INDEPENDENT EXTERNAL ASSESSMENT
Worker Survey
& Management Self-Assessment Report

COMPANY: H&M Hennes & Mauritz AB
COUNTRY: Turkey
FACTORY CODE: GS201212
SURVEY DATE: September 26, 2012
PRODUCTS: Socks
TOTAL NUMBER OF WORKERS: 320
NUMBER OF WORKERS SURVEYED: 104

Company Comment: H&M has not placed any orders with this factory since December 2012. Currently, there is no plan to place future orders with this factory. However, H&M’s production team does not want to inactivate this supplier as they consider it a back-up supplier for socks. Due to this situation and lack of orders, H&M currently has no leverage to implement proper corrective actions in this factory.
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EXECUTIVE SUMMARY

Fair Labor Association (FLA) conducted an Independent External Assessment at a factory in Turkey, a supplier of H&M, on September 26, 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 104 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

• Factory has clear policies and procedures in place to manage its practices related to the employment functions; however, workers’ knowledge of these policies and procedures is insufficient.

• Significant perception gaps between management and workers are identified in the following dimensions: Hours of Work; Industrial Relations; Termination & Retrenchment; Workplace Conduct; and Grievance System. These gaps are likely to undermine sustainable compliance.

Recommendations for Action

• Review current practices related to identified issues mentioned under each employment function. The factory should work out an action plan to tackle each of these issues.

• Strengthen training in the factory by providing sufficient training to the general workforce and enhancing training effectiveness. Also, communication and consultation opportunities for the general workforce need to be created, as workers begin to have more knowledge of and confidence in the factory’s systems.

• Make efforts to strengthen the workers’ trust in the factory’s systems, especially the grievance system, in order to help improve the factory’s work relationships.

I. INTRODUCTION

Fair Labor Association (FLA) conducted an Independent External Assessment at a factory in Turkey, a supplier of H&M, on September 26, 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 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, 2) identify areas of good performance as well as areas of weakness, and 3) offer recommendations for corrective actions.
Worker Survey

At the time of the survey, there were 257 production-related workers at the factory, 104 of whom were randomly selected to participate in the survey\(^1\). 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\(^2\).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Characteristics of Surveyed Workers</th>
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<tbody>
<tr>
<td>(%)</td>
<td>(%)</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td>Migrant or Local</td>
</tr>
<tr>
<td>Male</td>
<td>41.3 Local</td>
</tr>
<tr>
<td>Female</td>
<td>58.7 Migrant</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td>Position</td>
</tr>
<tr>
<td>No Schooling</td>
<td>3.8 Worker</td>
</tr>
<tr>
<td>Primary School</td>
<td>41.9 Supervisor</td>
</tr>
<tr>
<td>Middle School</td>
<td>27.6 Employment Status</td>
</tr>
<tr>
<td>High School</td>
<td>18.1 Indefinite Term Contract</td>
</tr>
<tr>
<td>Technical/Vocational School</td>
<td>3.8 Apprentice/Intern</td>
</tr>
<tr>
<td>College/University</td>
<td>3.8 Fixed Term Contract/Temporary</td>
</tr>
<tr>
<td>Average Age (Years)</td>
<td>31.1 Average Length of Service (Months)</td>
</tr>
</tbody>
</table>

Management Self-Assessment

Factory 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 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 a worker’s lifecycle, from hiring, through workplace conduct and grievance procedure, all the way to termination and retrenchment. It examines the whole process, dimensions 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

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\(^1\) Sample size was based on (+/-) 7.5% error range, at 95% confidence level. The total workforce of the factory is 320, 257 of whom are production-related frontline workers. Thus, the sample selection is based on frontline workers.

\(^2\) Numbers may not always add up to 100% due to unanswered questions. As for “Migrant or Local,” “local” here means that the worker is legally registered in the city where the factory is located; “migrant” means otherwise.

\(^3\) The assessors reviewed some documents on the same day as the worker survey. The reviewed documents include: factory’s existing policy and procedures; training records; payroll and pay slips; records of working hours; meeting minutes; filed grievances; and other relevant documents.
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. Workers gave Health & Safety the highest score, while management gave Termination & Retrenchment the highest score, followed by Workplace Conduct and Health & Safety. Workers scored Grievance System the lowest. Among the other dimensions that scored low, both groups agreed that Compensation needed improvement. Hours of Work; Industrial Relations; and Termination & Retrenchment also require more attention, as these are the 3 areas with the greatest gap in perception between management and workers. A wide range of difference in perception between management and workers may point to possible root causes of system weaknesses in need of improvement.

2.1 Recruitment, Hiring & Personnel Development

This employment function covers the hiring process and procedure, investigating their implementation within the factory. The assessment results from both workers and management indicate that the factory manages its practices on hiring and career development with clearly established policy and procedures. Almost three-quarters (72%) of workers indicate that they have received orientation training, and 63% have received ongoing training. According to management, orientation training is more like an informative session, where HR personnel briefly deliver information to workers on health and safety issues and work conditions. 56% of workers indicate that the factory reviews workers’ job performance.

However, there are several areas that require further improvement with respect to the factory’s practices. Although management reports they have signed individual work contracts with all employees, 9% of workers claim that they did not sign a work contract with the factory upon hire. Among the workers who signed contracts with the factory, 17% indicate that they did not have a copy of their contract. A significant number (42%) of workers report that the factory
holds their original identification papers. Workers’ understanding of the factory’s policy and procedures is also very limited, as nearly one-third (29%) of workers do “not at all” understand the orientation training content.

Based on this information, we recommend for the factory to review its hiring practices to make sure every worker signs a work contract with the factory upon hire and has a copy of the signed document. Also worthy of review is the holding of workers’ original identification documents. According to Turkish Labor Law, the employer is required to create a personnel file for each employee that contains the identity particulars of each employee, as well as documents and records; however, keeping original identification documents, even for a short period, for filing with worker profiles, is not an acceptable practice in terms of FLA benchmarks.

2.2 Compensation

Compensation examines the wage and benefits system within a factory, as to whether it complies with regulatory standards and ensures fairness and productivity. Management Self-Assessment results and the pay slips reviewed by assessors show that the basic salary offered by the factory is equal to the legally required minimum wage (see Table 2). On top of the basic salary, the factory also offers free meals, transportation, medical care, and training opportunities; however, bonuses, including those related to attendance, seniority, team performance, and the year’s end are not provided at all. Factory offers many kinds of statutory leave: annual leave, public holidays, sick leave, personal leave due to an emergency, marriage leave, and maternity leave. Both management and workers agree that the current wage level only partly meets workers’ basic living needs.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>Monthly Salary (TL)</th>
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<tbody>
<tr>
<td>Legal Local Minimum Wage</td>
<td>673.31 Net⁶</td>
</tr>
<tr>
<td>Basic Salary Offered*</td>
<td>673.31 Net</td>
</tr>
<tr>
<td>Average*</td>
<td>978.64 Net</td>
</tr>
</tbody>
</table>

* Source: Management Self-Assessment & Worker Survey

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⁴ Turkish Labor Law: No.4857, Date of Adoption: May 22, 2003; Article 75 – The employer arranges for a personnel file for each employee. The employer is obliged to keep the identity particulars of the employee as well as any documents and records pursuant hereto and to other laws, and submit the same to authorized officials and bodies, when required.

⁵ FLA Benchmark F.9.1: Workers shall retain possession or control of their passports, identity papers, travel documents, and other personal legal documents. F.9.2: Employers may obtain copies of original documents for record-keeping purposes.

⁶ In Turkey, the legal minimum wage is same for all skills of workers, in every city and for every industry. It is adjusted twice a year, effective from January 1st and July 1st. From July 1, 2012 until December 31, 2012, the gross minimum wage is 940.50 TL; net min wage is 673.31 TL. On top of net, a special figure called AGI, is added (as a sort of tax refund or subvention) by the government. The value of AGI is proportional with marital status and number of children of the worker. AGI varies from 66.49 up to 113.03 TL between January 1, 2012 and December 31, 2012.

⁷ 56% of workers indicate that they have received free/subsidized transportation and 31% report they have received free medical care; a handful (9%) of workers admit that the factory provides them education/training opportunities.

⁸ Management reports that the factory does not provide any bonuses, which concurs with the worker survey results, as almost no workers indicate receiving bonuses.

⁹ Management reports that all above-mentioned leave is granted to workers, which is in line with the survey results, as most workers report receiving annual leave (98%), public holidays (88%), sick leave (60%), marriage leave (64%), maternity leave (73%), and personal leave (75%).

¹⁰ “Basic living needs” here refers to food, housing, clothing, schooling for children/dependents, utility expenses, etc. A majority of workers indicate that their wages are “partly” (22%) or “not at all” (70%) sufficient to cover their basic living needs. Among them,
From management’s perspective, the factory paid wages in full over the last 12 months, although delay in payment happened “once or twice.” This is consistent with the results of the worker survey, as 40% of workers report they have experienced payment delays “once or twice,” with 13% indicating that delays happened often. To a majority (83%) of workers, they received their wage in full; a handful (17%) of workers report that they experienced underpayment “once or twice” over the last 12 months.

In this factory, wages mainly consist of fixed monthly salary and overtime compensation. However, a certain number of workers report that their overtime hours are paid “mostly” (18%) or “sometimes” (14%), but not always. 40% of workers report that their overtime hours are paid the same as regular hours, another 13% have no idea of how overtime hours are paid by the factory. The reviewed pay slips show the factory paid overtime hours at a premium rate; the perception discrepancy of some workers suggests that the factory should strengthen its orientation training and communication to workers regarding the overtime payment calculation and the overtime premium rate.

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, and that workers work an average of 7.5 hours per day, 6 days per week. When the factory is particularly busy, workers work a maximum of 11 hours a day, 6 days a week. This information is not completely in line with the Worker Survey, as a significant number (14%) of workers report that they worked 7 days a week when the factory was particularly busy; and during peak season, around 50% of workers worked a maximum of 12 or 13 hours a day. These findings imply a risk of potential violation of FLA Benchmarks HOW 1.3 and 2, which clearly state that workers shall be entitled to at least 24 consecutive hours of rest in every 7-day period and that weekly work hours (regular work plus overtime) shall not exceed 60 hours per week. If workers must work on a rest day, an alternative consecutive 24 hours must be provided within that same 7-day period or immediately following. A shortage of workers during peak season could explain why sometimes workers have to work longer shifts. That buyers changed the style once or twice after placing orders and made an untimely increase in the ordered quantity in the past 12 months further exacerbated the situation.

59% think their housing needs cannot be addressed; 73% think their wage cannot cover health care and 80% think their wage cannot cover the education needs of their dependents.

11 The rest (47% of workers) report that their overtime hours are paid at a premium rate.

12 This is a requirement as per FLA Benchmark C.17, which clearly states that employers shall make every reasonable effort to ensure workers understand their compensation, including the calculation of wages, incentive systems, fringe benefits, and bonuses they are entitled to at the workplace and under applicable laws.

13 When asked about the maximum number of hours worked, 13% of workers report that they work 12 hours a day, 36% indicate working 13 hours.

14 The information is from Management Self-Assessment.
Furthermore, based on the Management Self-Assessment results, workers are informed of overtime work 1 day in advance. This is somewhat contradictory with the results of the Worker Survey, which indicate that 35% of workers are informed of overtime work 1 day in advance, with 39% being notified the morning of the day overtime is needed, and 23% being notified that afternoon or even later. 62% of workers report that they have never been told that they could refuse overtime work. These findings suggest the factory needs to make further improvements in its overtime arrangements, in both their communication and their implementation.

2.4 Industrial Relations

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

In general, the relationship between workers and management is amicable, according to workers. 59% of them indicate that they get along well with their supervisors, with 34% reporting a “more or less OK” relationship. According to management, there is no trade union in the factory, but worker representatives are in place. A majority (74%) of workers are aware of the existence of worker representatives, but only 50% of workers have participated in worker representative elections. Workers’ understanding of worker representatives’ responsibilities is limited, as among those who know of the existence of worker representatives, only 23% “to a good extent” know what worker representatives are responsible for. 32% of workers have never talked to worker representatives about problems encountered or suggestions they want to make to the factory. Among those who have spoken to worker representatives, 42% think that, in some cases, worker representatives effectively helped them solve problems they encountered in the factory, with the same percentage reporting that it is useless to do so. These findings indicate that the deficiencies in this employment function are rooted in the insufficient participation of workers and the limited representation of workers in factory affairs. More than half (59%) state they have never attended any training on worker participation and communication.

Against this backdrop, the factory needs to strengthen its: 1) communication about worker representatives and their responsibilities and 2) training on: a) workers’ right to join worker representative bodies and b) the election of worker representatives. The factory is also advised to consider the establishment of a trade union to promote freedom of association.

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.

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15 There are 2 kinds of representatives in the factory: department representatives and worker lead representatives, according to management assessment and document review results.

16 50% of workers only partly know of the responsibilities of worker representatives, the rest (27%) do not know their functions at all.
According to management, the factory has policy and procedures on workplace conduct; however, survey results indicate that workers’ knowledge of these policy and procedures are insufficient, as only around one-third (34%) of workers know of the factory’s policies and regulations regarding harassment, abuse\(^\text{17}\), discrimination, and workplace conduct/discipline\(^\text{18}\). 6% of workers report that they have experienced some form of harassment or abuse in the factory; **51% of workers report that they have experienced discrimination in the factory.** 31% of workers think that the factory’s disciplinary measures are fair and reasonable, with 45% agreeing that they are partly reasonable and the rest either thinking they are not fair or having no idea. A majority (55%) of workers would try to talk to their supervisors or middle management staff if they felt a disciplinary action is unfair; 15% would use the factory’s grievance channels; 16% would do nothing, and 11% would choose to just leave the factory.

Most workers have free access to water (94%) and the toilet (58%); however, a certain number of workers report that there are some restrictions to the toilets (41%)\(^\text{19}\), which is inconsistent with Management Self-Assessment results. **Management denies that they perform any searches for security reasons, but a significant number (74%) of workers report that the factory searches their bags for security reasons**\(^\text{20}\). Most (68%) workers think that the security practices are appropriate, with 18% reporting that some practices are inappropriate.

The cases of discrimination and restrictions to the toilets should not be overlooked, as a considerable number of workers report their existence. Therefore, actions should be taken by the factory to ensure the factory’s policies and procedures are implemented properly.

### 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) workers’ 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.

**Assessment results show that the factory has several grievance channels\(^\text{21}\) for workers to file complaints and express concerns/problems, but not many workers use these channels.**

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\(^{17}\) Shouting and yelling are defined as forms of abuse.

\(^{18}\) 37% of workers clearly state that the factory does not have policy and procedures regarding harassment, abuse, discrimination, and workplace conduct, with the rest (29%) reporting they do not know. Among those who know of the policy and procedures, 38% think they are very familiar with the policy and regulations; 30% partly know of those policies and regulations; and the rest (32%) either are “not familiar with” or “have no idea of” them.

\(^{19}\) These workers report there are restrictions on time and/or frequency.

\(^{20}\) 40% report it is a common practice; 23% report that the factory searches their body only when there is a legitimate reason. Less than one third (30%) of workers report that there are no body searches. FLA Benchmark H/A.10.2 states that body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g., police officer) has ordered the search.

\(^{21}\) According to management, workers can file complaints or express concerns/problems through: 1) suggestion/complaint box, 2) department manager, 3) HR staff, 4) factory director or general manager, and 5) worker representative. Workers also report the existence of specialized grievance channels (80%).
50% of workers have never used the grievance channels, although they have concerns or problems; only 12% have no concerns or problems and, thus, have not used the channels. According to those who have filed complaints or concerns, 49% talked to their line supervisors or section leaders, 21% posted a letter to the suggestion/complaint box, and 10% sought support from the factory director/general manager. However, from management’s perspective, they received the most grievances or complaints through complaint boxes. The factory has placed complaint boxes in the factory; the Disciplinary Committee that is composed of worker representatives, supervisors, and management representatives, will open those boxes and review filed complaints.

The factory follows up on workers’ grievances, but does not provide solutions or feedback to all filed grievances. Though management indicates that they have followed up on all filed grievances/complaints and provided feedback, 51% of those who submitted grievances/complaints report that their complaints/grievances were not followed up on. 47% of those who filed grievances are “absolutely” or “mostly” satisfied with how they are handled; however, 21% are “absolutely dissatisfied” with the results. Workers’ complaints or problems mainly focus on wages and benefits (87%); canteen food (49%); working hours and shift arrangements (26%); dissatisfaction with factory regulations (18%); and problems with supervisors (10%). The Management Self-Assessment also found that, in the past 12 months, workers have filed 104 grievances about their supervisors; wages and benefits; and canteen food. Workers’ problems with supervisors could partly explain why a notable number of workers feel discriminated against in Workplace Conduct.

Therefore, the factory is advised to take necessary measures to: 1) improve the quality of grievance handling and 2) strengthen workers’ trust in the grievance system and its ability to solve problems. The risk regarding worker-management relationships is worth noting, and an area that management should address more effectively.

2.7 Health & Safety

This section explores the extent to which the factory ensures a healthy and safe work environment. As the factory does not have a dormitory for workers, the investigation regarding Health & Safety focuses on its workplace and canteen.

Comparison of the Worker Survey and the Management Self-Assessment results shows that the factory has made some efforts to protect workers’ health and safety at production sites; however, there is still room for improvement. Management and most (82%) workers agree that there are first aid kits on each production floor and that they are easily accessible. 71% of workers have participated in evacuation drills organized in the workplace, whereas 15% have not participated, even though they have worked in the factory for more than 1 year.

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22 19% of workers have used the grievance channels once, and 18% have used them more than once.

23 The rest (13%) indicate that they have not participated, as they have been working in the factory for less than 12 months.
Management reports that in the last 12 months, there were 3 work-related accidents that were treated with basic first aid and without any lost days\textsuperscript{24}, which is consistent with workers’ responses, as 11\% of them either witnessed or have heard about the accidents. This could partly explain why 30\% of workers think their workplace is not dangerous, but may have some risks that in the long run could adversely affect their health\textsuperscript{25}. 67\% of workers report that personal protective equipment (PPE) provided by the factory is sufficient to prevent them from unsafe exposure to health and safety hazards, with a quarter (25\%) feeling that the PPE is insufficient. A majority of workers report their workplace is either “very noisy” (51\%) or “quite noisy” (19\%).

Therefore, we advise that the factory further investigates the conditions on each production floor, making sure that evacuation drills with full participation are organized in the workplace. Though workers and management consider the workplace generally safe, the factory is recommended to organize a survey or group discussion to collect workers’ feedback in relation to health and safety practices, to make sure that any health and safety risks are identified and that preventive measures are in place.

2.8 Environmental Protection
This employment function examines the knowledge and awareness of both workers and management on environmental protection. According to management, the factory has established policy and procedures on environmental protection, which include a complete chemical inventory, a proper Material Safety Data Sheet, and procedures associated with solid waste and water. However, workers have an intermediate knowledge of factory’s policy and procedures in this regard, as less than half (47\%) know of the policy and procedure. 55\% of workers know how to deal with production waste and 49\% of workers recognize the existence of a dedicated area to store production waste. For those who use chemicals in their daily work\textsuperscript{26}, 73\% agree that there is a dedicated area to store chemicals. Workers have a generally high awareness about water and energy saving, as most (94\%) workers value the importance of saving water and energy at the production site. In the long run, the factory could develop some measures to further encourage saving water, energy, and raw materials, measures that will contribute to the reduction of the factory’s production costs.

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 of the Management Self-Assessment and reviewed documents show that there is a written termination and resignation procedure in place to regulate the factory’s practices in this regard. However, workers’ survey results show that workers do not know it very well, as

\textsuperscript{24} Management reports that these were minor accidents. 2 of the 3 work-related accidents were small scratches that were treated immediately by the factory doctor. As for the other 1 accident, the factory doctor conducted eyewash first, and then the employee was sent to hospital for a further check up.

\textsuperscript{25} One-third (33\%) of workers are not sure about the health and safety situation of their workplace, with the rest (31\%) thinking their workplace is absolutely safe and contains no health risks.

\textsuperscript{26} According to the Worker Survey, 21\% of workers use chemicals in their daily work.
only 42% of workers report knowing these policies and procedures. Due arguably to the lack of wider understanding of the resignation procedures, a significant number (41%) of workers believe the factory might force them to stay if they tender their resignation. Additionally, although 96% of workers believe there must be someone to handle their resignation, they hold various opinions about that responsible person. The assessment results show that the factory has made efforts in training HR staff with respect to termination and resignation, but holding an informational training session and creating better communication between workers and management can better help facilitate a more functional resignation and termination system.

2.10 Management Functions
The assessment also analyzes a factory’s performance in regards to 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 in 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. Results from the Worker Survey show that, to some extent, workers know about these policies and procedures, but the coverage is not sufficient for all of these topics, especially on non-discrimination; overtime calculation; and worker participation and integration, as illustrated in Figure 3. When asked how they learned about these policies and procedures, 46% of workers report the briefing/meetings at the production unit, followed by notice board/postings (43%), and orientation training (38%). Therefore, the factory needs to strengthen its training program by enhancing training efficiency to deliver key messages like policy and procedures. Although briefing is a fast way of delivering information, providing face-to-face verbal training is a must when educating workers on the factory’s policy and procedures.

27 34% of workers think it is their supervisor who is responsible for their resignation, with 27% indicating HR staff and department manager.
Communication refers to workers’ communication with both management and worker representatives. The results presented in relation to communication in Industrial Relations, Grievance System, and Hours of Work suggest that the interactions between workers and management, and between workers and worker representatives, are not sufficient. Some of the issues, such as having a problem with supervisors, can be addressed through better communication.

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 the working conditions and their tendency to leave. As illustrated in Figure 4, 82% of workers indicate they do not intend to leave the factory within the next 2 months, while 18% express an intention to leave within the same timeframe. Further investigating those who would stay for the long term, we find that 14% intend to leave in 2 years, with less than half (44%) expressing a wish to stay, and another 42% undecided. The results are, to some degree, associated with their level of satisfaction with factory. Almost one fifth (19%) of workers are “not satisfied at all” with the factory’s working conditions; this percentage goes up to 58% when referring to wage level (see Figure 5).

2.12 Correlation Analysis

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

- Compensation, Hours of Work, Grievance System, and Health & Safety positively correlate with Industrial Relations. Factory’s performance on Compensation, Hours of Work, Grievance System, and Health & Safety impacts its relationship with workers. Improving the performance in those areas will help to maintain a harmonious work environment.

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28 The correlation coefficient between Grievance System and Industrial Relations is 0.527 (statistically significant at 0.01 level). The correlation coefficient between Compensation and Industrial Relations is 0.546 (statistically significant at 0.01 level). The correlation coefficient between Hours of Work and Industrial Relations is 0.498 (statistically significant at 0.01 level). The correlation coefficient between Health & Safety and Industrial Relations is 0.497 (statistically significant at 0.01 level).
• Termination & Retrenchment positively correlates with Compensation and Grievance System\textsuperscript{29}. The factory’s performance on Compensation and Grievance System influences workers’ attitudes towards resignation.

• Compensation, Workplace Conduct, Health & Safety, and Communication positively correlate with workers’ satisfaction\textsuperscript{30}, meaning that workers feel more satisfied with the factory when better communication among workers, management, and worker representatives is ensured, and when better practices on Compensation, Workplace Conduct, and Health and Safety are implemented.

• Workers’ loyalty towards the factory is positively correlated with the factory performance on Workplace Conduct and Grievance System\textsuperscript{31}. A well-functioning grievance system, and reasonable regulation of workplace conduct, will contribute to a reliable workforce.

\textsuperscript{29} The correlation coefficient between both Termination & Retrenchment and Compensation is 0.473 (statistically significant at 0.01 level). The correlation coefficient between both Termination & Retrenchment and Grievance System is 0.482 (statistically significant at 0.01 level).

\textsuperscript{30} The correlation coefficient between Satisfaction and Communication is 0.573 (statistically significant at 0.01 level), is 0.533 (statistically significant at 0.01 level) between Satisfaction and Workplace Conduct, is 0.530 (statistically significant at 0.01 level) between Satisfaction and Health & Safety, and is 0.410 (statistically significant at 0.01 level) between Satisfaction and Communication.

\textsuperscript{31} The correlation coefficient between Loyalty and Workplace Conduct is 0.346 (statistically significant at 0.01 level), and is 0.309 (statistically significant at 0.01 level) between Satisfaction and Grievance System.