



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Hansoll Textile
COUNTRY: Guatemala
FACTORY CODE: 850028446HV
MONITOR: COVERCO
AUDIT DATE: August 17, 2011
PRODUCTS: Female Tops
PROCESSES: Cutting, Sewing, Pressing,
Packing, Inspection
NUMBER OF WORKERS: 845

FLA Comment: This report was submitted with a corresponding corrective action plan and update to the FLA and was reviewed by FLA staff. In an effort to improve the effectiveness of remediation, the FLA has provided feedback and recommendations to the company. Company update in finding WBOT. 5, issue # 2 is not consistent with the FLA staff recommendations. Therefore, the report is posted in its current state and will be updated once a finalized report has been received.

*To read the original IEM report of this factory, please visit the FLA website [here](#).
For an explanation on how to read this report, please visit the FLA website [here](#).



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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: New Finding:

1. Auditors noted that factory deducts all or part of the incentive bonus of Q.250.00 when workers are suspended or absent, according to the following cases:

a) workers suspended by the social security

b) female workers suspended on their maternity leave

c) justified and unjustified worker absences. Auditors reviewed payrolls from July 2009 to July 2011 and found several cases.

Management confirmed the finding and commented that it will make a legal consultation; if this finding is confirmed, they will make the supplementary payments. It is auditors' criteria that incomplete payment of this bonus affects workers' monthly wages and severance calculation.

2. Auditors found 3 cases (1 case in 2010, 2 in 2011) where the severance calculation used by the factory was incorrect; it did not include the calculation of annual bonus (bono 14) and Christmas bonus.

Sources: payroll review; severance payment record review; worker and management interviews

Legal references: Guatemala Decree Law 37-2001; Decree Law 76-78 Article 9; Annual Bonification Law, Decree 42-92, Article 4

**Plan Of
Action:**

Person responsible: [Employee name]

1. Factory asked the affiliated department of clothing textile about this issue. The confirmation document from the Ministry of Labor (which the advisory lawyer received), clearly states, "employer not only does not have to pay legal payment for the unjustified absence to the worker, but also does not have to pay to the worker for absence due to IGSS visit."

The opinion that the payment does not have to be made regarding the absence refers to the fact that legal incentive is on the basis of the working hours and the payment is made in order to increase productivity and efficiency.

Source: confirmation document from Ministry of Labor

2. The majority of sewing companies in Guatemala provide dismissal allowance to workers by calculating "average daily payment from the last 6 months' wage x actual working days" based on Labor Law Article No. 82. The auditor's argument is in regards to Decrees Law 76-78, Article 9 and 42-92, Article 4, that dismissal allowance should be calculated, including 50% of Christmas Bonus and Bono 14 is not clear. (Christmas Bonus and Bono 14 are not included in dismissal allowance calculation for local sewing companies including [Factory name]; however, Christmas Bonus and Bono 14 are already included when calculating severance payment.) As 1) 50% of Bono 14 and Christmas Bonus is not clearly stated in the decrees of Guatemala and 2) considering that none of the brands are requiring these extra allowances (as vacation bonus, Bono 14 and Christmas Bonus are already included in our severance calculation method), factory has consulted the local Ministry of Labor and the advisory labor lawyer and is currently waiting for the response. We will keep you updated once we have received an end result.

**Deadline
Date:**

12/19/2011

**Action
Taken:**

Hansoll Updates - September 27, 2012

1. The factory is already separating in the payroll, the voluntary production bonus paid by the factory and the decree bonus, and only deducting from the voluntary production bonus scheme.

2. As mentioned by the General Labor Inspector, it is important to consider all circumstances of the companies and government in Guatemala before any change of this severance calculation can be made. Hansoll is very careful in making changes to the current severance calculation, as neither the government nor the Ministry of Labor have any intention at this point to enforce any changes to the current severance calculation. Therefore, it would be best to follow the policy of the Guatemalan government for any change to the severance calculation, giving it some time at this point.

Plan No
Complete:

Plan
Complete
Date:

Action No
Verified:

Action
Verified
Text:

Action
Verified
Date:



Wages, Benefits and Overtime Compensation: Accurate Calculation and Recording of Wage Compensation

WBOT.17 All payments to workers, including hourly wages, piecework, benefits, bonuses, and other incentives shall be calculated and recorded accurately. (S)

Noncompliance

Explanation: No inconformity found during record review of November 2008 and February 2009. During July 2009, factory changed time keeping system; 5 out of 30 sampled employees were paid less overtime than they worked in pay period from August 1-15, 2009. Also, 2 out of 30 sampled employees in the same pay period were paid more overtime hours than they worked. In 1 out of 30 cases, time keeping records show 15.5 overtime hours; overtime registers records showed 21 hours signed by the employee and payroll records showed 11 overtime hours paid. Payment to workers including overtime hours was not calculated and recorded accurately.

Sources: record review for November 2008 and February 2009

Plan Of Action: Factory is thoroughly reviewing the records from July, when the factory first started to use the barcode system, to September 2009. Management will ensure to pay the difference for all employees who were paid less overtime by reviewing the payroll from July to September. Payment of IGSS (Social Insurance Fee) for overtime will be countered for as well when paying these employees. Factory had separately managed in/out time records and payroll in the past. However, through [Agency name], factory changed the system, by automatically applying the in/out time records to the payroll calculation. Every month, a specialist from this agency visits the factory to check on the system's records, data back up, changing the system whenever necessary. Internally, [Compliance Officer's name] checks the in/out time records daily and compares the payroll (before payment is made) to the actual work hours, including overtime.

Deadline Date: 10/31/2009



Action Taken: Payment has been made to 186 of the 222 employees who were paid less on overtime; also reflected was the payment of the social insurance fee (IGSS). We are trying to pay the remaining 36 employees as well; however, despite our efforts to contact them via the phone and making continuous announcements, we are not able to reach them, as they no longer work in the factory. This is because their traveling expenses to the factory would cost more than the payment of the difference. Therefore, there is a good chance that the majority of these 36 employees will never pick up their payment. However, we will make sure to secure the payments for these remaining employees until they visit the factory and collect them.

Plan Complete: No

Plan Complete Date:

Action Verified: No

Action Verified Text: Completed: Auditors confirmed that the time keeping system is working correctly. Overtime record review verified that system tracks time and overtime correctly. During worker interviews, there were no complaints regarding overtime. Also confirmed was that in November and December 2009, management paid the difference of overtime originally reported in the September 2009 audit to 222 workers. 196 employees were working in the factory and have been paid; 2 former workers were contacted by telegram and went to the factory for their payment; and for the 24 remaining workers, factory made an effort to contact them without any response; therefore, factory allocated their payments in a Labor Court. Factory also provided proof of supplementary payment made to social security. However, it is important to mention that during this verification, interviews and record review revealed that some workers did receive these payments.

On August 22, auditors verified that 59% of workers benefited, confirming that 7 workers (12%) did not received their supplementary payment. Management objected to this finding, guaranteeing that they made the payments to the workers; as a voluntary action, with auditors witnessing, management paid the supplementary payment to 7 workers. It is auditors' criteria that this finding is not attributable to management, but instead to possible failures in channels used when payments were made.

Action Verified Date: 08/22/2011

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: The disciplinary action policy provided the opportunity for workers to appeals any actions taken by the supervisor or Human Resources. Worker interviews indicated that they do not have any knowledge about the appeal process. In their grievance procedure, factory must include that an investigation process is needed before a disciplinary action is imposed. Also, factory needs to include the chain of command and the time that workers have for appeal.

Sources: document review, worker interviews

Plan Of Action: Factory will conduct training regarding the code of conduct to all new workers at the end of every month and will keep evidence of this training. Training will be managed by [Employee name], the factory's CSR Officer; [Employee name], CSR Assistant Manager, will also participate in the training.

Deadline Date: 10/08/2009

Action Taken: Factory had conducted training on company regulation regarding disciplinary action policy and labor law for 823 employees between September 28 and October 8, 2009. (Training documents, signatures of employees and pictures sent to FLA for review.)

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Completed: 95% of worker interviews confirmed that they participated in regular trainings on this policy and procedure and showed that they know policy, disciplinary procedures and appeal process. Management showed evidence of trainings, and, in the induction process, factory provides this information to new workers.

Action Verified Date: 08/18/2011

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: New Finding: Auditors noted that during this year, factory conducted only 1 training on the FLA Code of Conduct (COC). None of the worker interviews confirmed that workers knew the company's COC or received a training of company's COC. Also, auditors considered that trainings have not been effective according to the following cases:

1. Trainings are conducted for groups of more than 400 workers, with an estimated time of 30 minutes, in which contents of the FLA's COC are developed.

2. Trainings are developed at lunch time (12:30-13:00), the time spent by workers to eat their meals. Management confirmed this and said it will search proper alternatives for trainings in relation to schedule, time and contents.

Sources: worker and management interviews

Plan Of Action: In order to provide training for workers more efficiently, factory has determined to provide training during regular work hours (except for during lunch hour) for all trainings intended for workers. Moreover, in order for workers to understand training thoroughly, factory will adjust and conduct training for groups of no more than 100 workers.

Deadline Date: 06/07/2012



Action Taken: Person responsible: [Employee name] On June 7, 2012, factory conducted training for workers on the company's COC during work hours in small groups of about 40 workers for effective training. Photos, sign-in sheets from training and training document sent to FLA for review. Source: recently conducted training on company's COC

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text:

Action Verified Date:

Code Awareness:

GEN.3 Develop a secure communications channel, in a manner appropriate to the culture and situation, to enable Company employees and employees of contractors and suppliers to report to the Company on noncompliance with the workplace standards, with security that they shall not be punished or prejudiced for doing so.

Noncompliance

Explanation: Factory has suggestion boxes, hotline, and grievance office; their purpose is to give employees the opportunity to discuss any issues with management. Nevertheless, the direct hotline with the affiliated company was out of order at the time of the audit. According to management, there was a technical challenge involved. At this moment, management is working in the issue.

Plan Of Action: Factory had announced to all employees on September 17, 2009 that the hotline is unavailable due to its breakdown, and that it will be fixed by September 25, 2009.

Deadline Date: 09/25/2009

Supplier CAP: Management had changed the hotline number on September 22 and informed the employees on this new number and placed a new hotline poster. New hotline poster sent to FLA for review.

Supplier CAP Date:

Action Taken:

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Ongoing: Auditor noted that hotline is working. However, it is auditors' criteria that hotline does not guarantee confidentiality, as it is placed and is under the responsibility of the Human Resources department. Management informed that hotline will be relocated to the Compliance Office and that [Employee name], CSR Assistant Manager, will be the person responsible.

Action Verified Date: 08/18/2011
