INDEPENDENT EXTERNAL ASSESSMENT

Worker Survey
& Management Self-Assessment Report

COMPANY: SanMar
COUNTRY: China
FACTORY CODE: GS201210
SURVEY DATE: October 30, 2012
PRODUCTS: Sportswear
TOTAL NUMBER OF WORKERS: 238
NUMBER OF WORKERS SURVEYED: 96

Company Comment: SanMar exited this factory after shipping the last purchasing order in December 2013. The reason for exiting this factory is the result of the consolidation of our programs at different facilities and our decision was made independent of this assessment. SanMar discussed the issues of noncompliance and our requested plan of action with the vendor and factory management prior to exiting. An updated remediation plan was provided to FLA in November 2013.
# TABLE OF CONTENTS

Executive Summary ................................................................................................................. 3  
   Key Findings .......................................................................................................................... 3  
   Recommendations for Action ................................................................................................. 3  

I. Introduction ........................................................................................................................... 4  
   Worker Survey ......................................................................................................................... 4  
   Management Self-Assessment ................................................................................................. 4  

II. Key Findings ........................................................................................................................ 5  
   2.1 Recruitment, Hiring & Personnel Development ................................................................. 5  
   2.2 Compensation .................................................................................................................... 6  
   2.3 Hours of Work ................................................................................................................... 7  
   2.4 Industrial Relations ........................................................................................................... 7  
   2.5 Workplace Conduct ......................................................................................................... 8  
   2.6 Grievance System ............................................................................................................ 9  
   2.7 Health & Safety .............................................................................................................. 10  
   2.8 Environmental Protection .............................................................................................. 11  
   2.9 Termination & Retrenchment ......................................................................................... 11  
   2.10 Management Functions ................................................................................................. 12  
   2.11 Loyalty and Satisfaction ............................................................................................... 12  
   2.12 Correlation Analysis ..................................................................................................... 13  

III. Remediation ......................................................................................................................... 14
EXECUTIVE SUMMARY

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in China, a supplier of SanMar, on October 30, 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 96 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

• Both management and workers gave high scores to 4 dimensions, including Recruitment, Hiring & Personnel Development, Health & Safety, Environmental Protection, and Termination & Retrenchment. The factory has clear policies and procedures in these dimensions and has achieved standard implementation of those existing regulations.

• Significant perception gaps are found between management and workers with respect to Industrial Relations, Workplace Conduct, and Grievance System. Weak performances in these dimensions are likely to undermine the factory’s sustainable development, as they can have a negative effect on the stability of workforce.

Recommendations for Action

• Restructure the existing workers’ committee and worker representative system by: 1) electing more worker representatives, 2) providing trainings so that the current trade union can better represent workers and 3) developing more effective top-down communication strategies. Also, the quality of training on worker participation should be enhanced, not only to achieve wider coverage, but also to improve workers’ overall awareness on the significance of worker participation and to increase their interactions with worker representatives and the union.

• Effective and interactive communication contributes to better understanding of Workplace Conduct in the factory. Sharing relevant information through trainings, meetings, and posters is highly recommended to boost workers’ awareness of workplace conduct. The better knowledge the workers possess, the more effective policy implementation will be at the factory.

• Improve the functionality of the current grievance system by: 1) training workers on related policies and regulations so that they are encouraged to fully express themselves without fear of retaliation and 2) more proactively consulting workers regarding their employment at the factory; doing such can make workers feel respected and valued, thus possibly increasing their awareness and willingness to voice their concerns.
I. INTRODUCTION

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in China, a supplier of SanMar, on October 30, 2012. The assessment evaluates a facility’s performance in upholding fair labor standards through effective management practices throughout the entire employment lifecycle, covering all aspects of a worker’s relationship with the facility, from their date of hire to the end of their employment.

The assessment comprises a Worker Survey and a Management Self-Assessment. Findings from both the Worker Survey and the Management Self-Assessment: 1) provide a broad picture of the current conditions, 2) identify areas of good performance as well as weakness, and 3) offer recommendations for corrective actions.

Worker Survey
At the time of the survey, there were 238 workers at the factory, 96 of which were randomly selected to participate in the survey; there were 95 valid surveys at its conclusion\(^1\). To protect the anonymity of respondents, workers were asked not to fill in their names on the questionnaire. Table 1 summarizes the basic characteristics of the surveyed workers\(^2\).

Management Self-Assessment
Factory’s management was also requested to complete an online Management Self-Assessment and to submit some documents for review\(^3\); this assessment is structured in line with the Worker

---

1. Sample size was based on (+/-) 7.5% error range, at 95% confidence level.
2. Numbers may not always add up to 100% due to unanswered questions.
3. Factory has been required to submit: 1) general introduction of the factory; 2) payroll, time sheet, overtime hours form and pay slip; 3) announcement on public holidays; 4) regulations on salary and income; 5) trainings records and minutes; 6) codes of conduct; 7) labor regulations; 8) employees’ handbook; 9) grievance procedure and record of grievances gathered from the workers; and 9) policies and certificates related to environment protection.
Survey and aims to assess performance from management’s point of view. Comparing results from both sources enriches our understanding of the factory’s overall management system, by showing how it is viewed from both the factory floor and the management office.

II. KEY FINDINGS
The Independent External Assessment evaluates the impact of a factory's practices on the employment lifecycle of a worker, 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.

Figure 1 displays the results from both the Worker Survey and the Management Self-Assessment with respect to each Employment Function. Scores of the Management Self-Assessment are higher than those on the Worker Survey except for Environmental Protection, with no Employment Functions scoring below 4. While high scores were given by both workers and the management to Recruitment, Hiring & Personnel Development, Health & Safety, and Environmental Protection, there are notable gaps in Industrial Relations, Workplace Conduct, and Grievance System, calling for further attention and actions from the management.

2.1 Recruitment, Hiring & Personnel Development
This employment function covers the hiring process and procedure, investigating their implementation within the factory. High scores in the assessment results from both workers and management show that the factory manages to implement its practices on hiring and career development with clearly established policy and procedures. Management reports that they have
signed individual work contracts with all employees and that they provide any further necessary explanations regarding hiring terms and conditions to their employees. This has been corroborated by the Worker Survey results, which show that 99% of workers have signed an employment contract and received a copy of the contract. Among the workers who have signed employment contracts with the factory, almost all (99%) report that the factory has explained the terms and conditions under which they are hired. Almost all (96%) workers have received orientation training, and a large majority (92%) receives on-the-job training in the factory. According to 66% of workers whose job performances have been reviewed by the factory, 86% of them have received feedback from management.

2.2 Compensation

Compensation examines the wage and benefits system within a factory, whether it complies with regulatory standards and if it ensures fairness and productivity. Both workers and management report that the factory paid workers’ wages on time (98%) and in full (99%) over the last 12 months. Nearly all (95%) workers indicate that their overtime hours have always been paid. Besides, a vast majority (93%) of workers as well as the pay slip review results confirm that their overtime hours have been paid at a premium rate.

Management Self-Assessment results and the pay slips reviewed by assessors show that both the basic salary offered by the factory and the lowest monthly salary workers earn are higher than the legally required minimum wage (see Tables 2 and 3). Results regarding social insurances, bonuses, benefits, and legal leave from both the Management Self-Assessment and the Worker Survey are highly consistent with each other. On top of the basic salary, the factory states it guarantees all its workers social insurance coverage, this is echoed by nearly all workers. Additionally, several bonuses, free/subsidized meals, and trainings are also provided to workers. Workers are entitled to full payment during their legal leave, according to both management and workers.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Basic Monthly Salary (CNY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Local Minimum Wage</td>
<td>1,160</td>
</tr>
<tr>
<td>Basic Salary Offered*</td>
<td>1,300</td>
</tr>
<tr>
<td>Monthly Average Wage*</td>
<td>2,157 (Net)</td>
</tr>
</tbody>
</table>

* Source: Management Self-Assessment and Worker Survey

---

4 Information on the pay slip include: basic salary; hourly rate; legal deductions; overtime payment; subtotal and total amounts; total working hours; normal working hours; and total overtime working hours.

5 According to the management, social insurances include pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity leave insurance.

6 98% of workers state that they are covered by the social insurances provided by the factory; 2 workers have no idea as to whether or not they are covered by the system. A majority of workers indicate they are covered by pension insurance (65%), medical insurance (74%), and work injury insurance (60%).

7 According to the management, bonuses related to attendance, seniority, and year’s end are provided.

8 Majorities of workers confirm they have received bonuses related to attendance (87%) and year’s end (72%), and that the factory provides free/subsidized meals (95%); 38% of workers say they get a seniority bonus (38%) and 27% say the factory provides education/training.

9 When being asked, “Did you get paid for the full period of your legally entitled leave,” 96% of workers answer “yes, fully,” 4% said “yes, but not fully.”
However, over a quarter (27%) of workers consider their wages insufficient to cover their basic needs, among which health care, housing, self-education, and education for dependents are the most difficult to be covered. To better address the issue, the factory is advised to review and diversify the existing incentive methods and to more actively consult workers on their financial needs.

2.3 Hours of Work

This section looks into the factory’s working hours management system and its daily practices. Management reports that there is no obvious distinction between peak season and off-peak season; workers normally work 8.5 hours/day and 6 days/week and when production is busy, they, on average, work 9 hours/day and 6 days/week. This information is consistent with the Worker Survey results, as most workers reported to work no more than 9 hours/day and no more than 6 days/week during both regular and busy days. These findings suggest that the factory has made efforts in preventing workers from having excessive working hours.

Although the factory manages to keep its overtime hours at a reasonable level, further improvements could be made regarding communication between management and workers on working hours. Management report that they: 1) are keeping full record of all the work hours for all workers; 2) are informing all workers of overtime arrangements at least 1 day in advance if workers have to work extra hours; and 3) have informed workers of their right to refuse overtime work. Yet, more than half (55%) of workers learn about their overtime arrangements the morning or afternoon of the same day when they have to work longer hours; besides, nearly a quarter (24%) of workers state they have never been informed of their right to refuse overtime hours.

Thus, the factory is suggested to pay more attention to effective communication with its workers; information related to time recording, working hours arrangements, and workers’ legal rights should be delivered to workers clearly and timely, either by oral and/or written channels.

2.4 Industrial Relations

The Industrial Relations dimension examines the relationship between management and workers, focusing on communication, representation, consultation, and participation.

Generally, management and workers enjoy harmonious industrial relationships with each other. According to both workers and management, there is a trade union with worker representatives.

---

10 When asked if workers’ wages are sufficient to cover their basic needs, 73% said “absolutely” sufficient, 24% of workers answer “partly,” 3% said “not at all sufficient.” Specifically, their wages are sufficient to cover food (89%), housing (23%), health care (35%), self-education (19%), education for dependents (4%), and clothing (92%).

11 During normal days, most workers work 8 hours (60%) or 9 hours (38%) daily for 5 days (23%), 5.5 days (6%) or 6 days (71%), respectively; and when the factory is busy, most workers work 8 hours (28%) or 9 hours (66%) daily, and for 5 days (4%), 5.5 days (2%) or 6 days (93%), respectively.

12 As defined in FLA Workplace Code of Conduct & Compliance Benchmarks, 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.”

13 As stated in the Management Self-Assessment, the factory’s trade union was established in August 2008. Main duties of the trade union include: 1) organize meetings and trainings related to factory policy, national and local laws and knowledge of trade union; 2) protect workers’ legal rights; 3) coordinate the communication between the workers and the factory administration; 4) organize collective activities for workers; 5) collect and submit workers’ complaints and suggestions to the factory management; and 6) advise
in the factory, and a large majority of workers are aware of the existence of the union (85%) and the worker representatives (87%). All workers have a decent relationship with their line supervisors, and nearly none (2%) feel nervous when management comes to inspect their work. Management further adds that the trade union organizes activities/meetings regularly, which is verified by workers’ high percentage (93%) of participation. Additionally, as reported by management: 1) meeting or discussion results between worker representatives/workers and management have always been disseminated among workers; 2) trainings related to communications and workers’ participation have been provided to all workers; and 3) management values workers’ suggestions to a good extent when making decisions.

However, workers’ feedback varies from that of management, especially in issues related to worker representatives and communication with management. Over half (60%) have never spoken to worker representatives to report problems encountered or to raise suggestions. In addition, workers might not be well represented under the current worker representative system; as reported by the management, there are only 4 worker representatives for the whole worker population. Furthermore, nearly half (44%) of the workers state they have never received any feedback on content or results of meetings between the workers/worker representatives and the management, and nearly a quarter (24%) remark they have never received trainings on worker participation or communication.

These findings suggest that there is room for improvement with respect to the factory’s industrial relations. By: 1) selecting more worker representatives and providing trainings, the current trade union could better represent workers; 2) developing more effective top-down communication strategies; and 3) enhancing the quality of training on worker participation, the factory could improve workers’ overall awareness toward the significance of worker participation and increase their interactions with worker representatives and the union.

2.5 Workplace Conduct

the factory management on issues related to reward and penalty, production safety, labor protection, labor insurance, and wages and benefits.

According to the management, workers elected 7 worker representatives in February 2012, 3 of whom had resigned from the factory. The main responsibilities of worker representatives are to: 1) facilitate worker communication with management; 2) submit worker complaints related to unfair treatment or discrimination to the management and keep up with the follow-up work; 3) collect and submit workers’ opinions and suggestions to management; and 4) deliver and share related information to workers; and 5) participate in regular meetings with the management. Any of the workers’ problems, opinions or suggestions (for instance, discrimination; disciplinary regulations; health and safety; environment; hygiene; wage and benefits; and working hours) can all be reported to workers’ representatives.

When asked, “do you feel nervous when management walk through the production floor and inspect your working,” 77% answers “absolutely not,” 21% answers “mostly not”, 1% feel “a bit nervous” and 1% feel “quite nervous”.

When asked, “have you ever participated in activities/meetings organized by the worker representative bodies,” 52% answered “yes, quite often,” 41% answered “yes, once or twice,” the remaining 7% answered “no.”

When asked, “have you spoken to worker representatives on problems encountered on/off as well as to give suggestions,” 19% report “yes, only once,” and the remaining 21% report “yes, more than once.”

When asked, “do you receive any feedback on discussion or meeting results between the workers/worker representatives and the management,” 36% answer “yes, always,” 20% answer “sometimes,” 25% answer “no,” and 19% answer “I don’t know.”
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.

The factory has very robust workplace conduct regulations in place. Remarkably, almost all workers report having not experienced harassment (98%), discrimination (99%) or monetary penalty (98%) at work. Most workers have free access to drinking water (95%) and toilets (97%), and are allowed to take emergency leave (94%). Although management says they do not perform any form of searches for security reasons as confirmed by 96% of workers, 4 respondents claim that they have experienced security searches.

However, workers, to a great extent, appear to be unfamiliar towards the factory’s policies and regulations regarding harassment, abuse, discrimination, and workplace conduct/discipline, which, according to management and reviewed documents, are in place. Worker Survey results show that a significant number (71%) of workers do not know the existence of these regulations. Regarding the disciplinary measures in the factory, 43% report that there are no disciplinary measures in the factory, showing insufficient awareness among workers.

Findings from the survey suggest that workers’ awareness of factory policies and regulations needs to be strengthened. Sharing information through trainings, meetings, and posters is highly recommended to boost workers’ awareness of workplace conduct.

2.6 Grievance System

Grievance System examines a factory’s systems, policies, and practices on 1) 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 action to prevent similar problems in the future.

---

19 Two workers report they have experienced some form of harassment or abuse in the factory; 1 reports discrimination in the factory; and monetary fines have been imposed upon 2 workers due to their poor performance or violation of factory rules, regulations or policies.

20 Among the 4 workers who report to have undergone security searches in the factory, 2 consider the practices appropriate, 1 thinks the practices are “partly reasonable,” while the remaining 1 regards it as inappropriate. Moreover, 2 workers mention that their bodies are searched based on a legitimate reason and with their consent, while the rest report that no body searches were imposed.

21 Shouting and yelling are defined as a form of abuse.

22 When asking workers their opinions on the disciplinary measures in the factory, 50% think the factory’s disciplinary measures are fair and reasonable, 2% agree that they are sometimes reasonable, 5% do not know if they are reasonable, and 43% report there are no such measures in the factory.

23 H/A 2.: Discipline/Monetary Fines and Penalties - 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. H/A 5.: Discipline/Verbal Abuse - Employers shall not use any form of verbal violence, including screaming, yelling, or the use of threatening, demeaning, or insulting language, as a means to maintain labor discipline. H/A 10.1: Searching of bags and other personal items to prevent theft is acceptable; H/A 10.2: 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.
Assessment results show that the factory has several grievance channels\textsuperscript{24} for workers to file complaints and to express concerns/problems, and that workers are willing to make their voice heard; 98% of them say that they would talk to related people inside the factory if they felt unsatisfied. However, nearly a third (30%) of workers are not aware of grievance procedures\textsuperscript{25}. Moreover, except for the 25% of workers who claim they have no concerns or problems, a great majority (79%) of the remaining workers who are dissatisfied have never used the grievance channels\textsuperscript{26}. Besides, although management reports the factory has policy that protects workers from retaliation, up to half (50%) of workers either do not know or deny the existence of such policy\textsuperscript{27}, which might further hold them back from fully expressing themselves.

The factory is found to treat workers’ complaints seriously, complete with worker representative involvement. As reflected by workers who have used the grievance channels (15 respondents), all (100%) report that their cases have been followed up with final solutions or that feedback was provided; 93% report that worker representatives have been involved in the handling processes and they were satisfied with the final results\textsuperscript{28}.

Nonetheless, the relatively low scores of this Employment Function suggest that the factory needs to devote more attention and effort towards improving the above-mentioned issues, by: 1) training its workers on related policies and regulations, so that workers will be encouraged to fully express themselves without concerns of retaliation and 2) more proactively consulting workers regarding their employment at the factory, making workers feel respected and valued; subsequently, this could possibly increase their awareness and willingness to voice their concerns.

### 2.7 Health & Safety

This section explores the extent to which the factory ensures a healthy and safe work environment. Generally speaking, survey results show the factory has achieved satisfactory performance. Workers consider their workplace healthy and safe in general\textsuperscript{29}. Results from both the Worker Survey and the Management Self-Assessment indicate that air conditioning and ventilation system\textsuperscript{30}, personal protective equipment\textsuperscript{31} and first aid kits\textsuperscript{32} are provided to workers. Additionally,

\textsuperscript{24} According to management, workers can file complaints or express concerns/problems through: 1) suggestion/complaint box, 2) line supervisors/section leaders, 3) department manager, 4) HR staff, 5) specialized grievance channel, and 6) trade union/worker representative.

\textsuperscript{25} When asked if there is a specialized grievance procedure for submitting complaints, 71% says “yes,” 18% says “no,” with the remaining 11% “having no idea of such procedures.”

\textsuperscript{26} Of the workers who have concerns or problems, 79% (56 workers) report that they have never used the channels, 11% (8 workers) have used them once, and 10% (7 workers) have used them more than once.

\textsuperscript{27} 36% of workers report there is no policy in place to protect workers from retaliation by the management, 14% have no idea if such policy exists. 50% report “yes.”

\textsuperscript{28} Among the 15 respondents who have filed grievances, 53% feel absolutely satisfied, 33% feel mostly satisfied, 7% feel more or less satisfied and 7% feel most dissatisfied.

\textsuperscript{29} 93% of the workers think that their workplace is not dangerous and does not contain any health risks in the long term, 4% feel unsure about their workplace environment, and 3% think their workplace is currently okay, but there might be some possible long-term risks.

\textsuperscript{30} 93% of workers consider the air conditioning and ventilation system in the workplace adequate to keep a comfortable working environment, 6% considers the system “inadequate,” and 1% answers “no such system.”
Evacuation drills are regularly organized on the production floor, with the involvement of almost all (91%) workers. With regards to the factory canteen, almost all (96%) workers say they dine at the canteen and the majority (79%) considers it “absolutely clean and hygienic.” To conclude, the factory performs well in maintaining a healthy and safe working environment.

### 2.8 Environmental Protection

This Employment Function examines knowledge and awareness of both workers and management on environmental protection. Generally, workers have a good knowledge of the factory’s policy and procedures regarding environmental protection. 85% of workers know of the policy and procedure on environmental protection. 79% of workers know how to deal with production waste very well; 13% have basic knowledge to cope with production waste. Almost all (98%) of the workers are able to state the dedicated area to store production waste. For those who use chemicals in their daily work (15%), the majority (93%) reports that there is a dedicated area to store chemicals. Workers have a generally high awareness about water and energy saving, as most workers value the importance of saving water and energy at the production site (95%), recognizing that resource saving will not only benefit the factory, but workers as well (98%).

### 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.

Results from Management Self-Assessment show that the factory has followed clear written termination and retrenchment procedures, which is highly consistent with Worker Survey results, as the large majority of workers are aware of their fundamental rights. Nearly all workers know the existence of the resignation procedure in the factory (92%) and the personnel responsible for handling resignations (93%), believing that the factory cannot dismiss workers without appropriate reasons (93%), and they would take action if they were unfairly fired or retrenched (95%). Management also reports that they never dismiss workers without appropriate reasons, which is echoed by 99% of workers reporting that they have never witnessed or heard of management firing workers without any reason.

Although management says that no workers have left the factory without informing management during the past 12 months, 7 workers (7%) report otherwise. Moreover, 11% of workers believe

---

31 90% of workers report that the factory has provided sufficient personal protective equipment, 3% report that their protective equipment is insufficient, and another 7% report that the factory does not provide any equipment.

32 97% of workers report that there are first aid kits on their production floor and they are easily accessible. 2% express that no such kits are available in their workshop.

33 91% of workers have participated in evacuation drills organized in the workplace, 3% report “no,” and another 6% say that they have not participated because they are newcomers in the factory.

34 The remaining 21% reckon “more or less” so.

35 When asked, “what would you do if you were unfairly fired or retrenched,” workers stated they would choose to talk to their supervisor (57%), talk to the management (43%), contact local labor bureau (25%), and use specialized grievance procedure established by the factory (22%).
the factory would force them to stay if they tendered their resignation, and 7% do not know the responsible person for handling resignation, which might partly explain workers’ resigning without giving notification in advance. To address these issues, the factory is encouraged to strengthen trainings on resignation and on termination policies and procedures, so that workers’ awareness and knowledge of such topics can be boosted, which will further guarantee the fairness and transparency of termination procedures.

2.10 Management Functions

In addition to the 9 Employment Functions, the assessment also evaluates the factory’s performance regarding 4 Management Functions: Policy & Procedure, Training, Implementation, and Communication. This allows for a comprehensive and systematic detection of potential risks and systemic failures. Worker Survey and Management Self-Assessment results (see Figure 2) show that more efforts should be invested into Policy & Procedure, Training, and Communication.

The documents submitted by management show that the factory has written policies and procedures in place that cover all 9 assessed Employment Functions. According to the Worker Survey, workers' knowledge in some areas needs to be improved, particularly, in Rewards & Penalties (15%), Harassment & Abuse (19%), and Non-Discrimination (27%).

Therefore, trainings that target the above-mentioned topics are strongly recommended. When asked how they learned about these policies and procedures, most workers report orientation training (71%), followed by on-going training (57%), and briefing/meetings (46%). Considering the low education level of some workers, face-to-face verbal communication can be more effective when sharing important information with workers.

2.11 Loyalty and Satisfaction

In addition to the 9 employment functions and 4 management functions, the Worker Survey collects workers’ feedback about their satisfaction towards work and living conditions and their tendency to leave.

As illustrated in Figure 3, workers display a high level of loyalty towards the factory, as no worker intends to leave the factory within the next 2 months. When further investigating workers’ willingness to stay at the factory in the long term, the findings are still encouraging; 47% assert

36 The documents submitted by management include the factory’s policies and procedures, a copy of the worker handbook, records of working hours, pay slips, and grievances.
that they will stay for sure, 52% express they may stay, with only a very small percentage (1%) saying that they will leave the factory.

Specifically, when asked about their satisfaction towards the factory’s working conditions, only a small group of 7% is “hardly satisfied,” the majority (93%) of workers are quite satisfied; when referring to wage level, nearly two-thirds of the workers are “very satisfied” with their wages (see Figure 4). Yet, workers’ satisfaction towards their wages can be further enhanced, as there still remain workers (39%) that are partly satisfied.

2.12 Correlation Analysis

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

- **Grievance Procedure positively correlates with Industrial Relations**. For grievance system not only addresses problems submitted by workers, but also collects workers’ opinions on factory policies and procedures, so that similar and other potential problems from the workers’ side can be prevented and the flaws in the existing policies and procedures can be amended, which contributes to harmonious relationships between the workers and the factory.

- **Communication positively correlates with Policy & Procedure and Implementation**. Better communication improves workers’ knowledge and understanding towards related policy and procedures in the factory, therefore facilitating a more effective and efficient implementation of these regulations. Furthermore, workers’ familiarity with related policy and procedures also makes them capable to supervise the factory, ensuring a standard implementation of related regulations.

---

37 The correlation coefficient between Grievance Procedure and Industrial Relations is 0.522 (statistically significant at 0.01 level).

38 The correlation coefficient between Communication and Policy & Procedure is 0.573 (statistically significant at 0.01 level), and that between Communication and Implementation is 0.472 (statistically significant at 0.01 level).
III. REMEDIATION PLAN:

**EF1. RECRUITMENT, HIRING & PERSONNEL DEVELOPMENT**

- **Areas in Need of Improvement:**
  1. N/A

**EF2. COMPENSATION**

- **Areas in Need of Improvement:**
  1. 5% of workers report that their overtime hours are not always paid; 7% do not confirm that pay slips show that overtime is paid at a premium rate.
  2. 35% of workers report they are not covered by pension insurance, 26% report not being covered by medical insurance, and 40% report not being covered by work injury insurance.
  3. 13% of workers report not receiving an attendance bonus, 27% report not receiving a year’s end bonus, and 62% report not receiving a seniority bonus.
  4. Only 27% of workers report that the factory offers education/training as a benefit.
  5. 27% of workers think that their wages are insufficient to cover their basic needs. 11% of workers cannot afford food on their wages, 77% cannot afford housing, 65% cannot afford health care, 81% cannot afford self-education, 96% cannot afford education for their dependents, and 8% cannot afford clothing.

- **Remediation Plan:**
  1. Workers did not fully understand the overtime wage calculation. The factory will conduct wage training for all workers to enhance their understanding of their rights.
  2. All workers have participated in social insurance, as per legal requirements. In addition to the social insurance, the factory purchased commercial work-related injury insurance for all workers.
  3. All workers are entitled to full attendance and year-end bonuses. The factory will conduct training for all workers to enhance their understanding of benefits offered by the factory.
4. The factory offered education/training to staff and workers, according to need and the nature of the job.

5. The factory paid workers at least minimum wage, which complies with legal requirements. The average monthly wage, including allowances paid to workers, was more than RMB 2,000.

   - **Remediation Deadline:** 12/31/2013
   - **Remediation Status:** In Progress

**EF3. HOURS OF WORK**

- **Areas in Need of Improvement:**
  
  1. Management reports that it informs workers of overtime at least a day in advance; however, 55% of workers learn about their overtime hours in the morning or afternoon of the same day overtime is needed.

  2. 76% of workers have never been informed of their right to refuse overtime hours without fear of negative consequences.

- **Remediation Plan:**
  
  1. Due to exceptional circumstances, workers were informed of overtime the morning or afternoon of the same day. The factory will enhance the implementation of overtime announcements. Management was requested to inform workers of overtime at least a day in advance.

  2. The factory will conduct training for all workers to ensure that they understand the procedure regarding their right to refuse overtime without fear of negative consequences.

   - **Remediation Deadline:** 12/31/2013
   - **Remediation Status:** In Progress

**EF4. INDUSTRIAL RELATIONS**

- **Areas in Need of Improvement:**

  1. 15% of workers are not aware of the trade union and 13% are not aware of the worker representatives.
2. 60% of workers have never spoken to worker representatives about concerns or to raise suggestions.

3. There are only 4 worker representatives for the whole worker population.

4. 44% of workers have never received feedback on content or on the results of meetings between workers/worker representatives and management.

5. 24% have never received trainings on worker participation and communication.

- **Remediation Plan:**
  1. The factory will conduct training for all workers to ensure that they understand the trade union’s functions and know who the worker representatives are.
  2. Besides talking to worker representatives, workers can raise their concerns through a suggestion box.
  3. In 2013, 8 more worker representatives were elected. Currently, there are a total of 12 worker representatives.
  4. All concerns and meeting minutes between workers/worker representatives and management were documented and filed. The factory will communicate the feedback to workers when the concerns are solved.
  5. The factory will conduct worker participation and communication training for all workers.

- **Remediation Deadline:** 12/31/2013
- **Remediation Status:** In Progress

**EF5. WORKPLACE CONDUCT**

- **Areas in Need of Improvement:**
  1. 2% of workers have experienced harassment, 1% has experienced discrimination, and 2% have had monetary fines imposed on them.
  2. 5% of workers report restrictions to drinking water and 3% report restrictions on toilet use.
  3. 6% of workers are not allowed to take emergency leave.
4. 71% of workers are not aware of the existence of the factory’s policies and regulations regarding harassment, abuse, discrimination, and workplace conduct/discipline.

5. 43% of workers report that the factory has no disciplinary measures.

**Remediation Plan:**

1. The factory has established Harassment & Abuse and Non-discrimination policies and was not aware of any such incidents. The factory will conduct training for all workers to ensure that they understand the policies and reporting procedure if they experience Harassment & Abuse or Discrimination. The factory will also conduct training for all workers to ensure that they understand factory regulations and the circumstances for monetary fines.

2. The factory did not restrict workers from having drinking water or using the toilets during operating hours. The factory will request line supervisors to strictly implement factory regulations and allow workers to freely drink water and use the toilets.

3. The factory will reinforce training about the leave policy for line supervisors and management to ensure they implement the leave policy properly.

4. The factory will conduct training for all workers to ensure they understand the policies and regulations regarding Harassment & Abuse, Non-discrimination, and Workplace Conduct & Discipline.

5. The factory will conduct training for all workers to ensure that they understand the disciplinary measures.

**Remediation Deadline:** 12/31/2013

**Remediation Status:** In Progress

---

**EF6. GRIEVANCE SYSTEM**

**Areas in Need of Improvement:**

1. 30% of workers are not aware of the factory’s grievance procedures.

2. 79% of the 75% of workers who have complaints or concerns have never used the grievance channels.

3. 50% of workers are not aware of the policy that protects them against retaliation from management upon use of the grievance procedure.
• Remediation Plan:

1. The factory will conduct training for all workers to ensure they are familiar with the grievance procedures.

2. The factory will conduct training for all workers to ensure they understand the internal grievance channels, such as the suggestion box and worker representatives.

3. The factory will conduct grievance policy training for all workers to ensure that they understand that they are protected against retaliation from management upon use of the grievance procedure.

• Remediation Deadline: 12/31/2013

• Remediation Status: In Progress

EF7. HEALTH AND SAFETY

• Areas in Need of Improvement:

1. 9% of workers have never participated in evacuation drills.

2. 21% of the 96% of workers who have eaten at the canteen do not consider it “clean and hygienic.”

• Remediation Plan:

1. The factory conducts evacuation drills twice a year. The factory will reinforce that all workers are to participate in the evacuation drill. The number of participants will be counted and documented in an evacuation drill record.

2. All kitchen and canteen staff will conduct health checks regularly. The health check record and canteen hygiene certificate will be posted in the canteen area.

• Remediation Deadline: 12/31/2013

• Remediation Status: In Progress

EF8. ENVIRONMENTAL PROTECTION

• Areas in Need of Improvement:

1. 15% of workers are not aware of the factory’s policy and procedure related to environmental protection.
• Remediation Plan:
  1. The factory will conduct environmental protection training for all workers to ensure that they understand related policy and procedure.

• Remediation Deadline: 12/31/2013

• Remediation Status: In Progress

EF9. TERMINATION & RETRENCHMENT

• Areas in Need of Improvement:
  1. 11% of workers think that the factory will force them to stay if they were to resign.

• Remediation Plan:
  1. The factory will conduct training for all workers to ensure that they are familiar with the termination policy and procedure.

• Remediation Deadline: 12/31/2013

• Remediation Status: In Progress