August 2, 2011

Summary Report:
Freedom of Association Investigation at Rimaks Tekstil, Turkey

In a collaborative effort with the Business Social Compliance Initiative (BSCI), MODINT, Dutch Association of Fashion Retailers (VGT) and Fair Wear Foundation (FWF), the Fair Labor Association (FLA) commissioned an investigation into allegations regarding violations of freedom of association (FOA) at Rimaks Tekstil ("Rimaks") facilities in Bartin and Tuzla, Turkey. No FLA-affiliated companies were sourcing from the Rimaks factories at the time of the investigation.

Collective bargaining negotiations between Rimaks and the Turkish Textile Workers' Union (TEKSIF) were ongoing during the time the investigation was conducted. The negotiations were concluded with a signed collective bargaining agreement on December 2, 2010.

Methodology On November 22, 2010, the investigation team began its assessment. Since the objective of the assessment was to gain a better understanding of issues regarding freedom of association in the two factories, worker and management interviews were seen as the key elements for understanding the unionization efforts and the problems that occurred in both of the factories. Field observations and documents controls were also done to check the overall working conditions and current systems in these factories.

In order to ensure that none of the employees and/or managers that currently work at Rimaks Bartin and Rimaks Tuzla are adversely affected by their participation or the findings of this report, the names of individuals have been removed.

<u>Investigation Team</u>
Alpay Celikel – Lead Auditor
Safak Nazlican – Worker Interviewer
Sema Arslan – Worker Interviewer
Benan Vey – FLA Observer (participated only for Bartin Factory Assessment)

Previous Audits of Tuzla and Bartin Factories
A BSCI audit report of the Bartin factory dated September 25, 2009, was available to the Investigation Team; according to this report, the factory was graded as "Good." No audits had been conducted in the Tuzla factory at that time.

1. Rimaks Bartin Factory Observations

The team visited the facility in Bartin on November 22, and was very quickly accepted into the premises. The factory manager, technical manager, and HR and Accounting Department representative were present at the opening meeting, at which the purpose of the visit was explained.

After the opening meeting to describe the purpose of the visit, the team immediately started worker and managerial staff interviews that were seen as a key element for this assessment. Some documents review and visual observations were also done to provide a better understanding of the workplace.

Workforce distribution of the factory during assessment:

Total number of workers	391
Number of male workers	259
Number of female workers	132
Juvenile workers	N/A
Disabled workers	12

Workers and Managers/Managerial Staff Interviews
All interviews were conducted onsite. Managerial staff (managers, supervisors and assistant supervisors) were also interviewed to help illustrate their point of view and their knowledge about freedom of association. Worker interviews were conducted without the presence of any staff or management representatives, and after respondents were assured of total confidentiality of the views that they expressed.

An oral explanation was given to all interviewed workers. The contact information of the team leader was given to interviewed workers in case they needed further information about the assessment, or wished to report any complaint or grievance related to working conditions in the factory.

Worker Interviews
Total Number of Workers Interviewed: 170

- 99% of the workers interviewed mentioned that they were threatened by their managers, supervisors and assistant supervisors or have been exposed to psychological pressure. Some were shifted to other departments as a form of punishment, some were forced to resign and some were dismissed because of their unionization efforts in the factory.
- 100% of the workers interviewed mentioned that there was not an effective worker representation system.

- 50% of the workers interviewed mentioned that they were forced -- and some even offered bribes -- by management to resign from TEKSIF and register with another labor union called Tum Tekstil Is.
- 100% of the workers interviewed mentioned that they have not been forced by anyone to register with TEKSIF and that they joined TEKSIF of their own will.
- 70% of the workers interviewed mentioned that shuttle bus drivers encouraged workers to resign from TEKSIF and some drivers even contacted their families to convince their elderly parents to get them to resign.
- 100% of the workers interviewed mentioned that disciplinary penalties like written warnings are under sole control of managers and supervisors and that there is no control mechanism or means to appeal them.
- 100% of the workers interviewed mentioned that overtime work was not voluntary and that they had to work overtime whenever it was asked, until recently. Starting in October, management started to ask for their daily permission to work overtime and made available overtime work consent forms. Workers are now free to refuse overtime.
- 20% of the workers interviewed mentioned that there have been some difficulties in getting sick leave approvals because of interference by managers and supervisors with workplace doctors' decisions (when there was a workplace doctor in the factory).
- 40% of the workers interviewed mentioned that hourly production quotas are not properly calculated and lead to higher target production quantities.
- 60% of the workers interviewed mentioned that they do not believe that their personal protective equipment is appropriate for the working conditions and there is not an effective health and safety system in place for selection and replacement of personal protective equipment.
- 100% of the workers interviewed mentioned that they have been asked to sign a form during the recruitment procedure that is normally signed after resignation or dismissal that confirms that all legally mandated payments have been made by management. Workers also declared that they overheard that management has destroyed these forms after they started unionization efforts.
- 60% of the reinstated workers interviewed mentioned that they faced some difficulties when they started to work in the factory again, such as being shifted from their departments/positions or being given additional tasks. Some unfair disciplinary penalties were also applied, such as written warnings without proper investigation.

<u>Managers/Managerial Staff Interviews</u>

Total Number of Managers/Managerial Staff Interviewed: 15

- 80% of the managerial staff interviewed mentioned that they are respectful of freedom of association and collective bargaining rights of the workers.
- 10% of the managerial staff declared that there is no need for a union in the factory because working conditions are above industry standards in this region.
- 70% of the managerial staff mentioned that some workers reported that they have been forced to register with the TEKSIF union instead of doing it out of their own free will.
- 30% of the managerial staff declared that there were some problems with reinstated workers because of their attitude and the sensitive situation led them to misunderstand some incidents.

- 10% of the managerial staff mentioned that top management decided to downsize the workforce long before the unionization efforts due to reduction in orders and decreasing profitability.
- 80% of the managerial staff interviewed mentioned that they are happy about the ongoing negotiations between the labor union and management and hoped that there will be an agreement soon in order to end uncertainty in the work environment.
- 20% of the managerial staff interviewed mentioned that they have received threatening phone calls, text messages and even some legal complaints filed against them during the unionization process.

Documents Check and Visual Observations

- Workplace doctor left about two months ago and has not been replaced; therefore there is currently no workplace doctor available in factory.
- Legally required health and safety specialist is missing.
- Emergency evacuation drill is outdated.
- Working hours and conditions of pregnant and lactating workers should be improved in accordance with applicable regulations.
- Health and safety committee is not working in accordance with applicable regulations.
- Fire alarm panel was inactive.
- Several daily, weekly and yearly overtime limits were exceeded in 2010.
- Time records were manipulated to conceal cases of excessive daily overtime work.
- Some articles in employment contracts do not comply with the labor law and workplace standards of brands whose production is being carried out and need to be changed. For example: Article 3.1 briefly says that the employer can change the position and job description of the employee anytime; Article 8.2 briefly says employee should stay and work overtime whenever asked; and Article 8.3 briefly says worker should stay and work overtime on official and religious holidays as well as weekends, whenever asked.
- Problems regarding chemical and waste management (no secondary containment for the chemicals; wastewater treatment sludge kept in open area; environmental specialist is missing; waste management plan is not complete and not approved by local authorities.)
- Risk assessment study should be revised to identify all health and safety issues within the workplace.
- Emergency response plans should be revised to cover all different emergency response scenarios.
- Emergency assembly area should be marked.
- It was observed that personal protective equipment in use was not selected by a workplace doctor or health and safety specialist.
- There is non-progressive disciplinary system in place and all disciplinary actions are under sole control of managers and supervisors. There is no control mechanism over or means to appeal disciplinary actions.
- Annual leave committee is not working in accordance with applicable regulation.
- There is no effective worker representation system with elected worker representatives in the disciplinary committee, health and safety committee and annual leave committee. Some worker representatives are also supervisors; problems were observed regarding the election process, such as candidate declarations and vote counting.

- Some warning signs are missing or are not in compliance with applicable regulation.
- Periodic maintenance control reports, accident insurance policies of some shuttle buses and SRC certificates of some shuttle bus drivers are missing.
- Periodic health checks of some workers were outdated.
- Some electrical joints and extension cords are not in good condition; some electrical panels need maintenance.
- There is not an active grievance system in place.
- Some punch button, riveting and sewing machines are missing machinery protectors.
- Ventilation in spraying section needs to be improved.
- Health and safety trainings (including legal rights and responsibilities) are not in line with applicable regulation.

2. Rimaks Tuzla Factory Observations

The team reached the facility in Tuzla on November 24, and was very quickly accepted into the premises. HR officials attended the opening meeting during which the purpose of the visit was described.

After the opening meeting, the team immediately started worker and managerial staff interviews seen as a key element of this assessment. Some documents check and visual observations were also done to provide a better understanding of the workplace.

Workforce distribution of the factory during assessment:

Total number of workers	234
Number of male workers	151
Number of female workers	83
Juvenile workers	N/A
Disabled workers	4

<u>Worker Interviews</u>
Total Number of Workers Interviewed: 100

- 50% of the workers interviewed mentioned that they were threatened by their managers, supervisors and assistant supervisors or exposed to psychological pressure. Some were shifted to some other departments as a form of punishment, and some were forced to resign or were dismissed because of their unionization efforts in the factory.
- 20% of the workers interviewed mentioned that they did not want to comment on unionization and freedom of association because of hesitation about confidentiality of the information conveyed.
- 100% of the workers interviewed mentioned that there were no elected worker representatives or an active representation system within the workplace.
- 40% of the workers interviewed mentioned that they could not use their paid annual leave in full.
- 50% of the workers interviewed mentioned that some managerial staff tried to provoke conflict between the non-unionized workers and the unionized workers by telling the workers that the factory would be closed because of the union.

- 30% of the workers interviewed mentioned that the company used on-call workers in case of over-capacity production in the ironing and packing section.
- 100% of the workers interviewed mentioned that management called all workers to a meeting to describe the disciplinary procedure one day before the audit.
- 100% of the workers interviewed mentioned that overtime work was not voluntary and that they have to stay overtime whenever management asks. They also complained about the late announcement of the overtime (just 30 minutes before the end of working hours), which makes it impossible to manage their social life.
- 50% of the workers interviewed mentioned that psychological pressure over the non-unionized workers is much higher than over the unionized workers because management does not want more workers to join the labor union to keep the unionized workers percentage below 50% (recall that 50% is the threshold for blocking the collective bargaining right of the union).
- 80% of the reinstated workers interviewed mentioned that they had not faced any difficulties when they resumed work in the factory.
- 40% of the workers interviewed mentioned that they did believe that their personal protective equipment was appropriate for their working conditions. There is not an effective health and safety system in place for selection and replacement of personal protective equipment.

<u>Managers/Managerial Staff Interviews</u>

Total Number of Managers/Managerial Staff Interviewed: 16

- 80% of the managerial staff interviewed mentioned that they are respectful of freedom of association and collective bargaining rights of workers.
- 10% of the managerial staff interviewed stated that there is no need for a union at Tuzla because working conditions in this factory are above the industry standards.
- 70% of the managerial staff interviewed mentioned that some workers reported that they have been forced to register the TEKSIF union rather than doing it out of their own free will.
- 10% of the managerial staff mentioned that top management decided to downsize the workforce long before unionization efforts began due to reduction in orders and decreasing profitability.
- 80% of the managerial staff interviewed mentioned that they were happy about the ongoing negotiations between labor union and management and hoped that there would be an agreement between the union and management soon to end the uncertainty at work.

<u>Documents Check and Visual Observations</u>

- Working license of the factory is missing.
- Work permit of the factory is missing.
- Number of disabled workers is less than the legal limit.
- There are 43 workers who were not able to use their paid annual leave from previous years.
- Workplace doctor left about a month ago and has not been replaced; therefore there is no workplace doctor available in the factory.
- Legally required health and safety specialist is missing.

- Emergency evacuation drill is outdated.
- Working hours and conditions of pregnant and lactating workers should be improved in accordance with applicable regulations.
- Health and safety committee is not working in accordance with applicable regulation.
- Several daily, weekly and yearly OT limits were exceeded in 2010.
- Some workers have worked without seventh day rest in June, July, September and October 2010.
- Some articles in employment contracts are not in compliance with the labor law and workplace standards of brands whose production is being carried out and need to be changed. For example: Article 3.1 briefly says that the employer can change the position and job description of the employee anytime; Article 8.2 briefly says employee should stay and work OT whenever asked; and Article 8.3 briefly says worker should stay and work OT on official and religious holidays as well as weekends whenever asked.
- Problems regarding chemical and waste management (no secondary containment for the chemicals, waste management plan is not complete and not approved by local authorities).
- Risk assessment study should be revised to identify all health and safety issues within the workplace.
- Emergency response plans should be revised to cover all different emergency response scenarios.
- Workplace doctor or health and safety specialist did not select the personal protective equipment in use.
- There is no progressive disciplinary system in place and all disciplinary actions are under sole control of managers and supervisors; there is no control mechanism over or means to appeal disciplinary actions.
- Annual leave committee is not working in accordance with applicable regulations.
- There is no effective worker representation system with elected worker representatives in the disciplinary committee, health and safety committee and annual leave committee.
- Some warning signs are missing or are not in compliance with applicable regulations.
- Periodical maintenance control reports, accident insurance policies for some shuttle bus companies and SRC certificates of some shuttle bus drivers are missing.
- There is no active grievance system in place.
- Ventilation in spraying section needs to be improved.
- Health and safety trainings (including legal rights and responsibilities) are not in line with applicable regulations.
- Issues pending resolution observed on periodic control reports of lifting equipments and pressure vessels.

Conclusions and Recommendations

1. Some managers, supervisors and assistant supervisors have tried to interfere with the unionization process in both of the factories in different ways, including threats, psychological pressure, and changing tasks and workstations. Additionally, some of the workers were dismissed because of their union membership and others because they participated in the work stoppage in August 2010, to protest dismissals that had taken place.

Forty-eight of these dismissed workers were reinstated after the signing of a protocol between Rimaks management and TEKSIF in October 2010. Despite the fact that an agreement was signed between Rimaks and TEKSIF on December 2, the Investigation Team wishes to draw attention to the recommendations below to prevent future disputes.

Recommendation 1

A training session should be provided to managers and managerial staff to provide a better understanding of freedom of association, labor unions and collective bargaining. Most of the managerial staff does not know about these topics and some of them still take an ideological perspective considering union members as "communists," which was a general view of unions in this country during Cold War years.

Recommendation 2

A training session should be provided to the workers to improve their overall knowledge and understanding of freedom of association, collective bargaining and labor unions. During the worker interviews, it was also observed that some workers have many questions about their legal rights and responsibilities with respect to these topics.

Recommendation 3

An independent social compliance department should be created at Rimaks to address workplace conditions in both of the factories. Since there is no internal capacity for this right now, some staff should be selected and trained on labor law, health and safety regulations and environmental law as well as basic social compliance practices.

Recommendation 4

Worker representation on the Annual Leave Committee, Disciplinary Committee and Health and Safety Committee should be provided and supported by the factory. Worker representatives should be selected through a fair and transparent process without any employer interference. After their selection, worker representatives should receive General Communication Skills training.

Recommendation 5

First tier managerial staff (supervisors and assistant supervisors) should be trained on the following topics to improve their overall management capabilities: Problem Solving Techniques, General Communication Skills, Empathy and Emotion Management and Leadership Skills.

Recommendation 6

Rimaks should upgrade and improve its workplace standards to be in accord with relevant ILO conventions and the codes of conduct of the brands in production. The standards should be printed on company letterhead and posted in prominent locations in the two factories – as well as in the facilities of subcontractors – to ensure that all workers in the supply chain will be aware of the standards. Workers should be periodically reminded of the contents of the code through periodic trainings.

Recommendation 7

An active and secure grievance system should be implemented with participation of elected worker representatives for handling the complaints raised by the workers with confidentiality.

The assessment team was able to check management's claim regarding downsizing of the workforce due to reduction in orders with the information provided by Rimaks management.

Total Production Figures for Rimaks Bartin Factory:

2009		**2010**	
January	→ 140,918 pieces	January	→ 102,109 pieces
February	→ 80,045 pieces	February	→ 121,996 pieces
March	→ 136,663 pieces	March	→ 89,671 pieces
April	→ 107,614 pieces	April	→ 134,546 pieces
May	→ 107,475 pieces	May	→ 127,856 pieces
June	→ 143,790 pieces	June	→ 125,445 pieces
July	→ 69,056 pieces	July	→ 110,535 pieces
August	→ 127,615 pieces	August	→ 92,232 pieces
September	→ 87,642 pieces	September	→ 106,281 pieces
October	→ 116,630 pieces	October	→ 87,114 pieces
TOTAL (first 10 months) = 1,117,448 pieces		TOTAL (first 10 months) = 1,097,785 pieces	
DIFFERENCE:		**- 19,663 pieces**	

There was a reduction in orders between 2009 and 2010 figures of 19,663 pieces or 1.75%. Meanwhile, the total number of workers in October 2009 was 532, and 402 in October 2010, or a 24.4% decrease. Thus, while the decrease in orders was around 1.75 %, the decrease in workforce was 24.4%, making it hard justify the argument that downsizing the workforce was based on reductions in orders.

Total Shipment Figures for Rimaks:
The only data available referred to shipments for 2009 and 2010. The figures were:
2009 TOTAL Shipments (Jan-Oct) = 2,410,875 pieces
2010 TOTAL Shipments (Jan-Oct) = 2,268,128 pieces
DIFFERENCE (2010-2009) = 142,747 pieces or 6%

While output was similar, there was a reduction in workforce of more than half in the last 12 months in the Istanbul factory; this clearly suggests that Rimaks management wants to outsource its production operations. Some tasks, such as sewing, have already been outsourced to subcontractors.

Recommendation 8

Rimaks management should create a strategic plan regarding the company's downsizing operations and communicate it to workers and the labor union to prevent disagreements and problems in the future. A retrenchment procedure should be prepared in cooperation with the union to avoid problems in downsizing.

2. Low productivity level of in-house production operations is one of the issues most frequently complained about by management, along with low unit prices. During the assessment, it was observed that for managers, the "productivity" concept is limited to production figures. It is recommended that the productivity concept be broadened to include:

   - Energy efficiency
   - Procurement performance
   - Quality levels (seconds and raw material)
   - Maintenance performance
   - Lay-out problems
   - Lack of training
   - Risk analysis
   - Internal audits
   - HR policies
   - Government incentives

   As an example, it was observed that the Bartin factory was severely affected by a flood last year (approximate damage was around 6 million TL = $4 million USD) and the company has not been paid for this damage by the insurance company because of some provisions in the insurance policy. Meanwhile, management representatives mentioned that the company had a net loss of 2 million TL last year and it will be hard for them to negotiate over wages and benefits with the union as part of the collective bargaining agreement. If the company had been paid for the flood damage at the Bartin factory, the year-end figures would have been around 4 million TL profit instead of loss.

   <u>Recommendation 9</u>
   The company should engage consultancy services on productivity management to establish a healthier productivity management system (lean management, TPM, 5S and similar systems are recommended).

   <u>Recommendation 10</u>
   Appropriate Disciplinary Policy with procedures, implementation through planning and training, internal monitoring, top management review and continuous improvement is recommended to strengthen the worker-management relationship. Integration of labor compliance into management systems of all employment functions is highly recommended.