INDEPENDENT EXTERNAL ASSESSMENT

Worker Survey & Management Self-Assessment Report

COMPANY: Russell Brands, LLC
COUNTRY: El Salvador
FACTORY CODE: GS201209
SURVEY DATE: November 9, 2012
PRODUCTS: Sewing and Cutting Services
TOTAL NUMBER OF WORKERS: 912
NUMBER OF WORKERS SURVEYED: 128

Company Comment: As SCOPE remediation efforts began, the factory experienced a work stoppage that lasted several weeks. Despite the efforts of Russell Brands, LLC working with FLA and other brands purchasing from the factory, the owners closed the factory in early 2014 without notice. Since then, Russell Brands, LLC has continued to engage with the factory owners, the El Salvador Ministry of Labor, independent labor experts, and other stakeholders to ensure workers receive all owed wages and severance.
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EXECUTIVE SUMMARY

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in El Salvador, a supplier of Russell Brands, LLC, on November 9, 2012. The assessment evaluates a facility’s performance in upholding fair labor standards through effective management practices throughout the entire employment lifecycle of workers. The assessment includes a Worker Survey and a Management Self-Assessment. A total of 128 workers were randomly selected to anonymously participate in the survey. Management was also requested to complete an online self-assessment and to submit several documents for review. Comparing results from both sources enriches our understanding of the factory’s overall management system, and may point to possible root causes of system weaknesses in need of improvement.

Key Findings

• Workers rate the factory’s practice on Compensation, Industrial Relations, Grievance System and Health & Safety relatively low. Workers do not show very high level of approval of or feel a sense of belonging to the factory. Almost one-fifth (19%) of workers is considering leaving the factory in the next few months.

• Workers exhibit a low level of satisfaction with their wages; it has not helped that there have been delays in payment and underpayment. Close to two-thirds (60%) of participants feel their wage is hardly sufficient to meet their basic living needs.

• Although aware of the existence of worker representative bodies and worker representatives, workers insufficiently participate in factory affairs and have limited interaction with worker representatives. Workers also show a very limited usage of grievance channels, possibly due to: 1) workers’ inadequate knowledge and confidence and 2) the insufficiency of these channels.

• During the past 12 months, harassment/abuse, discrimination, monetary fines/penalties, and work-related injuries have occurred in this factory.

• Training on the 9 Employment Functions is insufficient in terms of both coverage and quality; workers displayed limited understanding of the factory’s policies and regulations.

Recommendations for Action

• Training and communication capacity should be further strengthened by: 1) conducting an evaluation of the factory’s current internal training program, 2) pinpointing and then targeting the training priorities, and 3) developing training impact assessments to determine training effectiveness.

• In order to address late wages, wage underpayment, and overtime issues, the factory is advised to: 1) improve the current payment management system, 2) better communicate with workers regarding overtime payment, 3) conduct productivity assessment, and 4) develop a more appropriate working schedule.

• There is a need to: 1) increase management’s recognition of the importance of worker participation and 2) further take workers’ opinions into consideration. Workers should be encouraged to participate in factory affairs and to interact with worker representatives.

• The factory is advised to develop a healthier and safer workplace for the entire workforce both physically and mentally. Immediate actions should be taken to address disclosed issues such as harassment/abuse, discrimination, monetary fines/penalties, and work-related injuries.
I. INTRODUCTION

On November 9, 2012, Fair Labor Association (FLA) conducted an Independent External Assessment (IEA) in a factory in El Salvador, a supplier of Russell Brands, LLC. This annual IEA aims to evaluate the factory’s practice regarding a worker’s employment lifecycle from recruitment to retrenchment, to analyze the factory’s strengths and weaknesses, and then to address workplace noncompliance issues and propose remediation plans accordingly.

The assessment is comprised of both a Worker Survey and a Management Self-Assessment to capture a more thorough understanding of the factory’s practices by learning the perspective of both groups.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Characteristics of Surveyed Workers</th>
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<tbody>
<tr>
<td>Gender</td>
<td>Migrant or Local</td>
</tr>
<tr>
<td>Male</td>
<td>44.1</td>
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<tr>
<td>Female</td>
<td>52.0</td>
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<tr>
<td>Education</td>
<td>Position</td>
</tr>
<tr>
<td>No Schooling</td>
<td>1.6 Worker</td>
</tr>
<tr>
<td>Primary School</td>
<td>19.7 Supervisor</td>
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<tr>
<td>Middle School</td>
<td>36.2 Employment Status</td>
</tr>
<tr>
<td>High School</td>
<td>40.2 Fixed/Long-term Contract</td>
</tr>
<tr>
<td>Technical/Vocational School</td>
<td>1.6 Contractor/Dispatched Worker</td>
</tr>
<tr>
<td>College/University</td>
<td>0.8 Intern/Temporary</td>
</tr>
<tr>
<td>Average Age (Years)</td>
<td>28.4 Average Length of Service (Months)</td>
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</table>

Worker Survey

At the time of survey, there were a total of 866 frontline workers at the factory, out of whom 128 were randomly selected to participate in the survey¹. To protect their anonymity, workers were asked not to fill in any personal identification. Table 1 summarizes the basic characteristics of the surveyed workers².

Management Self-Assessment

Factory management was also requested to complete an online Management Self-Assessment and to submit some documents for review³; this assessment is structured in line with the Worker Survey and aims to evaluate the factory’s performance from management’s point of view. A comparative analysis of management and worker survey results is then conducted, enriching the understanding of the factory’s overall performance, by showing how it is viewed from both the production floor and the management office.

¹ Sample size was based on (+/-) 8.5 confidence interval and at 95% confidence level. The total workforce of the factory is 912, 866 of which are production-related frontline workers; therefore, the sample selection is based on frontline workers.
² Numbers may not always add up to 100% due to unanswered questions.
³ Relevant documents were also submitted for review on the same day as the Worker Survey, including: factory’s existing policy and procedures; training records; payroll and pay slips; records of working hours; meeting minutes; filed grievances; and other related documents.
II. KEY FINDINGS

The Independent External Assessment evaluates the impact of a factory’s practices on a worker’s lifecycle, from hiring, through workplace conduct and grievance procedure, all the way to termination and retrenchment. It examines the whole process, aspects of which are referred to as “Employment Functions:” 1) Recruitment, Hiring & Personnel Development, 2) Compensation, 3) Hours of Work, 4) Industrial Relations, 5) Workplace Conduct, 6) Grievance System, 7) Environmental Protection, 8) Health & Safety, and 9) Termination & Retrenchment. Each employment function is measured on a scale from 1 to 5. A score below 3 indicates substantive problems; a score between 3 and 4 shows both positive achievements and room for improvement; and a score above 4 suggests a notable performance.

Results from both the management assessment and the worker survey regarding the 9 Employment Functions are displayed in Figure 1. Industrial Relations and Grievance System were both scored lower than 3 by workers, indicating the possible problems with the worker representative structure and the grievance procedure and pointing to a need for improvement. Large perception gaps are found between workers and management in the Industrial Relations, Health & Safety, and Termination & Retrenchment dimensions. Both workers and management scored Grievance System the lowest among all assessed dimensions. In addition, except or Environmental Protection, management rates all dimensions more favorable than workers. Below is detailed analysis on each dimension.

2.1 Recruitment, Hiring & Personnel Development

This employment function covers the hiring process and procedure, investigating their implementation within the factory. Both management and workers rate this dimension quite high, demonstrating the factory’s well-established policies and sound practice with regard to hiring and recruitment. Management states that the factory provides job descriptions for most of its job vacancies; explains detailed hiring terms and conditions for workers; and signs written contracts with workers upon hire. The Worker Survey results are consistent with management’s
declaration. However, 95% of respondents state that the factory detains their original personal identification papers; this does not conform to FLA Benchmark ER 5.8, which regulates that employers or employment agencies should not retain possession or control of workers’ identification and other documents like passports, identify papers, work permits, and other personal legal documents.

Almost all (95%) workers report that they received orientation training when they joined the factory and most (70%) have not faced any difficulty in understanding the training content. As a result, workers display a high level of awareness of the existence of the factory’s policies and regulations. When asked about the number of policies and regulations they are aware of, more than half (55%) of workers say they know more than 5 facets. However close to a third (31%) of workers have never participated in any on-the-job training and quite a large number (65%) of respondents can only partly understand the factory’s policies and regulations. In this regard, the factory ought to conduct a training impact assessment to find out workers’ level of understanding and then strengthen and revise training accordingly. Also, training should be updated on a regular basis, and, in particular, when any policies and procedures are revised.

According to factory management and the majority (81%) of workers, the factory also conducts job performance reviews for workers and communicates the evaluation results to them (86%). The factory is advised to continue this practice and to adjust its payment system, promotions, and demotion procedures accordingly, in order to more accurately compensate and motivate workers.

2.2 Compensation

Compensation examines the wage and benefits system within a factory, as to whether it complies with regulatory standards and if it ensures fairness and productivity. In the factory, workers’ wages are calculated according to a combination of systems, piece rate and hourly rate, and paid weekly. In addition to the starting salary, workers know the factory also provides bonuses related to team performance (90%) and the year’s end (84%). Social insurance is bought for workers as well, based on both management and worker survey results. Both groups also verify that the factory offers various leaves including public holidays, marriage leave, annual leave, maternity leave, sick leave, and personal leave due to an emergency, which are fully or partly paid for the full period of their legally entitled leaves. With regard to overtime payment, most respondents report that the factory has

<table>
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<th>Table 2</th>
<th>Basic Weekly Salary (USD)</th>
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<tr>
<td>Legal Local Minimum Wage</td>
<td>43.78</td>
</tr>
<tr>
<td>Basic Salary Offered</td>
<td>43.78</td>
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<tr>
<td>Average Weekly Salary</td>
<td>41.25 (Net)</td>
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</tbody>
</table>

Source: Management Self-Assessment and Worker Survey

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4 A vast majority of workers report that the factory explained the hiring terms and conditions to them (89%) and that they signed a contract with the factory upon hire (96%).
5 According to management, the factory has policies and regulations with regard to: wage calculation; benefits, bonuses and allowances; rewards and penalties; hours of work, overtime arrangements and payment; grievance procedure; worker participation and integration; non-discrimination; harassment and abuse; health and safety in the workplace; environmental protection; recruitment and resignation procedure; and job performance review. Workers are asked to choose the ones they know from the 12 policies and regulations.
6 When asked about the number of factory policies and regulations that they are aware of, 23% workers report they know “more than 9,” 15% chose “7-8,” 17% chose “5-6,” 30% chose “3-4,” and only 15% chose “0-2.”
7 91% of workers report that the factory has bought social insurance for them.
8 The majority of workers agree that the factory provides various kinds of leaves: public holidays (89%), marriage leave (81%), annual leave (80%), maternity leave (80%), sick leave (75%), and personal leave due to emergency (73%).
paid their overtime work (80%) at a premium rate (72%)\(^9\).

An inconsistency between management and workers is found in their perception of wage payment. Management states that the factory has never encountered any problem paying workers in time and in full during the past 12 months; however, half of workers have experienced underpayment (50%) and delay in wage payment (91%). This indicates a possible violation of FLA benchmarks C.4 and C.5, which state that all wages shall be paid within legally defined time limits and that all payment to workers shall be calculated and paid accurately.

Additionally, management says the factory provides free/subsidized transportation and medication/medical care to workers; however, the majority (85%) of workers deny this. Except for workers’ need for education regarding their personal career development, management considers the factory’s average wage sufficient to cover workers’ basic living needs regarding food, accommodation, clothing, health care, and education for workers’ dependents. Meanwhile, close to two-thirds (60%) of participants feel that their wages are hardly sufficient to meet their basic living needs, specifically medical care (37%), clothing (24%), education for dependents (9%), education for their own career development (2%), and accommodation (2%).

The above findings show that in this factory there are inappropriate practices and even violations regarding compensation, along with significant perception gaps between management and workers. Therefore, the factory is highly recommended to conduct a self-evaluation regarding its management of wage and benefits and to address issues of underpayment and delays.

2.3 Hours of Work

This section looks into the factory’s working hours management system and its daily practices. Management explains that there is no clear distinction between peak and off-peak seasons in the factory. Workers normally work 8.8 hours per day and 5 days per week (44 hours per week). When the factory has many orders to process, the working days per week is still 5, although the daily working hours could be extended to 12. However, the total working hours per week has been controlled to be equal to or less than 60\(^10\). Also, the factory regulates that in every week, each employee shall be entitled to a break of at least 1 day (24 consecutive hours). When it is impossible for the employee to have a weekly day off due to the nature of production, the factory ensures that the employee will have at least 4 days off in a month on average\(^11\). These findings are in line with the Worker Survey results; the majority of workers declare they normally work 8 hours per day (88%) and 5 days per week (95%). When the factory is particularly busy, they work 8 or 9 hours per day (57%) and 6 days or less per week (93%)\(^12\).

The factory also does a satisfactory job documenting workers’ working hours. A vast majority (93%) of workers think their working hours are well recorded. Likewise, management states the factory indeed does so and further adds that this collected data is analyzed in order to better understand workers’ attendance, productivity, and efficiency.

\(^9\) 13% of workers report their overtime work hours are paid at the same rate as regular work hours, while 8% have no idea about the overtime payment rate and 7% did not answer this question.

\(^10\) FLA Benchmark HOW.1.3: Other than in exceptional circumstances, the total weekly work hours (regular work hours plus overtime) shall not exceed 60 hours per week.

\(^11\) This is found in the document review.

\(^12\) FLA Benchmark HOW.2: Workers shall be entitled to at least 24 consecutive hours of rest in every 7-day period and that weekly work hours (regular work plus overtime) shall not exceed 60 hours per week. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within that same 7-day period or immediately following.

\(^13\) 28% of workers report that they work 10 to 13 hours when the factory is particularly busy.
It is encouraging to see that more than a great majority (78%) of survey participants are informed of their right to refuse working overtime with fearing any negative consequences from management. According to document review, the factory signs the voluntary overtime form with workers who are willing to work overtime.

2.4 Industrial Relations

The Industrial Relations dimension examines the relationship between management and workers, focusing on communication, representation, consultation, and participation. Workers rate Industrial Relations the second lowest among all 9 assessed dimensions and show a great discrepancy in perception with management.

According to factory management, there are various kinds of worker representative bodies in the factory, including Committee of Employee Representative Leaders (2009), Committee on Occupational Health and Safety (2012), Union of Workers in Textile Industry (2006), and Union of Workers in Garment Industry in El Salvador (2012). Their main responsibility is to protect workers’ interests and rights in a collective manner. Worker representatives also reportedly exist in each committee; there are a total of 91 worker representatives\(^\text{14}\), who function as liaisons between management and workers to transfer information, questions, suggestions, and grievances. The majority of workers recognize the existence of worker representative bodies and worker representatives in the factory, as nearly all (94%) of respondents are aware of the above committees, and 87% report there are worker representatives.

However, the perception gap in this employment function lies in workers’: 1) insufficient participation in factory affairs and 2) limited interaction with worker representatives. More than half (56%) of the workers who know of the committees have either never participated in meetings/activities organized by the committees or do not think the committees have organized any. Among those who know the existence of worker representatives, 35% have never been involved in the election process, and a significant number either do not understand or only partly understand their responsibilities\(^\text{15}\), which may further keep workers from communicating with them. Many (41%) respondents have never talked to worker representatives about their work-related concerns and have never raised suggestions through them.

Regarding the communication between management and workers, both groups express that they have had discussions or communications on issues that closely relate to workers’ lives in the factory. However, close to half (46%) of workers have never received any feedback regarding these discussions or communications. In addition, management indicates that the factory takes workers’ opinions or concerns into account to a good extent, while most (58%) workers do not agree\(^\text{16}\).

In respect to worker participation and communication skills training, a difference is again found between management and workers. A large number (64%) of workers deny that the factory provides any training in this regard, though management reports they do provide such training to general workforce. Considering that only about one fourth (26%) of respondents have a good relationship with their line supervisors, communication skills training is definitely needed.

\(^{14}\) There are 64 worker representatives in the Committee of Employee Representative Leaders, 13 in the Committee on Occupational Health and Safety, 7 in the Union of Workers in Textile Industry, and 7 in the Union of Workers in Garment Industry in El Salvador.

\(^{15}\) The majority of respondents has no idea about (19%) or only partly understands (43%) the responsibilities of worker representatives.

\(^{16}\) Quite a number of workers think the factory management will not (25%) or rarely (32%) take their opinions or concerns in to consideration.
The findings above demonstrate workers’: 1) insufficient knowledge of the factory’s worker representative bodies and worker representatives, 2) limited integration in factory affairs, and 3) deficient consult by management. To address these issues, factory management is advised to take the initiative to recognize the value of worker participation and to offer training to workers, line supervisors, and management itself on communication and worker integration. In addition, it is recommended that the factory hold meetings/activities involving management, worker representatives, and workers on a regular basis; meeting minutes, results or relevant documents should to be delivered to all involved parties.

2.5 Workplace Conduct

The dimension of Workplace Conduct gathers knowledge on the rules and regulations that govern what is and what is not acceptable behavior among staff and workers at the factory. It probes the factory’s practices with respect to harassment, abuse, discipline, security checks, and workers’ freedom of movement.

Although assessment results display that there are established policies and regulations in the factory against harassment/abuse/discrimination, of the workers who are aware of these policies and regulations (90%) it is hard for a considerable number (59%) to fully understand the content. Both management and workers report the occurrence of harassment/abuse/discrimination in the factory during the past 12 months. According to management, 2 reports of line supervisors perpetrating harassment/abuse/discrimination have been received within the aforementioned time period, both of which have been well handled. However, quite a number of workers indicate that they have experienced harassment/abuse (43%) and discrimination (35%) in the factory during the last 12 months. Both practices are not allowable according to FLA benchmarks, which specify that no person shall be subject to any discrimination in employment and no employee shall be subject to any physical, sexual, psychological or verbal harassment or abuse. Further, over one-fifth (22%) of workers have had monetary fines/penalties imposed on them due to poor work performance or violations of rules/regulations/policies. This is a violation of FLA Benchmark H/A.2, which states that such behavior is strictly prohibited.17

Consequently, when asked about their opinions on the factory’s disciplinary measures, only 25% of respondents think they are fair and reasonable. Almost all (96%) workers admit that the factory conducts security checks and among them, 47% note body searches are daily practice, and close to half (43%) feel uncomfortable with the factory’s security checks. FLA benchmarks state that only body searches undertaken with a legitimate reason are acceptable.18

In light of the harassment/abuse/discrimination from line supervisors, the factory is advised to offer sufficient training on communication skills and other relevant activities in order to facilitate the communication between line supervisors and workers. In addition, the factory should take immediate actions towards locating and eliminating discrimination, harassment or abuse behaviors and refining discipline measures through worker consultation. With regard to the factory imposing daily body searches, it is advised for the factory to: 1) evaluate the necessity of such searches, 2) listen to workers’ opinions, and 3) only then, make a decision.

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17 Employers shall not use monetary fines and penalties as a mean to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies.

18 FLA Benchmark H/A.10.2 states that body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g., police officer) has ordered the search.
2.6 Grievance System

The Grievance System dimension examines: 1) a factory’s systems, policies, and practices on workers’ abilities to voice their opinions and complaints, 2) workers’ abilities to communicate with management on issues affecting their work and workplace environment, and 3) the factory’s ability to understand and address these issues, while also taking actions to prevent similar problems in the future.

According to factory management, **there are various grievance channels for workers to express their concerns or dissatisfactions**, including talking to line supervisors, the plant manager, the production manager, the human resource department, the general manager, and worker representatives. However, **39% of workers mention they have never used any of the channels to express their concerns or dissatisfactions, even though they have them**. Workers’ low usage could be explained by their limited knowledge of the factory’s grievance channels and procedure. More than one-third (37%) of workers have no idea of any grievance channel or procedure in the factory. Another possible explanation could be that workers do not feel very confident using these channels. The majority (58%) of workers are not aware of the factory’s policy protecting workers from any retaliation that could be caused by using the grievance channels.

**The workers who have used the grievance channels (54%) also indicate that further improvement is necessary for the current grievance system.** Among them, a large number of respondents report that there was either no follow up attached to their grievances (31%) or that there was follow up, but they did not receive any feedback on the grievance handling results (39%); more than half (55%) have no idea if any worker representatives are involved in the grievance handling process. Ultimately, it is no surprise that only 35% of respondents feel satisfied with the grievance handling results.

Therefore, the factory is suggested to clarify its policy on the grievance procedure and make it clear that workers should not suffer any negative consequences for using any of the grievance channels. Training on the existing grievance policies and regulations, and procedures on how to submit grievances and/or complaints should also be offered to the entire workforce. In addition, it is imperative to improve the quality of grievance handling.

2.7 Health & Safety

This section explores the extent to which the factory ensures a healthy and safe workplace. As the factory does not have a dormitory for workers, the investigation regarding Health & Safety focuses on its workplace and canteen. **The assessment results show that there are significant perception gaps between management and workers regarding the efforts the factory has made to create a healthy and safe working environment.** Management thinks the factory provides workers with all the appropriate and necessary personal protective equipment (PPE). According to the Worker Survey, 61% of respondents think the factory either does not provide PPE or fails to provide PPE sufficient to prevent health and safety hazards. When asked about their feelings on workplace safety, 72% think there are potential long-term risks and 13% are not sure about it. A large proportion of workers report the factory is quite noisy (85%) and fails to provide adequate ventilation and heating facilities (90%). Correspondingly, a large number (78%) of respondents often or from time to time feel physical pain after a full day’s work.

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19 Among them, 10% think the factory does not provide any personal protective equipment at all and 51% think that while the factory provides some equipment, it is not sufficient.
In addition, both management and workers admit the occurrence of work-related injuries/accidents. Management mentions there were 52 cases of work-related accidents and up to 37% of workers have encountered or witnessed work-related injuries or accidents in the factory during the past 12 months. To make matters worse, 43% of respondents are not clear about the existence or location of the first aid kits or feel that it is inaccessible. Considering that workers’ productivity might be negatively influenced by an insufficiently healthy and safe workplace, the factory is thus advised to conduct investigations that ask workers’ about their concerns and needs regarding workplace safety. With respect to the worker-related injuries, regular inspection of machines and other production tools should be done. Training on risk awareness and proper machine use should be given to workers to ensure they use the machinery, equipment, and tools safely and properly.

2.8 Environmental Protection

This employment function examines the knowledge and awareness of both workers and management on environmental protection. According to factory management, the factory has established a set of policies and procedures regarding environmental protection, including a complete chemical inventory containing purchase, storage, usage, and disposal of chemicals; a proper Material Safety Data Sheet (MSDS) for all chemicals and hazardous substances used in the workplace in local language; and procedures associated with processing solid waste and wastewater, etc. However, workers display a limited knowledge of these policies and procedures. More than a third (36%) of workers are unaware of these policies and procedures. The majority (73%) of workers do not use chemicals during their daily work and among those who do (24%), about a third (34%) do not think chemicals are stored separately in an assigned place.

According to management, the factory does not use any incentives to encourage workers to save water and energy; despite this, workers still maintain an intermediate level of awareness on environmental protection. A significant majority (79%) of workers feel it is very important to save water and energy.

Given the findings above, the factory is suggested to take action and address these issues: 1) improve the communication regarding environmental protection related policies and regulations with the entire workforce, 2) develop more effective stimulation plans, including both monetary and non-monetary incentives, to encourage saving water, energy, and raw materials, which in the long term could also contribute to the reduction of the factory’s production costs, and 3) offer appropriate and sufficient training to workers who are assigned to deal with chemical materials and environmental protection issues.

2.9 Termination & Retrenchment

This employment function examines the factory’s protocol when workers resign, and addresses the transparency, fairness, and objectivity of the factory’s termination and retrenchment policy and procedures. According to management, there are written policies and procedures governing all aspects and modes of termination and retrenchment, and 79% of workers are aware of their existence. The majority of respondents think that the factory’s written policy regarding termination and retrenchment clearly states: 1) relevant notice period and methods (71%), 2) procedure that must be taken before quitting (59%), and 3) personnel for processing resignations (55%). However, only 24% of workers know of the policy and procedure covering the termination payout.

Management reports that in the last 12 months, there have been 48 minor work-related injuries that were treated with basic first aid and without any lost days, and 4 injuries that caused 10 lost days in total.
More than a fourth (27%) of workers feel the factory might force them to stay if they were to resign\(^\text{21}\); this might be 1 possible explanation for why workers left without notifying the factory first. Management reports that from the beginning of 2012 until the survey date, 31 workers left the factory without notifying management, representing 11% of the factory’s total turnover. A large majority (63%) of workers also confirm that they have either heard about or witnessed their co-workers leaving without giving any notification to the factory management.

Another critical problem found is that half (50%) of workers report that they have heard about or witnessed factory management dismissing workers without giving any legitimate reasons. Concerning the adverse effects of such treatment to workers, the factory is recommended to strengthen its communication with workers if temporary or permanent layoff is unavoidable. To reduce the negative influences that this type of termination can have, a plan should be developed and implemented to increase worker morale.

2.10 Management Functions

Alongside the assessments, the factory’s practice is also evaluated horizontally by “Management Functions” which are comprised of: 1) Policy & Procedure, 2) Training, 3) Implementation, and 4) Communication. The analysis of a factory’s practice through Management Functions allows for comprehensive and systematic detection of potential risks and system failures. Figure 2 summarizes the Worker Survey and Management Self-Assessment results on the 4 Management Functions.

It can be seen that the factory does a relatively good job in establishing and implementing Policy & Procedure, while Training and Communication need be further improved upon. In addition, management rates all 4 dimensions more favorable than workers, indicating perception gaps between the 2 groups.

2.11 Loyalty & Satisfaction

The Independent External Assessment also evaluates workers’ opinions regarding their working conditions in the factory and their short- and long-term employment plans, in order to understand workers’ job satisfaction and loyalty. Based on the Worker Survey results, in general, workers do not show either a high level of approval of or a sense of belonging to the factory. As shown in Figure 3, a mere 19% of workers are either “mostly” or “very” satisfied with the factory’s working conditions. 50% of workers are “not satisfied at all” with their wages. Not surprisingly, a considerable number (19%) of workers indicate they are considering leaving in the next 2 months (Figure 4). It can be

\(^{21}\) 13% of workers are certain that the factory would force them to stay and 14% consider it possible.
seen from Table 3 that low wages, stressful work, and workplace harassment/abuse and/or discrimination are the main causes for workers' tendency to leave in the short term; this is consistent with the findings in the analysis of the 9 Employment Functions. Immediate actions should be taken to address workers' concerns regarding wages and the work environment, in both physical and mental terms, in order to maintain a stable and reliable workforce.

2.12 Correlation Analysis

Different elements are analyzed and measured to see if there are any factors that positively or negatively affect the factory’s performance. Key findings are summarized as below:

- Training is positively correlated with all 9 Employment Functions. Workers who are better trained tend to have a better knowledge, understanding, and implementation of the factory’s policies and procedures on recruitment, resignation, compensation, working hours, workplace code of conduct, grievance procedure, worker participation, environmental protection, and workplace health and safety.

- Workers’ Satisfaction has a strong positive correlation with Compensation, Workplace Conduct, and Health and Safety. In addition to a fair wage: 1) a non-intimidating, non-hostile, and inoffensive work environment and 2) a healthy and safe workplace also can contribute towards the increase of workers' approval of the factory.

- There is a significant perception difference between those workers who intend to leave shortly and those who do not in terms of Industrial Relations, Workplace Conduct, and Health and Safety. This indicates workers' loyalty relies in part on their understanding and approval of both their integration into factory affairs and of workplace health and safety.

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22 The correlation coefficient between Training and the 9 Employment Functions is: Recruitment, Hiring and Personnel Development (0.382), Compensation (0.375), Hours of Work (0.320), Industrial Relations (0.832), Workplace Conduct (0.305), Grievance Procedure (0.477), Environmental Protection (0.326), Health and Safety (0.293) and Termination and Retrenchment (0.409) (statistically significant at 0.01 level).

23 The correlation coefficient between Satisfaction and the 3 Employment Functions is: Compensation (0.631), Workplace Conduct (0.285), and Health and Safety (0.430) (statistically significant at 0.01 level).

24 The scores of workers who are intending to leave and stay are: Industrial Relations (2.66 vs. 3.01), Workplace Conduct (3.57 vs. 3.87) and Health & Safety (2.83 vs. 3.16) (statistically significant at 0.01 level).