The CSR Challenges in the Clothing Industry

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Abstract: The aim of this paper is to study the clothing and textile industry through the prism of the CSR. First of all, it investigates the ways in which companies of this sector deal with the social responsibility issues that are specifically important to the characteristics of the fashion industry. Secondly, the motivators of implementing CSR in the textile and clothing business are identified and analysed. Thirdly, the CSR practices of H&M Hennes & Mauritz AB, a well-known multinational corporation operating in the sector of fashion, are discussed in order to illustrate the theoretical review with the case study approach.

Keywords: corporate social responsibility, clothing industry, H&M Hennes & Mauritz AB, case study analysis.

1. Introduction

The clothing industry is one of the most globally integrated. It has been reorganised consistently since the 1970s (Diviney and Lillywhite, 2007). Thanks to globalisation that enabled gradual reduction of trade barriers and made the flow of goods, services and labour more unrestrained, the garment industry is focused mainly in the hands of large corporations with widespread supply chains, based on outsourcing production.
Manufacturing clothes is highly labour-intensive and companies look for cheap workforce all around the globe, therefore the production process is commonly transferred to countries with dense population and low wages, like China or India (Diviney and Lillywhite, 2007). That is why the clothing industry was one of the first to become genuinely global. Perry and Towers (2013) bring up Laudal’s words that apparel industry is “one of the most global industries in the world, with closely coordinated production and distribution lines spread out in regions with great variations in government regulation, employment and environmental protection, and wage levels” (Perry and Towers, 2013, p. 7). This global situation causes corporations to create various conditions in different parts of their structure. Not all of them are consistent with commonly accepted ethical norms. On the other hand, increased foreign investment influenced the development of emerging countries.

Every year consumers spend enormous amounts of money on clothing. Data from 2000 shows that US$1 trillion was spent on clothes globally (including 7% spent on textiles). Moreover, nearly three quarters of the world’s export of clothing, and half of textiles, comes from developing countries (Gardetti and Torres, 2013). Within the industry work approximately 26.5 million employees, 70% of whom are women. Naturally, as the garment sector is labour-intensive, corporate social responsibility plays a major role in clothing companies’ management. Each element of the Triple Bottom Line, as in other industries, starts to take form and develop. New solutions, specific for the industry, are found and applied. Nevertheless, there are still many employers, especially among SMEs, whose knowledge about CSR is narrow or non-existent.

The aim of this paper is to study the clothing and textile industry through the prism of the CSR. First of all, the attention is paid to the ways in which companies of this sector deal with the social responsibility issues that are specifically important to the characteristics of the fashion industry. Secondly, the motivators of implementing CSR in the textile and clothing business are identified and analysed. Thirdly, the CSR practices of H&M Hennes & Mauritz AB, a well-known multinational corporation operating in the sector of fashion, are discussed. The analysis shows how social responsibility is regarded by the company and what kind of solutions it finds to the social problems it is facing.

The methods used to conduct this research were an analysis of literature concerning the subject and a case study of H&M, carried out
by examining of its sustainability report and its website. The source of information is at the same time a limitation of the study of the CSR practice, as it presents the data from one point of view, which might be biased.

2. The characteristics of the textile and clothing industry

Analysing the connections between the textile and clothing industry, Gardetti and Torres (2013) observe: “[t]extiles provide the major input to the clothing industry, creating vertical linkages between the two” (Gardetti and Torres, 2013, p. 4). Before the garment can be sold to the end consumer, it has to go a long way from creating the design to the shelf at a retail seller. That is why, for the sake of argument, in this paper the author treats the textile and clothing industry as one.

According to European Union official documents the textile and clothing industry is:

- a diverse and heterogeneous industry which covers a great number of activities from the transformation of raw materials into fibres, yarns and fabrics that in turn enter into the production of e.g. hi-tech synthetic textiles, wool, bed-linen, industrial filters, geo-textiles and clothing and are used in multiple applications e.g. garments, sports equipment, household, furniture, civil engineering (construction, automobiles and aircrafts), and medical textiles (European Commission, 2011, p. 5).

The fashion industry has certain distinctive characteristics, including: a great variety of products, difficulty to prognosticate and common international sourcing. It is a very capricious market, experiencing constant pressure of low prices. The competition is extremely fierce and brings the companies to strain for high profit margins. In turn, this leads to further outsourcing and offshoring (Perry and Towers, 2013). Nowadays, while shopping, customers expect to find diverse clothes in multiple styles at a low price, which pressures apparel companies into lowering costs and making the lead times shorter. Under these conditions it might be difficult to abide by CSR rules in clothing factories.

As a rule, governments and international organisations are interested in the textile and clothing industry and watch over garment manufacturers all over the world. The industry itself is influenced by multiple
international trading agreements, mainly bilateral contracts between two countries that want to begin or continue a trading relationship (Gar- detti and Torres, 2013). According to Koładkiewicz (2009) that market is challenging and develops new technologies fast. Additionally, the new technological solutions in the garment sector are relatively inexpensive to introduce, which is a chance for poorer countries to become competitive on the world apparel market (Gardetti and Torres, 2013). Research and development as well as design are important elements of competitive advantage. This industry experiences ongoing innovations that result from the constant care for quality and low prices.

The fashion industry produces different types of clothes, which require different conditions. A useful division of its merchandise was provided by Lowson (2003). He distinguishes three segments: basic, seasonal and short-season products. Basic products are the most effortless. Their demand is easy to predict, as normally they are sold constantly through the whole year. Those are the most standard clothes, like plain T-shirts or straight jeans, which take-up does not change because of a fad. Those products can present an opportunity for minimising cost, as they do not have to be quickly delivered to the market. As Perry (2013) notes, working on basic clothes for longer time enables employees to achieve the top of the learning curve, which makes them win the production bonus. The second group, the seasonal products, is characterised by fluctuation of the demand throughout the year. Their life cycle lasts around 12–25 weeks. Their demand is less predictable than that of the basic products, but certain trend can be expected during the year. An excellent example of seasonal clothing can be a bathing suit. Finally, the third segment of fashion merchandise consists of short-season products. They are the group most affected by fashion trends. They experience a great design variation and can quickly become ‘passé’, as their average life cycle is only 6–10 weeks. The demand for short-season clothes is highly unpredictable, which makes them the most difficult products for the industry (Lowson, 2013). For example, harem pants became very popular in 1990 as a result of MC Hammer’s music video, and soon after went out of style. These products must be produced quickly and effectively, which puts pressure on lead time and ability to continuously and swiftly adapt to changes. Additionally, unlike the basic clothes, short-season garments are produced in limited amounts, which deprive workers of ability to muster the top of the learning curve, as they often need to learn a new design fast.
Nowadays, clothes, which normally should be characterised by their endurance and long life, are completely redefined. In the modern world, the “desire for fast fashion has created demand for 80 billion new garments per year, which represent a consumption hysteria that far exceeds human needs and planetary boundaries” (Abreu, 2015, p. 2). Therefore, this need for constant variation of people’s appearance leads to overproduction and waste. That is why clothing companies pursue further integration within the supply chain to be able to quickly deliver goods to the market and avoid building up the stock that often will not sell after the style’s change.

The textile and clothing industry plays a major role in developing countries (Abreu, 2015). For example, it became a leader of the economic progress of China, where it still is the first promoter of CSR (Zu, 2009). The textile and clothing industry helps the developing countries progress economically by providing basic level jobs that do not require specific knowledge and skills. Especially, the sector gives employment to women in poor countries that have little chance of being hired somewhere else. In this way, the garment industry reduces social exclusion and disadvantage. In clothing factories language problems are not an important obstacle for work, thus they might provide employment for emigrants (Diviney and Lillywhite, 2007). Obviously, human capital is a fundamental element of the textile and clothing sector. According to Koładkiewicz (2009) employees that are well-motivated are a solution leading to the company’s success. She argues that employees should be to some extent involved in the management of the company and have the ability to develop personally.

Koszewska (2011) brings up the trends visible in the consumption that are relevant for the sector of textiles and clothing. She mentions among others: ethical aspects of consumption, overconsumption, aging of society and cultural differences. These trends affect the textile and clothing industry and cause it to take new directions. More and more important to the sector is care for natural environment. Companies pay more attention to recycling and humanoecology, which is a study of interrelation between people and their environments. Koszewska (2011) claims that the consumer has a responsibility to raise ethical questions, for example about fast fashion and its meaning for society. He needs to be a guard to ensure the social conscientiousness of the clothing industry. Finally, the watchful eye of the consumer inspires numerous innovations in the sector. Koszewska (2011) provides several examples,
among others: energy and resource saving technology or intelligent textiles for the elderly and the sick. The needs of the end consumer define the development direction for the whole industry.

3. The drivers of CSR in the clothing industry

As a result of all the previously mentioned factors, like pressure for reduction of lead time and shorter life cycles of clothes, companies operating in the sector must effectively manage their supply chains. In the textile and clothing industry supply chain management plays a major role in the company’s success (Perry and Towers, 2013). Managers must choose the right suppliers that will fulfil their task but also uphold responsible behaviours and address social and environmental issues. A company cannot claim its commitment to CSR, when in its supply chain there are multiple violations. Research conducted in Australia shows that many enterprises claim that labour rights are suppliers’ concern. Many Australian clothing companies are comfortable with merely not having any sweatshops in their supply chain, and if they monitor working conditions in their suppliers’ facilities, they do so only for their direct contractors. The control of further part of the supply chain does not exist (Diviney and Lilliwhite, 2007). On the contrary, Perry and Towers (2013) postulate that an enterprise is only as sustainable as its supply chain. They see a need for creating new long-term buyer-supplier relationships, which would be based on cooperation and trust. To develop closer trading relations, the companies need to lower the number of their suppliers. This would help them focus on maintaining more transparent bonds with improved information sharing that would bring benefit to all parties involved (Perry and Towers, 2013).

The structure of the textile and clothing industry creates multiple opportunities for CSR improvements. Throughout the whole process of creating, selling and using garments society and environment are affected, for example by CO₂ emissions, waste or the disorders commonly associated with fashion industry, like anorexia and bulimia. Gardetti and Torres (2013) analyse the impact the clothing sector exerts on surroundings. Starting with fibre production, which uses pesticides, oil and causes waste of large amounts of water, they climb the ladder of clothing manufacturing, emphasising how every next step brings damage to environment. Spinning, dyeing yarn, weaving, finishing and tailoring,
they all use chemical products, create waste, use up water and energy, and above all, might be related to violating human rights through dreadful working conditions. Authors point out that sustainability is an impediment for textile and fashion designers. However they agree that more than any changes in production methods, use by an end consumer is the most important. Reducing water and energy used during laundry creates more benefits for the environment.

Gupta (2012) raises that Corporate Social Responsibility is relevant throughout the whole clothing industry supply chain, from suppliers, through retailers, and finally to end users. She quotes Dickson and Eckman’s definition of the socially responsible clothing business:

An orientation encompassing the environment, its people, the apparel/textile products made and consumed, and the systematic impact that production, marketing, and consumption of these products and their component parts has on multiple stakeholders and the environment. A philosophy that balances ethics/morality with profitability, which is achieved through accountability-based business decisions and strategies [and] a desire for outcomes that positively affect, or do very little harm to, the world and its people (Dickson and Eckman, 2006, p. 188, quoted after Gupta, 2012, p. 35).

Drivers of CSR in the clothing industry are similar to those experienced by any other sector, like stakeholders’, NGOs’ and general public’s pressures, global warming or a will to gain competitive advantage. Some drivers depend on a size of the company or the level of its internationalisation. There is more pressure to be socially responsible put on large multinationals than on small and medium enterprises (Abreu, 2015). The clothing industry has to face consumer demand for garments that were not produced in exploitative conditions by abused workers. Customers do not want to feel guilt for taking part in harming people, therefore they need assurance that the clothes they want to buy were made in decent working conditions.

Perry and Towers (2013) argue that in clothing industry the main issues of CSR are: working conditions, working hours and wages, all three connected to social responsibility towards employees. Since outsourcing and offshoring to developing countries are commonly used in the sector, companies need to remember that their ethical views cannot end at their headquarters. Business has to make sure that its
subcontractors are also following the CSR standards. It can do so in four following ways (Perry and Towers, 2013):

• encourage suppliers to follow international standards (ISO 9001, ISO 14001, OHSAS 18001, SA8000);
• create extended frameworks;
• implement supplier codes of conduct;
• conduct supplier social audits.

Corporations are now more frequently held responsible for the wrongdoings of their suppliers. Moreover, they often seem unaware of their contractors’ problems until they see their name on TV. Some large companies, like The Gap, Inc. are facing adverse media publicity and customer boycotts, as a result of standard violations in their supplier’s manufacturing facilities (Lawrence, 2002).

Abreu (2015) identifies drivers, mechanisms, practices and outcomes of CSR in the apparel industry. She describes how clothing companies can develop socially responsible methods of daily operations to provide healthy and safe working conditions, reduce environmental damage, help local communities and maintain good relations with stakeholders. These changes can bring any company that follows them a set of beneficial outcomes, like building a positive image of a responsible business, increasing competitive advantage and even earning profits. Among the discretionary practices that can lead to positive outcomes are financial support for local community activities, development of social program, philanthropic endeavours or animation of voluntary work of employees. The companies should also bring changes to their internal structures, for example by implementing policies about healthcare and non-discrimination or encouraging self-development of their workers. Adopting ISO 14001 and other standards for ecological conduct (like water and energy saving programs) is a way of introducing certain mechanisms inside business structure to minimise the negative impact on natural environment. The last group of good practices according to Abreu (2015) focuses on improving relations with stakeholders. A sustainable company needs to take measures against corruption, be transparent and sincere, as well as spread the CSR values inside its supply chain. All this actions should increase the business position of the enterprise and make it act in accordance with morals.

Ndela (2015) also proposes several solutions for the development of the clothing company’s CSR policy. He persuades environmental-friendly production and eco-packaging, getting rid of any toxic
substances, as well as safe working conditions and worthy salaries. Abreu (2015) adds that some innovations, like effective waste handling, might bring cost reduction.

Some researchers (Abreu, 2015; Diviney and Lillywhite, 2007) postulate implementing a certain degree of law regulations concerning CSR in clothing companies in every country. They claim the violations in the apparel industry are often directed against human rights, and thus government imposed rules are necessary. According to them, the minimal law norms should dictate at least implementation of the international standards in clothing companies. However, Gupta (2012) notes that not every country is ready to abide by international rules. For example, SA8000 forbids working overtime for more than 12 hours, when in developing countries, such as Thailand, workers are willing to work overtime. This way they can earn more money to support their families. To them, implementing SA8000 means smaller salaries. Companies need to decide whether to tilt to their workers wishes or apply for international certificates that might improve their competitive position (Gupta, 2012).

4. The practice of CSR in H&M Hennes & Mauritz AB

H&M was founded in 1947 in Västerås, in Sweden as Hennes, and at the time it was a shop selling women’s clothing. In 1968 the owner bought a hunting and fishing equipment store, Mauritz Widforss, and thus the name changed to Hennes & Mauritz. The acquisition enabled opening sales of men’s and children’s clothing. 6 years later H&M entered the Stockholm Stock Exchange and soon started an expansion outside of Scandinavia (History, H&M). Today the retail-clothing company is truly global, owning six brands and 3600 shops in the whole world. Its shops can be found in most of big European cities, as well as in Asia, Americas, Africa and Australia, totalling 57 countries. H&M itself does not own any factories. The team responsible for design resides in Sweden, however the production is outsourced to about 800 factories in Europe and Asia.

The company works in the fast-fashion business, therefore Corporate Social Responsibility plays a major role for its image. Since 2002, it has regularly composed CSR reports, prepared in accordance with the GRI G4 guidelines, that are later published on the company’s website.
Starting in 2009, H&M publishes its social responsibility report by the name of “Conscious Actions Sustainability Report”.

Around 170 employees are meant to deal with sustainability as their core task. The company’s Sustainability Department devised a CSR policy based on the Seven Commitments:

- provide fashion for conscious customers;
- choose and reward responsible partners;
- be ethical;
- be climate smart;
- reduce, reuse, recycle;
- use natural resources responsibly;
- strengthen communities.

The company takes into consideration stakeholders’ insights, including “customers, colleagues, communities, suppliers and their employees, industry peers, media, NGOs, IGOs, policymakers and investors” (H&M Conscious Actions Sustainability Report 2014, p. 12), while setting up the priorities thanks to continuous communication with them.

As an apparel corporation, the company is deeply engaged in environmental protection. As Bain (2015) notes, a fast-fashion business model is an obstacle in being sustainable, as it uses resources like water, energy and oil in astounding amounts. Nevertheless, H&M manages to mitigate its environmental impact despite constantly growing and increasing the number of stores. The company measures the climate impact it makes throughout the value chain. The results are presented on Figure 1:

![Figure 1. Climate impact across the value chain of H&M](source: H&M Conscious Actions Sustainability Report 2014, p. 75.)
Over 60% of environmental impact in clothing industry is made by fabric production and consumer use. That is why H&M tries to monitor a part of its second-tier suppliers and tries to communicate responsible behaviour to its customers. For example, it introduced an informing label inside the garments about the more responsible use of the product, like washing it in 30°C instead of 60°C.

The company is directed towards using certified organic cotton, which lessens the climate impact by 46%. Apart from that, H&M uses recycled cotton fabric. Products that are made from those two kinds of cotton in at least 50% are labelled with Conscious hang tag that is easily recognisable by customers. By 2020 the company plans to use only this kind of sustainable cotton.

H&M is known for its programme of recycling fashion. Almost all of the shops have the collecting point for clothes that are no longer used. The garments can be in any condition and the customer will receive a small reward. Then the old pieces of clothing are reused or recycled. The company claims that none of them go to waste. So far the stores collected over 7600 tonnes of used clothes, which is equivalent to around 38 million T-shirts. This idea of circular manufacturing came from the will to close the loop of the product life cycle. The concept assumes that from design, through raw materials, fabric and yarn production, garment production, transport and sales to use, the clothes should not be thrown away, but recycled, going back to the first stage of redesigning and reproducing them as a new garment. The waste created in warehouses is also recycled. Nevertheless, the company encountered a problem with collected clothing – a product can contain maximum 20% of recycled fabric without lessening the quality and durability. This setback can only be solved with technological innovation that the company is already working on.

27% of H&M’s electricity comes from renewable resources. Thanks to innovative production processes throughout the supply chain, the company managed to achieve 55% decrease in the use of energy and 56% decrease in the use of water. Saving water through modern technology takes an important place in the company’s CSR strategy, both in H&M and its suppliers’ manufacturing facilities, especially in water-scarce areas in China and Bangladesh.

Another environmentally friendly innovation currently in motion in H&M is replacing polyutherane, known as vegan leather, with water-based substitute. The R&D department is testing the durability of the
new fabric and coming up with solutions to make it longer-lasting. The company is also proud of eliminating all hazardous chemicals in its supply chain. Moreover, it contributes to promotion of responsible behaviour in the whole industry by co-founding ZDHC (Zero Discharge of Hazardous Chemicals), that is a group of 18 brands that work actively to protect the environment and eliminate the use of harmful chemicals in the textile and clothing industry by 2020.

H&M implemented a policy of full disclosure within its supply chain. About 1.6 million people work in their suppliers’ manufacturing facilities, 64% of which are women. Suppliers are frequently monitored, on average, every factory is audited once or twice per year. Their sustainability performance is measured by H&M with the help of its Index Code of Conduct, which gives maximum 100 score for responsible behaviour. The company is choosing responsible partners to work with. They place larger orders to the suppliers with better sustainability performance than to those with low social behaviour. The potential new partners are audited before cooperation begins. There is also an analysis of a new market against human rights violation before entering with production or sales. If any partner fails the social expectations, H&M takes actions to help it become socially responsible through a chain of activities presented on Figure 2:

![Figure 2. Activities taken by H&M towards its suppliers](image)


H&M cooperates with International Labour Organisation and devised a Code of Conduct that contains employee rights, anti-corruption and anti-discrimination rules, promotes equality and fights against harassment. The corporation controls whether the prices it pays to
suppliers allow them to pay fair living wages to their employees. It wants to develop tools to measure the optimal price. It also cooperates with governments, mainly in Bangladesh, Cambodia, Myanmar and Ethiopia to make them set stronger legal frameworks regarding minimum wages and enforce the right to the freedom of association, so that workers can create trade unions, as they have the right to a democratically elected workplace representation.

H&M conducts the training management system for employees, called “GRoW”. It educates its employees through classroom courses or additional e-learning. The training includes teaching about sustainability to increase awareness among the workers. The company also bets on employee diversity. Of all the workers in H&M, 76% are women, and 72% of managers are female.

In the case of contributing to society and local communities, the corporation constantly seeks new ways to build a better place to live in. The company creates better employment opportunities. It cooperates with UNICEF on the All for Children project in India and Bangladesh, giving a chance for education to 1.7 million children in those areas, as the schooling before the age of eight is especially important for the child and for the community. H&M organises courses for cotton farmers, on how to grow cotton with smaller environmental impact, and vocational trainings for women from poor countries, sometimes giving them a start up capital for their own businesses. The company also provides one-off money donations through H&M Conscious Foundation, for instance to Save the Children or to Rana Plaza Donors Trust Fund. It also runs in-store campaigns that involve customers, when a certain part of the price they pay for some piece of clothing is donated to a good cause, for example for safe water access in Bangladesh or help for refugees from Syria. Besides donating money, every year H&M donates clothes to charities. In 2014 the company handed over around 4.6 million garments.

The analysis of the situation of the company provides a closer view on managing CSR in the clothing industry. For H&M, a multinational corporation that operates in many countries in the whole world, the local community is immense. That is why its CSR activities can be seen all over the globe. As it does not produce its garments, it has to make sure that its CSR values are respected throughout the whole supply chain. It also sees its chances for implementing CSR with product and process innovations that can generate savings and save the planet.
5. Conclusion

Overall, the textile and clothing industry is facing great challenges of Corporate Social Responsibility. As a labour-intensive sector, it needs to show its care for employees, their health and safety, and the conditions they work in, not only inside the company, but also along its supply chain. Cooperation with suppliers and retailers is increasingly important, therefore the supply chain management processes play a major role in the apparel industry. As a resource-intensive sector, it needs to compensate for using the planets’ reserves and mitigate its damage to the natural environment. The textile and clothing industry uses a magnitude of resources, needed for production, therefore the important activity is to handle waste efficiently and diminish environmental impact. All those aspects make the sector very interesting for CSR considerations and show the potential for further development towards socially responsible business.

References


