

**SOCIAL COMPLIANCE AUDITS AND SUPPLY CHAIN
SUSTAINABILITY: STUDY TO TEST THE
ASSOCIATION BETWEEN LABOR COMPENSATION
AND BUSINESS SUSTAINABILITY IN TEXTILE AND
GARMENT INDUSTRY OF PAKISTAN**

**BY
AMSAL WASEEM
41003**

A thesis submitted to the Business Studies Department, Bahria
Business School, Bahria University Karachi Campus, in partial fulfillment
of the requirements for MBA Degree



Fall, 2020

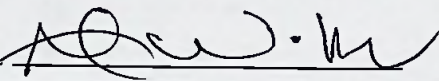
BUSINESS STUDIES DEPARTMENT

BAHRIA BUSINESS SCHOOL

Bahria University Karachi Campus

Declaration of Authentication

I, hereby, declare that no portion of the work referred to in this thesis has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

Student's Signature: 

Turnitin similarity report

SCM

7% SIMILARITY INDEX 6% INTERNET SOURCES 2% PUBLICATIONS 3% STUDENT PAPERS

Rank	Source	Similarity
1	scholarcommons.usf.edu	2%
2	www.colorado.edu	1%
3	Muhammad Faraz, Amir Firoz Shamsi, Rizwana Bashir. "Working Off the Clock and Its Impact". Journal of Business Ethics, 2013	1%
4	www.pearl.com	<1%
5	media.pearsoned.com	<1%
6	Submitted to University of Melbourne	<1%
7	www.darp.ced.berkeley.edu	<1%
8	www.slideshare.net	<1%
9	justlatour.journals.yorku.ca	<1%
10	Mirko M. ter Wee, Birgit L. Usenberg-Witt. "Chapter 3 Analyzing Continuous Outcome Variables". Springer Nature, 2019	<1%
11	www.adarse.org	<1%
12	repository.upi.edu	<1%
13	Mesra, Vinod, and Russell Smyth. "Working hours in Chinese enterprises: evidence from matched employer-employee data - Working hours in Chinese enterprises". Industrial Relations Journal, 2013	<1%
14	cuns.ku.dk	<1%
15	pr.hec.gov.pk	<1%
16	shirazwasif.blogspot.com	<1%
17	harvester.rcub.bg.ac.rs	<1%
18	"The Garment Industry in Low Income Countries". Springer Science and Business Media LLC, 2014	<1%
19	sh.diva-portai.org	<1%
20	Naushoon H. Anwar. "Infrastructure Redux". Springer Science and Business Media LLC, 2015	<1%
21	slu.pub	<1%

Dedication

This thesis work is dedicated to Allah Almighty the All-knowing, our creator and our source of strength, wisdom, knowledge and understanding. Allah Taa'lah has been the source of my strength throughout this research work. This thesis work is also dedicated to Prophet Mohammad (P.B.U.H.) as he has been a role model for all the Muslim Ummah and has been a great leader.

I also dedicate this thesis to my thesis supervisor, Sir Mohammad Faraz, who have helped me time and again and have encouraged me all the way to complete this thesis as without his support and guidance this research would have been an incomplete one. Thank you very much Sir, my respect for you can never be qualified. May Allah Taa'lah bless you Aameen!

Acknowledgement

- ❖ I am really thankful to “**Allah Almighty**” who bestowed me with the courage to complete this thesis in time and before the deadline.
- ❖ I am really thankful to my supervisor “**Sir Mohammad Faraz**” as without his guidance this study would not have been completed in due time.
- ❖ Submitted to: **Bahria University Karachi Campus Management Sciences Department**
- ❖ Semester of submission: **Fall 2020**
- ❖ Class and Section: **MBA Weekend 3C**
- ❖ This thesis is divided into 2 semesters which are the 2nd last and last semester of MBA. First 3 chapters are submitted in MBA 2nd semester and the last 3 chapters are submitted in the last semester of MBA.
- ❖ First three chapters submitted in: **Spring 2020 semester** (Introduction, literature review, and research methodology).
- ❖ Thesis completely compiled, merged and submitted with all 6 chapters in **fall 2020 semester**.

Abstract

Purpose: Contractual workers hire on Piece rate (PR) basis in textile and garment industry of Pakistan have high probability to receive wages that may fail to meet minimum wage standards and overtime payments. This inquiry depicts overtime payment and minimum wage violations among contractual based piece rate workers observed during social compliance (SC) audits conducted for foreign buyers by social compliance auditors. Such violations have serious consequences for sustained business growth with foreign buyers and often result in termination of purchase orders and prospect trade. The current study intends to investigate the association between hiring contract piece rate workers and minimum wage and overtime payment violations

Methodology: A total of 54 social compliance onsite audit reports of export oriented textile and garment factory of Pakistan were analyzed. 180 Contractual PR workers and 20 contractors of these factories were also interviewed. The investigator used Z test for proportion and Chi-Square test for association to test the hypothesis. The methods of both primary and secondary test were used through which the research has been completed.

Findings: The present report may help to minimize the violations that are reported during the code of conduct audits. This may also facilitate the suppliers and factories to maintain sustained business growth with foreign retailers and to avoid termination of trade, increase trust and revenue. The current research may also help the factory management and government to make such policies that may help to rectify the existing problem that's not only violates international labor standards but also Pakistan labor laws.

Limitations: The limitations of our research are that the data is collected only from 180 PR workers and only 54 social compliance audits were involved while collecting the data. However, there was a pandemic situation that's why the research was done online and majority of the data that was collected was secondary data. Moreover, as stated earlier that the compliance audits were done by 54 companies which was the sample size in collecting the data. Another limitation was that the thesis was written during the time of Corona Virus pandemic that's why the data was collected online as the physical interaction have to be kept to a minimum.

Recommendations: The recommendations are that the organizations should follow the proper wage rate and give compensation to labor on time. On the other hand, the labor should also do work on time as it is a two way process. Moreover, some textile firms and organizations do not keep supply chain sustainable that's why the organizations should try hard to keep supply chain and its department in the organization sustainable. For organizations it could be stated that the companies should not violate their labor laws and the labor should also do their work on time as well.

Table of contents

Chapter # 1	
Introduction.....	PAGE # 12
1.1 Background.....	Page # 12
1.2 Problem Statement.....	Page # 12
1.3 Research Objectives.....	Page # 12
1.4 Significance of the study.....	Page # 12
1.5 Scope of the research.....	Page # 13
1.6 Organization of thesis.....	Page # 15
Chapter # 2.....	PAGE # 17
2.1 Construct 1.....	Page # 17
2.2 Construct 2.....	Page # 18
2.3 Construct 3.....	Page # 19
2.4 Construct 4.....	Page # 20
2.5 Relationship between Construct 1 and Construct 2.....	Page # 21
2.6 Relationship between Construct 1 and Construct 3.....	Page # 21
2.7 Relationship between Construct 1 and Construct 4.....	Page # 21
2.8 Relationship between Construct 2 and Construct 3.....	Page # 21
2.9 Relationship between Construct 2 and Construct 4.....	Page # 21
2.10 Relationship between Construct 3 and Construct 4.....	Page # 21
2.11 Summary of literature review.....	Page # 21
2.12 Research hypothesis.....	Page # 22
2.13 Conceptual framework.....	Page # 22
Chapter # 3.....	PAGE # 23
3.1 Research approach and type.....	Page # 23
3.2 Research design.....	Page # 23
3.3 Research population.....	Page # 23
3.4 Sampling size and sampling techniques.....	Page # 23
3.5 Research instrument.....	Page # 23
3.6 Data collection.....	Page # 24
3.7 Data analysis method.....	Page # 24
3.8 Research questions.....	Page # 24
Chapter # 4.....	PAGE # 25
4.1 Discussions.....	Page # 25

4.1.1 <i>Z test table for d/f in proportion between contractual & non-cont workers</i>	Page # 25
4.2 <i>Z test for d/f between overtime payment of contractual Vs non-cont workers</i>	Page # 26
4.2.1 <i>Z test table for overtime difference b/w cont & non-cont workers</i>	Page # 26
4.3 <i>Association between type of employment and Min. wage violation</i>	Page # 27
4.3.1 <i>Minimum Wage Violation Cross tabulation %table</i>	Page # 27
4.3.2 <i>Fisher's exact test table for minimum wage violations</i>	Page # 27
4.3.3 <i>Overtime Violation Cross tabulation % table</i>	Page # 28
4.3.4 <i>Fisher's exact table for overtime violations</i>	Page # 28
Chapter # 5.....	PAGE # 30
5.1 <i>Discussions</i>	Page # 30
5.1.1 <i>Hypothesis 1 discussion</i>	Page # 30
5.1.2 <i>Hypothesis 2 discussion</i>	Page # 31
5.2 <i>Further discussion about hypothesis</i>	Page # 31
Chapter # 6.....	Page # 32
6.1 <i>Recommendations</i>	Page # 32
6.2 <i>Limitations of the research</i>	Page # 33
6.3 <i>Future research</i>	Page # 33
6.4 <i>Conclusions</i>	Page # 34
References.....	Page # 35
Appendix.....	Page # 37