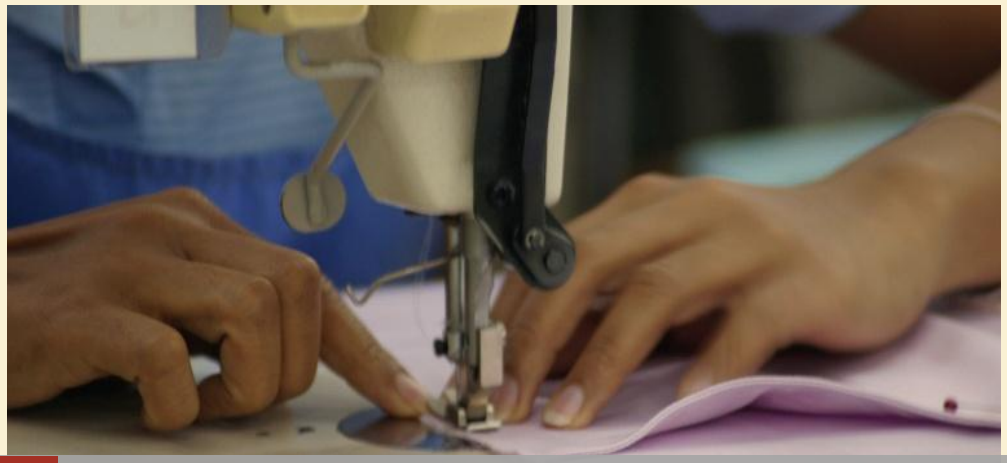

2009

Fair Labor Association
Independent External Monitoring Report

COMPANY: The Party Animal, Inc.
COUNTRY: China
FACTORY CODE: 950015181H
MONITOR: Openview Source Limited
AUDIT DATE: November 9 – 10, 2009
PRODUCTS: Flags
PROCESSES: Cutting, Sewing, Embroidery, Inspection, Ironing, Packing
NUMBER OF WORKERS: 83

For an explanation on how to read this report, please visit the FLA website here.

FAIR LABOR ASSOCIATION

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FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: 1. Factory provided pension, unemployment insurance, maternity insurance and work-related insurance to 74 out of all 83 employees.

2. 83 employees included 9 retired workers who still worked full-time in the factory.

Sources: 1) review of insurance receipts from August – October 2009; worker and management interviews

Legal reference: 2) Article 73 of China Labor Law

Plan Of Action: The factory is required to provide social insurance benefits to all employees and to increase the coverage of the social insurance. Currently only 29% of workers, consisting of management and senior workers, have medical insurance. The factory must also educate the workers regarding the availability of social insurance. 2010 audit will confirm this documentation. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.

Deadline Date: 11/30/2010

Action Taken: Per May 28, 2010 communication, the retired workers now receive the social insurance benefits from the facility as the regular workers. This has been documented at the facility.

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Noncompliance

Explanation: 4 gatekeepers were paid RMB 800 per month, which was below minimum wage RMB 850 (since September 1, 2008). Management explained that they paid each gatekeeper around RMB 500 every 2 months and year-end bonus around RMB 2000 without any written records.

Sources: payroll record review from September 2008 – September 2009, worker interviews

Legal reference: Article 48 of China Labor Law

Plan Of Action: Gatekeepers are paid RMB 900 each month since October 2009. Since this IEM was conducted in November 2009, payment of RMB 900 was a very new practice at the time of the audit. Monitors' finding might be in reference to the previous wage level (prior to October) which may indeed have been in violation of the minimum wage law. 2010 audit will check for documentation to confirm this since this is a payroll issue. Audit will also confirm through documentation the wage levels of all workers.

Deadline Date: 11/30/2010

Action Taken: Facility stated that the gatekeepers were paid higher than minimum wage since October 2009. This was after the dates that the monitors checked in the November audit.

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying premium rate required by law or this Code on same payment scheme as is used for calculating wages for normal working hours, unless payment scheme used leads to higher wages for workers. (S)

Noncompliance

Explanation: 1. Materials in and out records in raw material warehouse showed Sunday work (such as August 23, 2009, October 18, 2009), while there was no Sunday work on these days recorded in time records. Thus, there was no OT payment provided for these hours.

2. Workers were not paid for OT hours on workdays recorded in time records. I.e., workers might work from 6am – 11:30am, 12am – 17:30pm, but they were only paid for pieces they produced during work hours; no OT wages were paid for 3 hours OT work.

3. Gatekeepers did not receive any OT wages. Some sewing and embroidery workers worked at home sometimes when they could not finish their work during work hours in peak season. No evidence shown that those home workers were paid for OT work.

Sources: 1) record review, 2) time and payroll record review; worker and management interviews, 3) payroll record review; worker and management interviews

Legal reference: 3) Article 44 of China Labor Law

Plan Of Action: Factory must keep payroll records of all work hours; all workers must be paid for hours worked. Management must educate workers on how to figure what their wages should be. Record documentation will be checked during fall 2010 audit. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.

Deadline Date: 11/30/2010

Action Taken: Management said all work hours for all workers, including retired workers, are recorded and all workers compensated for all hours worked. Management also stated that workers are forbidden to take supplies home to finish.

Per January 2010 communication from factory, all workers, on November 12, 2009, have now been verbally instructed on how to figure out wages for normal and OT hours. Written instructions are also posted in show windows at main building's entrance. Every worker is able to read and every worker knows how to add numbers and multiply.

Per May 2010 communication, no new workers have been hired after the audit.

Plan Complete:	No
Plan Complete Date:	

Wages, Benefits and Overtime Compensation: Worker Wage Awareness

WBOT.22 Employers shall make every reasonable effort to ensure workers understand the wages, including the calculation of wages, incentives systems, benefits and bonuses they are entitled to in a factory and under applicable laws. To this end, employers shall communicate orally and in writing to all workers all relevant information in the local language or language(s) spoken by the workers, if different from the local language. (P)

Noncompliance

Explanation:	85% of workers interviewed were not aware of how to calculate their OT compensation and legal benefits. Management confirmed that factory only provided trainings on factory regulations, including wages and benefits to new workers. Sources: worker and management interviews Legal reference: Article 8 of China Labor Contract Law
Plan Of Action:	Factory must instruct all workers, existing and new hires, on how to figure their wages for normal and OT hours. Instructions need to be documented. As this is related to normal payroll and OT issues, it can only be confirmed through an audit, which should take place in fall 2010; by then there should have been OT hours. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.
Deadline Date:	11/30/2010
Action Taken:	Factory manager confirmed that all workers, new and old, have been verbally instructed on November 12, 2009 concerning how to figure out wages for normal and OT hours. Written instructions are also posted in show windows at the main building's entrance. Every worker is able to read and knows how to add numbers and multiply.

Plan Complete: No

Plan Complete Date:

Wages, Benefits and Overtime Compensation: Posting Notices

WBOT.23 All notices that are legally required to be posted in the factory work areas shall be posted. All legally required documents, such as copies of legal code or law, shall be kept at the factory and available for inspection. (P)

Noncompliance

Explanation: Labor Law and related health and safety regulations were not posted in factory facility.

Sources: observation; worker and management interviews

Legal reference: Article 4 of China Labor Contract Law

Plan Of Action: Factory must inform all workers of any existing labor law and any regulations. Ask that this, or references as to where notices are posted, be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.

Deadline Date: 11/30/2010

Action Taken: Documentation received showing posting of such documents in main lobby of factory building. Factory management confirmed that all workers, new and old, have been instructed on November 12, 2009 concerning Law of Labor, Labor Contract Law, and all company regulations. All regulations are posted now in show windows at the main building's entrance and all workers are able to read.

Plan Complete: No

Plan Complete Date:

Forced Labor: Employment Terms/Prohibitions

F.4 There can be no employment terms (including in contracts or any other instruments or in any formal or informal recruitment arrangements) which: specify that employees can be confined or be subjected to restrictions on freedom of movement; allow employers to hold wages already earned; provide for penalties resulting in paying back wages already earned; or in any way punish workers for terminating employment. (P)

Noncompliance

Explanation: 1a. Article 9 of contract: If any party of contract violated any articles which resulted in any financial loss to the other party, he would pay RMB 1000 to the other party.

1b. Factory employment regulation: If workers who joined in any training paid by factory quit during contract valid period, they must compensate 100% to 300% of all training fees to factory.

2. A regulation made in October 2009 and rules posted in each department said that any worker who brought children into workplace would be fined RMB 80 and gatekeeper would be fined RMB 30. 60% of workers interviewed reported that if they brought their children into factory facility they would be fined RMB 80.

Sources: 1) employment contract and factory employment regulation review, 2) on-site observation, worker interviews

Legal references: 2)Articles 22, 23 and 25 of China Labor Contract Law

Plan Of Action: There can be no policy of imposing any monetary fines as a form of discipline. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.

Deadline Date: 11/30/2010

Action Taken: Policy of monetary fines has been abolished by factory since November audit. Factory did state that there haven't been any training fees refunded to the factory. These new rules were posted in show windows at the main building's entrance awhile ago.

Plan Complete: No

FAIR LABOR ASSOCIATION

Plan Complete Date:

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: **FLA Comment:** The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of October 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In December 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

Plan Of Action: Factory management is encouraged to educate all workers regarding the right to associate freely, etc. Factory management will be attending the Social Compliance Key Concepts and Pragmatic Solutions Seminars in July 2010. Seminars will help explain many issues and help them incorporate many social issues into their work environment.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Freedom of Association: Grievance Procedure

FOA.26 Employer shall have in place written grievance procedures that allow first an attempt to settle grievances directly between the worker and the immediate supervisor but that, where this is inappropriate or has failed, it is possible for the worker to have the grievance considered at one or more steps, depending on the nature of the grievance and the structure and size of the enterprise. Employers shall ensure that the grievance procedures and applicable rules are known to workers. (P)

Noncompliance

Explanation: No written grievance procedure or complaint record in factory.

Sources: record review, management interview

Plan Of Action: Management must begin to devise a fair grievance procedure policy and all workers must be made aware of it. This should be part of factory handbook that is made available to all workers. Factory management will be attending Social Compliance Key Concepts and Pragmatic Solutions Seminars in July 2010. Seminars will help explain many issues and help them incorporate a grievance system into their work environment.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Harassment or Abuse: Discipline/Progressive Discipline

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

Noncompliance

Explanation: No written disciplinary procedure for managers, supervisors and fellow workers if engaged in any physical, sexual, psychological or verbal violence, harassment or abuse.

Sources: disciplinary records and non-harassment policy review

Plan Of Action: Management must begin to develop and adopt discipline procedures as part of their company policy and include these in their factory handbook. Once written, management must educate all workers on this policy.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

FAIR LABOR ASSOCIATION

Harassment or Abuse: Discipline/Review of Disciplinary Action

H&A.3 The disciplinary system shall include possibilities for workers to have disciplinary action imposed on them reviewed by someone at a higher managerial position than the manager who imposed the disciplinary action. In addition, such a system shall include the ability of a worker to appeal and/or question any disciplinary action against him or her and/or have a third party of his or her choice present when the disciplinary action is being imposed. (P)

Noncompliance

Explanation:	Disciplinary system did not include the ability for a worker to appeal and/or question any disciplinary action against them and/or have a third party of their choice present when disciplinary action was being imposed. Source: record review
Plan Of Action:	Management must begin to develop and adopt discipline procedures with the ability for the worker to appeal, etc., as part of their company policy and include these in their factory handbook. Once written, management must educate all workers on this policy. Attending the Social Compliance Key Concepts and Pragmatic Solutions Seminars will help them understand how best to address such issues.
Deadline Date:	11/30/2010
Action Taken:	
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Harassment or Abuse: Discipline/Worker Awareness and Participation of Workers

H&A.6 Workers must be informed when a disciplinary procedure has been initiated against them. Workers have the right to participate and be heard in any disciplinary procedure against them. Employers shall maintain written records of all disciplinary actions taken. Workers must sign all written records of disciplinary action against them. Such records must be maintained in the worker's personnel file. (P)

Noncompliance

Explanation:	Workers did not sign all written records of disciplinary action. Such records were not maintained in the workers' personnel files. Sources: disciplinary record review, management interview
Plan Of Action:	Factory management must keep documentation, signed whenever possible, of any and all disciplinary actions involving workers. Important to have documents signed by all parties involved to protect both parties.
Deadline Date:	11/30/2010
Action Taken:	
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Harassment or Abuse: Discipline/Training of Management

H&A.7 Employers shall ensure managers and supervisors are fully familiar with the factory disciplinary system and trained in applying appropriate disciplinary practices. (P)

Noncompliance

Explanation:	Managers and supervisors not trained in applying appropriate disciplinary practices. Sources: training record review, management interview
Plan Of Action:	As management develops and adopts discipline procedures, staff must be educated and trained in appropriate procedures. Training should be reviewed yearly. This is an area that can be worked on better after the factory management attends the Social Compliance Key Concepts and Pragmatic Solutions Seminars in July 2010. They will have a better understanding of the need for appropriate practices after that.
Deadline Date:	11/30/2010
Action Taken:	
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation:	A regulation made in October 2009 and posted in each department that said any worker who brought children into the workplace would be fined RMB 80 and the gatekeeper would be fined RMB 30. 60% of workers interviewed reported that if they brought their children into the factory facility, they would be fined RMB 80. Sources: on-site observation, worker interviews
Plan Of Action:	There can be no policy of imposing any monetary fines as a form of discipline. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.
Deadline Date:	11/30/2010
Action Taken:	The policy of monetary fines has been abolished by the factory since the November audit. Fining was an attempt to stop workers from bringing their children in on weekends. (Factory suggested that workers put their children in day care on the weekends and that facility would pay half... The workers refused.)
Plan Complete:	No
Plan Complete Date:	

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation:	Workers were not orally informed of code or code provisions at time of induction or on an ongoing basis. Sources: worker and management interviews
Plan Of Action:	Our adopted Code of Conduct (COC), in Mandarin, was sent February 2, 2010 to factory management with instructions to display for all workers, as there was the need for all workers to be informed and be able to understand their rights. Only our representative hired at the facility understands and reads English. Everyone else at the factory speaks and reads Mandarin. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.
Deadline Date:	11/30/2010
Action Taken:	Management promised to make sure that all workers would be informed about the COC and what it means, besides displaying for all workers to see and read. Documentation was received showing COC displayed in a showcase by the main entrance of the building. Interviewing workers during the next audit is a reliable way to measure whether workers have been made aware of the COC and if they understand it.
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Health and Safety: Worker Consultation

H&S.4 The health and safety policy shall be developed and implemented in consultation with workers or their representatives. (P)

Noncompliance

Explanation:	Health & Safety Policy was not developed and implemented in consultation with workers or their representatives. Sources: worker and management interviews
Plan Of Action:	Management needs to look at and develop more in-depth Health & Safety Policies to be included in their company handbook. The factory is encouraged to establish a Health & Safety Committee which includes workers and their input. The Social Compliance Key Concepts and Pragmatic Solutions Seminars in July should help management understand what is needed in forms for training and communication with their workers. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.
Deadline Date:	11/30/2010
Action Taken:	
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Health and Safety: Health and Safety Management System

H&S.5 The health and safety policy shall contain the framework for a comprehensive health and safety management system within which employers' responsibilities and workers' rights and duties, various responsibilities of designated personnel, procedures that enable workers to raise health and safety concerns and procedures for reporting death, injury, illness and other health and safety issues (for instance, near-miss accidents) are clear and regularly tested and reviewed. (P)

Noncompliance

Explanation:	Health & Safety Policy did not contain employees' responsibilities or workers' rights and duties. Source: Health & Safety Policy review
Plan Of Action:	Encouraged management at factory to select several workers in each area to be trained in basic first aid/use of fire extinguishers/importance of keeping aisles open. Need to document who is selected and their responsibilities. Documentation can be confirmed by 2010 audit.
Deadline Date:	11/30/2010
Action Taken:	Management at factory communicated that people are already trained and they are documented and document is dated.
Plan Complete:	No
Plan Complete Date:	

Health and Safety: Evacuation Requirements and Procedure

H&S.9 All applicable legally required or recommended elements of safe evacuation (such as posting of evacuation plans, the installation and maintenance of an employee alarm and emergency lighting systems, ensuring aisles/exits are not blocked and that workers are not blocked within their workstations, employee education, evacuation procedures, etc.) shall be complied with. Workers shall be trained in evacuation procedures. Alarm systems shall be regularly tested and evacuation drills shall be undertaken at least annually. (S)

Noncompliance

Explanation:	1. Main evacuation doors in sewing and cutting workshops opened inward. 2. Only 1 fire alarm with 1 switch installed in warehouse building. No fire alarm was equipped in other production buildings. Source: on-site observation Legal reference: Article 7.4.12 of Code of Design on Building Fire Protection and Prevention (GB50016-2006)
Plan Of Action:	Factory must make factory safe in case of needed evacuations. Main doors must open outward and aisles must be kept clear. The 2010 audit will also confirm this.
Deadline Date:	11/30/2010
Action Taken:	Received documentation that doors to the main sewing rooms were re-hung and now swing outward. Documentation was also received that two more fire alarms were installed.
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation:	2 fire extinguishers blocked in steel workshop. No effective routine fire safety inspection conducted in factory. Source: on-site observation Legal reference: Article 28 of China Fire Prevention Law
Plan Of Action:	Factory management must ensure that for maximum safety, aisles kept clear and there is free and easy access to all fire extinguishers. Past audits had stated that employees were trained in proper use of fire extinguishers and that all fire equipment is provided by an outside source at least once a year.
Deadline Date:	11/30/2010
Action Taken:	Factory management confirms that people are already trained and there is documentation with dates as to who and when.
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: Some workers working in embroidery department did not wear earplugs.

Source: on-site observation

Legal reference: Article 54 of China Labor Law

Plan Of Action: Earlier audit measured noise level at 85 and did not state it was a dangerous level. Earplugs are provided free to all workers. Even after being informed about hazards to hearing, many workers still do not like to wear earplugs. Management informs workers about the dangers on a regular basis. Instruction flyers are posted on the walls. Management should have the noise level checked under normal working conditions to determine if earplugs are needed to be worn by all workers.

Deadline Date: 11/30/2010

Action Taken:

Plan Complete: No

Plan Complete Date:

Health and Safety: Machinery Maintenance and Worker Training

H&S.18 All production machinery, equipment and tools shall be regularly maintained and properly guarded. Workers shall receive training in the proper use and safe operation of machinery, equipment and tools they use. Employers shall ensure safety instructions are either displayed/posted near all machinery or are readily accessible to the workers. (S)

Noncompliance

Explanation:	1. Most sewing machines not equipped with needle guards. 2. Rotating belts not equipped with safe covers in steel workshop. 3. No warning sign (such as high temperature) posted near electrocautery machine in steel workshop. Source: on-site observation Legal references: Article 2.2.1 of Machinery Safety Guard Requirement (GB 8196-87); Article 28 of China Production Safety Law
Plan Of Action:	All equipment needs to be made safe for workers to use and all workers need to be trained in proper use of machinery. Training needs to be verbal as well as written. The older models of sewing machines did not come with needle guards and needle guards cannot be ordered for them.
Deadline Date:	11/30/2010
Action Taken:	Documentation received showing rotating belts now with safe coverings in the steel workshop, postings of warning signs. Instructions have been posted as how to safely and correctly use the equipment.
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Health and Safety: Medical Facilities

H&S.21 Medical facilities shall be established and maintained in factories as required by applicable laws. Medical staff shall be fully licensed and recognized under applicable local rules and regulations. An appropriate number of medical staff shall be on duty during all working hours, including any type of overtime, as required under local law. An appropriate stock of medical supplies shall be maintained at all times. Medicines of which the expiration date has passed must be replaced immediately and disposed of in a safe manner. (P)

Noncompliance

Explanation:	No occupational medical examination provided to workers in embroidery department. Legal references: Article 54 of China Labor Law; Article 32 of China Law on Prevention and Control of Occupational Diseases
Plan Of Action:	Factory must comply with Article 54 of China Labor Law on Prevention and Control of Occupational Diseases. Medical staff's hours must be increased to be available during all work hours according to law. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.
Deadline Date:	11/30/2010
Supplier CAP:	Per factory, basic medicine boxes provided in every workshop and periodic health examinations provided to every worker, which is done at [local hospital]. There are part-time medical personnel at [local] facility. The common practice in the area is for large-scale factories to have full-time medical staff, but for small factories, the medical staff has always worked part-time.
Supplier CAP Date:	11/30/2010
Action Taken:	
Plan Complete:	No
Plan Complete Date:	

FAIR LABOR ASSOCIATION

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Factory work hours were inaccurate and could not be verified due to:

1. Materials in and out records in raw material warehouse showed Sunday work (such as August 23, 2009 and October 18, 2009), while there was no any Sunday work on these days recorded in time records.

2. Work hours were not fully recorded by around 10% of total workforce and gatekeepers did not record their work hours.

3. Workers indicated they worked on Sundays sometimes in peak season, but time records showed there was no Sunday work.

4. Some sewing and embroidery workers worked at home sometimes when they could not finish their work during work hours in peak season.

Sources: work hours record review from September 2008 – October 2009; worker and management interviews

Plan Of Action: Accurate records must be kept. All work hours must be recorded in payroll records and all workers must be paid for all hours worked. This also must be recorded in payroll records. Since this is a payroll issue, it will need to be confirmed in the fall 2010 audit.

Deadline Date: 11/30/2010

Action Taken: Factory management stated all gatekeepers now record their hours and all work hours are recorded and workers are paid accordingly for all hours worked. There has been some Saturday overtime since November 2009 audit and all workers have been paid for all hours worked. The practice of taking unfinished work home to complete is forbidden by factory. Rule has been posted in show windows at the main building's entrance.

Plan Complete: No

Plan Complete Date:

Hours of Work: Annual Leave

HOW.14 Employers shall provide workers with paid annual leave as required under local laws, regulations and procedures. (S)

Noncompliance

Explanation: Article 5 Chapter 5 Supplement Regulation of Factory Regulation states that workers who had served in factory for over 1 year could enjoy paid annual leave for 5 days.

Legal reference: Article 3 of Regulations on Paid Annual Leave for Employees: 5 days annual leave for 1 – 9 years service, 10 days annual leave for 10 – 19 years service, 15 days for 20 years service and above.

Plan Of Action: Factory must abide by local laws and regulations regarding paid annual leave for all workers. Ask that this be included in an inclusive company handbook that will be distributed to all current workers and given to all new hires.

Deadline Date: 11/30/2010

Action Taken: Originally workers only received 5 annual paid days off. Since 2010, the factory adopted Article 3 of Regulations on Paid Annual Leave for Employees. This has been documented and posted in the show windows at the main building's entrance for all workers to read. All workers have been made aware of this new policy.

Plan Complete: No

Plan Complete Date: