



COMPANY: **Hop Lun**  
COUNTRY: **China**  
ASSESSMENT DATE: **12/03/13**  
MONITOR: **Openview Service Limited**  
PRODUCTS: **Apparel**  
PROCESSES: **Cut, Sew, Full [= full package]**  
NUMBER OF WORKERS: **2500**  
NUMBER OF WORKERS INTERVIEWED:  
ASSESSMENT NUMBER: **AA0000000331**

## FLA Comments

FLA Comment: This report was submitted to the FLA and the FLA affiliated company by the assessor. Despite deadline reminders and extensions for submission of a corrective action plan, the FLA has not received a plan to address the risks and noncompliances raised in the report. Therefore, the report is posted in its current state and will be updated once a corrective action plan has been submitted to and reviewed by the FLA.

## What's Included in this Report

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# Understanding this Assessment Report

This is a report of a workplace assessment conducted by Fair Labor Association assessors following FLA's Sustainable Compliance methodology (SCI), which evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment life cycle.

This report identifies violations and risks of noncompliance with the Fair Labor Association Workplace Code of Conduct in its assessment of the employment functions, and includes a description of the root causes of violations, recommendations for sustainable and immediate improvement, and the corrective action plan for each risk or violation as submitted by the company. This document is not a static report; rather, it reflects the most recent progress updates on remediation in the "Progress Update" section for each finding.

## Glossary

**De minimis:** A de minimis factory is a factory (1) with which the Company contracts for production for six months or less in any 24-month period; or (2) in which the Company accounts for 10% or less of the annual production of such facility. The FLA Charter states that in no event shall de minimis facilities constitute more than 15% of the total of all facilities of a Company, and the list of facilities designated as de minimis by a Company is subject to the approval of the FLA. Please note that collegiate-producing factories cannot count as de minimis.

**Facility performance:** how a facility rates in terms of a particular employment or management function, with 100% being the best possible score.

**Fair labor standards:** the minimum requirement for how workers should be treated in a workplace, as outlined in the [FLA Workplace Code of Conduct](#).

**Employment life cycle:** all aspects of an employee's relationship with the employer, from date of hire to termination or end of employment.

**Code violation:** failure to meet standards outlined in the FLA Workplace Code of Conduct in the workplace implementation of employment or management functions.

**Employment Functions:** The different components of the relationship between management and employees in a factory. An employment function is a process regulating an aspect of the employment relationship, such as the recruitment of workers. All employment functions together constitute the employment relationship between an employer and an employee.

1. Recruitment, Hiring & Personnel Development (e.g., performance reviews)
2. Compensation (e.g., wages, health care)
3. Hours of Work (e.g., overtime, documentation of working hours)
4. Industrial Relations (e.g., collective bargaining agreements)
5. Grievance System (e.g., worker communication with management)
6. Workplace Conduct & Discipline (e.g., discrimination, harassment)
7. Termination & Worker Retrenchment (e.g., downsizing, resignation)
8. Health & Safety (e.g., exposure to chemicals)
9. Environmental Protection (e.g., energy saving)

**Management functions:** violations or risks related to an employment function could be caused by the absence – or a problem in the operation – of any one of the management functions or in more than one.

1. Policy
2. Procedure
3. Responsibility & Accountability
4. Review Process
5. Training
6. Implementation
7. Communication & Worker Involvement
8. Support & Resources (only for the in-depth level)

**Finding:** indicators of potential gaps between desired and actual performance of the workplace on different employment functions.

### Finding type

- **Immediate action required:** discoveries or findings at the workplace that need immediate action because they not only constitute an imminent danger, risk the workers' basic rights, threaten their safety and well-being or pose a clear hazard to

the environment, but also are clear non-compliances with the FLA Workplace Code of Conduct and local laws. Examples include a finding by the assessor that crucial fire safety elements are not in place or that there is underpayment of wages and/or worker entitlements or that there is direct discharge of waste water, etc.

- *Sustainable improvement required*: findings that require sustainable and systematic actions. The factory will be asked to tackle the underlying root causes and to do so in a long-term and systematic manner to bridge the gap between actual and desired performance. Examples include a finding by the assessor that there is lack of termination policies and procedures in the workplace, lack of grievance system, etc.
- *Notable feature*: indicates a remarkable feature or best practice at a workplace. Examples might include workers' wages and benefits that are significantly above the industry average, or community benefits such as free daycare.

**Local law or Code Requirement**: applicable regulations and standards in a workplace, which serve as the basis for an assessment, as per local law or FLA Workplace Code of Conduct. When these two do not concur, the stricter of the two standards applies.

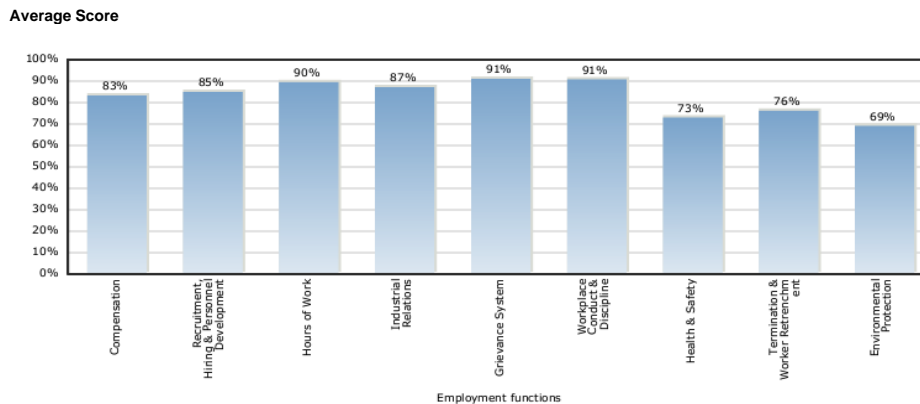
**Root causes**: a systemic failure within an employment function, resulting in a "finding." Findings are symptoms of underlying problems or "root causes." Consider, for example, the case of workers not wearing hearing protection equipment in a high noise area. The most expedient conclusion might be that the worker did not use the hearing protection equipment because such equipment was not provided by management. However, upon a more thorough evaluation of available information, the assessor might find that the worker was indeed supplied with hearing protection equipment and with written information about the importance of wearing hearing protection, but was not trained on how to use the equipment and that use of the equipment was not enforced in a consistent manner by management.

**Company action plan**: a detailed set of activities outlined by the sourcing company and/or direct employer to address FLA findings.

# Factory Profile

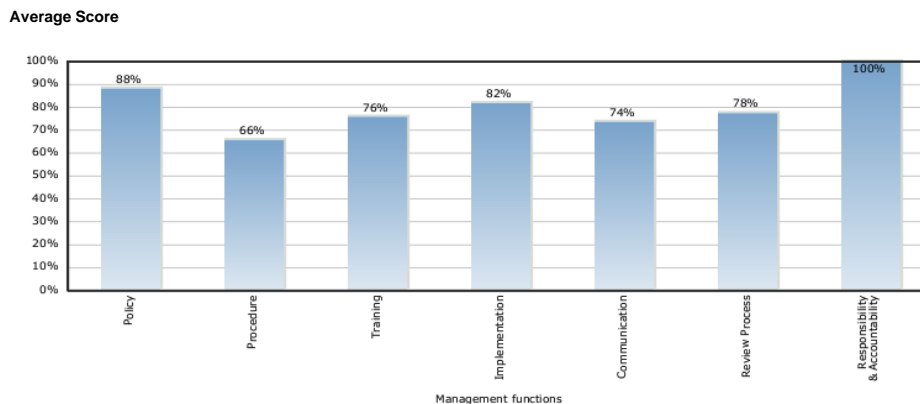
## Score by Employment Function

Scores indicate a factory's performance related to a specific employment function based on an FLA assessment. A score of 100 percent indicates flawless operation of an employment function. A score of less than 100 percent indicates need for improvement.



## Score by Management Function

Scores indicate a factory's performance related to a specific management function based on an assessment conducted for FLA by independent, accredited assessors. A score of 100 percent indicates flawless operation of a management function. A score of less than 100 percent indicates need for improvement.



## Score Summary

Scores indicate the strength of management functions as they relate to different elements of the employment relationship (employment functions). For example (reading left to right), a score of 100 percent in the cell on the top left corner would indicate the existence of appropriate policies related to recruitment, hiring and personnel development.

Management Functions	Recruitment, Hiring & Personnel Development	Compensation	Hours of Work	Industrial Relations	Grievance System	Workplace Conduct & Discipline	Termination & Worker Retrenchment	Health & Safety	Environmental Protection
Policy	83.36%	91.67%	100%	87.5%	100%	92.86%	80.77%	90%	88.89%
Procedure	77.13%	75%	100%	91.18%	100%	100%	52.38%	56.82%	14.29%
Responsibility & Accountability	100%	100%	100%	100%	100%	100%	100%	100%	100%
Review Process	75%	50%	100%	100%	100%	100%	75%	75%	33.33%
Training	75%	69.05%	87.5%	83.33%	87.5%	93.75%	37.5%	63.88%	30%
Implementation	90.69%	84.15%	85.71%	85%	100%	100%	100%	77.8%	68.36%
Communication	75%	100%	75%	100%	100%	75%	62.5%	59.38%	25%

## Summary of Code Violations

Companies that join the FLA agree to uphold the FLA Workplace Code of Conduct throughout their entire supply chain. The Code of Conduct is based on International Labour Organization (ILO) standards, and defines labor standards that aim to achieve decent and humane working conditions.

While it is important to note when violations of the FLA Workplace Code of Conduct occur, the purpose of these assessments is not simply to test compliance against a particular benchmark, but rather to develop an understanding of where and how improvements can be made to achieve sustainable compliance. Code of Conduct violations can be found throughout the course of an assessment of the employment and management functions, and are addressed in companies' action plans.

FLA Code Element	Number of Violations	Violations
Compensation	1	General Compliance Compensation
Employment Relationship	10	General/Human Resource Management Systems Terms and Conditions/New Employee Orientation Terms and Conditions/Communication Administration of Fringe Benefits/Holidays, Leave, Legal Social Benefits and Bonuses Industrial Relations/Right to Organize, Bargain and Participate in Legal Strikes Work Rules and Discipline Skills Development/Training Skills Development/Promotion, Demotion and Job Reassignment Health, Safety, and Environmental Management System/Policies and Procedures Termination and Retrenchment/General Policies and Procedures
Freedom of Association and Collective Bargaining	2	General Compliance Freedom of Association Facilities for Worker Representatives
Hours of Work	2	General Compliance Hours of Work Rest Day
Health, Safety and Environment	7	General Compliance Health, Safety, and Environment Ergonomics Sanitation in Workplace Facilities Document Maintenance/Workers Accessibility and Awareness Notification and Record Maintenance Evacuation Requirements and Procedure Chemical Management and Training
Non-Discrimination	1	Protection and Accommodation of Pregnant Workers and New Mothers

## Findings and Action Plans

### FINDING NO.1

### RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

#### FINDING TYPE: Immediate Action Required

#### Finding Explanation

1. The job application form includes a question regarding marital status, political affiliations, and pregnancy status, which

might lead to discrimination during the recruitment process.

2. Factory requires some workers (except for short-term workers) to sign a 3-year contract with an extended probation period of 6 months. However, as per FLA benchmarks, the probation period should not exceed 3 months.
3. There are no specific policies or procedures related to production workers' career path and personnel development. Factory does not have a specific personnel career path or worker training on skill development. More than 85% of the total workforce is production workers.
4. The factory had established written policies and procedures with regard to performance reviews that outline the review steps and process. However, management could not provide records of performance reviews over the past year to demonstrate how those reviews link to job grading, promotions or demotions. Furthermore, the performance review procedure had not been effectively communicated to production workers, as most of the interviewed workers were not aware of the performance review processes and procedures.
5. The retrenchment and termination policy and procedure does not cover employee layoff, retirement or death.
6. The hiring and recruitment procedure does not outline the protection regarding special categories of employees (e.g., young workers, pregnant workers or workers with disabilities.)

#### **Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.3, ER.28, ER.29 and ER.32.1; Non-discrimination Benchmark ND.2; Compensation Benchmark C.3)

#### **Root Causes**

1. These issues have not been brought to the attention of the factory management during previous audits.
2. 6 month probation period is in line with local law and regulations, but are in violation of FLA standards.
3. Management is not aware that some types of personal information requested on job application forms can lead to discrimination.
4. The factory's current HR resources are insufficient to manage the performance review of the entire workforce.
5. Lack of review of existing practices to ensure all records are maintained completely.
6. Some management representatives do not yet consider career path for production workers to be an important issue due to the fact that the workers are frequently change their job in this area.
7. The factory's current HR resources are insufficient to manage personnel development.

#### **Recommendations for Immediate Action**

1. Remove any questions pertaining to marital status, pregnancy status, and political affiliation from the current job application form.

## **FINDING NO.2**

### **INDUSTRIAL RELATIONS AND FREEDOM OF ASSOCIATION**

#### **FINDING TYPE: Sustainable Improvement Required**

#### **Finding Explanation**

1. The factory did not provide the necessary resources that were required for the daily operation of the Worker Representative Committee. The factory had not provided the required office space and the necessary office equipment in order: a) to enable the committee to conduct regular meetings and b) for the worker representatives to perform their functions.
2. FLA Comment: The Chinese constitution guarantees Freedom of Association; 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 International Labor Organization (ILO), many provisions of the Trade Union Act are contrary to the fundamental principles of freedom of association, 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. Recently, 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. It also grants the trade union 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.

#### **Local Law or Code Requirement**

FLA Workplace Code (Freedom of Association Benchmarks, FOA.15)

#### **Root Causes**

1. The factory was not aware of the FLA benchmark with respect to the resources for Worker Representative Committee.

## **FINDING NO.3**

### **HOURS OF WORK**

## **FINDING TYPE: Immediate Action Required**

### **Finding Explanation**

1. During the peak period between November 2012 and March 2013 and in November 2013, 80% of workers worked overtime in excess of 60 hours per week; the highest weekly working hours were 77 hours in January 2013.
2. 90% of workers worked overtime exceeding the 36 hours a month between November 2012 and November 2013, in violation of the China Labor Law. The maximum monthly overtime hours were 130.5 in January 2013.
3. About 80% of factory workers did not receive 1 day off for every 7-day period in December 2012, January 2013, and March 2013 on a regular basis. They worked a maximum of 15 consecutive days in January 2013.

### **Local Law or Code Requirement**

China Labor Law, Articles 38, Article 41; FLA Workplace Code (Hours of Work Benchmarks HOW.1 and HOW.2)

### **Root Causes**

1. Inadequate preparation for dealing with current production orders means staffing levels may be out of sync with production volumes, leading to excessive hours of work.
2. Not enough buyer oversight to identify and address possible reasons behind excessive overtime, such as tighter shipping schedules, short lead times, etc.
3. No regular analysis of hours of work with a view to progressively reducing excessive hours of work.
4. Lack of government enforcement of labor laws;
5. Migrant workers are willing to work excessive overtime hours as they rely on overtime work to make higher income.

### **Recommendations for Immediate Action**

1. Ensure workers have 1 day-off in every 7 day period.

## **FINDING NO.4**

### **WAGE AND BENEFITS**

## **FINDING TYPE: Sustainable Improvement Required**

### **Finding Explanation**

1. The factory did not provide workers 100% coverage for 5 types of social insurance mandated by local law. Review of the November 2013 social insurance receipt noted that all 1,756 employees were provided work-related injury insurance; 1,733 employees (99%) were provided medical and maternity insurances; and 1,434 employees (82%) were provided with pension and unemployment insurances.

### **Local Law or Code Requirement**

China Labor Law, Article 73; FLA Workplace Code (Compensation Benchmarks C.1 and C.5)

### **Root Causes**

Both employer and employees are discouraged to participate in the social insurance schemes; reasons for this include:

1. The social insurance fee is considered an extra cost by both the employer and the employee;
2. Most employees are under the age of 26 and are not willing to contribute to the pension fund several decades ahead of retirement;
3. The Chinese social insurance system is under development and as a result, the process of insurance transfer across the country is still complicated. Most employees are migrant workers, but they are not provided adequate support and assurance from the local government or their employer with respect to the transfer of their pension funds back to their hometowns;
4. Local governments have not been monitoring and enforcing compliance strictly.

## **FINDING NO.5**

### **WAGES AND BENEFITS**

## **FINDING TYPE: Sustainable Improvement Required**

### **Finding Explanation**

1. According to the factory rules, if a worker resigned without prior notification 10 days before the last working day, a "notification compensation" (that is equivalent to the amount of wages earned during the missed notification days) would be deducted from workers' termination payout.

### **Local Law or Code Requirement**

FLA Workplace Code (Compensation Benchmark C.11)



### **Root Causes**

1. The employer did not clearly understand the Law of the People's Republic of China on Employment Contract.
2. This issue has not been brought to the attention of the factory management during previous external audits by brands or local authorities;
3. As no actual instances of this situation were identified during internal audits and there have been no worker appeals on this matter, management had not taken notice of this issue.

## **FINDING NO.6**

### **FIRE SAFETY**

#### **FINDING TYPE:** Immediate Action Required

#### **Finding Explanation**

1. Following fire safety issues were observed:
  - a. The major emergency assembly areas in the factory are not located within in a safe distance of the production building;
  - b. There was no wrench for the outdoor hydrant; neither workers nor supervisors knew how to operate the outdoor hydrant in case of emergency.
  - c. Combustible materials were stored along the staircases of the dormitory building.
  - d. There was no shovel in the vicinity of the sand pool located in the diesel tank areas.

#### **Local Law or Code Requirement**

Code for Design of Building Fire Protection and Prevention(GB50016-2006), Article 7.4.1; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.6)

#### **Root Causes**

1. Management lacks awareness of fire safety; no HSE expertise or participation of HSE Committee or any external consultation.
2. Ineffectiveness of internal fire inspection due to a) the ineffectiveness of the HSE Committee and b) the shortcomings with the methodology and tools used for internal audits and routine HSE inspections; and c) the absence of an effective review process..
3. These issues have not been raised during previous external audits.
4. There is no active worker participation on the HSE Committee. There is no system for encouraging workers to actively participate in ongoing HSE efforts.
5. Control systems for checking the operations of fire hydrant are undertaken by contractors and there is lack of supervision by factory HSE staff.
6. Worker awareness of fire safety precautions is low.

#### **Recommendations for Immediate Action**

1. Equip each outdoor fire hydrant with a fire wrench and train a fire brigade on how to operate the fire hydrant.
2. Remove the combustible materials from the dormitory stairs.
3. Provide shovels near the sand pool in the diesel tank area.

## **FINDING NO.7**

### **PERSONAL PROTECTIVE EQUIPMENT**

#### **FINDING TYPE:** Immediate Action Required

#### **Finding Explanation**

1. The factory did not establish a written procedure regarding the procurement, validation, storage, distribution, maintenance, and scraping of personal protective equipment (PPE). 2. It was noted that scraped electric insulation gloves are stored together with those in good shape, without segregation or labeling.

#### **Local Law or Code Requirement**

Regulation on the Supervision and Management of PPE, Article 17; Law of China on Work Safety, Article 37; FLA Workplace Code (Health, Safety and Environment Benchmark HSE.7)

#### **Root Causes**

1. Although the factory has established a simple H&S system and developed some basic written policies and procedures, the implementation of the system is not effective in many areas. For example, there are no regular committee meetings and the root causes of accidents are not regularly discussed. This is due to:
  - a) the ineffectiveness of the HSE Committee and b) the shortcomings with the methodology and tools used for internal audits and routine HSE inspections; and c) the absence of an effective review process.



2. Workers' awareness on the importance of using PPE is low. The risk analysis report does not cover all of hazards and risks in the factory. Elected worker representatives do not participate in this process.

### **Recommendations for Immediate Action**

1. Separate good PPE from the scraped equipment.

## **FINDING NO.8**

### **HEALTH AND SAFETY**

#### **FINDING TYPE: Sustainable Improvement Required**

##### **Finding Explanation**

1. The factory has not conducted an assessment to identify the occupational disease risks and evaluate the effectiveness of existing preventive measurements.
2. Although there was manual lift work operated outdoors, there is no procedure for controlling workers' thermal comfort conditions and protecting them from potential heat-related impact.
3. Factory did not have written Lock out-Tag out (LOTO) procedures. No relevant training had been provided and no proper warning tag or locking devices had been provided to maintenance workers for protecting workers from equipment that might accidentally turn on and harm them.
4. Management does not identify confined spaces, e.g., elevator shaft and underground diesel tank. No confined space management procedures are available.
5. Factory did not have written falling protection procedures. The following issues related to falling risks were identified: a. No safety cage installed on the vertical ladders with a height of more than 2 meters; b. No handrail or guardrail on the platform in the maintenance department; c. The handrail height of the stairs in production buildings A, B, and C is only 96 cm; it does not meet the legally required 110cm.
6. No eye-washing facility is available next to the chemical warehouse.
7. Factory did not have written machine maintenance procedures. For example, electric grounding is not regularly tested during the maintenance process.

##### **Local Law or Code Requirement**

Law of the People's Republic of China on Production Safety, Article 37; Law of the People's Republic of China on Occupational Disease Prevention, Article 27; Interim Provisions on the Supervision and Administration of Workplace Occupational Health, Article 22; FLA Workplace Code (Employment Relationship Benchmark ER.31; Health, Safety and Environment Benchmarks HSE.1, HSE.7, HSE.8, and HSE.14);

##### **Root Causes**

1. Although the factory has established a basic H&S system and developed some simple written policies and procedures, the implementation of the system is not effective in many areas. For example, there is no regular committee meeting and root causes of the accidents are not regularly discussed. This is due to: a) the ineffectiveness of the HSE Committee and b) the shortcomings with the methodology and tools used for internal audits and routine HSE inspections; and c) the absence of an effective review process.
2. The factory's current HSE resources are insufficient to manage HSE issues throughout the production process. There is only 1 manager to take care of both HR and HSE issues;
3. No external experts had been involved in the risk assessment process. The Risk Analysis report does not cover all of the hazards and risks in the factory.
4. Management is not aware of the severity of the potential work accidents and occupational diseases associated with the noise and heating.
5. Absence of an effective chemical management program that covers: a) new chemical introduction review and approval; b) occupational exposure measurement and control; and c) medical surveillance.

## **FINDING NO.9**

### **HEALTH AND SAFETY**

#### **FINDING TYPE: Sustainable Improvement Required**

##### **Finding Explanation**

1. The factory has not conducted a comprehensive ergonomic study. Problems observed include workers hunching or leaning in some manual operations, uncomfortable body postures, long-time work in standing position, and inappropriate height of worktable.
2. No ergonomic training provided to workers to increase their awareness and knowledge of ergonomic risks in the workplace.

##### **Local Law or Code Requirement**

### **Root Causes**

1. Management lacks knowledge of the potential benefits of ergonomic improvements, such as increasing productivity and attendance levels, while reducing risk of work accidents and Musculoskeletal Disorders.
2. Implementing ergonomic improvements implies additional costs for the management.

## **FINDING NO.10**

### **ENVIRONMENTAL PROTECTION**

#### **FINDING TYPE:** Sustainable Improvement Required

#### **Finding Explanation**

1. Waste air (kitchen fumes), is discharged without purification.
2. Waste water (oil condensed water generated by compressor and waste water generated by washing the plastic containers attached to each sewing machine) is directly discharged into storm water pipelines.
3. The potential spills of diesel tanks are not included in emergency drills. There are no preventive measures taken against potential accidental spills or discharges or drips in areas where high voltage equipment/machinery and electrical panels are placed under sprinklers.
4. The factory has no procedures related to the regular inspection of the underground diesel tanks. The following issues were observed:
  - a. Incomplete secondary containment for the small ground sub-tank;
  - b. No precautions against potential drips/overflow during filling process.

#### **Local Law or Code Requirement**

China Law of Prevention and Treatment of Water Pollution, Article 20; Regulation for Safety of Dangerous Chemicals, Article 16; FLA Workplace Code (Health, Safety and Environment Benchmarks HSE.1 and HSE.9)

#### **Root Causes**

1. Although the factory has some written procedures on environmental management, the implementation of the system is not effective in many areas. There are no periodic assessments of the factory's environmental issues, and there is no ongoing training on environmental issues to employees. This is due to: a) the ineffectiveness of the HSE Committee and b) the shortcomings with the methodology and tools used for internal audits and routine HSE inspections; and c) the absence of an effective review process
2. Management lacks knowledge and skills on pollutant prevention. They have not received any certified external training regarding environmental protection. Most of the interviewed managerial staff mentioned that these issues had not been raised during previous external audits.
3. There is no active worker representation or participation on HSE Committee. There is no system for encouraging workers to actively participate in ongoing HSE efforts.

## **FINDING NO.11**

### **WAGES AND BENEFITS**

#### **FINDING TYPE:** Uncorroborated Risk of Non Compliance

#### **Finding Explanation**

Based on worker interviews, their salary is not enough to cover all of their basic needs and provide a discretionary income.

#### **Local Law or Code Requirement**

FLA Workplace Code (Compensation benchmark C.1.3)

#### **Root Causes**

1. The Chinese apparel industry currently does not provide wages that allow for the fulfillment of basic needs plus a discretionary income;
2. There is no wage structure in the factory that would enable workers to progressively earn a wage level that meets basic needs.

#### **Recommendations for Immediate Action**

1. Management is to take an online FLA Fair Wage Self-Assessment / 3 months;
2. Based on the self-assessment results, the factory is to work together with the FLA-affiliated Company and FLA to create strategies that would progressively ensure a wage level that covers workers' basic needs and discretionary income / Continuous.

## FINDING NO.12

### WORKPLACE CONDUCT AND DISCIPLINE

**FINDING TYPE:** Sustainable Improvement Required

**Finding Explanation**

1. Based on the review of factory procedure and management interview, the disciplinary system does not include a third party witness during imposition of the disciplinary action.

**Local Law or Code Requirement**

FLA Workplace Code (Employment Relationship Benchmark ER.27.4)

**Root Causes**

1. Management lacks awareness of this FLA requirement.
2. There is no effective worker representation in the disciplinary system.
3. Sidestepping third party witness process is considered a more efficient way to take disciplinary actions by factory management.