

SCOPE REPORT

First Round of SCOPE Surveys as Part of FLA 3.0

HOW A FUNCTIONING GRIEVANCE PROCEDURE MAY POSITIVELY IMPACT A FACTORY'S PERFORMANCE

SCOPE is the FLA's tool to evaluate sustainable compliance issues from the workers' perspective. In contrast with traditional worker interviews, SCOPE uses a standardized quantitative questionnaire and ensures that the workers surveyed are representative of the whole workforce of a factory. The SCOPE tool parallels the sustainable compliance self-assessment tool (SCAT) for factory managers. Results of SCOPE and SCAT can be directly compared, and thus the two tools allow a factory and its clients to get a comprehensive evaluation of an issue in question.

Between October and early December 2007, FLA service providers (SP) in Thailand and China conducted a total of 11 SCOPE surveys on Grievance Procedure in the 11 factories that joined the first round of FLA 3.0. After evaluating the survey, the FLA sent each factory a 5-page report on the SCOPE results. At about the same time, the factories' management filled the SCAT online assessment and received its results and analysis through the FLA assessment portal. These factories can now base their capacity-building plan on results received from both SCOPE and SCAT.

This report will provide some general information on the first round of SCOPE assessments and present aggregated results on how the workers perceive grievance and complaint procedures and practices in their factories and how these results compare to those obtained from the management assessment.

Some basic information and numbers:

The SCOPE was conducted in five factories in Thailand and six in China. All factories are producers for either Adidas or Nike. Depending on the size of the factory, the SP decided on the number of workers that would participate in the survey, ensuring that the sample was representative for the whole workforce.¹ The sample size varied from approximately 80 workers in small factories to around 200 in larger factories. Workers filled in the questionnaire during working hours. While smaller factories initially perceived a burden in letting 80 or more workers leave work for about an hour, the SP was able to solve the problem by adjusting the survey schedule to the factory's production plan. In all cases factories were very cooperative and on no occasion tried to obstruct or slow down the organization and completion of the survey. Participating workers were agreeable and in some cases even happy about being part of the survey. No cases were reported of workers expressing fear or discontent when answering the questionnaire. The greatest challenge was the different educational levels of participating workers. While those with higher educational backgrounds could understand the questionnaire without any problem and complete it in as little as

¹ The representativeness was ensured both through the quantity and the quality of the sample. The SP used random stratified sampling to select the workers.



30 minutes, for others the questions were too difficult, and it took them considerably longer (an hour or more) to fill in the form. The FLA has taken note of this difficulty and simplified and shortened the SCOPE tool to make it accessible to less educated workers.

The sample:

In total, 1,766 workers participated in the survey, of these:

- 30% were male and 70% were female. This proportion is identical with the average gender distribution in the I I factories;
- 72% are migrants.² On average, their hometown is around 800 km away;
- 60% come from the countryside;
- 1% did not have any schooling at all, 27% had only primary schooling, 45% attended a middle school and another 20 % attended high school or higher;
- a majority (81%) lived in apartments outside the factory compound in either private or factory apartments, and only 20% lived in factory dorms.

How many workers dare to complain?

When asked if their factory had a grievance or complaint policy/procedure,³ 10% said there was no policy or procedure in their factory, 20% said they did not know and 70% said there was one in place. However among the 70% who knew of a procedure, many did not know of the different grievance channels available (47%). A majority of workers (70%) said that the grievance procedure was part of their initial training when starting to work in the factory. Over three fifths (62%) said that they had put forward a grievance or complaint at least once during the previous 12 months. It is important to note that this number includes informal ways of raising a grievance or complaint, for example, talking to the supervisor or a manager.

What factors favor or obstruct an open grievance or complaints culture in the factories?

The survey revealed several sociological and cultural factors that have influence on whether a worker is likely to put forward his or her complaint:

- ***Thai workers are more open than Chinese workers when it comes to raising complaints. The number of complaints is much lower in China than in Thailand.***

Table 1: % of workers who filed a grievance or complaint during last 12 months

| Filed grievance at least once in the last 12 months? | yes | no |
|--|-------|-------|
| China | 48.8% | 51.2% |
| Thailand | 69.0% | 31.0% |

To explain this finding we can assume that the cultural and political situation and values in China discourage workers from submitting complaints and grievances. Contrary to Thailand, which strives for an open and democratic society, China is still a largely state controlled, where an open exchange of opinions and views is not always welcome. The government program on harmonious society⁴ brings several improvements for workers, but it also implicitly puts forth the expectation that people will accept their situation and if necessary, some hardship, if it is in the interest of the greater good - China's economic success. In addition we can further link the Chinese workers' restraint to cultural

² We define a migrant worker as a worker who comes from a distance of more than 250 km from the factory.

³ Other than in the SCAT, the two factors were not differentiated in SCOPE, as this would have been too complicated for most workers.

⁴ In 2006, the Chinese government published a resolution that stresses the importance of building a socialist harmonious society and promoting social equity and justice. In more practical terms, the government advocates the improvement of the prevailing legal system and its implementation, with the goal of narrowing income gaps and making sure that the current economic development brings prosperity to all strata of society. Recent revisions of labor laws are seen as part of this improvement.

values such as the acceptance of fate or obedience. However, we should be careful not to rely too heavily on these cultural determinants, as cultural influences are multifaceted and do not influence peoples' behavior in a uni-directional manner.

SCOPE data reveals a more sociological explanation as to why Chinese workers are more reluctant to pronounce their discontent: a large majority (88%) of the surveyed Chinese workers are migrants. The proportion of migrant workers in the Thai sample is much smaller (43%). Tests show that:

Table 2: Filing grievances and migrant status (Thai factories only)

| Thai factories | migrant | | local | |
|--|---------|-------|-------|-------|
| | yes | no | yes | no |
| Filed grievance at least once in the last 12 months? | 64.0% | 36.0% | 73.0% | 27.0% |

Table 3: Filing grievances and educational level

| | low education level | | high education level | |
|--|---------------------|-------|----------------------|-------|
| | yes | no | yes | no |
| Filed grievance at least once in the last 12 months? | | | | |
| China | 28.9% | 71.1% | 50.3% | 49.7% |
| Thailand | 63.4% | 36.6% | 72.8% | 27.2% |

• **Migrant workers complain less often than local workers. The result is clearly visible in Thai factories where we have two comparable groups of migrants and non-migrants⁵: Among the migrant workers almost two thirds say that they have put forward a complaint at least once, among the local workers it is almost three quarters.**

There are several factors that might explain the difference in the number of complaints received from migrant versus local workers: migrant workers might feel less familiar with their surroundings, and may often have difficulties in communicating because they do not speak the same dialect as the factory's management and thus feel in a weaker position to raise complaints. Also, out of economic necessity and because they often consider their employment temporary, migrant workers might be more willing to put up with difficult situations. In addition the education level of migrant workers is lower than the local workforce. Education is another factor that seems to influence worker's behavior with regard to lodging complaints.

• **Worker with higher education put grievances and complaints forward more often.**

Clearly, people with a higher educational level have easier access to different grievance channels, they are better informed about their factories' policies,⁶ and thus are more aware of their rights and possibilities.

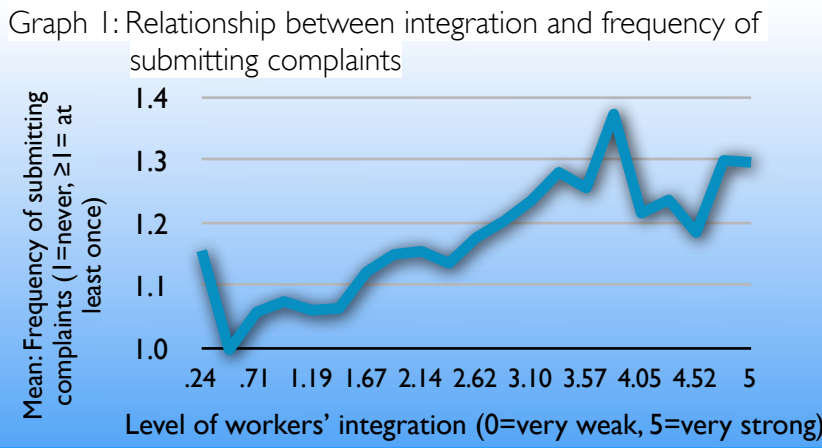
These results suggest that if socioeconomic factors weaken their position, workers are less likely to make use of a factory's grievance procedure. While sociological and cultural factors can hardly be influenced by the factory, the factory can strive to adapt its policies, procedures and practices to the specific needs and circumstances of its workforce. In Thai factories, migrant workers would need to be more actively integrated in the factories' complaints and grievance procedures to reach a participation level comparable to the local workforce. In China, there is a necessity to create a more open complaint culture in the factories and to ensure low threshold grievance channels that are available to all workers regardless of their educational background.

It is however of major importance to highlight the fact that socioeconomic factors are only partially accountable for differences regarding complaints.⁷ There are many other controllable

⁵ Chi-Square test significant at 0.003. The relationship is not so obvious for China, as there the local group is too small (only 60 workers in the total sample of 562 valid cases).

⁶ Correlation .113* sig. .000

⁷ In a regression analysis, the 3 factors only account for about 3% of variance, 'country' is the strongest predictor.



factors that push or obstruct the successful implementation of a factory's grievance and complaints procedure.

- **Communication and training show a positive correlation⁸ with the number of grievances or complaints.**
- **A fairly strong relationship⁹ can be observed between the integration of workers in the grievance procedure and the successful implementation of that procedure.**

integrated in the factory's operations and the grievance procedures are much more likely to actually use the different channels and voice their concerns.¹⁰

This finding is supported by the fact that a relationship also exists between the general level of integration (existence of worker committees, general involvement of workers in factory operations, etc.) and the frequency of submitting complaints. We can also see from graph 1 that

the curve is flattening and even slightly pointing downward once a very high level of integration is achieved. It is quite possible that once workers' integration becomes very advanced, workers' complaints will be fewer, as they will have more effective channels to influence factory operations, and will be more actively involved in implementing regulations. Under these circumstances there might be fewer reasons for complaints, and more likely, workers have other channels to voice their opinion, problems and discontent.

Table 4: Ranking of grievance/complaints channels

| Grievance/Complaint channel | Mean of frequency | Rank |
|-----------------------------|-------------------|------|
| Supervisor | 1.49 | 1 |
| HR department | 1.27 | 2 |
| Union representatives | 1.25 | 3 |
| Management | 1.22 | 4 |
| Health/ Consulting Centers | 1.16 | 5 |

Which channels are used?

The supervisor was the channel most often used by workers to put forward their complaint or grievance. More official channels

such as health or life-consulting centers¹¹ were less popular among workers¹².

⁸ Training: $r=.171$, sig. .000/ Communication $r=.234$, sig. .000

⁹ Correlation between Implementation and Integration lies at $.376$ (sig. .000) for China and $.280$ (sig. .000) for Thailand.

¹⁰ Another noteworthy observation is the fact that workers with hourly wages and/or group piece rate (mainly lean factories) less often put forward their complaints and grievances, and in general have a more critical perception of their factories performance with regard to grievance and complaints procedure. They also are the group that most often feels that good workers should not complain and not cause any problems in the factory. More in-depth analysis will be needed, but the relationship between pay systems and workers attitude is certainly a question future data analysis will continue to look into.

¹¹ Centers that provide consultation for workers on a wide range of issues (e.g. problems regarding family & family planning (China), health problems, psychological problems, etc.

¹² The ranking is evaluated through the mean (average) of the frequency with which workers mentioned that they used these channels in the last 12 months (1= never; 2= once; 3= more than once). The closer the number is to 2.0, the more workers have raised a complaint through this channel.

Table 5: Ranking of grievance/complaints issues

| Subject of grievance / complaint | | | | | |
|----------------------------------|------|--------------------------|------|------|--------------------------|
| Rank | Mean | Thai Factories | Rank | Mean | Chinese Factories |
| 1 | 1.51 | wages & benefits | 1 | 1.33 | Food |
| 2 | 1.33 | leave & vacation | 2 | 1.16 | wages & benefits |
| 3 | 1.21 | supervisors | 3 | 1.12 | leave & vacation |
| 4 | 1.2 | food | 3 | 1.12 | dorms |
| 5 | 1.17 | working hours | 4 | 1.07 | working hours |
| 6 | 1.15 | co-workers | 4 | 1.07 | personal problems |
| 7 | 1.09 | factory regulations | 4 | 1.07 | co-workers |
| 8 | 1.06 | social security benefits | 5 | 1.06 | working position |
| 8 | 1.06 | personal problems | 6 | 1.05 | supervisors |
| 8 | 1.06 | other | 7 | 1.03 | factory regulations |
| 9 | 1.05 | working position | 7 | 1.03 | other |
| 9 | 1.05 | dorms | 8 | 1.02 | social security benefits |
| 9 | 1.05 | contract | 9 | 1.01 | contract |

What types of issues do workers complain about?

The issues most often raised differ between the two countries. While for the Thai workers the most recurring complaint issue is wages and benefits, for Chinese workers it is the canteen/food. Table 5 presents the ranking of the different issues for both countries: the ranking ¹³ clearly shows, that contrary to factory management claims, worker complaints are not only about food, coworkers and other personal problems: work related issues, such as wages and leave, rank among the first three in both countries.

Grievance procedure factors: comparing SCOPE & SCAT

The SCOPE & SCAT instruments allow us to create 9 scales measuring different factors that are important to comprehensively understand a factory's situation regarding grievances and complaints. The different factors and what they measure are listed below.

- **Policy/Procedure**

SCAT/SCOPE: Is there a policy/procedure? Does it contain the necessary information?

- **Training**

SCAT: Is there training on grievance procedure? What levels of employees (managers supervisors, workers) are trained? SCOPE: Did workers receive training on grievance procedure? How do they judge the quality of training?

- **Implementation**

SCAT: How many grievances/complaints did they receive in the last twelve months? Does management feel installing grievance/complaints channels has a positive impact on factory operations? SCOPE: Did workers complain/file a grievance in the last 12 months? Were they satisfied with how their complaints were dealt with?

- **Workers' Integration in grievance procedure**

SCAT/SCOPE: Are workers involved in the different stages of a grievance procedure?

- **Disposition of personnel receiving grievances**

SCAT/SCOPE: How does the factory personnel receiving grievances react? Do they have the power and willingness to resolve issues properly?

¹³The ranking is evaluated through the mean (average) of the frequency with which workers mentioned that they raised a complaint with regard to the specific issue (1= never, 2= once, 3= more than once). The closer the number to 2.0, is the more workers have raised complaints within this issue once or more during the last 12 months.

- **Awareness / Attitude regarding grievance procedure**

SCAT: Does management understand that enabling workers to complain can be favorable to the factory's overall operations? SCOPE: Do workers feel that putting forward complaints and grievances is creating trouble or is it a constructive way of solving problems and contributing to a better workplace?

- **Communication**

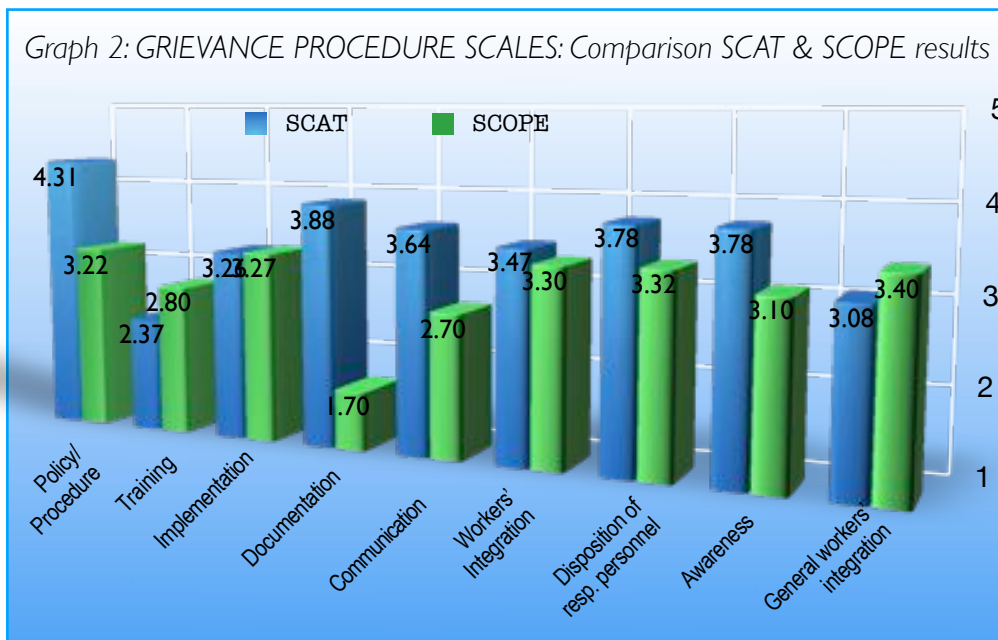
SCAT: Is the grievance procedure communicated, and if yes through what channels? SCOPE: How many workers are aware of the factory's procedure and its content?

- **Documentation**

SCAT: How are grievances documented and analyzed, if at all? SCOPE: Do workers receive written confirmation when putting forward a complaint/grievance? Are they informed in writing about how their complaint is dealt with?

- **General Workers Integration**

SCAT: Are workers involved in the factory's decision-making process? What issues are workers consulted on? What sort of workers committees/unions exist? SCOPE :Do they know of workers committees, are they encouraged to participate in elections?



The bar chart (graph 2) directly compares the average results from SCAT and SCOPE. The comparison shows how management and workers perceive the situation in their factories, and where we can find differences and similarities. To create this chart the items described above were computed into one variable and adjusted on a scale from one to five. A score of one would

indicate that the factory is deficient in this field (e.g., that they have no training or communication). A score of five would indicate a very good performance, meaning that the factory not only has measures in place, but that these measures are comprehensive and sustainable.

We can see that in some areas, workers' and management's assessments are quite congruous. For example, they agree on the level of training, implementation and integration. In other areas, especially policy/procedure, communication and most strikingly documentation, the results differ greatly: management claims to have good and comprehensive grievance procedures, but a significant number of workers either do not know of such a procedure or are unaware of its content. More detailed analysis shows that this finding is strongly related to insufficient training and communication practices in the surveyed factories.

Training and communication: problematic for all factories.

The responses of both workers and management suggest that the training on grievance and complaints procedure in factories is of a rather low quality. The average SCAT score is even lower than the SCOPE score, mainly due to the fact that the SCAT evaluates grievance procedure training for all layers of the workforce, including workers, supervisors, human resource personnel, and senior management. This evaluation reveals that most factories do not have comprehensive grievance procedure training plans, often excluding parts of their workforce, most frequently supervisors. Learning from the SCOPE results that supervisors are often the first ones to receive complaints and grievances, the lack of adequate supervisor training turns out to be a substantial problem for the factories evaluated. Both SCAT and SCOPE indicate that a majority of workers receive training. However results also show that workers are rather critical about the quality of the training provided and that training sessions are very short.

The difficulties in training are coupled with communication deficiencies.¹⁴ Managers report that they use different channels for receiving grievances and complaints and are generally convinced that their workforce is adequately informed. But as we can see from the SCOPE, many workers are not as well informed: 20% do not know whether there is a grievance procedure in place and those who do know of its existence are largely unaware of its content. These results suggest that factories have to increase and adapt their communication on their grievance and complaints policy: improving the quality of the training on grievance procedure will certainly contribute to a more thorough understanding among workers.

Documentation not visible to workers

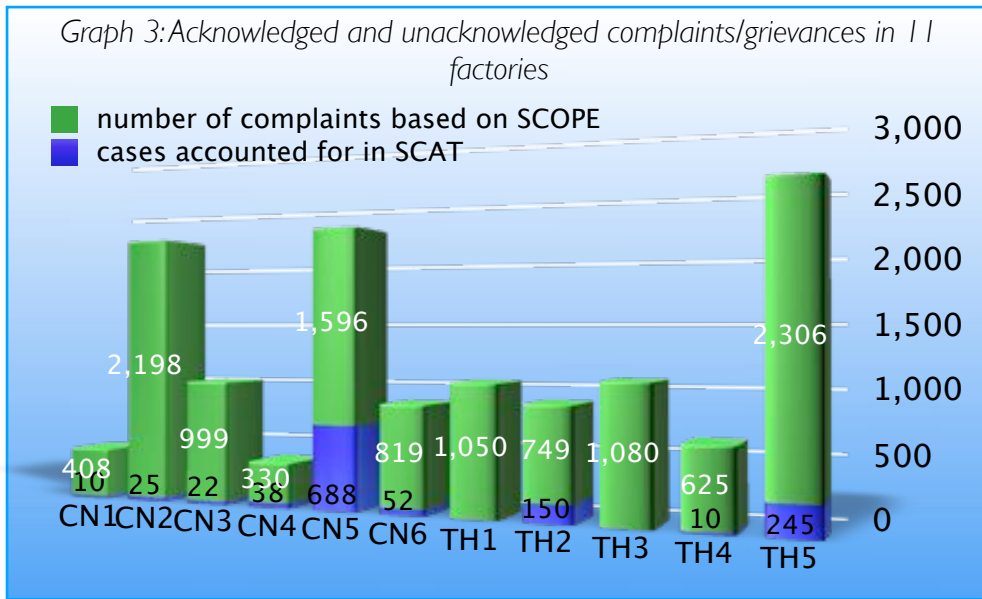
The most conspicuous difference is found when comparing the SCAT and SCOPE results with regard to documentation. While management reports comprehensive documentation of all cases submitted, most workers state that they have not seen any of that documentation. This does not necessarily mean that management is untruthfully reporting its documentation activities, but that the difference is mainly caused by the following factors:

- *First, the factories seem to provide hardly any documentation that is visible to workers. Thus although a grievance may be filed with the HR department, the factory does not hand out any written confirmation to workers.*
- *Second, only a minority of complaints and grievances get 'official enough' to become part of the factories' documentation system.*

To elaborate this point: when comparing the implementation score in Graph 2 we can see that both scores are very similar. The factor of implementation is measured both based on how many complaints/grievances are lodged (quantity) and how these complaints or grievances are solved (quality). Looking at the survey and evaluation results more closely, it is apparent that while workers are much more critical about the outcome of a grievance (quality), they actually report having used the grievance and complaints channels much more often (quantity) than one would gauge based on SCAT results. As mentioned above, 70% of the interviewed workers say they came forward with a complaint or grievance during the last 12 months. If we consider our sample to be representative of the whole workforce of these factories, then this would mean

¹⁴ Correlation between the two factors are significant in both SCAT & SCOPE: SCAT: $r = .534$, sig. .09; SCOPE: $r = .332$, sig. .000

that in the 11 factories about 16,000 complaints were raised. Looking at the SCATs, the 11 factories on average received only 138 cases during the last 12 months. The number of unaccounted complaints per factory is displayed in Graph 3.



The result clearly shows that a majority of workers' complaints are not systematically dealt with, which means that they might not be resolved; that there is no transparency in handling these complaints, and that the risk of inconsistency and bias in providing solutions is high. One could argue that

complaints and grievances were settled before they reached the formal level. This possibility might apply to some cases, e.g., when the complaint concerns interpersonal conflicts. However the major issues of complaints (e.g., wages and benefits) touch on more structural problems that are not likely to be resolved on an informal level between worker and supervisor. We thus have to assume that a large share of complaints is neutralized in one way or another and is not solved in a sustainable manner. While it is unrealistic to demand documentation for every single complaint that is voiced by workers, documentation records -- and in turn transparency -- can still be greatly improved in all factories. One reason for no formal procedure being initiated for many complaints is that often grievance procedures are not adapted to the factories' actual situations. Many grievance procedures follow the book and include grievance channels such as suggestion boxes. If complaints enter through this channel, they are normally documented and followed up on. But very often these channels are only marginally used, and the more 'natural' channels used by workers to complain, e.g., talking to a supervisor, are not included in the grievance procedure. In the case of supervisors, we have seen that they are severely under-trained; the process they follow in reacting to complaints thus depends on their personality, mood or relationship with workers.

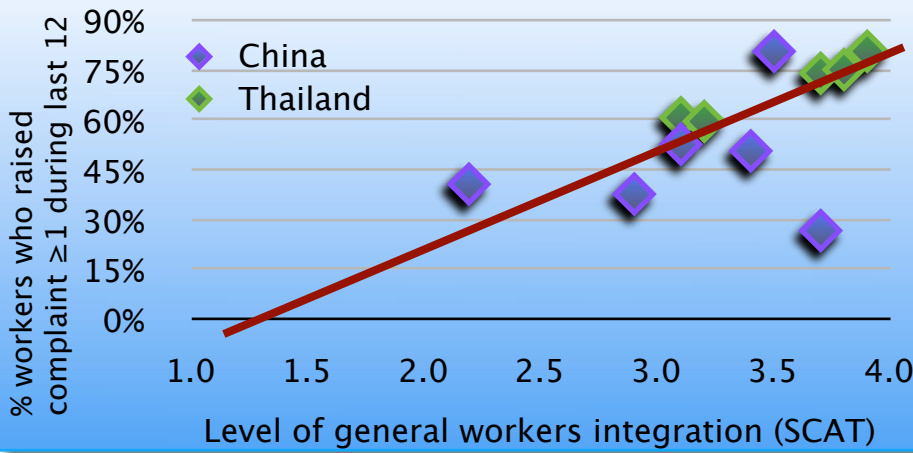
What can factories do?

The results above suggest that factories should reconsider their policies and procedures and try to fully adapt them to their specific circumstances in order to ensure that a maximum of complaints and grievances are dealt with in an objective, consistent and transparent manner.

In addition, both the SCAT and SCOPE results suggest that following any training and communication, a comprehensive integration of workers into the factory's general operation and its grievance procedure will have a strong positive impact on whether or not workers will use the offered grievance and complaints channels. Both SCOPE and SCAT analyses suggest a strongly significant relationship between integration and implementation, making it obvious that a sustainable grievance policy is one that largely builds on workers' integration. The relationship

can also be observed if we compare the number of workers that have submitted a grievance at least once (SCOPE) and the level of general integration¹⁵ as reported through the SCAT. The scatterplot (Graph 4) shows that for most factories, strong integration of workers results in frequent use of the grievance channels.

Graph 4: Workers integration and frequency of complaints/grievances

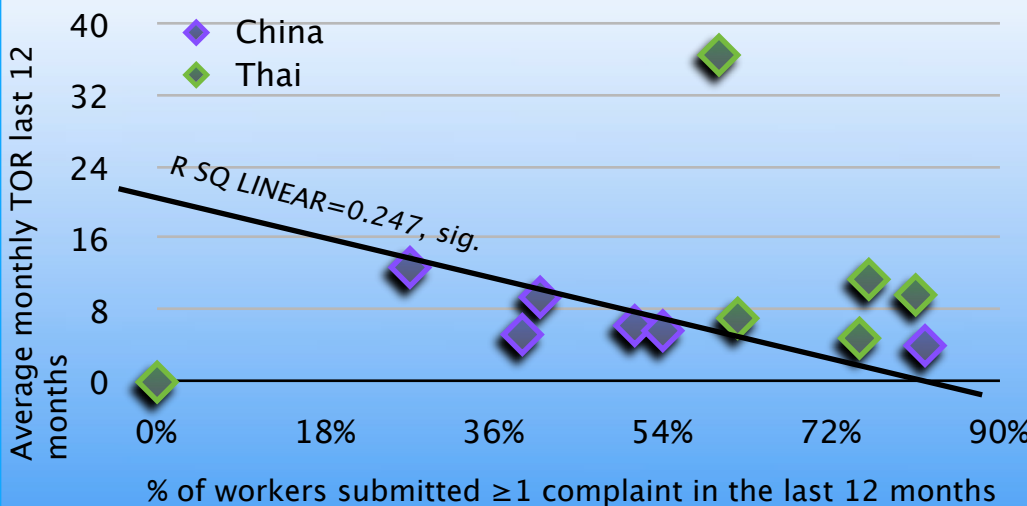


Why should factories improve their grievance and complaints culture?

The FLA's assumption that a functioning grievance and complaints procedure is favorable not only for workers but also for the economic performance of factories is strongly supported by the findings of both SCAT and SCOPE. The

SCAT results suggest that factories with better implementation have a lower turnover rate (TOR) and that their workers seldom leave for other or better paid factory jobs.¹⁶ This result is coupled to the SCOPE finding that long-term workers (working in the factory longer than 2 years) are more likely to use the factory's grievance procedure.¹⁷ We can infer that these workers feel like they are a part of the factory. They try to resolve conflicts in a proactive manner, hoping for positive change before considering leaving the factory.

Graph 5: Relationship between TOR and % of workers raising complaints



Comparing SCAT and SCOPE data confirms that factories with high participation in their grievance/complaints system tend to have lower turnover rates, a result displayed on the scatterplot (Graph 5).

¹⁵ The level of general workers' integration is evaluated through the number of worker committees or unions and the number of issues on which workers are regularly consulted.

¹⁶ Anova is sig. at 0.17 for TOR and .020 for finding better paid work / work that is less hard. No correlation test possible as number of factories is too small.

¹⁷ $r = .152$, sig. .000



A high TOR and its negative impact on business operations is a problem for many factories in China and Thailand. The SCAT results confirm that keeping the TOR low positively impacts the factory's operation: factories with low TORs tend to have a higher percentage of their production delivered on time. The figures to support this point are presented in the table below:

| | HIGH TOR ≥8% | LOW TOR < 8% |
|--|-----------------|-----------------|
| % of production delivered on time | 79.60% | 97.90% |

Thus, factories with a low TOR report that they deliver almost 98% of their production on time, while factories with a high TOR (higher than 8%) report to deliver only around 80% of their production on time.

In summary, well integrated workers will use a factory's grievance procedure, and thus solve conflicts and issues that are of concern to them. Rather than taking on new employment, these workers will continue in their current jobs for a longer period of time. Thus, the factory has a more stable workforce and becomes a more reliable business partner for its clients.