training in Health and Safety?

Yes  No  Don't know

7. Are there health and safety inspections on site/ in the factory?

Yes  No  Don't know

8. Do the labourers operate machinery or dangerous equipment and/or work with hazardous substances?

Yes  No

9. If 'Yes' have you taken measures to ensure that they know how to operate and handle them safely and what to do or who to contact if they are injured or not well?

Yes  No

10. Have you taken measures to ensure that they know what to do or who to contact in an emergency? (fire etc.)

Yes  No

11. If 'Yes', details (knowledge of emergency exits, assembly points etc.) .....

.....  
.....

12. Is there medical assistance on site / in the factory?

Yes  No  Don't know

13. If 'Yes' details of medical assistance .....

.....

***Social Security***

1. Do you provide medical care from the company?

Yes  No  Don't know

2. If 'Yes' details of medical care given .....

.....

3. Do you provide sick leaves and sickness benefits?

Yes  No  Don't know

4. If 'Yes' details of sick leaves and sickness benefits .....

.....

5. Do you provide medical insurance for the labourers by the company?

Yes  No  Don't know

6. If 'Yes' details of medical insurance? .....

.....

7. Are the labourers entitled to claim injury benefits / compensation?

Yes  No  Don't know

8. How is the maternity leave provided?

Paid                       Unpaid             Don't know

9. Duration of maternity leave? .....

10. Does the company provide adjustments during pregnancy and after birth?

Yes             No             Don't know

11. If 'Yes' details of such adjustments .....

12. Do you have a pension plan for the labourers?

Yes             No             Don't know

13. If 'Yes' details of the pension plan .....

14. Do the labourers contribute towards the Employee Provident Fund?

Yes             No             Don't know

15. Does the company contribute towards the Employer Trust Fund?

Yes             No             Don't know

***Social Welfare***

1. Are the labourers entitled to housing benefits?

Yes             No             Don't know

2. If they are away from home, do you provide satisfactory and safe accommodation by the company?

Yes             No             Don't know

3. Does the company provide safe travelling facilities for labourers to and from the site/factory?

Yes             No             Don't know

4. Does the company facilitate social gathering opportunities for labourers and their families?

Yes             No             Don't know

5. Does the company provide any help towards labourers or their families' needs? (education, marriages, deaths etc.)

Yes  No  Don't know

6. Any other details of social welfare carried out by the company? .....

.....  
.....

***Other Questions relating to Institutional Environment***

1. Have you/management ever had to sort legal help regarding an employee issue?

Yes  No

2. If 'Yes' details of such instances.....

.....

3. Do you think the legal system is adequate and flexible in resolving such issues?

Yes  No  Don't know

4. Do you think the government, local councils and politicians are doing sufficient work to ensure CSR practices?

Yes  No  Don't know

5. Details of such work you know about? .....

.....

.....

.....

6. Do you think the non-government organizations are doing certain work to ensure CSR practices?

Yes  No  Don't know

7. Details of such work you know about? .....

.....

.....

.....

8. Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to the employees and their families?

Yes       No       Don't know

9. If 'Yes', details of such motivations you know about? .....

.....  
.....

**Appendix II: Documents Related to the Second Stage of Research Method**

**Letter of Introduction to Managers of the Supplier Companies and Personnel from Relevant Institutions**

.....2015

Dear Sir/Madam,

I am a doctoral researcher in the Middlesex University Business School, United Kingdom. Currently I am reading for my PhD in Management in this university. My research is about the labour and human rights issues prevalent in Sri Lankan global supplier companies of UK multinational corporations.

As an essential part of my study, I am collecting information regarding the above issue through interview questionnaires from managers and labourers of global supplier companies and also from personnel of relevant government institutions. As an informed and knowledgeable person about these issues, I need your help to better understand the concerns raised by my study. The attached document provides you with a brief overview of this study and the research ethics I follow as per the guidance of Middlesex University such as maintaining confidentiality of the interviewees and privacy of data.

I am grateful for your assistance and participation in this study.

Thank You

Yours Faithfully

.....

Chandima Hettiarachchi

**Research Document Provided for the Managers of Global Supplier Companies and  
Personnel from Relevant Institutions**

**DOCTORAL RESEARCH RELATING TO LABOUR AND HUMAN RIGHTS  
ISSUES IN SRI LANKAN GLOBAL SUPPLIER COMPANIES OF UK  
MULTINATIONALS**

Researcher: Chandima Hettiarachchi

Supervisors: Professor Martin Upchurch, Dr. Sepideh Parsa, Dr. Ian roper

Middlesex University Business School

The Burroughs

Hendon

London

NW4 4BT

## **Introduction**

Multinational companies have created global value chains across many countries and suppliers in developing countries such as Sri Lanka are integral parts of these value chains. Many UK multinational companies have suppliers in Sri Lanka especially in garments, tea and rubber sectors which are the most significant export industries in Sri Lanka. These multinational companies report that they ensure proper labour and human rights practices in their global value chains as part of corporate social responsibility programmes.

However, the International Labour Organization and many other researchers have identified that labour and human rights issues are still prevalent in many developing countries. This is in part due to the weakness in local institutional environments such as legal and political frameworks and in part due to the governance structures of the global value chains which provide opportunities for multinational companies to neglect or overlook the labour and human rights issues. Therefore, it is important to have an in-depth analysis of such issues from the lower tiers (suppliers) of the global value chains and then compare the findings with what the multinational buyers report in their corporate social responsibility reports.

There is a significant lack of research investigating the labour and human rights issues in Sri Lankan global suppliers especially in the plantation sectors. Furthermore, research need to be carried out to figure out the reasons for the existing issues and the role of multinational buyers and institutional forces in creating such issues. Notably, there is a lack of research which verify the corporate social responsibility claims made by multinational companies with regard to their supply chains.



Therefore, this research is focussed on identifying the labour and human rights issues from the viewpoint of supplier company labourers and their managers. Your company has been identified as part of the global value chains of UK multinational company .....and the participation of interviewees from this company would be immensely helpful for this research.

### **Description of Data Requested**

- Two separate interview questionnaires had been prepared for managers and labourers. Each questionnaire contains sections of different labour and human rights aspects formulated in accordance with international labour and human rights standards. Under each section there are sub questions to determine the level of implementation and compliance with each standard.
- In addition to this, a general description would be requested from each interviewee regarding the company and their job description.
- The managers' questionnaire contains additional questions regarding their perception of corporate social responsibility.
- Each interviewee would be requested to provide any information they know about the relevant institutional forces such as legal, political, cultural and social aspects.

### **Maintenance of Research Ethics and Confidentiality**

This research is carried out under the auspices of Middlesex University and as such be regulated by the Middlesex University Research Ethics Committee requirements.

Confidentiality and privacy of data would be maintained as follows.

- No names would be used in transcribing from the audio tapes or translating from native languages to English or in writing up of the thesis. Each manager and

institutional agent would be addressed by their official designation and each labourers would be addressed by a specific code consists of their job description and a number.

- The audio tapes recorded with the interviewees would only be listened by me and would not be transcribed by any other person and the transcription would be done within the confinements of my home or research office (not in a public place).
- The interviews carried out in Sinhalese would be translated to English by me in a word by word manner. If an interviewee would answer in Tamil, the Sinhalese translation would be taken from an approved translator by the interviewee on the site.
- The data which would be obtained during this research would be kept under strict safety measures and would not be given for further analysis to anyone other than myself and my supervisors.
- If the data of this research would be used in journal articles, strict confidentiality measures would be taken so that the supplier companies or the interviewees would not be identified in such articles.

Therefore, your understanding and assistance in this study is greatly appreciated and should you need further information, please do not hesitate to contact me.

Chandima Hettiarachchi

Email: [chandimal85@yahoo.com](mailto:chandimal85@yahoo.com)

Tel: 0094 33 2228203

Mobile: 0094 77

## Tables Listing the Planned Visits and Actual Visits Done during Stage Two

**Table 1 : List of Institutions for planned data collection and meeting with relevant officers regarding Sri Lanka economy, export industries, value chain suppliers and foreign investments**

<i>Institute</i>	<i>Type of information and data to be collected</i>
Sri Lanka Export Development Board (EDB), Colombo 2 (Responsible for development and promotion of exports)	Export information and statistics, export performance reports, industry capability reports, export policies and regulations, Exporters (Suppliers) Directory
Board of Investment of Sri Lanka (BOI), Colombo 1 (Responsible for promoting foreign investments)	Information on foreign direct investments, investment facilitation, investor services and government policies regarding foreign investments. Also information and data about Export Processing Zones and Industrial Parks
Department of Census and Statistics (Colombo 8)	Data on Sri Lanka labour force, export and trade data (Eg:- value and percentage of exports by country of destination)
Department of Import and Export Control (Colombo 1)	Regulatory information regarding exports (tax and other levies)
The National Chamber of Commerce of Sri Lanka (Colombo 10)	Information and data of small and medium scale suppliers
National Chamber of Exporters Sri Lanka (Colombo 3)	List of exporters (suppliers) in many industries such as clothing, textile, food, rubber products and agricultural products
Sri Lanka Apparel Exporters Association (Colombo 7)	Statistics of exports of apparel, list of customer companies (multinationals)
Central Bank of Sri Lanka (Colombo 1)	Data and statistics of Sri Lanka economy including export industries

*Table 2: List of Institutes visited and data collected*

<b>Institute</b>	<b>Date Visited</b>	<b>Officials met</b>	<b>Type of data collected</b>
Export Development Board	29/08/2015	Assistant Commissioner of Exports	Export data and statistics, export products and quantities to UK, lists of global suppliers
Central Bank of Sri Lanka	03/08/2015	Head of Foreign Exchange	Data and statistics related to Sri Lanka economy, exports, labour force
Board of Investment	04/09/2015	Director of Research	FDI, investment facilities and policies, Export Processing Zones
Rubber Research Institute	04/09/2015	Senior Research Officer	Rubber industry, VARP sector, natural rubber exporters
Sri Lanka Tea Board	11/08/2015	Assistant Commissioner of Tea	Tea industry, tea auctions and management of the industry

**Table 3: List of Institutions for planned data collection and meeting with relevant officers regarding Sri Lanka labour force, labour laws, implementing labour standards and health and safety issues**

<i>Institute</i>	<i>Type of information and data to be collected</i>
Ministry of Labour and Labour Relations, Colombo 10 (The main institute responsible for labour issues)	Information on implementing international labour standards, coordination with ILO and implementing worker rights
Department of Labour(DoL), Central Sri Lanka (Labour Law Enforcement Institute)	Information on enforcement of labour laws, employment regulation, social security schemes, settlement of industrial disputes and trade unions data
National Institute of Labour Studies (NILS), Colombo 8 (Information and Research Centre)	Labour market information and labour statistics
National Institute of Occupational Safety and Health (NIOSH), Colombo 5	Research information and data on health and safety of labourers, training and knowledge dissemination among employers
National Labour Advisory Council (Tripartite Consultative Establishment)	Information on the tripartite mechanism of consultation between the Government and Organizations of employers and employees. Also, information on the co-operation with ILO and other international labour standards and policies.
Office of the Commissioner for Workmen's Compensation, Colombo 4 (Implements Workmen's Compensation Ordinance)	Information regarding Compensation Ordinance and its implementation

**Table 4: List of Institutes visited and data collected**

<b>Institute</b>	<b>Date Visited</b>	<b>Officials met</b>	<b>Type of Data Collected</b>
Labour Department of Sri Lanka	12/08/2015	Assistant Commissioner of Labour  Assistant Commissioner of Labour for Women and Children.	Labour Law, Labour Acts and Wage Board decisions regarding, garments, tea, rubber, coconut and tobacco productions. Social Dialogue- Tripartite discussions between workers, employees and government Child labour and laws relevant to women, their night shifts and maternity related issues.
National Institute of Occupational Safety and Health (NIOSH)	13/08/2015	Director General	Role of NIOSH as a newly established institute (2011) in Sri Lanka to train and educate relevant people about occupational safety and health.
National Institute of Labour Studies (NILS)	29/08/2015	Administrative Officer	The courses on offer for employers, managers, employees and trade union representatives.

**Table 5: List of some of the companies that had already been contacted at the initial stage or was planning to contact to gain access to conduct interviews.**

<i>Supplier Company Sector and Location</i>	<i>Buyer Companies</i>	<i>Export Products</i>
Garment, Colombo	Tesco, Marks and Spencer	Clothing
Garment, Western Sri Lanka	Marks and Spencer	Clothing
Garment, Western Sri Lanka	Marks and Spencer, Sainsbury's	Clothing
Garment, Western Sri Lanka	Marks and Spencer	Clothing
Garment, Western Sri Lanka	Marks and Spencer, Tesco, Debenhams	Clothing
Garment, Koggala EPZ	Marks and Spencer	Clothing
Garment, Colombo	Marks and Spencer, Next	Clothing
Garment, Katunayake EPZ	Next	Clothing
Tobacco, Colombo	British American Tobacco	Unmanufactured tobacco
Rubber, Western Sri Lanka	Tesco, Sainsbury's	Finished rubber products
Food, Colombo	Tesco, Morrison's	Frozen fish products
Tea, Colombo	Tesco, Unilever	Tea

### **Appendix III: Documents Related to the Third Stage of the Research Method**

**Tables Presenting the GRI G4 Labour and Human Rights Aspects used for Content Analysis of CSR Reports of MNCs**

*Table 1: Index for Content Analysis based on GRI Guidelines (Labour Aspects)*

<i>Aspect</i>	<i>GRI G4 code</i>	<i>Reporting Indices</i>
Supplier Assessment for Labour Practices	G4-LA14	Percentage of new suppliers screened under labour practices criteria
Supplier Assessment for Labour Practices	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chains and actions taken

*Source: Global Reporting Initiative (2013)*

*Table 2: Index for Content Analysis based on GRI Guidelines (Human Rights Aspects)*



<i>Aspect</i>	<i>GRI G4Code</i>	<i>Reporting Indices</i>
Investment	G4-HR1	Number of significant investment agreements and contracts that include human rights clauses
Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk
Child Labour	G4-HR5	Operations and suppliers identified as having child labour and measures taken to abolish child labour
Forced or Compulsory Labour	G4-HR6	Operations and suppliers identified as having forced or compulsory labour and measures taken to eliminate such issues
Assessment	G4-HR9	Number and percentage of operations that have been subject to human rights reviews or impact assessments
Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria
Supplier Human Rights Assessment	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken

*Source: Global Reporting Initiative (2013)*

**Appendix IV: Data Tables Presenting Interview Responses (the tables are related to the data analysis presented in Chapter 6)**

## Garment Sector

Abbreviations used in the tables within the garment sector are explained below.

G1 HRC – Garment Company 1, Human Resources Coordinator

G1 PE – Garment company 1, Production Executive

G1 PM – Garment Company 1, Production Manager

G2 PM – Garment Company 2, Production Manager

G3 APM – Garment Company 3, Assistant Production Manager

**Table 1.1: Managerial Perceptions about CSR**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Do you know about corporate social responsibility (CSR)	Yes	Yes	Yes	Yes	Yes
Does the company have its own CSR policy	Yes	Yes	Yes	Yes	Yes
If 'No' does it adopt the buyer company's (multinational's) CSR policy	N/A	N/A	N/A	N/A	N/A
Have you had any kind of training regarding CSR	Yes	No	No	No	No
Is the company engaged in CSR activities regarding employees, environment, community etc.	Yes	Yes	Yes	Yes	Yes
Do the officials from buyer companies visit/inspect the site/factory	Yes	Yes	Yes	Yes	Yes
Has the company received any certificates/standards regarding CSR	Yes	Yes	Don't know	Yes	Don't know

**Source: Interview Responses from managers in garment sector**

**Table 1.2.1: Responses for 'Working Hours' Questions by Managers**

	<b>G1</b>	<b>G1</b>	<b>G1</b>	<b>G2</b>	<b>G3</b>
--	-----------	-----------	-----------	-----------	-----------

	HRC	PE	PM	PM	APM
Are they required to work on public and national holidays	Yes	Yes	Yes	Yes	Yes
Have the labourers been required to work on public and national holidays to meet the targets	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

**Table 1.2.2: Responses for 'Working Hours' Questions by Labourers**

	G1			G2			G3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Do you work night shifts	3	1	0	0	3	0	2	2	0
Are you required to work on public and national holidays	4	0	0	3	0	0	4	0	0
Have you ever been forced to work on public and national holidays	2	2	0	0	3	0	0	4	0

**Source: Interview Responses from labourers in garment sector**

**Table 1.3.1 :Responses for 'Wage / Overtime / Equal Opportunities' Questions by Managers**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Are the labourers required to work overtime to cover targets	Yes	Yes	Yes	Yes	Yes
Do you provide equal payments and provide same opportunities for males and females with the same job description	Yes	Yes	Yes	Yes	Yes
Do you provide equal payments and equal opportunities for able bodied and disabled workers with the same job description	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

*Table 1.3.2 :Responses for 'Wage / Overtime / Equal Opportunities' Questions by Labourers*

	G1			G2			G3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Is your salary enough to cover your/your family's needs	1	3	0	2	1	0	1	3	0
Do you work overtime	4	0	0	3	0	0	4	0	0
Are you required to work overtime to cover targets	4	0	0	3	0	0	4	0	0
Have you ever been forced or pressurized to work overtime	4	0	0	0	3	0	2	2	0
(If female) Do you think you are equally paid and have same opportunities as a male with the same job description	4	0	0	3	0	0	4	0	0
(If disabled) Do you think you are equally paid and have same opportunities as an able bodied person with the same job description	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Source: Interview Responses from labourers in garment sector**

***Table 1.4.1 : Responses for 'Freedom of Association and Collective Bargaining' Questions by Managers***

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Are trade unions and trade unions activities allowed in the company	No	No	No	No	No
Are the labourers allowed to go to trade union meetings	No	No	No	No	No
Are there trade union representatives	No	No	No	No	No
Do you/management have discussions/meetings with trade union representatives	No	No	No	No	No
Had you ever had to negotiate with a trade union to resolve a dispute	No	No	No	No	No

**Source: Interview Responses from managers in garment sector**

***Table 1.4.2 : Responses for 'Freedom of Association and Collective Bargaining' Questions by Labourers***

	G1			G2			G3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Are trade unions and trade unions activities allowed in the company	0	4	0	0	3	0	0	4	0
If 'Yes', are you a member of a trade union	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Are you allowed to go to trade union meetings	0	4	0	0	3	0	0	4	0
Do you have trade union representatives	0	4	0	0	3	0	0	4	0
Do you know at which instances you can seek help from trade unions	2	2	0	0	3	0	2	0	2
Had you ever had help from a trade union to resolve a dispute	0	4	0	0	3	0	0	4	0
Have you ever involved in a collective bargaining procedure to demand something from the company	2	2	0	0	3	0	0	4	0

**Source: Interview Responses from labourers in garment sector**

*Table 1.5.1 : Responses for 'Employment Security' Questions by Managers*

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Is there a Job contract for every labourer to sign before they start the job	Yes	Yes	Yes	Yes	Yes
Are the termination clauses included in their job contract	Yes	Yes	Yes	Yes	Yes
Is there a notice period for labourers	Yes	Yes	Yes	Yes	Yes
Do you know the company disciplinary and grievance procedures	Yes	Yes	Yes	Yes	Yes
If labourers think they are unfairly treated in the job, are they allowed to do some actions regarding it	Yes	Yes	Yes	Yes	Yes
Are the labourers allowed to take some action if they have a dispute with the management	Yes	Yes	Yes	Yes	Yes
Are the labourers allowed to communicate about a dispute with the management directly or through the trade union to a satisfactory level	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

***Table 1.5.2 : Responses for 'Employment Security' Questions by Labourers***



	G1			G2			G3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Did you sign a job contract before the job started	4	0	0	1	2	0	3	1	0
If 'Yes', did you read and understand the contract clauses	3	1	0	1	0	0	3	0	0
Do you know and have understood the termination clauses	2	2	0	2	0	1	3	1	0
Do you know the details of the notice period	4	0	0	3	0	0	4	0	0
Do you know the company disciplinary and grievance procedures	4	0	0	2	0	1	4	0	0
Do you know what to do or who to contact if you think you are unfairly treated in the job	4	0	0	3	0	0	4	0	0
Do you know what to do or who to contact if you have a dispute with the management	4	0	0	3	0	0	4	0	0
Do you think you can communicate about a dispute with the management directly or through the trade union to a satisfactory level without a fear	2	1	1	1	2	0	3	1	0

**Source: Interview Responses from labourers in garment sector**

**Table 1.6.1 : Responses for 'Vocational Training' Questions by Managers**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Does every labourer receive a training before or after the job started	Yes	Yes	Yes	Yes	Yes
Are the labourers satisfy with the training as adequate / helpful	Yes	Yes	Yes	Yes	Yes
If 'No' do you think they need more training	N/A	N/A	N/A	N/A	N/A
Do the labourers have opportunities for promotion	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

**Table 1.6.2 : Responses for 'Vocational Training' Questions by Labourers**

	<b>G1</b>			<b>G2</b>			<b>G3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Did you receive training before or after the job started	4	0	0	3	0	0	4	0	0
Is the training adequate / helpful	4	0	0	3	0	0	4	0	0
If 'No' do you think you need more training	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Do you have opportunities for promotion	4	0	0	3	0	0	4	0	0

**Source: Interview Responses from labourers in garment sector**

**Table 1 .7.1 : Responses for 'Occupational Health and Safety' Questions by Managers**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Does every labourer have a medical check before the job started	Yes	Yes	Yes	Yes	Yes
If they have medical conditions do you provide satisfactory adjustments for their jobs	No	No	No	Yes	No
Does every labourer have a Health and Safety training	Yes	Yes	Yes	Yes	Yes
Did you have a Health and Safety training at any time before or after the job started	Yes	Yes	Yes	Yes	Yes
If 'Yes' is it adequate / helpful	Yes	Yes	Yes	Yes	Yes
If 'No' do you think you need more training in Health and Safety	N/A	N/A	N/A	N/A	N/A
Are there health and safety inspections on site/ in the factory	Yes	Yes	Yes	Yes	Yes
Do the labourers operate machinery or dangerous equipment and/or work with hazardous substances?	Yes	Yes	Yes	Yes	Yes
If 'Yes' have you taken measures to ensure that they know how to operate and handle them safely and what to do or who to contact if they are injured or not well?	Yes	Yes	Yes	Yes	Yes
Have you taken measures to ensure that they know what to do or who to contact in an emergency? (fire etc.)	Yes	Yes	Yes	Yes	Yes
Is there medical assistance on site / in the factory	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

**Table 1.7.2 : Responses for 'Occupational Health and Safety' Questions by Labourers**

	G1			G2			G3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Did you have a medical check before the job started	4	0	0	3	0	0	4	0	0
Do you have any medical conditions which might get worse by the job	0	2	2	0	3	0	0	3	1
If 'Yes' do you have satisfactory adjustments for your job	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Did you have a Health and Safety training at any time before or after the job started	4	0	0	3	0	0	4	0	0
If 'Yes' is it adequate / helpful	4	0	0	3	0	0	4	0	0
If 'No' do you think you need more training in Health and Safety	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Are there health and safety inspections on site/ in the factory	3	0	1	3	0	0	3	0	1
Do you operate machinery or dangerous equipment and/or work with hazardous substances	4	0	0	3	0	0	4	0	0
If 'Yes' do you know how to operate and handle them safely and what to do or who to contact if you are injured or not well	4	0	0	3	0	0	4	0	0
Do you know what to do or who to contact in an emergency? (fire etc.)	4	0	0	3	0	0	4	0	0
Do you have medical assistance on site / in the factory	4	0	0	3	0	0	4	0	0

**Source: Interview Responses from labourers in garment sector**

**Table 1.8.1 Responses for 'Social Security' Questions by Managers**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Do you provide medical care from the company	Yes	Yes	Yes	Yes	Yes
Do you provide sick leaves and sickness benefits	Yes	Yes	Yes	Yes	Yes
Do you provide medical insurance for the labourers by the company	No	No	No	No	No
Are the labourers entitled to claim injury benefits / compensation	Yes	Yes	Yes	Yes	Yes
Does the company provide adjustments during pregnancy and after birth	Yes	Yes	Yes	Yes	Yes
Do you have a pension plan for the labourers	No	No	No	No	No
Do the labourers contribute towards the Employee Provident Fund	Yes	Yes	Yes	Yes	Yes
Does the company contribute towards the Employer Trust Fund	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

**Table 1.8.2 : Responses for 'Social Security' Questions by Labourers**

	<b>G1</b>			<b>G2</b>			<b>G3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Do you have medical care from the company	4	0	0	3	0	0	4	0	0
Do you have sick leaves and sickness benefits	2	1	1	2	0	1	2	0	2
Do you have a medical insurance provided by the company	0	4	0	0	2	1	0	3	1
Are you entitled to claim injury benefits / compensation	2	0	2	2	0	1	3	0	1
Does the company provide adjustments during pregnancy and after birth	4	0	0	3	0	0	4	0	0
Do you have a pension plan	0	4	0	0	3	0	0	4	0
Do you contribute towards the Employee Provident Fund	4	0	0	3	0	0	4	0	0
Does your employer contribute towards the Employer Trust Fund	4	0	0	3	0	0	4	0	0

**Source: Interview Responses from labourers in garment sector**

**Table 1.9.1 : Responses for 'Social Welfare' Questions by Managers**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Are the labourers entitled to housing benefits	Yes	Yes	Yes	No	Yes
If they are away from home, do you provide satisfactory and safe accommodation by the company	Yes	Yes	Yes	Yes	Yes
Does the company provide safe travelling facilities for labourers to and from the site/factory	Yes	Yes	Yes	Yes	Yes
Does the company facilitate social gathering opportunities for labourers and their families	Yes	Yes	Yes	Yes	Yes
Does the company provide any help towards labourers or their families' needs? (education, marriages, deaths etc.)	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

**Table 1.9.2 : Responses for 'Social Welfare' Questions by Labourers**

	<b>G1</b>			<b>G2</b>			<b>G3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Are you entitled to housing benefits	1	3	0	2	0	1	2	1	1
If away from home, do you have satisfactory and safe accommodation provided by the company	4	0	0	3	0	0	4	0	0
Does the company provide safe travelling facilities to and from the site/factory	4	0	0	3	0	0	4	0	0
Does the company facilitate social gathering opportunities for you and your family	4	0	0	3	0	0	4	0	0
Does the company provide any help towards you or your family's needs? (education, marriages, deaths etc.)	4	0	0	3	0	0	4	0	0

**Source: Interview Responses from labourers in garment sector**



**Table 1.10.1 : Responses for 'Other Questions relating to Institutional Environment' by Managers**

	<b>G1 HRC</b>	<b>G1 PE</b>	<b>G1 PM</b>	<b>G2 PM</b>	<b>G3 APM</b>
Have you/management ever had to sort legal help regarding an employee issue	No	No	No	No	No
Do you think the legal system is adequate and flexible in resolving such issues	Don't know	Yes	Yes	No	Don't know
Do you think the government, local councils and politicians are doing sufficient work to ensure CSR practices	No	No	No	No	Don't know
Do you think the non-government organizations are doing certain work to ensure CSR practices	No	No	Don't know	No	Don't know
Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to the employees and their families	Yes	Yes	Yes	Yes	Yes

**Source: Interview Responses from managers in garment sector**

**Table 1.10.2 : Responses for 'Other Questions relating to Institutional Environment' by Labourers**

	G1			G2			G3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Have you ever faced the situation of sorting for legal help regarding an issue related to the job	0	4	0	0	3	0	0	4	0
Do you think the legal system is adequate and flexible in resolving such issues	0	1	3	1	2	0	0	2	2
Do you think the government, local councils and politicians are doing sufficient work to ensure your labour rights? (wages, working hours, equal rights etc.)	0	3	1	1	2	0	1	2	1
Do you think the non-government organizations are doing certain work to ensure your labour rights	0	3	1	0	3	0	0	2	2
Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to you, your family and your community	2	1	1	2	0	1	3	0	1

**Source: Interview Responses from labourers in garment sector**

## Rubber Sector

Abbreviations used within the rubber sector are explained below.

R1 PM – Rubber Company 1, Production Manager

R1 HRC – Rubber Company 1, Human Resources Coordinator

R2 FM – Rubber Company 2, Factory Manager

R3 FM – Rubber Company 3, Factory Manager

R3 EM – Rubber Company 3, Estate Manager

**Table 2.1: Managerial Perceptions Regarding CSR**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Do you know about corporate social responsibility (CSR)	Yes	Yes	Yes	Yes	Yes
Does the company have its own CSR policy	Yes	Yes	No	Yes	Yes
If 'No' does it adopt the buyer company's (multinational's) CSR policy	N/A	N/A	Yes	N/A	N/A
Have you had any kind of training regarding CSR	No	Yes	No	No	No
Is the company engaged in CSR activities regarding employees, environment, community etc	Yes	Yes	Yes	Yes	Yes
Do the officials from buyer companies visit/inspect the site/factory	Yes	Yes	Yes	No	No
Has the company received any certificates/standards regarding CSR	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.2.1 : Responses for 'Working Hours' Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Are they required to work on public and national holidays	Yes	Yes	Yes	Yes	Yes
Have the labourers been required to work on public and national holidays to meet the targets	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.2.2: Responses for 'Working hours' Questions by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Do you work night shifts	4	1	0	5	0	0	3	0	0
Are you required to work on public and national holidays	5	0	0	5	0	0	3	0	0
Have you ever been forced to work on public and national holidays	3	0	2	4	0	1	1	0	2

**Source: Interview responses from labourers of rubber sector**

**Table 2.3.1 : Responses for 'Wage/Overtime/Equal Opportunities' questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Are the labourers required to work overtime to cover targets	Yes	Yes	Yes	Yes	Yes
Do you provide equal payments and provide same opportunities for males and females with the same job description	No	No	No	Yes	Yes
Do you provide equal payments and equal opportunities for able bodied and disabled workers with the same job description	Yes	Yes	No	No	No

**Source: Interview responses from managers of rubber sector**

**Table 2.3.2 : Responses for 'Wage/Overtime/Equal Opportunities' questions by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Is your salary enough to cover your/your family's needs	0	5	0	0	5	0	0	3	0
Do you work overtime	5	0	0	5	0	0	0	3	0
Are you required to work overtime to cover targets	4	0	1	5	0	0	0	3	0
Have you ever been forced or pressurized to work overtime	3	1	1	4	0	1	2	0	1
(If female) Do you think you are equally paid and have same opportunities as a male with the same job description	0	0	1	N/A	N/A	N/A	N/A	N/A	N/A
(If disabled) Do you think you are equally paid and have same opportunities as an able bodied person with the same job description	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Source: Interview responses from labourers of rubber sector**

**Table 2.4.1 : Responses for 'Freedom of Association and Collective Bargaining'  
Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Are trade unions and trade unions activities allowed in the company	Yes	Yes	No	Yes	Yes
Are the labourers allowed to go to trade union meetings	Yes	Yes	No	Yes	Yes
Are there trade union representatives	Yes	Yes	No	Yes	Yes
Do you/management have discussions/meetings with trade union representatives	Yes	Yes	No	Yes	Yes
Had you ever had to negotiate with a trade union to resolve a dispute	Yes	Yes	No	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.4.2 : Responses for 'Freedom of Association and Collective Bargaining'  
Questions by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Are trade unions and trade unions activities allowed in the company	5	0	0	0	5	0	3	0	0
If 'Yes', are you a member of a trade union	5	0	0	N/A	N/A	N/A	3		0
Are you allowed to go to trade union meetings	4	0	1	0	5	0	3	0	0
Do you have trade union representatives	3	0	2	0	5	0	2	0	1
Do you know at which instances you can seek help from trade unions	3	0	2	0	5	0	2	0	1
Had you ever had help from a trade union to resolve a dispute	0	3	2	0	5	0	0	3	0
Have you ever involved in a collective bargaining procedure to demand something from the company	3	2	0	0	5	0	3	0	0

**Source: Interview responses from labourers of rubber sector**

**Table 2.5.1 : Responses for 'Employment Security' Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Is there a job contract for every labourer to sign before they start the job	Yes	Yes	Yes	Yes	Yes
Are the termination clauses included in their job contract	Yes	Yes	Yes	Yes	Yes
Is there a notice period for labourers	Yes	Yes	Yes	Yes	Yes
Do you know the company disciplinary and grievance procedures	Yes	Yes	Yes	Yes	Yes
If labourers think they are unfairly treated in the job, are they allowed to do some actions regarding it	Yes	Yes	Yes	Yes	Yes
Are the labourers allowed to take some action if they have a dispute with the management	Yes	Yes	Yes	Yes	Yes
Are the labourers allowed to communicate about a dispute with the management directly or through the trade union to a satisfactory level	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**



**Table 2.5.2 : Responses for 'Employment Security' Questions by Labourers**

	R1			R2			R3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Did you sign a Job contract before the job started	5	0	0	5	0	0	3	0	0
If 'Yes', did you read and understand the contract clauses	3	2	0	2	2	1	1	2	0
Do you know and have understood the termination clauses	2	1	2	2	2	1	0	2	1
Do you know the details of the notice period	2	3	0	1	2	2	1	2	0
Do you know the company disciplinary and grievance procedures	1	3	1	1	1	3	1	2	0
Do you know what to do or who to contact if you think you are unfairly treated in the job	4	0	1	3	0	2	3	0	0
Do you know what to do or who to contact if you have a dispute with the management	4	0	1	3	0	2	3	0	0
Do you think you can communicate about a dispute with the management directly or through the trade union to a satisfactory level without a fear	1	2	2	1	3	1	1	0	2

**Source: Interview responses from labourers of rubber sector**

**Table 2.6.1 : Responses for 'Vocational Training' Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Does every labourer receive a training before or after the job started	Yes	Yes	Yes	Yes	Yes
Are the labourers satisfy with the training as adequate / helpful	Yes	Yes	Yes	Don't know	Don't know
If 'No' do you think they need more training	N/A	N/A	N/A	N/A	N/A
Do the labourers have opportunities for promotion	Yes	Yes	Yes	Yes	No

**Source: Interview responses from managers of rubber sector**

**Table 2.6.2 : Responses for 'Vocational Training' Questions by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Did you receive training before or after the job started	5	0	0	5	0	0	3	0	0
Is the training adequate / helpful	5	0	0	5	0	0	3	0	0
If 'No' do you think you need more training	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Do you have opportunities for promotion	4	0	1	5	0	0	2	0	1

**Source: Interview responses from labourers of rubber sector**

**Table 2.7.1 : Responses for 'Occupational Health and Safety' Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Does every labourer have a medical check before the job started	No	No	Yes	Yes	No
If they have medical conditions do you provide satisfactory adjustments for their jobs	Yes	Yes	No	No	No
Does every labourer have a Health and Safety training	Yes	Yes	Yes	Yes	No
Did you have a Health and Safety training at any time before or after the job started	Yes	Yes	Yes	Yes	Yes
If 'Yes' is it adequate / helpful	Yes	Yes	Yes	Yes	Don't know
If 'No' do you think you need more training in Health and Safety	N/A	N/A	N/A	N/A	N/A
Are there health and safety inspections on site/ in the factory	Yes	Yes	Yes	No	No
Do the labourers operate machinery or dangerous equipment and/or work with hazardous substances?	Yes	Yes	Yes	Yes	Yes
If 'Yes' have you taken measures to ensure that they know how to operate and handle them safely and what to do or who to contact if they are injured or not well?	Yes	Yes	Yes	Yes	Yes
Have you taken measures to ensure that they know what to do or who to contact in an emergency? (fire etc.)	Yes	Yes	Yes	Yes	Yes
Is there medical assistance on site / in the factory	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.7.2 : Responses for 'Occupational Health and Safety' Questions by Labourers**

	R1			R2			R3		
	Yes	No	Don't Know	Yes	No	Don't Know	Yes	No	Don't Know
Did you have a medical check before the job started	0	2	3	5	0	0	3	0	0
Do you have any medical conditions which might get worse by the job	0	3	2	0	4	1	0	1	2
If 'Yes' do you have satisfactory adjustments for your job	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Did you have a Health and Safety training at any time before or after the job started	5	0	0	5	0	0	3	0	0
If 'Yes' is it adequate / helpful	3	0	2	4	0	1	3	0	0
If 'No' do you think you need more training in Health and Safety	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Are there health and safety inspections on site/ in the factory	2	0	3	3	0	2	0	2	1
Do you operate machinery or dangerous equipment and/or work with hazardous substances	5	0	0	5	0	0	3	0	0
If 'Yes' do you know how to operate and handle them safely and what to do or who to contact if you are injured or not well	5	0	0	5	0	0	3	0	0
Do you know what to do or who to contact in an emergency? (fire etc.)	5	0	0	5	0	0	3	0	0
Do you have medical assistance on site / in the factory	5	0	0	5	0	0	3	0	0

**Source: Interview responses from labourers of rubber sector**

**Table 2.8.1 : Responses for 'Social Security' Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Do you provide medical care from the company	Yes	Yes	Yes	No	No
Do you provide sick leaves and sickness benefits	Yes	Yes	Yes	Yes	Yes
Do you provide medical insurance for the labourers by the company	Yes	Yes	Yes	Yes	Yes
Are the labourers entitled to claim injury benefits / compensation	Yes	Yes	Yes	Yes	Yes
Does the company provide adjustments during pregnancy and after birth	Yes	Yes	N/A	No	Don't know
Do you have a pension plan for the labourers	No	No	No	No	No
Do the labourers contribute towards the Employee Provident Fund	Yes	Yes	Yes	Yes	Yes
Does the company contribute towards the Employer Trust Fund	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.8.2 : Responses for 'Social Security' Questions by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Do you have medical care from the company	5	0	0	5	0	0	0	2	1
Do you have sick leaves and sickness benefits	3	0	2	4	0	1	1	1	1
Do you have a medical insurance provided by the company	4	0	1	3	2	0	2	0	1
Are you entitled to claim injury benefits / compensation	2	0	3	2	1	2	2	0	1
Does the company provide adjustments during pregnancy and after birth	1	1	3	N/A	N/A	N/A	0	0	3
Do you have a pension plan	0	5	0	0	5	0	0	3	0
Do you contribute towards the Employee Provident Fund	5	0	0	5	0	0	3	0	0
Does your employer contribute towards the Employer Trust Fund	5	0	0	5	0	0	3	0	0

**Source: Interview responses from labourers of rubber sector**

**Table 2.9.1 : Responses for 'Social Welfare' Questions by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Are the labourers entitled to housing benefits	No	No	No	Yes	Yes
If they are away from home, do you provide satisfactory and safe accommodation by the company	No	No	No	No	No
Does the company provide safe travelling facilities for labourers to and from the site/factory	No	No	Yes	N/A	N/A
Does the company facilitate social gathering opportunities for labourers and their families	Yes	Yes	Yes	Yes	Yes
Does the company provide any help towards labourers or their families' needs? (education, marriages, deaths etc.)	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.9.2 : Responses for 'Social Welfare' Questions by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Are you entitled to housing benefits	0	5	0	0	5	0	3	0	0
If away from home, do you have satisfactory and safe accommodation provided by the company	0	5	0	0	5	0	0	3	0
Does the company provide safe travelling facilities to and from the site/factory	0	5	0	5	0	0	0	3	0
Does the company facilitate social gathering opportunities for you and your family	5	0	0	5	0	0	3	0	0
Does the company provide any help towards you or your family's needs? (education, marriages, deaths etc.)	5	0	0	5	0	0	3	0	0

**Source: Interview responses from labourers of rubber sector**



**Table 2.10.1 : Responses for 'Other Questions Relating to Institutional Environment' by Managers**

	<b>R1 PM</b>	<b>R1 HRC</b>	<b>R2 FM</b>	<b>R3 FM</b>	<b>R3 EM</b>
Have you/management ever had to sort legal help regarding an employee issue	Yes	Don't know	Yes	No	Don't know
Do you think the legal system is adequate and flexible in resolving such issues	No	Don't know	No	No	Don't know
Do you think the government, local councils and politicians are doing sufficient work to ensure CSR practices	No	No	Yes	No	No
Do you think the non-government organizations are doing certain work to ensure CSR practices	No	No	No	Yes	Don't know
Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to the employees and their families	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of rubber sector**

**Table 2.10.2 : Responses for 'Other Questions Relating to Institutional Environment' by Labourers**

	<b>R1</b>			<b>R2</b>			<b>R3</b>		
	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>	<b>Yes</b>	<b>No</b>	<b>Don't Know</b>
Have you ever faced the situation of sorting for legal help regarding an issue related to the job	0	5	0	0	5	0	0	3	0
Do you think the legal system is adequate and flexible in resolving such issues	1	2	2	1	1	3	0	0	3
Do you think the government, local councils and politicians are doing sufficient work to ensure your labour rights? (wages, working hours, equal rights etc.)	0	3	2	0	5	0	0	2	1
Do you think the non-government organizations are doing certain work to ensure your labour rights	0	1	4	1	1	3	0	0	3
Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to you, your family and your community	3	0	2	4	1	0	2	0	1

**Source: Interview responses from labourers of rubber sector**

## Tea Sector

Abbreviations used within the tea sector data analysis are explained below.

T1 EM – Tea Supplier 1, Estate Manager

T1 FM – Tea Supplier 1, Factory Manager

T2 EM – Tea Supplier 2, Estate Manager

T2 FM – Tea Supplier 2, Factory Manager

T2 FS – Tea Supplier 2, Factory Supervisor

**Table 3.1 : Managerial Perceptions Regarding CSR**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Do you know about corporate social responsibility (CSR)	Yes	Yes	Yes	Yes	No
Does the company have its own CSR policy	Yes	D/N	No	No	D/N
If 'No' does it adopt the buyer company's (multinational's) CSR policy	N/A	N/A	No	No	D/N
Have you had any kind of training regarding CSR	Yes	No	No	No	No
Is the company engaged in CSR activities regarding employees, environment, community etc	Yes	Yes	Yes	Yes	D/N
Do the officials from buyer companies visit/inspect the site/factory	Yes	Yes	No	No	No
Has the company received any certificates/standards regarding CSR	Yes	Yes	No	No	D/N

**Source: Interview responses from managers of tea sector**

**Table 3.2.1 : Responses for 'Working Hours' Questions by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Are they (the labourers) required to work on public and national holidays	Yes	Yes	Yes	Yes	Yes
Have the labourers been required to work on public and national holidays to meet the targets	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of tea sector**

**Table 3.2.2 : Responses for 'Working Hours' Questions by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Do you work night shifts	0	5	0	1	3	0
Are you required to work on public and national holidays	5	0	0	3	1	0
Have you ever been forced to work on public and national holidays	3	2	0	2	2	0

**Source: Interview responses from labourers of tea sector**

**Table 3.3.1: Responses for 'Wage/Overtime/Equal Opportunities' Questions by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Are the labourers required to work overtime to cover targets	Yes	Yes	Yes	Yes	Yes
Do you provide equal payments and provide same opportunities for males and females with the same job description	No	No	No	No	No
Do you provide equal payments and equal opportunities for able bodied and disabled workers with the same job description	No	No	No	No	No

**Source: Interview responses from managers of tea sector**

**Table 3.3.2: Responses for 'Wage/Overtime/Equal Opportunities' Questions by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Is your salary enough to cover your/your family's needs	0	5	0	1	3	0
Do you work overtime	5	0	0	4	0	0
Are you required to work overtime to cover targets	5	0	0	4	0	0
Have you ever been forced or pressurized to work overtime	0	3	2	2	2	0
(If female) Do you think you are equally paid and have same opportunities as a male with the same job description	5	0	0	0	0	3
(If disabled) Do you think you are equally paid and have same opportunities as an able bodied person with the same job description	N/A	N/A	N/A	N/A	N/A	N/A

**Source: Interview responses from labourers of tea sector**

**Table 3.4.1 : Responses for 'Freedom of Association and Collective Bargaining' by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Are trade unions and trade unions activities allowed in the company	Yes	Yes	No	No	No
Are the labourers allowed to go to trade union meetings	Yes	Yes	No	No	No
Are there trade union representatives	Yes	Yes	No	No	No
Do you/management have discussions/meetings with trade union representatives	Yes	Yes	No	No	No
Had you ever had to negotiate with a trade union to resolve a dispute	Yes	Yes	No	No	No

**Source: Interview responses from managers of tea sector**

**Table 3.4.2 : Responses for 'Freedom of Association and Collective Bargaining' by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Are trade unions and trade unions activities allowed in the company	5	0	0	0	4	0
If 'Yes', are you a member of a trade union	5	0	0	N/A	N/A	N/A
Are you allowed to go to trade union meetings	5	0	0	0	4	0
Do you have trade union representatives	5	0	0	0	2	2
Do you know at which instances you can seek help from trade unions	5	0	0	0	4	0
Had you ever had help from a trade union to resolve a dispute	5	0	0	0	4	0
Have you ever involved in a collective bargaining procedure to demand something from the company	5	0	0	0	2	2
Do you think you can do trade union activities without the fear of being expelled from the job	0	2	3	0	0	4

**Source: Interview responses from labourers of tea sector**

### 3.5.1 Responses for 'Employment Security' Questions by Managers

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Is there a Job contract for every labourer to sign before they start the job	Yes	Yes	No	Yes	Yes
If 'Yes' do you make sure that they read and understand the contract clauses	No	No	N/A	No	No
Are the termination clauses included in their job contract	No	No	No	Yes	No
Is there a notice period for labourers	Yes	Yes	Yes	Yes	Yes
Do you know the company disciplinary and grievance procedures	Yes	Yes	Yes	No	No
If labourers think they are unfairly treated in the job, are they allowed to do some actions regarding it	Yes	Yes	D/N	Yes	D/N
Are the labourers allowed to take some action if they have a dispute with the management	Yes	Yes	D/N	D/N	D/N
Are the labourers allowed to communicate about a dispute with the management directly or through the trade union to a satisfactory level	Yes	Yes	Yes	Yes	D/N

**Source: Interview responses from managers of tea sector**



### 3.5.2: Responses for 'Employment Security' Questions by Labourers

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Did you sign a Job contract before the job started	0	3	2	1	3	0
If 'Yes', did you read and understand the contract clauses	N/A	N/A	N/A	0	1	0
Do you know and have understood the termination clauses	0	5	0	0	4	0
Do you know the details of the notice period	0	3	2	0	4	0
Do you know the company disciplinary and grievance procedures	0	3	2	0	4	0
Do you know what to do or who to contact if you think you are unfairly treated in the job	5	0	0	2	2	0
Do you know what to do or who to contact if you have a dispute with the management	5	0	0		0	4
Do you think you can communicate about a dispute with the management directly or through the trade union to a satisfactory level without a fear	0	0	5	0	0	4

**Source: Interview responses from labourers of tea sector**

**Table 3.6.1 : Responses for 'Vocational Training' Questions by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Does every labourer receive a training before or after the job started	Yes	Yes	Yes	Yes	Yes
Are the labourers satisfy with the training as adequate / helpful	D/N	D/N	D/N	D/N	D/N
If 'No' do you think they need more training	N/A	N/A	N/A	N/A	N/A
Do the labourers have opportunities for promotion	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of tea sector**

**Table 3.6.2 : Responses for 'Vocational Training' Questions by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Did you receive training before or after the job started	0	5	0	2	2	0
Is the training adequate / helpful	N/A	N/A	N/A	2	0	0
If 'No' do you think you need more training	N/A	N/A	N/A	N/A	N/A	N/A
Do you have opportunities for promotion	0	0	5	1	1	2

**Source: Interview responses from labourers of tea sector**

**Table 3.7.1 : Responses for 'Occupational Health and Safety' Questions by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Does every labourer have a medical check before the job started	Yes	Yes	Yes	Yes	Yes
If they have medical conditions do you provide satisfactory adjustments for their jobs	No	No	No	No	D/N
Does every labourer have a Health and Safety training	Yes	Yes	Yes	Yes	Yes
Did you have a Health and Safety training at any time before or after the job started	Yes	Yes	Yes	Yes	Yes
If 'Yes' is it adequate / helpful	Yes	Yes	Yes	Yes	D/N
If 'No' do you think you need more training in Health and Safety	N/A	N/A	N/A	N/A	N/A
Are there health and safety inspections on site/ in the factory	Yes	Yes	No	No	No
Do the labourers operate machinery or dangerous equipment and/or work with hazardous substances?	Yes	Yes	Yes	Yes	Yes
If 'Yes' have you taken measures to ensure that they know how to operate and handle them safely and what to do or who to contact if they are injured or not well?	Yes	Yes	Yes	Yes	Yes
Have you taken measures to ensure that they know what to do or who to contact in an emergency? (fire etc.)	Yes	Yes	Yes	Yes	Yes
Is there medical assistance on site / in the factory	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of tea sector**

**Table 3.7.2 : Responses for 'Occupational Health and Safety' Questions by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Did you have a medical check before the job started	2	2	1	4	0	0
Do you have any medical conditions which might get worse by the job	0	2	3	0	3	1
If 'Yes' do you have satisfactory adjustments for your job	N/A	N/A	N/A	N/A	N/A	N/A
Did you have a Health and Safety training at any time before or after the job started	0	4	1	2	2	0
If 'Yes' is it adequate / helpful	N/A	N/A	N/A	2	0	0
If 'No' do you think you need more training in Health and Safety	N/A	N/A	N/A	N/A	N/A	N/A
Are there health and safety inspections on site/ in the factory	0	0	5	0	2	2
Do you operate machinery or dangerous equipment and/or work with hazardous substances	0	5	0	2	2	0
If 'Yes' do you know how to operate and handle them safely and what to do or who to contact if you are injured or not well	N/A	N/A	N/A	2	0	0
Do you know what to do or who to contact in an emergency? (fire etc.)	3	0	2	4	0	0
Do you have medical assistance on site / in the factory	5	0	0	2	0	2

**Source: Interview responses from labourers of tea sector**

**Table 3.8.1 : Responses for 'Social Security' Questions by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Do you provide medical care from the company	Yes	Yes	Yes	Yes	Yes
Do you provide sick leaves and sickness benefits	Yes	Yes	Yes	Yes	Yes
Do you provide medical insurance for the labourers by the company	Yes	Yes	No	No	No
Are the labourers entitled to claim injury benefits / compensation	Yes	Yes	Yes	Yes	D/N
Does the company provide adjustments during pregnancy and after birth	Yes	D/N	No	No	No
Do you have a pension plan for the labourers	Yes	Yes	No	No	No
Do the labourers contribute towards the Employee Provident Fund	Yes	Yes	Yes	Yes	Yes
Does the company contribute towards the Employer Trust Fund	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of tea sector**

**Table 3.8.2 : Responses for 'Social Security' Questions by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Do you have medical care from the company	5	0	0	4	0	0
Do you have sick leaves and sickness benefits	0	5	0	2	0	2
Do you have a medical insurance provided by the company	0	3	2	0	2	2
Are you entitled to claim injury benefits / compensation	0	2	3	3	0	1
Does the company provide adjustments during pregnancy and after birth	5	0	0	0	2	2
Do you have a pension plan	0	5	0	0	4	0
Do you contribute towards the Employee Provident Fund	5	0	0	4	0	0
Does your employer contribute towards the Employer Trust Fund	5	0	0	4	0	0

**Source: Interview responses from labourers of tea sector**

**Table 3.9.1 : Responses for 'Social Welfare' Questions by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Are the labourers entitled to housing benefits	Yes	Yes	No	No	No
If they are away from home, do you provide satisfactory and safe accommodation by the company	N/A	N/A	No	No	No
Does the company provide safe travelling facilities for labourers to and from the site/factory	N/A	N/A	No	No	No
Does the company facilitate social gathering opportunities for labourers and their families	Yes	Yes	Yes	Yes	Yes
Does the company provide any help towards labourers or their families' needs? (education, marriages, deaths etc.)	Yes	Yes	Yes	Yes	Yes

**Source: Interview responses from managers of tea sector**

**Table 3.9.2 : Responses for 'Social Welfare' Questions by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Are you entitled to housing benefits	5	0	0	0	4	0
If away from home, do you have satisfactory and safe accommodation provided by the company	N/A	N/A	N/A	0	4	0
Does the company provide safe travelling facilities to and from the site/factory	N/A	N/A	N/A	0	4	0
Does the company facilitate social gathering opportunities for you and your family	5	0	0	4	0	0
Does the company provide any help towards you or your family's needs? (education, marriages, deaths etc.)	5	0	0	4	0	0

**Source: Interview responses from labourers of tea sector**



**Table 3.10.1 : Responses for 'Other Questions Relating to Institutional Environment' by Managers**

	T1 EM	T1 FM	T2 EM	T2 FM	T2 FS
Have you/management ever had to sort legal help regarding an employee issue	-	No	No	No	Don't know
Do you think the legal system is adequate and flexible in resolving such issues	Don't know	Don't know	Don't know	Don't know	Don't know
Do you think the government, local councils and politicians are doing sufficient work to ensure CSR practices	No	Don't know	Don't know	Don't know	Don't know
Do you think the non-government organizations are doing certain work to ensure CSR practices	Yes	Yes	Don't know	Don't know	Don't know
Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to the employees and their families	Yes	Yes	Yes	Yes	Don't know

**Source: Interview responses from managers of tea sector**

**Table 3.10.2 : Responses for 'Other Questions Relating to Institutional Environment' by Labourers**

	T1			T2		
	Yes	No	Don't Know	Yes	No	Don't Know
Have you ever faced the situation of sorting for legal help regarding an issue related to the job	0	5	0	0	2	2
Do you think the legal system is adequate and flexible in resolving such issues	0	0	5	0	0	4
Do you think the government, local councils and politicians are doing sufficient work to ensure your labour rights? (wages, working hours, equal rights etc.)	0	2	3	2	0	2
Do you think the non-government organizations are doing certain work to ensure your labour rights	0	0	5	0	0	4
Do you think religious and cultural motivations are encouraging the company/management to do some philanthropical activities, charitable giving etc. to you, your family and your community	0	0	5	0	0	4

**Source: Interview responses from labourers of tea sector**

## **Appendix V**

### ***5.2.1.1 G1, Galle (Southern Sri Lanka)***

G1 is situated within the Koggala EPZ (in Southern Sri Lanka) and is one of many subsidiaries of its holding company headquartered in Colombo which is a prominent garment sector conglomerate in Sri Lanka (Sri Lanka Export Development Board, 2018). Total number of employees in G1 is 2620 including the managerial level positions and 1816 labourers are working as sewing machine operators while 600 other labourers are employed in stores, cutting, packaging and quality control divisions (Production Manager, G1, 2015). Main buyer companies are Marks and Spencer, Calvin Klein, H&M and Victoria's Secret and the productions are directly shipped to these international buyers (Production Manager, G1, 2015). Raw materials such as threads, elastic and buttons are purchased directly from sub suppliers in Sri Lanka and in some South East Asian countries such as Vietnam and Myanmar (Production Manager, G1, 2015).

The holding company has its own CSR agenda and codes of conducts which are adopted by G1 (the subsidiary). The main aspects of their CSR policies are social sustainability, environmental sustainability and corporate governance (Human Resources Coordinator, 2015). Also, the managers express that the company is complying with the ILO labour standards and the labour practices set out by their buyers particularly proper factory conditions and health and safety procedures (Production Executive, G1, 2015).

### ***5.2.1.2 G2, Galle (Southern Sri Lanka)***

G2 is situated within the Koggala EPZ (Southern Sri Lanka) and is a subsidiary of its holding company headquartered in Colombo which is the largest apparel exporter

in Sri Lanka (Sri Lanka Export Development Board, 2018). G2 employs 2325 people at managerial and labourer positions and produces garments and textiles exclusively for the foreign market including Marks and Spencer in the UK (Production Manager, G2, 2015). The company has close and direct relationships with their sub suppliers mainly from Sri Lanka, India and Bangladesh and directly exports finished products to the multinational buyers through the sales offices located in the USA and Europe (Production Manager, 2015).

The holding company has its own sustainability and CSR practices which are adhered to by G2 (the subsidiary). Also, G2 comply with the international labour standards and their buyers' CSR practices and codes of conduct (Production Manager, G2, 2015). The Green Agenda of G2 includes protecting the local environment and providing clean water for the local communities while the People Agenda includes a partnership programme with Marks and Spencer to provide employment for local special needs people (Production Manager, G2, 2015). Also, the company has become signatories to United Nations Global Impact (UNGC) programme and is adhering to the principles of Garments Without Guilt (Production Manager, G2, 2015).

#### ***5.2.1.3 G3, Colombo (Western Sri Lanka)***

G3 is a private limited company situated in the suburbs of Colombo but not within an EPZ. Its holding company is one of the oldest retail companies in Sri Lanka with a history of more than 100 years (Sri Lanka Export Development Board, 2018). The company has strategic and direct partnerships with its suppliers in Indonesia, Vietnam, Bangladesh, India and Sri Lanka and the garments produced are directly shipped to many multinational buyers including Tesco, Sainsbury's and Marks and Spencer in the UK (Assistant Production Manager, G3, 2015).

The company considers sustainability as one of its main goals and the Assistant Production Manager (2015) states that their responsibility is 'to protect our environment, assisting the communities around us, and enabling and empowering our employees'. The management is keen to highlight the CSR practices of the company particularly CCR programmes including welfare programmes for the labourers and their families in the local communities (Assistant Production Manager, G3, 2015).

#### **5.3.1.1 R1, Colombo (Western Sri Lanka)**

R1 is one of the top five non-medical glove manufacturers in the world and is a leading supplier of natural and synthetic latex based domestic, industrial and medical gloves (Production Manager, R1, 2015). The holding company is listed in the Colombo Stock Exchange and has its own rubber plantations in South Eastern Sri Lanka and manufacturing plants near Colombo. The natural rubber supplies mostly arrive from their own plantations but some raw material such as sulphuric acid are imported from international sub suppliers (Production Manager, R1, 2015). The finished products are directly shipped to the multinational buyers including Tesco in the UK (Production Manager, R1, 2015).

The company has extensive environmental policies which involve local communities as well and is very keen on maintaining quality of the products and their factories and several ISO standards had been achieved. Also, it has an HIV/AIDS policy which is used to tackle discrimination against the people who are affected by HIV/AIDS (HR Coordinator, R1, 2015). However, there are no indications about the policies regarding labourers or their rights which is a stark difference from their extensive and descriptive policies mentioned above.

#### **5.3.1.2 R2, Galle (Southern Sri Lanka)**

R2 is one of the leading rubber products manufacturing company in Sri Lanka and exports its products to more than 70 countries worldwide. The main manufacturing plant is situated in southern Sri Lanka and they have their own rubber plantations to provide natural rubber as raw materials. The finished products including rubber tyres, tubes, seals and gloves which are exported to their multinational buyers in the UK such as Tesco, Sainsbury's and Morrisons (Factory Manager, R2, 2015).

R2 does not have a website or its own CSR policies. It adheres to the codes of conducts of their multinational buyers and there is close management from the buyers in the forms of audits, supervisions and inspections before placing orders and also during the production process (Factory Manager, R2, 2015). The factory has a strict management system for quality control purposes but the labourers are not allowed to engage in any trade union activities (Factory Manager, R2, 2015). Also visits to the factory site is highly restricted and cameras are prohibited.

#### ***5.3.1.3 R3, Padukka (Western Sri Lanka)***

R3 is a leading manufacturer of natural latex rubber for many industries. The company has rubber plantations and factories to produce sheet rubber (the exported form of natural rubber) although they do not produce any value-added rubber products. The buyers include some of the local rubber manufacturers as well as multinational buyers including Tesco in the UK (Factory Manager, R3, 2015).

R3 has its own CSR policies but much information could not be obtained. The company collaborates with NGOs to serve the local communities and protect the environment (Estate Manager, R3, 2015).

#### ***5.4.1.1 T1, Nuwara Eliya (Central Sri Lanka)***

T1 is situated in the central Sri Lankan district of Nuwara Eliya at an elevation of more than 2000 meters above the mean sea level thus produce high-grown tea renowned for its quality and unique taste. The area of the estate is 27000 acres and the number of workers is estimated as 10200 (Estate Manager, T1, 2015). Established in the 19<sup>th</sup> century, the first British managers of the estate struggled to find local labourers and brought in Tamil labourers from Southern India

In their company website, T1 explains extensively about their historical beginnings and their connections with the UK as a special tea provider for the UK market for more than two centuries. The company manages to earn large amounts of profits through their tea auctions. The labourers are provided with accommodation and other facilities by the company. T1 has its own CSR policy and engages in activities such as community development and environmental protection.

#### ***5.4.1.2 T2, Imaduwa (Southern Sri Lanka)***

T2 is situated in Southern Sri Lanka at about 800 meters above the sea level thus producing low-country tea which recently has found a niche market due to the different tastes it offers from the traditional high-grown tea (Factory Manager, T2, 2015). In contrast to T1, which was established by British governors centuries ago, T2 is newly established (in 1984) and employ the Sinhalese villagers from the surrounding areas as labourers. Therefore, the ethnic tensions commonly observed in T1 and other high-grown tea plantations are not present in here. The company does not have a CSR policy and does not adopt any external policies either.