



INDEPENDENT EXTERNAL ASSESSMENT

Worker Survey
& Management Self-Assessment Report

COMPANY: American Eagle Outfitters

COUNTRY: Bangladesh

FACTORY CODE: GS201203

SURVEY DATE: December 9, 2012

PRODUCTS: Knit Garments

TOTAL NUMBER OF WORKERS: 1901

NUMBER OF WORKERS SURVEYED: 156

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 Bangladesh, a supplier of American Eagle Outfitters, on December 9, 2012. The assessment evaluates a facility's performance in upholding fair labor standards through effective management practices throughout the entire employment lifecycle of workers. The assessment includes a Worker Survey and a Management Self-Assessment. A total of 156 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

- The factory has clear policies and procedures to manage its practices in relation to assessed Employment Functions; however, workers display little understanding of the factory's worker participation system, which can be a result of insufficient training on the related topics. Those workers who are aware of the factory's worker representation structure are quite active in the factory's affairs and are willing to voice their concerns through worker representatives.
- Talking to section leaders and supervisors is the most frequently used grievance channel among workers. However, the factory shows difficulties in documenting workers' complaints and concerns when they are submitted through these channels, and fails to address the issues that most concern workers.
- While the factory has clearly a defined workplace code of conduct, workers report cases of harassment, discrimination, and restrictions on toilet use, suggesting that such policies are not well implemented on the production floor.
- Gaps in perception between workers and management noted in Industrial Relations, Health & Safety, and Termination & Retrenchment suggest that current worker-management communication is ineffective and insufficient. Lack of communication between workers and management may contribute to the instability of the workforce in the long run.

I. INTRODUCTION

Fair Labor Association (FLA) conducted an Independent External Assessment in a factory in Bangladesh, a supplier of American Eagle, on December 9, 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 employment.

The assessment comprises 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 weakness, and 3) offer recommendations for corrective actions.

Worker Survey

At the time of the survey, there were 1,833 production-related workers at the factory, 156 of whom were randomly selected to participate in the survey¹. 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 workers².

Management Self-Assessment

Factory management was also requested to complete an online Management Self-Assessment and to submit some documents for review³; this assessment is structured in line with the Worker Survey and aims to 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

¹ Sample size was based on (+/-) 7.5% error range, at 95% confidence level. The total workforce of the factory is 1,901, 1,833 of whom are production-related frontline workers; therefore, the sample selection is based on frontline workers.

² Table 1 shows the basic characteristics of the workers participating in the survey. Numbers may not always add up to 100% due to unanswered questions. As for "Migrant or Local," "local" here refers to a worker's legal registration 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.

Table 1 Characteristics of Surveyed Workers			
	(%)		(%)
Gender		Migrant or Local	
Male	51.3	Local	5.8
Female	48.7	Migrant	94.2
Education		Position	
No Schooling	3.2	Worker	80.1
Primary School	46.8	Supervisor	10.9
Middle School	29.5	Employment Status	
High School	16.0	Fixed/Long-term Contract	95.5
Technical/Vocational School	0.6	Contractor/Dispatched Worker	1.9
College/University	3.8	Intern/Temporary	2.6
Average Age (Years)	24.4	Average Length of Service (Months)	23.4

The Independent External Assessment evaluates the impact of a factory’s practices on a worker’s employment 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.

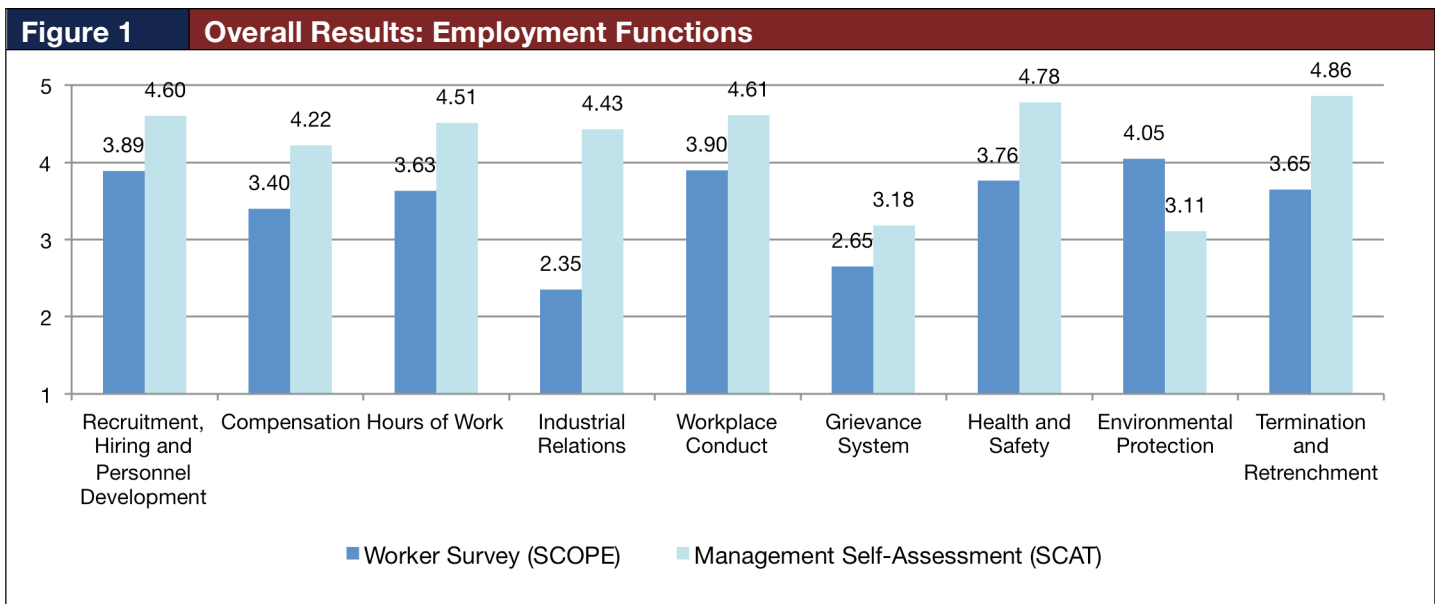


Figure 1 displays the results from both the Worker Survey and the Management Self-Assessment with respect to each Employment Function. Except for Environmental Protection, management scored each dimension higher than workers. Workers gave the lowest scores to Industrial Relations and Grievance System; while management gave Grievance System and Environmental Protection their lower scores. In addition, management and workers’ opinions about Industrial Relations, Health & Safety, and Termination & Retrenchment differ greatly. The perception gaps

between management and workers in these dimensions suggest definite room for future improvement.

2.1 Recruitment, Hiring & Personnel Development

This employment function examines the factory’s recruitment and hiring process, and assesses the impact of orientation and on-the-job training. Management reports that the factory prepares job descriptions for most vacancies. While management reports that the factory signs labor contracts with all workers, a considerable number (22%) of workers report that they did not sign any employment contract or letter of appointment with the factory when they were selected for their current post. In addition, **discrimination is noted in the hiring process, as the factory admits that age is “very important” in the decision-making process for hiring.** Moreover, 10% of workers report that the factory has held their original identification papers, which violates FLA benchmarks⁴.

According to the Management Self-Assessment results, **the factory offers orientation training to every newly hired worker that covers various topics that concern their work life;** however, 13% of participants report that they have never received any orientation training. Even though the orientation training fails to cover the whole workforce, the quality is considered more or less satisfactory, 82% of those who participated in the training “absolutely” or “mostly” understand the training content. Also, the factory provides on-the-job training and reviews workers’ performance; based on Worker Survey results, 87% have received on-the-job training, and according to 81% of workers, the factory has reviewed their job performance.

The factory needs to review its hiring practices to ensure that every candidate is provided an equal opportunity, that every worker signs a work contract, and that each worker has a copy of their work contract upon hire. Holding of workers’ original identifications violates FLA benchmarks; subsequently, the factory is advised to investigate this matter, strengthen the training for responsible personnel, and return workers’ original identification papers, if any. It is also recommended for the factory to ensure the workforce’s full participation in the orientation training and to continue providing a high quality training program.

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.

Table 2	Monthly Wage (BDT)
Legal Local Minimum Wage	3,000 (Entry Level)
Basic Wage Offered*	3,000
Average Monthly Wage*	6,006 (Net)

* Source: Management Self-Assessment & Worker Survey

Management Self-Assessment results show that workers’ wages are calculated based on a fixed wage. **The basic salary offered by the factory is equal to the legally required minimum wage** (see Table 2). In addition to the basic salary, the factory offers free/subsidized transportation and

⁴ 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.

training opportunities⁵. Bonuses related to attendance, seniority, factory performance, position, and the year's end are provided. While a vast majority of workers are aware of the year-end bonus (71%) and the bonus related to attendance (64%), only a small number of workers know of the bonuses related to factory performance (5%), seniority (4%), and position (2%). In addition, the factory offers various leaves, including annual leave, public holidays, sick leave, marriage leave, maternity/paternity leave, and personal leave due to emergency⁶. According to management, workers are paid for the full period of their legally entitled leaves. This coincides with workers' survey responses, as 97% of workers report that their leaves are fully paid.

Management reports that the factory paid wages in full and on time over the last 12 months. However, according to some workers' responses, their wage payments are in violation of FLA benchmarks⁷. 39% have experienced some delays in wage payment in the last 12 months and 30% have experienced underpayment in the same period. In terms of overtime payment, management reports that overtime hours were paid at a double rate of regular hours. Nevertheless, **a large number (83%) of workers report that their overtime hours were paid the same as regular hours, suggesting a violation of *Bangladesh Labour Act (2006)*, which states that workers are entitled to be compensated at twice their ordinary rate for overtime hours.** In addition, when asked if the wage they earn is sufficient to cover their basic needs, only 5% report it being absolutely sufficient; the majority (80%) reports that it is only partly sufficient⁸. A vast majority of workers listed that their wage can satisfy their basic living needs in terms of food (94%), clothing (89%), and health care (75%), while only some workers report that it can satisfy their expenses regarding housing (30%), education for their dependents (22%), and education for themselves (20%).

The above findings show some workers' lack of awareness regarding their entitled bonuses and benefits, which suggests room for improvement in the factory's training of and communication to workers on the relevant policies and regulations⁹. In addition, workers and management's perception gap on overtime rate may suggest that workers are not well informed on overtime payment. Even though the factory provides pay slips to all workers¹⁰, workers need to be trained to

⁵ 47% of workers indicate that they have received free/subsidized transportation, but only 27% report they have training opportunities.

⁶ Management reports that all above-mentioned leaves are granted to workers, which is more or less in line with the survey results, as most workers report receiving annual leave (88%), public holidays (62%), sick leave (79%), marriage leave (89%), maternity/paternity leave (83%), and personal leave (72%).

⁷ FLA Benchmark C.4 states that all wages, including payment for overtime, shall be paid within legally defined time limits. When law defines no time limits, compensation shall be paid at least once a month. FLA Benchmark C.5 states that all payments to workers, including hourly wages, piecework, fringe benefits, and other incentives, shall be calculated, recorded, and paid accurately.

⁸ 15% report that their wages are not sufficient to cover their basic needs.

⁹ This is a requirement from 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, incentives systems, fringe benefits, and bonuses they are entitled to at the workplace and under applicable laws.

¹⁰ Both management and 100% of workers confirm that a pay slip is provided each time upon payment.

read and understand the items listed on the pay slips and to be aware of their right to question their payment.

2.3 Hours of Work

This section looks into the factory's working hours management system and its daily practices. According to the Management Self-Assessment results, there is no clear distinction between peak and off-peak season. The maximum number of working hours per day is 10 and the maximum number of working days per week is 6. However, the document review shows that average working hours are between 60 and 72 hours when the factory is busy. Workers' responses also somewhat contradict Management Self-Assessment results. 8%¹¹ of workers report that they work more than 10 hours a day for 6 days a week when the factory is particularly busy, and 58%¹² work 10 hours and above for 7 days when the factory is particularly busy. **These figures indicate a violation of Bangladesh Labour Act (2006), which states that the hours of work of an adult worker shall not exceed 60 hours in any week**¹³. The finding also violates FLA benchmarks that clearly state that workers shall be entitled to at least 24 consecutive hours of rest in every 7-day period and that total weekly working hours shall not exceed 60¹⁴. Based on the finding of excessive overtime hours, the factory is advised to: 1) review its current time management system, 2) carefully study the terms and conditions of Bangladesh Labour Act and FLA benchmarks, and 3) introduce new technology and provide skill training to improve productivity.

According to the Worker Survey results, 88% of workers say that all of their working hours are well recorded. The use of swipe cards is noted in the Management Self-Assessment. **In general, workers are, informed of their overtime schedule in advance.** Management reports that they usually inform workers of overtime work in the morning of the same day. 25% of workers who have worked overtime report they are informed of overtime work 1 day or more in advance and 47% of workers are informed in the morning of the same day.¹⁵ However, **it is important to point out that workers are poorly informed of their right to refuse overtime work.** While management reports that they have informed workers on their right to refuse overtime work without any fear of negative consequences, 39% of workers report that they have never been informed that they could do so without any fear of negative consequences. Therefore, the factory is advised to strengthen training and ensure that all workers are aware of their entitled right to refuse overtime without any fear of negative consequences.

2.4 Industrial Relations

The Industrial Relations dimension examines: 1) the function of a factory's current worker participation system and 2) how well workers are integrated into the factory's affairs.

¹¹ 7% work 11 hours for 6 days and 1% work 12 hours for 6 days.

¹² 14% work 10 hours for 7 days, 26% work 11 hours for 7 days, 14% work 12 hours for 7 days, and 4% work 13 hours for 7 days.

¹³ See *Bangladesh Labour Act (2006)* 102.

¹⁴ See FLA's benchmark HOW.1.3 and 2.

¹⁵ The rest 28% are informed in the afternoon or later.

Document review results suggest that a Worker Welfare Committee (WWC), which includes worker representatives, exists in the factory; however, workers display a lack of knowledge of the factory's worker participation system. Worker Survey results show that only around a quarter (26%) of workers are aware of the WWC's existence. A vast majority (74%) of workers do not know that worker representatives exist in the factory. According to management, workers elect all worker representatives and all workers have participated in the elections. However, according to the workers who know of the factory's worker representatives, around half (49%) say that worker representatives are all appointed by management. **Despite most workers' lack of knowledge of the factory's worker representation structure, those who are aware of the existence of the WWC are quite active, as 93% of them have participated in the activities or meetings organized by the worker representative bodies.** The topics with the highest participation rates are salary (66%), working hours (81%) and workers' benefits (73%). Also, among those workers who know of worker representatives, 83% of them consider speaking to worker representatives to be an effective way to solve problems. This suggests that the factory's existing worker representatives play an important role in connecting workers with management and helping workers to voice their concerns and suggestions; therefore, it is very important for the worker representatives to become better known among workers and to fully perform their duties.

Workers' insufficient training on worker participation may explain their lack of awareness of the factory's worker participation system. While management reports that the factory has provided a majority of workers with trainings on worker participation, around two-thirds (63%) are not trained in this regard. Despite the small coverage of the training program, among those who have received worker participation training¹⁶, the quality is considered quite good, as 93% "absolutely" understand the training content. On the other hand, **Worker Survey results suggest that the factory has a more or less relaxed working climate, which may serve as a good foundation for future improvements in its worker participation system.** 89% feel that they get along "very well" with their supervisors and another 10% consider their relationship "more or less ok." A mere 3% feel "quite" nervous when management walks through the production floor¹⁷.

Thus, we can see that there is room for improvement with respect to Industrial Relations. The factory needs to: 1) strengthen its communication with workers about the function of the Worker Welfare Committee and its responsibilities, 2) continue providing high quality training on worker participation to the whole workforce, and 3) encourage workers to participate in the worker representative elections and other activities and meetings organized by the committee.

¹⁶ 24% have received the training once or twice and 13% take part in the training regularly.

¹⁷ 53% do not feel nervous at all, 14% mostly do not feel so, 30% only feel a bit nervous, 1% feels quite nervous, and 2% feel very nervous.

2.5 Workplace Conduct

Workplace Conduct gathers knowledge on the factory's rules and regulations with respect to harassment, abuse¹⁸, discipline, security checks, and workers' access to toilets and drinking water.

Based on the Management Self-Assessment results, the factory has policies on workplace conduct with regard to harassment, abuse, discrimination, and discipline. Most (70%) workers are aware of the existence of related regulations, among whom 57% are very familiar with the terms and 17% are partly familiar. **Some workers reported that they have experienced some forms of harassment (5%) and discrimination (9%).** 4% of workers also reported that they have received fines or penalties for either poor performance or for violating company rules and regulations, indicating a violation of FLA benchmarks¹⁹.

Management indicates that the factory places no restriction on toilet use and drinking water in terms of time or frequency. However, **10% of workers disagree that drinking water is freely available at all times, and 11% report some restrictions on toilet use²⁰, which violates FLA benchmarks²¹.** **Another violation of FLA benchmarks is noted in the factory's practice of security searching.** While management reports that the factory does not perform any form of security search, 85% of workers confirmed the existence of security searches. 80% also report that body searches are a daily practice in the factory. FLA benchmarks state that only body searches undertaken with a legitimate reason are acceptable²².

The reported cases of harassment, discrimination, and restrictions on water and toilet access found in workers' responses contradict the factory's existing regulations. Training on the related policies is necessary—especially for section leaders and line supervisors, who have the most contact with workers on a daily basis—to ensure that the factory's policies and procedures are well implemented on the production floor. In addition, the factory is recommended to: 1) evaluate the necessity of conducting body searches on a daily basis and 2) ensure that such searches are undertaken only with legitimate reason and upon workers' consent.

¹⁸ Shouting and yelling are defined as forms of abuse.

¹⁹ FLA Benchmark H/A.2 states that employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies.

²⁰ 3% report there are restrictions on both time and frequency, 1% report restriction on time only, and 7% report restriction on frequency.

²¹ FLA Benchmark HSE.21 states that employers shall not place any undue restrictions on toilet use in terms of time and frequency.

²² FLA Benchmark H/A.10.2 states that body searches and physical pat downs shall only be undertaken when there is a legitimate reason to do so and upon consent of workers, unless a state official with the power to do so (e.g., police officer) has ordered the search.

2.6 Grievance System

Grievance System examines: 1) the workers' usage of the factory's grievance channels, 2) the factory's practice of how to handle the grievances received, and 3) how the factory might take action to prevent similar problems in the future.

Management Self-Assessment results suggest that there are several available grievance channels²³ for workers to voice their problems and grievances; however, the factory does not have any policy in place to protect workers from retaliation by management. Almost all (92%) workers are aware of the existence of factory's specialized grievance procedure, and a vast majority (87%) confirmed that there is no non-retaliation policy in place. The usage of grievance channels is quite limited among the workers, as a little over a third (36%) of workers who have concerns have used the existing channels to raise their concerns and dissatisfactions.

According to Management Self-Assessment results, all submitted grievances are documented and followed up on by management. In the past 12 months, management reports that the factory has received 15 grievances in total and that all have been handled. Management indicates that the channel through which the factory receives the most grievances is the worker representation structures. However, management's response does not coincide with the previous finding that most workers are not aware of the existence of the worker committee (74%) or worker representatives (74%). On the other hand, workers who have filed complaints report that talking to section leaders or line supervisors is their most frequently used channel²⁴. Therefore, it is very likely that most workers who have submitted grievances did so through section leaders or line supervisors; subsequently, these grievances are not well documented. Lack of systematic documentation may result in management's ignorance of issues that matter most to workers. Workers' responses show that their complaints or suggestions mainly concern wage and benefits (86%)²⁵ and working hours and shift arrangements (78%)²⁶. Management, however, reports that grievances received by the factory are mostly problems with supervisors and co-workers and personal issues. **Despite the shortcomings of the current grievance documentation system, most workers say that management follows up on their grievances:** 92% of those who have filed grievances report that their complaints were addressed and they were given final feedback.

Therefore, the factory is advised to: 1) take necessary measures to train section leaders and supervisors, 2) develop a log book to keep a good record of grievances submitted through all channels, and 3) keep workers updated on the handling process at all times.

²³ According to management, workers can file complaints or express concerns/problems through: 1) suggestion/complaint box, 2) section leaders/line supervisors, 3) department manager, 4) HR staff, 5) factory director or general manager, 6) worker representative, 7) client's/brand's hotline, and 8) factory's hotline/email. Workers also report the existence of specialized grievance channels (92%).

²⁴ Among those who have filed a complaint, most (62%) report talking to section leaders or line supervisors as their most frequently used grievance channel, followed by 27% who report posting a letter in the suggestion box.

²⁵ The figure represents the percentage of those workers who have filed grievances.

²⁶ The figure represents the percentage of those workers who have filed grievances.

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.

Worker Survey and the Management Self-Assessment results show discrepancies between management and workers' opinions on the health and safety at production sites. Overall, 39% of workers consider that their workplace is more or less safe but that it has possible long-term health risks. While management believes that the factory provides workers with all the appropriate and necessary personal protective equipment (PPE), 6% of participants report that the factory does not provide PPE at all, and 37% report that PPE provided by the factory is insufficient.²⁷ The first aid kits are easily accessible, according to 97% of workers. Management reports that no cases of work-related injuries or accidents happened in the factory in the last 12 months, but 13% of workers have witnessed such accidents. **This finding suggests that the factory does not keep a good record of work-related injuries, especially for those minor injuries that cause no lost days. There is also room for improvement in the participation rate of the factory's evacuation drills.** While management reports that all workers are trained on evacuation procedures, a considerable number (38%) of workers have not participated in any evacuation drill, even though they have been in the factory for more than 12 months.

It is highly recommended for the factory to: 1) carefully record work-related injuries or accidents (severe and minor), 2) categorize these incidents, 3) investigate the reasons for each case, and 4) make improvements in: a) the machinery and b) workers' training on workplace health and safety. The factory is also advised to collect workers' feedback in relation to health and safety practices, and to ensure that evacuation drills with full participation are organized in the workplace.

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 procedure on environmental protection, which include a complete chemical inventory, a proper Material Safety Data Sheet, steps to properly fill/inspect/maintain chemical tanks, steps to be taken if there was an accidental release of these substances, and procedures associated with hazardous waste and waste water. However, the training on environmental protection²⁸ offered to employees may be insufficient, as it fails to cover topics associated with chemical storage and chemical usage and management. **Workers display a good knowledge of the factory's regulations on environmental protection**, as all workers know of the policy and procedure; 87% of workers know how to deal with production waste; and 97% of workers recognize the existence of a dedicated area to store production waste. For those workers who use chemicals in their daily work²⁹, all of them (100%) agree that there is a dedicated area to store chemicals. In addition,

²⁷ The rest (57%) report that the factory provides sufficient PPE.

²⁸ The training covers water/effluent treatment system/plant and hazardous waste storage and disposal.

²⁹ According to the Worker Survey, 28% of workers use chemicals in their daily work.

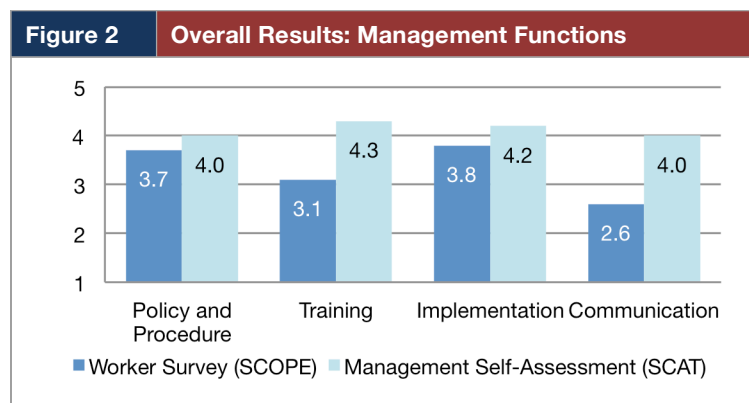
workers are also highly aware of the importance of saving water and energy. Most (98%) workers understand the importance of saving water and energy at the production site.

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 there is a written termination and resignation procedure in place to regulate the factory’s practices in this regard. 96% of workers are also highly aware of the procedure. **While management reports that none of the workers have left the factory without informing management in the last 12 months, 20% of workers report that they have witnessed or heard about their co-workers leaving the factory without telling management.** Workers’ leaving without any notification causes unexpected disruption to the factory’s production, leads to difficulties in human resource management, and results in loss to both the employer and the remaining workers, all of which lead to the instability of the workforce. Moreover, a small number (8%) of workers have witnessed or heard about management firing their co-workers without any reason. Firing workers without following the official termination and retrenchment procedures may create negative feelings among the workforce and undermine their loyalty level³⁰. Therefore, it is recommended for the factory to emphasize the terms regarding: 1) the steps workers must take prior to leaving the factory and 2) the relevant notice period. Further, the factory should strictly follow defined termination and retrenchment procedures and should make efforts to improve communication between workers and management when making any human resource decision.

2.10 Management Functions

The assessment also analyzes the factory’s performance in regards to 4 Management Functions: Policy & Procedure, Training, Implementation, and Communication. This allows for comprehensive detection of potential risks and systemic failures. Worker Survey results (see Figure 2) show that more efforts should be invested in Training and Communication.



The orientation training fails to cover the whole workforce, as 13% of workers have never participated in orientation training. The coverage of training on worker participation and communication is even smaller: 63% have never received such training, which may explain some workers’ low level of knowledge on the factory’s worker participation policies.

³⁰ FLA Benchmark ER.32.5 states that the termination and retrenchment plan should be clearly communicated and posted, and should include feedback channels for workers to ask questions and seek clarifications.

Communication measures worker-management communication with respect to Hours of Work and Industrial Relations. Workers are, in general, informed of their overtime schedule in advance, as 25% of workers who have worked overtime report they are informed of overtime work 1 day or more in advance and 47% of workers are informed in the morning of the same day. However, workers are poorly informed of their right to refuse overtime work. While management reports that they have informed workers on their entitled right to refuse overtime work, 39% of workers report that they are not told so. In terms of communication regarding Industrial Relations, it is noted in the Worker Survey that the feedback on discussions between worker committee and management are not well communicated to the workers, as 41% have never received such feedback. The above findings suggest that the factory should make efforts to encourage frequent and regular worker-management communication by: 1) providing training to management at all levels on communication skills and 2) supporting worker committee or other worker representative bodies so they can fully perform their duties.

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 factory's working and living conditions and their tendency to leave.

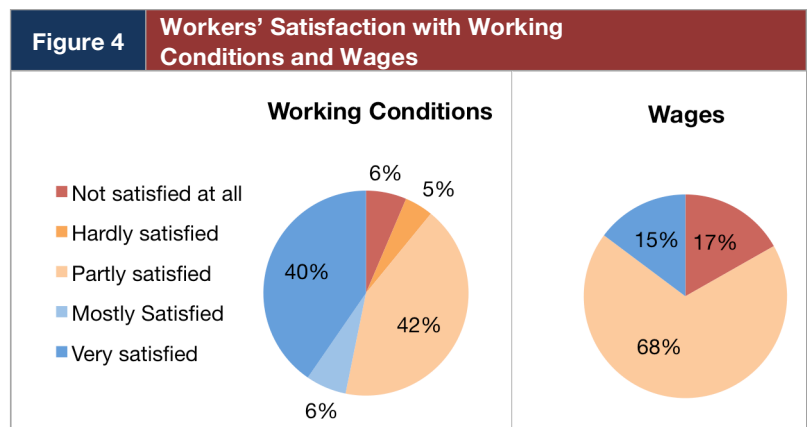
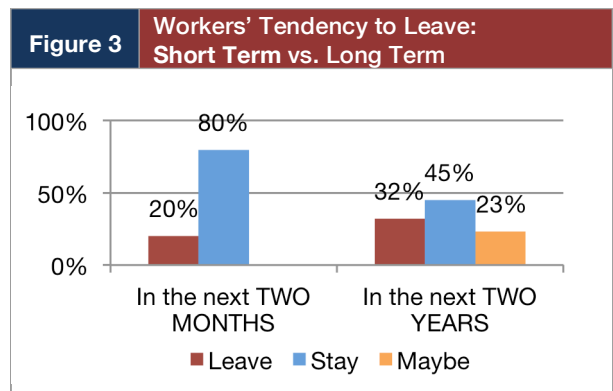
In general, workers display a low level of loyalty towards the factory. As illustrated in Figure 3, 20% of workers intend to leave the factory in the short run and around a third (32%) intend to leave in the next 2 years.

In addition, a considerable number (23%) of workers are uncertain about whether to stay or not.

Workers display a strong satisfaction with their working conditions, but a passable level of satisfaction with their wages.

Figure 4 shows that while 40% of workers are "very satisfied" with their working conditions, the vast majority (68%) is only "partly satisfied" with their wages.

Workers' passable satisfaction level may lead to an unstable workforce. As these workers do not feel a strong connection to the factory, if another nearby factory can provide a better benefit package, this factory could easily lose these 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:

- Industrial Relations positively correlates with Compensation and Grievance System³¹. Workers who are active and engaged in the worker representative bodies and have good communication with the management also tend to display higher levels of satisfaction with their wages and benefits and are more willing to use grievance channels to raise their complaints.
- There is a positive correlation between Grievance System, Compensation, Workplace Conduct and Termination & Retrenchment³². Workers who are willing to use grievance channels to voice their concerns also tend to display higher levels of satisfaction with their wages and benefits and higher levels of awareness of the factory's workplace conduct regulations and termination and retrenchment procedures.
- Within the 4 management functions, a positive correlation is found between Training, Policy & Procedure and Implementation³³. In addition, Communication positively correlates with Implementation³⁴. More comprehensive training programs and communication system can improve workers' knowledge of the factory's current policies and procedures, and ensure that these regulations are well implemented on the production floor.

The above findings suggest that the factory should make efforts to: 1) strengthen worker-management communication and 2) offer more comprehensive trainings, including orientation training and on-the-job training, to encourage worker integration and usage of grievance channels.

³¹ The correlation coefficient between Compensation and Industrial Relations is 0.408 (statistically significant at 0.01 level). The correlation coefficient between Grievance System and Industrial Relations is 0.530 (statistically significant at 0.01 level).

³² The correlation coefficient between Grievance System and Compensation is 0.724 (statistically significant at 0.01 level). The correlation coefficient between Grievance System and Workplace Conduct is 0.511 (statistically significant at 0.01 level). The correlation coefficient between Grievance System and Termination & Retrenchment is 0.676 (statistically significant at 0.01 level).

³³ The correlation coefficient between Training and Policy & Procedure is 0.492 (statistically significant at 0.01 level). The correlation coefficient between Training and Implementation is 0.590 (statistically significant at 0.01 level).

³⁴ The correlation coefficient between Communication and Implementation is 0.455 (statistically significant at 0.01 level).