INDEPENDENT EXTERNAL ASSESSMENT

Worker Survey & Management Self-Assessment Report

COMPANY: American Eagle Outfitters
COUNTRY: China
FACTORY CODE: GS201202
SURVEY DATE: November 21, 2012
PRODUCTS: Underwear
TOTAL NUMBER OF WORKERS: 105
NUMBER OF WORKERS SURVEYED: 65

FLA Comment: American Eagle Outfitters, Inc. ceased affiliation with FLA at the end of 2013. Therefore, the company will not be reporting to FLA on the remedial efforts regarding issues identified in this report.
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EXECUTIVE SUMMARY

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in China, a supplier of American Eagle Outfitters, on November 21, 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 65 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

• In general, the factory has clear policies and procedures in relation to all the Employment Functions assessed. Results from both the worker and management surveys show that the factory manages to achieve standard implementation on all its policies and procedures; sound performance was found in Recruitment, Hiring & Personnel Development; Health & Safety; Environment Protection; and Termination & Retrenchment.

• Notable gaps between workers and management are found in Industrial Relations and Grievance System. Issues identified in these Employment Functions pose a direct influence on workers’ satisfaction towards the factory and need to be handled in order to achieve sustainable development. Specifically, the awareness deficiencies found in the abovementioned functions should be the priorities to be addressed by the factory.
I. INTRODUCTION

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in Macau (Special Administrative Region), China, a supplier of American Eagle Outfitters, on November 21, 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.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Characteristics of Surveyed Workers</th>
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<td>(%)</td>
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<tr>
<td>Gender</td>
<td>Migrant or Local</td>
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<td>Male</td>
<td>12.9</td>
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<td>Female</td>
<td>87.1</td>
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<td>Education</td>
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<td>No Schooling</td>
<td>- Worker 98.4</td>
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<td>Primary School</td>
<td>22.0 Supervisor -</td>
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<td>Middle School</td>
<td>71.2 Employment Status</td>
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<td>High School</td>
<td>3.4 Fixed/long-term Contract 75.4</td>
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<td>Technical/Vocational School</td>
<td>3.4 Contractor/Dispatched Worker 23.0</td>
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<td>College/University</td>
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<td>Average Age (Years)</td>
<td>39.5 Average Length of Service (Months)</td>
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The assessment is comprised of a Worker Survey and a Management Self-Assessment. Findings from both the Worker Survey and the Management Self-Assessment help to: 1) provide a broad picture of the current conditions and 2) identify areas of good performance as well as weakness.

Worker Survey

At the time of the survey, there were 105 production-related workers at the factory, 65 of whom were randomly selected to participate in the survey; in the end, there were 64 valid cases. 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.

Management Self-Assessment

Factory management was also requested to complete an online Management Self-Assessment and to submit some documents for review; this assessment is structured in line with the Worker 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.

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 grievance gathered from the workers; and 9) policies and certificates related to environment protection.
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.

Figure 1 displays the results from both the Worker Survey and the Management Self-Assessment with respect to each Employment Function. In general, scores of the Management Self-Assessment are notably higher than that of the Worker Survey, with only 1 Employment Function (Hours of Work) scoring below 4. While high performance is reported in Recruitment, Hiring & Personnel Development; Health & Safety; Environmental Protection; and Termination & Retrenchment by both workers and management, there are notable perception gaps in Industrial Relations and Grievance System, which call for further attention and action from 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. The management reports they have signed individual work contracts with all employees and give further necessary explanations on the terms and conditions of hire to their employees—results that appear to be in line with the Worker Survey. Results show that all workers have signed employment contracts or letters of appointment with the factory and almost all (95%) workers state they have received a copy of
their contract. All workers report that the factory has explained the terms and conditions under which they were hired. The great majority has received orientation training (91%) and on-the-job training (78%).

However, several issues need to be addressed in this Employment Function. As confirmed by both workers and management, workers from Mainland China are required to pay the recruiting agency a commission fee of 250 MOP per person on a monthly basis. This directly contradicts FLA Benchmark ER.6.2, which stipulates, “fees associated with the employment of workers shall be the sole responsibilities of employers.” Although management reports that the factory reviews nearly all (90%-100%) workers on their job performance and delivers feedback, only slightly over half (53%) of workers confirm that they have been reviewed, with even fewer (42%) stating they have received feedback from management.

Based on this information, the factory is recommended to retrieve and bear its own employment responsibility rather than impose any extra monetary burden onto workers, or at the very minimum, begin to share the costs with its workers. For instance, the factory might start by partly or fully covering the agent/commission fee according to workers’ wage levels, then through a continued plan and efforts, eventually take back all its own responsibilities. The factory is to also ensure that performance reviews are conducted with all employees and that the related feedback is delivered to all of them.

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.

According to management, workers’ wages are solely based on a piece-rate system without a basic monthly wage. Due to the particularity of Macau labor law, the minimum legal monthly wage is manually calculated on the basis of the region’s statutory minimum daily wage. Management Self-Assessment results and the pay slips reviewed by assessors show that both the lowest monthly wage and the average monthly wage are higher than the local legal minimum for monthly wages (see Table 2).

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4 The supplier is located in Macau (Special Administrative Region); therefore, its operation is subjected to the rule of Macau’s exclusive juridical system. Most (72%) of its workers are from Mainland China. The factory has established a partnership with a local recruiting agency that is responsible for recruiting non-local workers for the factory and providing assistance to workers hired by the factory on work permit applications and so on. Non-local workers are charged with a compulsory monthly agent/service/management fee of 250 MOP per person.

5 53% of workers report that the factory reviews their job performance, while the remaining 47% report that it does not. Among the workers whose performance has been reviewed, 79% say they have received feedback from the review, the remaining say they have received nothing.

6 According to Macau’s Labor Relations Law, the region does not regulate the minimum wage on a monthly basis, but a minimum daily wage of 75 MOP/day instead. Based on the deduction of public holidays and weekends in 2012, the average number of monthly workdays in the region was 21. Thusly, based on the daily minimum wage and average workdays, the region’s statutory minimum monthly wage is calculated as 1,575 MOP/month.
Both management and workers report that the factory paid workers’ wages on time (98%) and in full (100%) over the last 12 months. Remarkably, all workers acknowledge that pay slips are always provided upon wage payment. A large majority (92%) also indicates that their overtime hours have always been paid\(^7\); 90% of workers state that they are paid at a premium rate\(^8\), which is consistent with the pay slip review results\(^9\).

As stated by management, the factory has covered all of its workers under the Macau Social Security Fund (FSS)\(^10\) and supplemented all of them with commercial insurance\(^11\). Management also states that monthly, they provide 30 MOP as FSS social insurance for local workers and 100 MOP for migrant workers, which is in compliance with local laws and regulations\(^12\); however, many workers seem to either be unaware or even confused by the social securities and commercial insurances\(^13\).

Regarding bonuses, benefits, and legal leaves, the results from both of the Management Self-Assessment and the Worker Survey are consistent with each other. On top of the salary, the factory also provides bonuses on attendance, year’s end, and seniority; however, workers appear to be more familiar with the former two\(^14\) and with subsidized accommodation\(^15\). In addition,

\[^{7}\text{Another 2\% answer “yes, mostly,” 3\% answer “rarely,” and the remaining 3\% answer “I never work overtime.”}\]

\[^{8}\text{Another 5\% say, “overtime hours were paid the same rate as regular hours;” the remaining 5\% answer “I don’t know.”}\]

\[^{9}\text{Information on the pay slip includes: basic salary; hour/piece rate; overtime payment; subtotal and total amounts; total working days; holidays and leaves; housing benefits; attendance benefits; allowance; and tax deduction.}\]

\[^{10}\text{Macau Social Security Fund (FSS) is part of the Macau Social Security System and provides pension insurance, disability insurance, unemployment insurance, funeral subsidy, marriage subsidy, and birth subsidy to facilitate beneficiaries’ daily life in Macau.}\]

\[^{11}\text{According to management, commercial insurances include medical insurance, work injury insurance, and accident insurance.}\]

\[^{12}\text{As stipulated in Article 17, Macau Special Administrative Region, Law No. 21/2009, Law for the Employment of Non-Resident Workers, “The employer shall be required to pay an employment fee for each non-resident worker effectively hired to FSS for social security purposes… and the employ may not transfer, in anyway whatsoever, the obligation to pay for the aforementioned fee to the worker, and in particular, may not reduce the remuneration of such worker for this purpose.” And according to Macau Dispatch of the Chief Executive No.89/2010, “the employment fee each employer shall need to pay for each non-resident worker effectively employed is hereby fixed at 200 MOP per month…” And according to Article 18, Macau Special Administrative Region, Regulation No. 8/2010, Regulation for the Employment of Non-Resident Workers, “Reduction and exemption: Employers involved in the manufacturing industries who are subject to the legal regime provided in Decree-Law no. 11/99/M, of March 22, shall, pursuant to article 1 thereof, benefit from a reduction of 50\% of the employment fee.”}\]

\[^{13}\text{Over one-third (37\%) of workers report that they either are not covered by social insurance provided by the factory (28\%) or “have no idea” if they are covered (9\%). According to those who reported being under the coverage of such insurances, workers indicate they are covered by medical insurance (38\%) and work injury insurance (75\%); however, medical and work injury insurance are not covered in the FSS system, according to the local laws.}\]

\[^{14}\text{According to management, bonuses related to attendance, seniority, and year’s end are provided. Majorities of workers confirm the factory offers bonuses related to attendance (87\%) and year’s end (72\%); fewer workers acknowledge the seniority bonus (38\%).}\]

\[^{15}\text{84\% of workers report that the factory provides subsidized accommodation.}\]
workers are guaranteed full payment during their legal leaves, according to both management and workers\textsuperscript{16}.

As a large majority of the workers in the factory are migrant workers from Mainland China, the factory is suggested to clearly communicate local policy, legal regulations, and other related information to its workers, ensuring that they are highly aware of related compensation policies and operations. That quite a number of workers from Mainland China are not fluent Cantonese speakers indicates that there is a possible need for the factory to provide language training for responsible management personnel.

2.3 Hours of Work

This section looks into the factory’s working hours management system and its daily practices. Management reports that while there is a peak season and an off-peak season, working hours are quite stable during both seasons; on average, they report that workers work 60 hours/week all year round. This information is consistent with the Worker Survey results, as according to most workers, they work no more than 10 hours/day and 6 days/week on both regular and busy days\textsuperscript{17}. These findings suggest that the factory has made efforts towards preventing workers from working excessive hours, i.e., over 60 hours/week, according to FLA benchmarks\textsuperscript{18}.

Efforts have also been made to keep an accurate record of working hours and to maintain clear communication on workers’ legal rights. As confirmed by overwhelming majorities of workers, all of their working hours are recorded (100%) and the factory has informed them of their right to refuse overtime work (91%).

Although the factory manages to achieve satisfactory performance regarding working hours, working time records, and information delivery, actions can be taken to further improve its overall performance in this Employment Function. Management reports that all workers are informed of overtime arrangements at least 1 day in advance if they have to work extra hours. However, the workers’ feedback on this is quite contradictory, as the majority of workers states that they receive their overtime arrangements in the morning (80%) or afternoon (4%) of the same day overtime is needed. Further, quite a number (42%) of workers would like adjustments in break arrangements, as they consider the current break arrangements only “partly reasonable.”

Thus, the factory is suggested to pay more attention to its communication with workers, ensuring that it is effective. Information related to overtime arrangements should be delivered to workers clearly and timely, either by oral or written channels; specifically, the factory is suggested to take workers’ needs and suggestions into account when making break arrangements, so that workers can work with full productivity.

\textsuperscript{16}When asked, “did you get paid for the full period of your legally entitled leave,” 84% of workers answered “yes, fully,” 13% said “yes, but not fully,” 1 said “no,” and the remaining 2% said “I don’t know.”

\textsuperscript{17}During off-peak season days, most workers work 8 hours (55%), 9 hours (5%), and 10 hours (39%) daily, for 5 days (2%), 5.5 days (2%) or 6 days (95%) respectively. During peak season, most workers work 8 hours (11%), 9 hours (2%), and 10 hours (86%) daily, for 5.5 days (2%) and 6 days (98%) respectively.

\textsuperscript{18}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.
2.4 Industrial Relations

The Industrial Relations dimension examines the relationship between management and workers, focusing on communication, representation, consultation, and participation. A wide perception gap exists between workers and management with regard to this Employment Function.

According to management, there are both a trade union and worker representatives in the factory, and collective activities are organized by the trade union regularly. However, more than half (58%) of workers are not aware of the existence of either the union or the worker representatives, which might notably contribute to workers’ inadequate participation in collective activities and inactive communication with the worker representatives. As Worker Survey results show, nearly two-thirds (63%) of workers have never spoken to worker representatives to either share problems encountered or to raise suggestions, and only 16% state they participate in activities held by the trade union “quite often.”

Further, management notes that: 1) meeting and discussion results between worker representatives/workers and management have always been disseminated among the workers; 2) trainings related to communications and workers’ participation have been provided to all workers; and 3) they value workers’ suggestions to a good extent when making decisions. Yet, over two-thirds (68%) of workers state they have neither received nor heard of such feedback and a strikingly high percentage (70%) remarks that they have never received training on worker participation and communication. Furthermore, although workers have maintained decent relationships with their line supervisors, 20% remain feeling “a bit nervous” when senior management comes to inspect their work.

These findings suggest that concrete efforts should be invested into the factory’s industrial relations: 1) develop more effective bilateral communication strategies, including both verbal and written forms, to ensure: a) smooth dissemination of related information from management and b)

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19 Document review results show that there is a trade union in the factory. As introduced by management, the trade union’s main duties include: 1) handling workers’ complaints; 2) participating in discussions and revision of factory policy and procedures; 3) organizing collective activities for workers; 4) communicating with management; and 5) participating in factory affairs.

20 According to management and document review, 12 worker representatives were elected in September 2012. Their main responsibilities are to: 1) facilitate workers’ communication with management; 2) submit workers’ complaints related to unfair treatment or discrimination to management and keep on with follow-up work; 3) collect and submit workers’ opinions and suggestions to management; 4) deliver and share related information to workers; and 5) participate in regular meetings with management. Any of the workers’ problems, opinions or suggestions, for instance, regarding discrimination; disciplinary regulations; health and safety; environment; hygiene; wage and benefits; and working hours, can all be told to workers’ representatives.

21 When asked, “have you spoken to worker representatives on problems encountered on/off as well as to give suggestions,” 15% report “yes, only once,” and the remaining 22% report “yes, more than once.”

22 Among the 42% of workers who are aware of the trade union’s existence, 37% participate in activities organized by the union “quite often,” 33% participate “once or twice,” and 30% have “never” participated.

23 When asked, “do you receive any feedback on discussion or meeting results between the workers’/worker representatives and the management,” 5% answer “yes, always,” 27% answer “sometimes,” 23% answer “no,” and 45% answer “I don’t know.”

24 When asked, “have you ever participated in any training on worker participation and communication,” 70% answer “no, never,” 19% answer “yes, once or twice,” 11% answer “yes, I participate regularly.”

25 When asked about their relationship with their line supervisors, 47% of workers express they are get along very well with each other, and 53% express that their relationship is more or less okay.

26 45% answer “absolutely not,” 35% answer “mostly not,” and 20% answer “a bit nervous.”
full expression of workers’ voices, 2) make sure all workers have equal access to training opportunities, and 3) enhance the training quality regarding worker participation, so workers’ a) overall awareness toward the significance of worker participation and b) interactions with worker representatives and the union can be promoted.

2.5 Workplace Conduct

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 a systematic workplace conduct in place and the implementation of related conduct has been carried out with quality. According to workers, there is no harassment/abuse, discrimination, or practice of monetary penalties27 at work. Almost all workers have free access to toilets (98%) and drinking water (100%), and are allowed to take emergency leave (97%).

However, to a great extent, workers appear to be unfamiliar with the factory’s policies and regulations regarding harassment, abuse28, discrimination, and workplace conduct/discipline, which, according to management, are in place. Worker Survey results show that a more than half (56%) of workers are not aware of the existence of these regulations. Regarding the disciplinary measures in the factory, one-third (33%) reports that there are no disciplinary measures in the factory29, showing that awareness problems exist in the worker group.

Additionally, although management says they do not perform any form of searches for security reasons, 75% of workers (16), confirm they have experienced security searches30.

The findings above suggest that workers’ awareness of factory policies and regulations needs to be strengthened. To boost workers’ awareness of workplace conduct, sharing information through trainings, meetings, and posters is highly recommended. Better understanding of related workplace conduct contributes to better implementation of such conduct at the factory.

2.6 Grievance System

Grievance System examines: 1) a factory’s systems, policies, and practices on workers’ abilities to voice their opinions and complaints; 2) worker’s ability 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.

27 Almost all workers report no harassment/abuse (97%), discrimination (100%), or monetary penalties (100%).

28 Shouting and yelling are defined as forms of abuse.

29 When asking workers’ opinion on the factory’s disciplinary measures, 42% of workers think the factory’s disciplinary measures are fair and reasonable, 2% agree that they are sometimes reasonable, 1% respond “not reasonable,” while 22% do not know if they are reasonable, and 33% report there are no such measures in the factory.

30 Among the 16 workers who report to have undergone security searches in the factory, 14 consider the practices appropriate, 1 thinks the practices are “partly reasonable,” while the remaining worker regards them inappropriate. No body searches have been reported.
Assessment results show that the factory has several grievance channels\textsuperscript{31} for workers to file complaints/problems, and workers express the will to express themselves when encountering problems\textsuperscript{32}. Although management believes nearly all workers have trust in the factory’s grievance procedure, hardly any workers use the existing channels to make their voices heard. Of the 69\% of workers who know of the channels, over half (53\%)\textsuperscript{33} report they have not used the channels even though they do have concerns; this leaves only 5 (8\%) respondents who have actually used the channels. Although management reports that the factory has a policy protecting workers from retaliation when they use the grievance channels, a significant number (69\%) of workers either do not know of or deny the existence of such a policy\textsuperscript{34}. This may be 1 reason that might hold workers back from effectively using the existing channels for full expression.

Nevertheless, the factory is found to have handled the 5 workers’ complaints actively and carefully, complete with worker representative involvement. As reflected by the workers who have used the grievance channels (5 respondents), all (100\%) report their cases have been followed up on with final solutions or feedback provided, with workers’ representatives involved in. 2 report that they are “mostly satisfied” with the final results, while the remaining 3 are “more or less satisfied.”

The relatively lower scores for this Employment Function suggest that the factory should devote more attention and effort towards improving the above-mentioned issues, by: 1) training workers on the related policies and regulations, so they will be encouraged to fully express themselves without concern of retaliation and 2) more actively involving the trade union and the workers’ representatives in the grievance handling process, especially in better detecting and reflecting workers’ grievances and complaints, so workers’ voices can be better heard and their needs better addressed.

\subsection*{2.7 Health & Safety}

This section explores the extent to which the factory ensures a healthy and safe work environment. With respect to the fact that the factory does not have a dormitory and a canteen, the evaluation regarding this Employment Function is solely based on the workers’ workplace.

Survey results show the factory performs well in maintaining a healthy and safe working environment. In general\textsuperscript{35}, workers consider their workplace healthy and safe. Both Worker Survey

\begin{itemize}
\item \textsuperscript{31} 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, 6) trade union/worker representative, and 7) complaint hotline/mailbox.
\item \textsuperscript{32} 95\% of workers say that they would say something to people inside the factory if they were dissatisfied with their work or living conditions in the factory.
\item \textsuperscript{33} When asking workers if they use any of the existing channels to express their concerns, problems or dissatisfaction, 53\% say “no, never,” 3\% say “yes, once,” 5\% says “yes, more than once,” the remaining 39\% report “having no concerns or complaints towards the factory.”
\item \textsuperscript{34} 28\% of workers report that there is no policy in place to protect workers from retaliation by the management, 41\% have no idea if such a policy exists, while 31\% report “yes.”
\item \textsuperscript{35} 78\% of workers think that their workplace is not dangerous and does not contain any health risks in the long term, 11\% feel unsure about their workplace environment, and 11\% think their workplace is currently okay, but that there might be some possible long-term risks.
\end{itemize}
and Management Self-Assessment results indicate that the air conditioning and ventilation system\textsuperscript{36}, personal protective equipment\textsuperscript{37}, and first aid kits\textsuperscript{38} in the workplace are provided to workers. Additionally, evacuation drills are regularly organized on the production floor, with the involvement of almost all workers (95\%)\textsuperscript{39}.

However, contradicting the Management Self-Assessment results, in which no work-related injuries are reported, 22\% of workers indicate that they have had or witnessed work-related injuries in the factory during the last 12 months\textsuperscript{40}. The factory should not overlook these cases of work injuries and should therefore: 1) provide relevant support to workers and 2) review the implementation of its health and safety mechanisms.

\textbf{2.8 Environmental Protection}

This Employment Function examines the knowledge and awareness of both workers and management on environmental protection. Workers have a high awareness in water and energy saving, as most of them value the importance of saving water and energy at the production site (92\%), and think that energy saving will not only benefit the factory, but workers as well (97\%). This might be partly attributed to the incentive measures adopted by the factory. As reported by the management and the majority of workers (72\%), the factory offers a bonus rewarding outstanding performance in energy saving\textsuperscript{41}.

Still, results show that workers’ awareness of related policy and procedures could be further enhanced. Most (66\%) workers are aware of the factory’s policy and procedures regarding environmental protection. Workers are aware of other aspects of environmental protection to varying extents: 34\% are unfamiliar with the abovementioned information; 69\% know how to deal with production waste very well; 3\% know the basic knowledge to cope with production waste; and 91\% are able to tell the dedicated area to store production waste. For those who use chemicals in their daily work (12\%), the majority (88\%) reports that there is a dedicated area to store chemicals.

Based on the findings, the factory is recommended to train its workers with policy and procedures related to environment protection, so that workers’ knowledge and awareness of environment protection can be further enhanced.

\textsuperscript{36} 78\% of workers consider the air conditioning and ventilation system in the workplace adequate to keep a comfortable working environment and 22\% considers the system “inadequate.”

\textsuperscript{37} 61\% of workers report that the factory has provided sufficient personal protective equipment (PPE), 23\% report that their PPE is insufficient, and another 16\% report that the factory does not provide any PPE.

\textsuperscript{38} 97\% of workers report that there are first aid kits on their production floor and that they are easily accessible. 1 worker (1.5\%) expresses that there are no such kits are available in their workshop and another 1 worker (1.5\%) has no idea if there are such kits.

\textsuperscript{39} 95\% of workers have participated in evacuation drills organized in the workplace, and the remaining 5\% say that they have not participated because they are newcomers in the factory.

\textsuperscript{40} Percentage should be taken as a reference, as different workers might witness the same injury.

\textsuperscript{41} As reported by management, they provide an amount of 100 to 500 MOP as incentive to encourage its workers to save energy; the amount of bonus varies by case.
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.

Management Self-Assessment results show that the factory has followed clear written termination and retrenchment procedures; these results are consistent with those of the Worker Survey, that show that the large majority of the workers are aware of their fundamental rights. The majority knows of the existence of the factory’s resignation procedure (81%); knows the responsible personnel for handling resignations (86%); believes that the factory cannot dismiss workers without appropriate reasons (89%); and would take actions if they were unfairly retrenched (84%)\(^{42}\). Management also reports that they never dismiss workers without appropriate reasons; this is echoed by 98% of workers who report having neither witnessed nor heard about management firing workers without a reason.

Although management says that no workers have left the factory without informing management during the past 12 months, 4 workers report otherwise. Moreover, 8% of workers believe the factory would force them to stay if they were to tender their resignation, and 14% are not aware of the responsible person for handling resignations; these results might partly explain why workers have resigned without notifying the factory in advance.

To address these issues, the factory is encouraged to strengthen trainings on resignation and termination policies, so that workers’ awareness and knowledge of such topics can be boosted; subsequently, such actions 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 with regards to 4 Management Functions: Policy & Procedure, Training, Implementation, and Communication. This allows for 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 Training and Communication, especially the latter.

\(^{42}\) When asked, “what would you do if you were unfairly fired or retrenched,” workers chose to contact local labor bureau (41%), talk to their contractor (36%), talk to their supervisor (20%), or talk to the management (20%).
The documents submitted by management show that the factory has written policies and procedures in place that cover all 9 assessed Employment Functions. As illustrated in Figure 3, workers' knowledge in some aspects needs to be improved, in particular, policies and procedures on harassment and abuse, worker participation, non-discrimination, and grievance procedure. Furthermore, when asked how they learned about these policies and procedures, most workers report orientation training (83%), followed by briefing/meetings (50%), and ongoing training (32%). Considering the education level of some workers, face-to-face verbal communication can be more effective when delivering important information to workers.

Therefore, the following are strongly recommended: 1) organizing more ongoing trainings that target the above-mentioned topics, 2) using easy-to-understand wording when drafting written documents for workers, and 3) creating more opportunities for face-to-face communication. As most workers are from Mainland China, their communication needs should be addressed if they are not fluent in Cantonese.

2.11 Loyalty and Satisfaction

In addition to the 9 Employment Functions and 4 Management Functions, the Worker Survey collects workers' feedback regarding their satisfaction towards their working and living conditions in the factory and their tendency to leave.

As illustrated in Figure 4, workers show a significantly high degree of loyalty towards the factory, as no worker intends to leave within the next 2 months. In further investigating workers' willingness to stay in the factory on a longer basis, findings are still encouraging, as nearly half (43%) assert that they will stay for sure, 52% express that they may stay, with only 5% planning to leave.

Nevertheless, a high degree of loyalty does not necessarily imply absolute satisfaction. As shown in Figure 5, there remain notable proportions of workers that are “partly satisfied” with their

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43 The documents submitted by management include: 1) the factory’s overall and specific policies and procedures related to recruitment; staff management; production management; health and safety in the workplace; environment protection; non-discrimination/harassment; special protection on women workers; non-forced labor, etc., 2) a copy of the worker handbook, 3) records of trainings, 4) meetings, 5) working hours, 6) pay slips, and 7) grievances.
working conditions (27%) and wages (61%), suggesting that there is room for the factory to achieve an even higher level of satisfaction among its workers.

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**\(^ {44}\). The grievance system not only addresses problems submitted by workers, but also collects workers’ opinions on factory policies and procedures, so that: 1) similar and other potential problems from the workers’ side can be prevented and 2) the flaws in the existing policies and procedures can be amended; such actions can contribute to harmonious relationships between workers and management.

- **Communication** positively correlates with **Policy & Procedure**\(^ {45}\). Better communication improves workers’ knowledge and understanding towards related policy and procedures in the factory, thereby facilitating more effective and efficient implementation of these regulations.

\(^ {44}\) The correlation coefficient between Grievance Procedure and Industrial Relations is 0.435 (statistically significant at 0.01 level).

\(^ {45}\) The correlation coefficient between Communication and Policy & Procedure is 0.535 (statistically significant at 0.01 level).